



National Audit Office

## Helping people from workless households into work

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# KEY FACTS

## Workless households

### What are workless households and who lives in them?

- A workless household is a household that includes at least one person of working-age (men aged 16-64 and women aged 16-59), where no one in the household aged 16 or over is in employment.
- There are almost three million workless households in the United Kingdom, which represent 15.8 per cent of all working-age households (spring 2006).
- Over 4.21 million people of working-age and 1.74 million children (15.3 per cent of all children in working-age households) live in workless households in the United Kingdom (spring 2006).
- Over 50 per cent of the poor of working-age live in households where nobody works (2004).
- 80 per cent of workless households are economically inactive – they have no working-age members who are actively seeking work (spring 2006).
- Workless households comprise: one person households without children (33 per cent), lone parents (24 per cent), couples with children (9 per cent) and other households with and without children (1 and 33 per cent respectively) (spring 2006).
- Some ethnic groups are more likely to live in a workless household than others. The proportion of all working-age people living in workless households is highest for the Pakistani and Bangladeshi ethnic groups, at 22.3 per cent, and lowest for the Indian ethnic group, at 6.8 per cent (spring 2006).
- Low qualified people are more likely to live in workless households than higher qualified people – 34 per cent of workless households have a household reference person<sup>1</sup> with no qualifications, compared to 14 per cent of all households (spring 2006). (Appendix 2 provides a map showing the geographical distribution of people with no or low qualifications.)
- The employment rate of lone parents has increased from 38 per cent in 1993 to 56.5 per cent in 2006, compared to an overall employment rate of 74.5 per cent in 2006.
- People with disabilities are more likely to live in workless households. Some 51 per cent of those living in workless households have a long-term disability (spring 2004).

### Spending

Over 4.5 million people claim working-age benefits, totalling over £15.9 billion a year.

The total cost of workless households in benefits is difficult to calculate with precision, as the benefits data does not record the household status of claimants; however, we estimate the cost to be £12.7 billion a year, including £3.4 billion on benefits for lone parents. This figure does not include the cost of Housing Benefit or Council Tax Benefit.

Source: National Audit Office Analysis of Department for Work and Pensions data, Office for National Statistics data and literature review

### NOTE

- <sup>1</sup> A household reference person is the householder in whose name the accommodation is owned or rented.

## Key government targets

### Target

**Child poverty:** Eradicate child poverty by 2020, with two milestones in its reduction: (1) by a quarter between 1998-99 and 2004-05, and (2) by a half by 2010-11.

Reduce the proportion of children living in workless households, in Great Britain, by five per cent between spring 2005 and spring 2008 (Target in Spending Review 2004).

Reduce the proportion of children in households with no one in work between spring 2003 and spring 2006 by 6.5 per cent (Target in Spending Review 2002).

**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.

**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 achieve Level 2 or higher between 2003 and 2006.

### Employment rates:

Aspiration is 80 per cent employment rate for all of working age.

Over the three years to spring 2006, **increase the employment rate of lone parents** (by at least two percentage points) and significantly reduce (at least two percentage points) the difference between the employment rate of this group and the overall rate (Target in Spending Review 2002).

Over the three years to spring 2008, **increase the employment rate of lone parents** (by at least two percentage points) and significantly reduce (at least two percentage points) the difference between the employment rate of this group and the overall rate (Target in Spending Review 2004).

### Performance (to date)

Milestone 1 not met – 23 per cent reduction by 2004-05. Milestone 2 not likely to be met

Likely to be met – three per cent reduction between spring 2005 and spring 2006

Not met – 5.3 per cent reduction by spring 2006

Milestone met and target likely to be met. 1.619 million achieved by the end of 2006

Interim target achieved – 1.141 million (end of 2006)

Employment rate is 74.3 per cent in 2007

Targets met – employment rate increased by 3.5 percentage points and gap reduced by 3.7 percentage points

Unlikely to be met – between spring 2005 and spring 2006 – no change in employment rate and gap reduced by 0.2 percentage points

# SUMMARY

## Summary and recommendations

**1** Taken as a whole, the current range of employment programmes has been successful for those who participate in them. More people are in work than ever before and both the New Deal for Lone Parents and the New Deal for Partners have been successful in helping participants into work, particularly in respect of lone parents whose employment rate has improved steadily since 1992. Early results for the Pathways to Work programme for incapacity benefits claimants show promising results. At the same time there remain almost 3 million households where no one of working age is working with a cost in terms of welfare benefits which we estimate at £12.7 billion a year.<sup>a</sup> Many people in workless households face multiple barriers to work and the Department for Work and Pensions needs to engage more of those people and households most distant from the labour market.

**2** Evidence suggests that many adults in workless households would like to work, but that they face multiple barriers to work, such as low skills, disability, a lack of affordable and flexible childcare, or caring responsibilities and may have been on benefits for a long time. People in workless households do not belong to any particular benefit group; many are on incapacity benefits, many are lone parents on Income Support, some are on Jobseeker's Allowance, and some do not claim any benefits. Two of the Department for Work and Pensions' employment programmes, the New Deal for Lone Parents and the New Deal for Partners, are aimed at workless households. However, people in workless households can access all the Department's employment programmes, delivered by Jobcentre Plus or private sector providers, although this may depend on the type of benefit they are claiming, and for certain pilots and area-based initiatives, where they live. We focus on the programmes most likely to be

accessed by people from workless households. Figure 1 lists the major employment programmes that people from workless households can access, and key data about each programme. Care should be taken in making comparisons between programmes, as they serve different client groups, some with many barriers to work requiring considerable assistance, some with fewer barriers and requiring less assistance. This has an impact on the results programmes achieve in terms of job outcomes and cost per job.

**3** This report focuses on employment and skills services for the people from workless households. Although people from workless households have a range of skill levels and training needs, the low-skilled are over-represented in workless households, so our discussion of support for skills focuses on access to basic skills support, and outreach/engagement provision which can often be a first step into learning for low-qualified, disadvantaged adults. Many workless households include young people not in education, employment or training, however we have not included specific analysis of this issue. This report does not cover employment and skills issues specific to:

- ethnic minorities – we plan to publish a separate report on increasing the employment rates for ethnic minorities; and
- sustainable employment – we plan to publish a separate report that will examine the support available to help people stay in work and advance.

This report focuses on employment and skills services in England because the Scottish Parliament and the Welsh and Northern Irish Assemblies have devolved responsibilities for education and skills policies.

<sup>a</sup> This figure is a conservative estimate and does not include Housing Benefit or Council Tax Benefit.



Employment programmes have helped many people into work; however, relatively few people from workless households participate in these programmes

**4 Both the New Deal for Lone Parents and the New Deal for Partners have been successful in helping participants into work, but more needs to be done to encourage more people to participate.** To date, around half a million people who have participated in either the New Deal for Lone Parents or the New Deal for Partners have entered jobs (**Figure 1**). In 2005-06, between 43 and 48 per cent of participants on these programmes entered employment.

**5** The employment rate for lone parents has improved steadily since 1992, but at the current rate of progress the Department for Work and Pensions is unlikely to

achieve its lone parent employment rate targets<sup>b</sup> unless more people are encouraged to participate in New Deal for Lone Parents – for example in November 2006, seven per cent of workless lone parents were participating in New Deal for Lone Parents.

**6** Participation in the New Deal for Partners has been small. Once on the programme half of participants find work but only around 200 people join the programme each month. Data on take-up of invitations to participate shows that very few partners participate even after attending a mandatory work-focused interview. It is likely that the low participation can be addressed with a strategy that better reflects the needs of partners, together with a better understanding of the needs of partners and their barriers to accessing support, and improvements to the confidence and experience of the Jobcentre Plus personal advisers in working with partners.

## 1 The main employment programmes that people from workless households can access

Programme	When did it start?	Who is it for?	How many participants? <sup>1</sup>	How many job outcomes? <sup>2</sup>	How much has it cost? <sup>3</sup>	How much did it cost per job in 2005-06? <sup>4</sup>
<b>New Deal for Lone Parents</b>	1998	Lone parents	748,000	498,000	£322 million	£840
<b>New Deal for Partners</b>	1999	Spouses or partners of benefit claimants	15,000	6,000	£34 million	£2,300
<b>New Deal for Young People</b>	1998	18- to 24-year-olds unemployed for six months	1,175,000	732,000	£2,596 million	£2,620
<b>New Deal 25 Plus</b>	1998	Over-25s unemployed for 18 months	685,000	286,000	£1,279 million	£3,530
<b>New Deal 50 Plus</b>	2000	Over-50s unemployed for six months	81,000 <sup>5</sup>	72,000 <sup>5</sup>	£278 million	£435
<b>New Deal for Disabled People</b>	2001	Unemployed people with a disability	242,000	134,000	£312 million	£2,370
<b>Pathways to Work</b>	2003	Incapacity benefits claimants	100,000	32,000 <sup>6</sup>	£304 million	£2,970
<b>Employment Zones</b>	2000	Unemployed people who live in a zone	163,000	78,000	£530 million	£4,770

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

### NOTES

- 1 Number of programme participants up to January or February 2007.
- 2 Number of job outcomes up to November 2006. This figure does not reflect the length of time that individuals stay in work.
- 3 Total cost of programme to end of March 2007. The total cost for each New Deal does not include administration expenditure after 2002-03.
- 4 Cost per job is the total cost of the programme, divided by the total number of job outcomes.
- 5 Participation and outcome data for the New Deal 50 Plus starts in January 2004.
- 6 Job outcomes to March 2006.

<sup>b</sup> The targets are: (1) to increase the lone parent employment rate by at least two percentage points and (2) to reduce the difference between this group and the overall rate by at least two percentage points over the three years to spring 2008.

**7 More is being done to help people on incapacity benefits into work.** Over half of people in workless households have a long-term disability and the Department for Work and Pensions and Jobcentre Plus have recently increased their efforts to help people on incapacity benefits into work. This is an important measure, as nearly 50 per cent of all people dependent on benefits (both workless households and other households) are on incapacity benefits.

**8** Incapacity benefits claimants can access support from a personal adviser through Jobcentre Plus offices, and Pathways to Work, a programme which provides additional support through:

- a personal adviser, who can help people find work by diagnosing barriers to employment and providing assistance to overcome them;
- the Condition Management Programme, designed to help people manage their health condition in a work environment; and
- financial assistance during the first year of employment.

Pathways to Work was first piloted in a number of areas in 2003. It has since been rolled out to 40 per cent of the country and by April 2008, the programme will be made available to all new claimants of incapacity benefits. Early results of Pathways show it is increasing exits from incapacity benefits by around eight percentage points at six months.

**9** The percentage of participants in New Deal for Lone Parents and New Deal for Partners who enter employment has been declining with time. This pattern is mirrored by other employment programmes where this percentage has been declining or stable for some years. The reasons for these patterns are unclear – one possibility is that programmes have helped those who can most easily enter the labour market and are now helping those requiring more support.

**10 Many people in workless households do not engage with mainstream employment programmes. This means that effective outreach strategies are essential.** The New Deal programmes mainly draw in people who are actively seeking work (Jobseeker's Allowance claimants) and the Pathways to Work pilot is currently aimed at people making a new (or repeat) claim for incapacity benefits, although existing incapacity benefits claimants can volunteer to

participate. However, many workless people have been claiming incapacity benefits for some time, and as a result are not automatically offered the chance to participate in New Deal or Pathways. For example, 1.6 million people have been on incapacity benefits for more than five years. Many of these people would like to work, given the right support and encouragement, and outreach services can bring them closer to work. There are examples of innovative outreach activity from Jobcentre Plus and other bodies. However, outreach activity is currently small scale and there is no clear strategy for outreach.

**11** Community-based services and private sector providers are often well placed to engage with the most disadvantaged households. They have a presence in many places, and some people see them as more approachable than a formal agency like Jobcentre Plus. At the moment, efforts to target workless people in many areas are hampered by ineffective arrangements for sharing data on where economically inactive clients live. Many outreach providers expend a great deal of effort just on making contact with clients furthest from the labour market. While there are innovative examples of outreach activity, it is currently fragmented and few outreach providers evaluate their work. Even where evaluation of outreach services shows they are worthwhile, it can be difficult to apply successful models more widely. Outreach is often very labour-intensive, making it costly to transfer elsewhere, and is also often tailored to local needs, potentially reducing the transferability of programmes.

**Many people in workless households have multiple barriers to getting work. To address their needs comprehensively requires flexible, tailored assistance and effective partnership working**

**12 People in workless households are likely to face multiple barriers to work.** Employment programmes have been very successful at helping many people into work, and the number of workless households has reduced in the last 10 years. However, the greatest reduction has been in households where individuals are actively looking for work, and where there are few barriers to work. Today, the households where no one is working are likely to be households where people have been dependent on benefits for a long period and where people have multiple disadvantages or barriers to work.

**13 Tailored, flexible support is required to tackle multiple barriers.** The tailored support in New Deal and other employment programmes is helping people overcome many barriers but people still tend to enter employment programmes based on the type of benefit they are receiving, which constrains the services they can access. The need for a more flexible 'menu' of assistance was identified in Building on the New Deal<sup>1</sup> but a fully personalised service, (for example, where someone with a disability, low skills and childcare needs can easily access support to help them manage their health condition at work, training and childcare assistance) is not yet available except in a small number of pilot programmes.

**14** Jobcentre Plus personal advisers and other providers of employment services have made good use of a personalised, case-management model, which involves ongoing one-to-one contact with lone parents and other out-of-work individuals. The next challenge, if the most disadvantaged families are to be helped into work, is to extend this personalised service model to families and households, identifying barriers to work that exist within the household and packaging assistance for total household needs. From April 2007, the Jobcentre Plus target structure has been amended to give a clearer focus and incentive for Jobcentre Plus staff to focus on helping parents into work.

**15 Effective partnership working is required to tackle multiple barriers.** Helping people into work requires a sound understanding of the local labour market and the barriers experienced by people in the local community. This makes effective local collaboration essential and the Learning and Skills Council and Jobcentre Plus are both increasing their involvement and collaboration with Local Strategic Partnerships.<sup>c</sup> The expanding network of partnerships helps generate local solutions, but working in this way is increasing the demands on staff. The agencies have responded by reviewing their operational approach and putting greater resource into partnership engagement, but this area will remain a future challenge.

**16** The Department for Work and Pensions is also piloting the City Strategy, an ambitious attempt to give local partners in 15 disadvantaged areas the chance to innovate and tailor services to meet local needs. City Strategy consortia, that bring together all organisations with an interest in employment, are identifying key local priorities, and where possible pooling funding to provide flexible support and join up the many different services on offer. The approach is being piloted over two years from April 2007, so at this stage it is too early to tell if they will deliver a step change in service.

**17** The Department for Work and Pensions and Jobcentre Plus are implementing new models of service delivery to make services more responsive to individual and local needs. Private sector providers have been used in Employment Zones for some time to case-manage clients on New Deal programmes and the Department is implementing a similar model to support the national roll-out of its Pathways programme. In the City Strategy, approaches to join up service delivery are being tested. It is essential to test new approaches if significant reductions in worklessness are to be made, and considerable work is being undertaken to develop and implement performance measures.

### Value for money statement

**18** The New Deal for Lone Parents has been successful at helping many lone parents into work and provides value for money. Although New Deal for Partners is successful in helping those who participate into work, very few people join the programme. The value for money of both programmes could be improved by encouraging more people to participate, by taking action on the recommendations made below. The New Deal programmes have been extensively evaluated and the Department for Work and Pensions monitors the cost-effectiveness of its various employment programmes. However, the Department and Jobcentre Plus face rising expectations from Government and the community. As unemployment has reduced, the Government has set a challenging aspiration that 80 per cent of all working-age adults will be in work. To meet this target more of the longest term and hardest-to-reach benefits claimants, many of whom are in workless households, will need to be assisted into work.

**19** In order to deliver more support to the people furthest from work without losing the advantages that New Deal programmes are delivering to their existing client groups, the Department for Work and Pensions and Jobcentre Plus have to make decisions on spending priorities by client group. The most complex clients require intensive assistance, which increases the cost per job outcome, but the potential return is high because people with multiple disadvantages are usually on benefits for longer periods. Helping the most disadvantaged into work also brings wider economic and social gains well in excess of the benefit savings.

<sup>c</sup> Local Strategic Partnerships are non-statutory, multi-agency partnerships, with a reach that match local authority boundaries. They bring together at the local level the different parts of the public, private, community and voluntary sectors.

## Conclusions and recommendations

**Employment programmes have been successful for those who participate, but many people in workless households do not take part. The Department for Work and Pensions needs to engage more of those people and households most distant from the labour market.**

- i Outside mainstream services, external providers and voluntary sector organisations have shown that they are well placed to engage with out-of-work people and are using innovative strategies to engage the hardest to help.
  - As a priority, Jobcentre Plus and the Learning and Skills Council should build on their work with partnerships, such as Local Strategic Partnerships and through the City Strategy Consortia, to develop local strategies for outreach services.
  - The Department for Work and Pensions can also do more to support outreach providers. A first step would be for the Department to develop clear protocol on how non-personalised information on locations of worklessness can be shared with other parties.
- ii The Government has committed to challenging targets for reducing child poverty, and this can be reduced if all adults in the household are given support to enter work. The New Deal for Partners engages with partners of benefit claimants, but more needs to be done to reach these partners, and to understand the needs of partners, their barriers to accessing programme support and worklessness as a family problem. The Department for Work and Pensions will be introducing regular six monthly work-focused interviews for partners of Jobseeker's Allowance claimants from April 2008. In conjunction with this, personal advisers may need support to increase their confidence and expertise in advising partners about overcoming barriers to employment that relate to the family. Jobcentre Plus are currently providing additional, specific training for lone parent advisers in using persuasive/selling techniques to gain customers commitment to finding and sustaining work. This training may form the basis, after evaluation, of support for engagement with partners.

**A wide range of support is available to help people make the transition to work, but perceived and actual barriers persist. Jobcentre Plus and local partners can do more to improve awareness of available support, and to join up services in integrated pathways.**

- iii Although many measures have been introduced to smooth the transition to work, and to make it financially worthwhile to be in work, awareness of them is not always high. This reduces their power as incentives, as well as their effectiveness in reducing in-work poverty. Jobcentre Plus has done some work to improve awareness of the financial benefits of being in work, and needs to continue to improve client awareness of these measures (which include benefits from other bodies, such as Council Tax Benefit). Better-off calculations have proved to be a powerful tool at informing people to consider leaving benefit and entering work. Jobcentre Plus has implemented a national minimum standard requiring that better-off calculations are conducted at 20 per cent of interviews and needs to continue to ensure that these calculations are offered consistently at work-focused interviews – this would increase motivation to look for work, and help people to target their job search.
- iv People from workless households often face multiple barriers to work and need to access many services. Early assessment, and support in moving from one stage of preparation to the next, are important for the people furthest from work. The Department for Work and Pensions and Jobcentre Plus should ensure that people with multiple barriers are given early entry to programmes. Jobcentre Plus, as a key service delivery agency, and the Learning and Skills Council, which does not deliver services but is the major commissioning body for further education services, need to take the lead in working with all service providers to develop clear and integrated client service pathways. These service pathways should ensure that clients' needs are assessed as early as possible, and people access the services they need as they are ready for them. This needs to be supported by common management information and sharing of client information to ensure that clients can be tracked through their journey towards work, providing data protection requirements allow.

- v Many people in workless households are deterred from looking for work because their family responsibilities or health problems mean they cannot commit to full-time work or fixed hours. The Department for Work and Pensions has made a commitment that where flexible working arrangements are available, Jobcentre Plus adverts will state this, and personal advisers will tell customers about their right to request flexible working. In addition, Jobcentre Plus labour market recruitment advisers could play a role by encouraging employers to think about opportunities for flexible work when they list vacancies and by promoting to employers the benefits of family-friendly policies. Local partnerships should investigate the potential for flexible work brokerage schemes such as 'Slivers-of-Time' (see Case Study 4 on page 34), and ensure that partnership members are themselves promoting flexible work opportunities where possible.

**Government is increasingly focusing on partnership working and localised service delivery as key strategies for reducing worklessness. Central agency decisions and practices need to support this approach.**

- vi The increasing focus on local empowerment, regenerating local communities, and tailoring services to the needs of the local economy requires full engagement from Jobcentre Plus district staff and the Learning and Skills Council local partnership teams if it is to be successful. Both need to ensure that they understand the increasing responsibilities of district and local staff to engage with local partners that this approach brings and resource these responsibilities appropriately.
  - vii Changes to service provision proposed centrally also need to consider the implications in the emerging, localised approach to services. The Department for Work and Pensions is investigating ways to ensure local input and flexibility in its new centralised procurement model, and future changes will need to take the same approach.
- In order to reach the Government's aspiration of an 80 per cent employment rate more needs to be done to reach a greater number of out-of-work people who are not actively seeking work. The current balance of investment – by programme, activity and client group – needs to be reviewed to assess whether it is optimal.**
- viii To achieve the Government's aspirational employment rate of 80 per cent will need around one-fifth of the economically inactive population to move into work – one million less people on incapacity benefits, one million more older workers in work and 0.3 million more lone parents in work. Many of these people have little engagement with employment and education services and currently most of the spending within employment programmes is on people actively seeking work (Jobseeker's Allowance claimants). The Department for Work and Pensions needs to review the allocation of expenditure by client group and assess the return on investing more on service provision for the groups most distant from the labour market.
  - ix Mapping of service delivery at a local level also shows that the bulk of funding and activity is concentrated on job search activities and other preparation activities. Local Strategic Partnerships and/or City Strategy consortia provide an opportunity for assessing the total allocation on different activities in their clients' progress towards work, and for assessing the benefits of devoting a greater proportion of funding and activity to engage people in employment programmes in the first place.

# PART ONE

## Introduction – about workless households

### Although more individuals are in work, there are many households where no one works

**1.1** The United Kingdom is experiencing strong employment rates, with more people in work than in the past (74.5 per cent), and it has the highest employment rate among the comparative industrialised countries. The Government's long-term goal is employment opportunity for all, with an aspirational employment rate of 80 per cent of working-age people in work. Improvements have been made in employment rates for groups that were previously furthest behind. Nearly every disadvantaged group that the Government has targeted (e.g. lone parents, older workers, ethnic minorities and disabled people) has seen its 'employment gap' reduced, the only exception being the lowest skilled.

**1.2** However, the growth in employment has been unevenly distributed across the community. Most employment growth during the 1980s was enjoyed by people in households where someone was already in work. While the total number of workless households reduced, the proportion of households with no working adult more than doubled from 6.5 per cent to 14.3 per cent between 1979 and 1990.

**1.3** This polarisation into 'work-rich' and 'work-poor' households has persisted and in the United Kingdom there are now almost three million workless households, representing 15.8 per cent of working-age households. Internationally, the United Kingdom has one of the highest rates of people living in workless households (**Figure 2**).

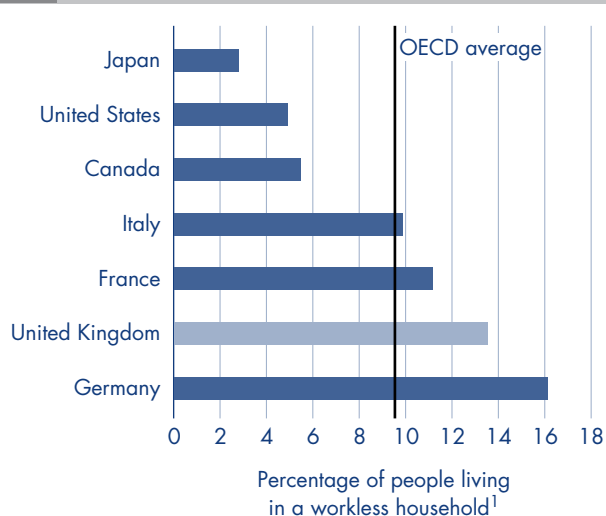
**1.4** Only a part of the growth in workless households can be explained by changing household structures and the growth in single-person households. Commentators<sup>d</sup> have suggested a number of other reasons, including changes in where jobs are located and the fact that taking a low-wage job 'pays' better for households where someone is already in work. Many workless households are now experiencing longer durations of worklessness than in the past,<sup>e</sup> and today people in workless households are less likely to move into work than people in households where someone is already in work.

**1.5** **Figure 3** provides a breakdown of workless households by household type. Trends over time show that the greatest reductions in workless households have been for lone parent households and couples with children.

<sup>d</sup> For example, Gregg, P., Hansen, K. and Wadsworth, J. *Measuring the polarisation of work across households*, 2000.

<sup>e</sup> In 2001, only 16 per cent of workless households included at least one household member who had worked in the previous year (compared with 32 per cent in 1992), and more than 62 per cent of households had been workless for more than three years (compared with 45 per cent in 1992).

## 2 Internationally the United Kingdom has one of the highest rates of people living in workless households

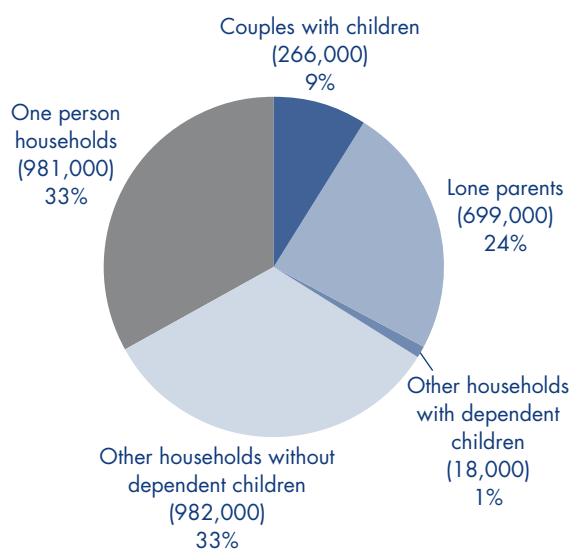


Source: *Society at a glance, 2006, OECD*

### NOTE

<sup>1</sup> Workless households with a working-age head as a percentage of the total population, in 2000.

## 3 Workless households – household type (spring 2006)



Source: *Work and worklessness among households, Office for National Statistics, July 2006*

## The impact of living in a workless household is far-reaching

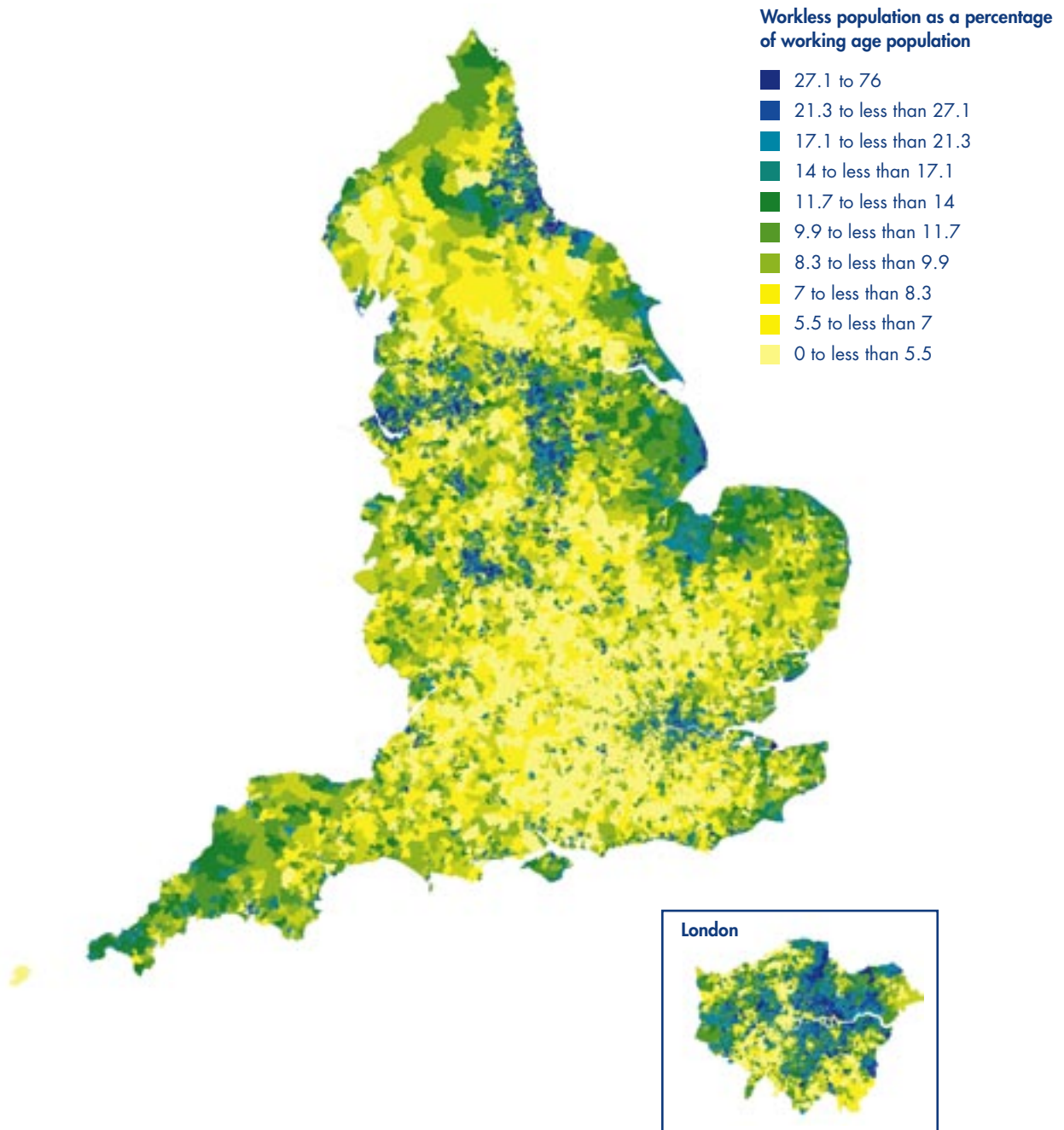
**1.6** Over 4.2 million people of working-age and 1.74 million children live in workless households<sup>f</sup> in the United Kingdom. The impact of living in a workless household can be wide ranging.

- Being out of work has a negative impact on health and well-being.<sup>2</sup>
- Adults in workless households, and children growing up in these households, are more likely to live in poverty. Over 50 per cent of the working-age poor live in workless households.
- People are less likely to work if no one else at home works. Partners of people who do not work are less likely to work, and young people growing up in workless households are less likely to take part in employment, education or training.
- Workless households are often concentrated in particular neighbourhoods, including areas of social housing, where worklessness and poverty are part of a cycle of disadvantage: including ill-health; crime; substance abuse; lower levels of attainment at school and family breakdown.
- While not all people in workless households lead chaotic lives, some do, and research indicates that the benefit costs of supporting people with high needs are only about one-third of the total costs for support.<sup>3</sup> Other service costs include health and social care, housing, drug service and the criminal justice system.

**1.7** The distribution of workless households mirrors that of the workless population (**Figure 4 overleaf** and Appendix 2 provide maps of these populations). Workless households are concentrated in urban areas such as London, Birmingham, Liverpool and Manchester. Regionally, around one in five households in London and the North East are workless. In inner London, one in four households are workless.

<sup>f</sup> In spring 2006.

## 4 Where workless people live



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



**1.8** Differences in the rate of worklessness within regions are greater than the differences between regions. Most concentrations of worklessness are in a relatively small number of local authority districts – 60 per cent of workless households are found in 40 districts. At ward level, the uneven distribution of worklessness is even more apparent – 25 per cent of concentrations of worklessness are in three per cent of wards and 60 per cent of all concentrations of worklessness are in 10 per cent of wards.

## Many people in workless households are a long way from the world of work

**1.9** People who are not working may be unemployed, which means they are available for and looking for work, or economically inactive, which means they are not working, not looking for work and/or not available for work. Unemployment figures usually only measure the people who are available for and actively looking for work. While the total number of workless households has reduced since 1996, the bulk of this reduction has been in the households closest to the labour market, where at least one person in the home is looking for work (**Figure 5: 'Mixed'**

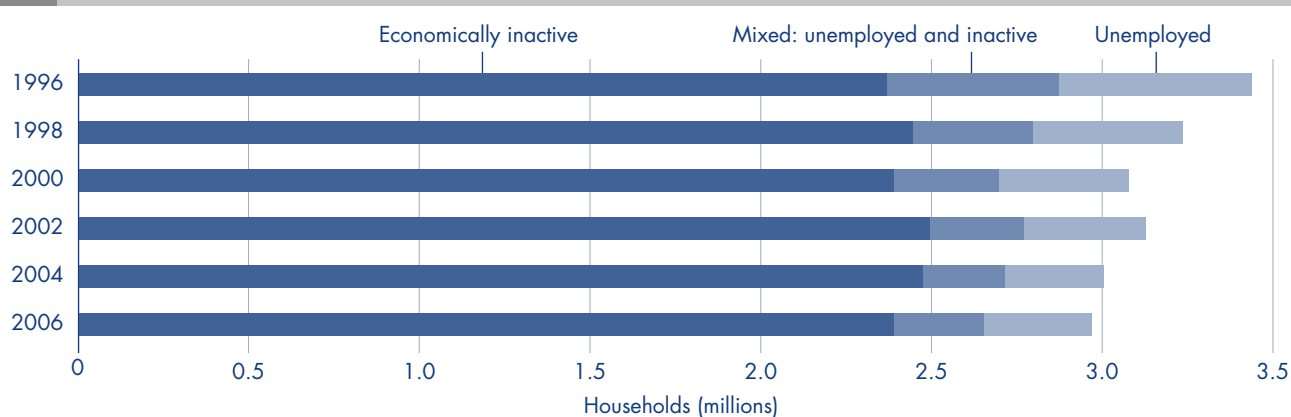
and 'Unemployed' categories). The number of households where all the adult members are economically inactive have changed little and now account for 80 per cent of all workless households.

## The pathway from inactivity to employment

**1.10** People from workless households face a wide range of barriers to work (**Figure 6 overleaf**). While many people in the community experience these disadvantages, people in workless households are more likely to face multiple disadvantages, for example having low skills, poor health and living in social housing.

**1.11** The Government offers a wide range of support to address the barriers to employment and many agencies and programmes are helping people move along the path from economic inactivity to employment (**Figure 7 on pages 17 and 18**). Appendix 3 provides more details of the main employment and education programmes available that people from workless households can access.

**5** Over the last ten years, the number of workless households has reduced but the number of economically inactive workless households has not changed



Source: National Audit Office analysis of data from the Office for National Statistics

## 6 People from workless households face a range of barriers to employment

### Low skills

Just over a third of workless households have no qualifications

### Social housing

Half of workless households live in 'social rented' accommodation (local authority or housing association)

### Poor health or disability

Half of all adults living in workless households have a long-term disability

### Lack of recent work experience

Over 60 per cent of workless household have been workless for more than three years

### Living in concentrations of worklessness

60 per cent of all concentrations of worklessness are in 10 per cent of wards

### Caring responsibilities

Over a third of workless households have children

**Low motivation, aspiration or confidence**

**Poor job search skills**

### Poor social networks

46 per cent of recruits get their job by personal contacts and/or direct application

### Cultural and language barriers

Around 15 per cent of people in ethnic minorities have identified poor English as a barrier to work

**Poor financial incentives and real or perceived financial barriers to move into work or study**

**Limited local job opportunities**

**Poor local transport**

**Real or perceived discrimination by employers**

Source: National Audit Office literature review

## 7 A range of support is available to help people from workless households into work

Intervention	Organisations involved	Support available
Employment programmes for lone parents	Department for Work and Pensions, Jobcentre Plus, Employment Zone providers	<p><i>New Deal for Lone Parents</i> helps participants look for and prepare for work, and provides advice and financial assistance to overcome barriers to work. Expert personal advisors assist with issues such as job search, training, and childcare and can provide referrals to other sources of help such as debt help. Help with the costs of going back to work and in-work support are also available.</p> <p>Pilot programmes, including <i>New Deal Plus for Lone Parents</i> (which provides an enhanced package of assistance including in-work premium, work-search credit and childcare tasters) also operate in some areas.</p>
Employment programme for partners of benefits claimants	Department for Work and Pensions, Jobcentre Plus	<i>New Deal for Partners</i> now has the same package of support that is available from <i>New Deal for Lone Parents</i> .
Employment programmes for those on incapacity benefits	Department for Work and Pensions, Jobcentre Plus, private sector providers, NHS	<p><i>New Deal for Disabled People</i> provides access to a local job broker who can provide advice about how to get a job, help with matching skills and abilities to employer needs, and support on starting work. Job brokers can include help with completing application forms and writing CVs, interview preparation and advice on vacancies available locally. Job brokers also work closely with providers of training and other provision where customers need additional help.</p> <p>The <i>Pathways to Work</i> pilot offers a package of measures. These include ongoing support from a personal adviser through a series of work-focused interviews and action planning to encourage a strong focus on a return to work. It also offers access to a wide range of specialist employment programmes, referrals to work-focused rehabilitation support; and financial support when in work.</p> <p>A range of other programmes also offer specialist support to people with disabilities including: <i>Access to Work</i>, <i>Workstep</i> and <i>Work Preparation</i>.</p>
Other national employment programmes	Department for Work and Pensions, Jobcentre Plus, private sector providers	There are <i>New Deal</i> programmes for young people, those over 25, and those over 50. Each programme has different elements but they all provide access to a personal adviser who can help in looking for work and advice on overcoming barriers to work.
Pilot employment programmes	Department for Work and Pensions, Jobcentre Plus, Department for Innovation, Universities and Skills, Learning and Skills Council	Pilot programmes are used to test different models of service delivery in a number of geographical areas across the United Kingdom. Examples include <i>New Deal for Skills</i> , <i>Working Neighbourhood Pilots</i> and <i>Action Teams for Jobs</i> .
Local employment programmes	Public, private and voluntary sector organisations, Local Strategic Partnerships, City Strategy Consortia	A wide range of programmes provide support to meet local needs. Some provide more intensive support to help those most distant from the labour market. Many work with employers to identify vacancies and the competencies needed by successful candidates and train people in the skills they need to take up these vacancies.

## 7 A range of support is available to help people from workless households into work *continued*

Intervention	Organisations involved	Support available
Outreach services	A range of organisations including Jobcentre Plus and their contractors, Learning and Skills Council funded providers, local authorities, community and voluntary sector organisations	Outreach services can: raise the profile of services and inform people of help available; reach and engage people who do not tend to use mainstream provision; deliver an employment service in an informal setting; and help to provide stability and structure to chaotic lives.
Training and education	Department for Innovation, Universities and Skills, Learning and Skills Council, local education and training providers, Jobcentre Plus, learndirect	A broad range of educational and skills support is offered including: free basic skills training; free training leading to a first full Level 2 qualification; free courses at all levels for people receiving income-related benefits. Courses are offered in a range of settings including community-based, in local colleges/providers' premises, through the internet and in the workplace. Support is available to learners who have additional learning needs or who face financial barriers to pursuing a course.
Information, advice and guidance on jobs, skills and training	Learning and Skills Council, Nextstep, learndirect, Jobcentre Plus, colleges, private and voluntary sector providers	Nextstep, (a network of information, advice and guidance providers) and learndirect advice, both funded by the Learning and Skills Council, offer information and advice on learning and work and are aimed primarily at people without a Level 2 qualification. Learndirect advice deliver their service by phone, email and via the web; nextstep deliver face-to-face service through a range of sub-contractors including colleges and community and voluntary sector organisations. All Learning and Skills Council funded learning providers offer information, advice and guidance as part of learning programmes. Jobcentre Plus offers advice and help (including skills advice) on finding work, to those on benefits.

Source: National Audit Office

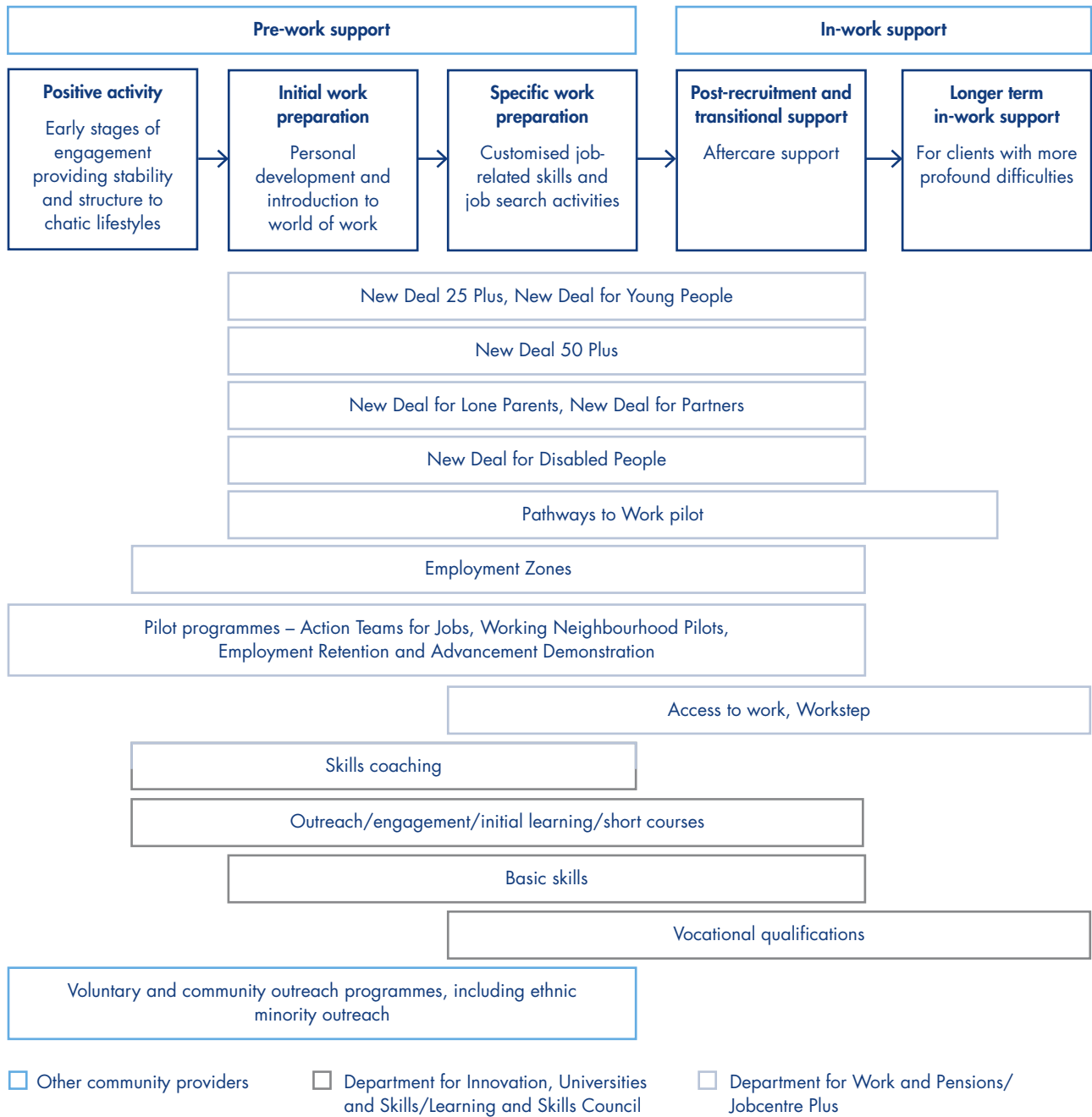
### NOTE

Appendix 3 provides details of the main employment and education programmes available.

**1.12 Figure 8** shows the steps from 'not able to work and/or not interested in work' to 'in work and advancing' and the programmes that are available to support activities at each stage of the process. Helping people move through these steps is not just the responsibility of the Department for Work and Pensions and Jobcentre Plus. For example, skills and education programmes can help equip people with skills or improve their skills so that they get work, and outreach services provided by voluntary and community organisations can engage people who do not tend to use mainstream services.

**1.13** The next sections of this report examine: the actions the Government has taken to encourage people from workless households to participate in programmes (Part 2) and to help people overcome barriers to employment (Part 3). We also examined the role of local partnerships in developing local solutions (Part 4); and the cost-effectiveness of programmes (Part 5). Our methodology is set out in Appendix 1.

**8** Many organisations and programmes help people move from economic inactivity into work



Source: National Audit Office literature review

# PART TWO

**2.1** For people to improve their skills and employability, they must be motivated to work and see work as a viable option, and then get involved in activities that will help move them towards sustainable work.

**2.2** This part of the report examines:

- whether the New Deal employment programmes are reaching people in workless households;
- how Jobcentre Plus and the Department for Work and Pensions are working to increase participation in employment programmes by the people furthest from work; and
- whether outreach services are drawing in the people most distant from the labour market.

## New Deal employment programmes reach only a relatively small percentage of workless households

**2.3** The New Deal programmes are the Government's core programmes for employment support for individuals. Since their introduction in 1998, over 2.9 million individuals have started on one of the New Deal programmes. The New Deal for Lone Parents and the New Deal for Partners are targeted specifically at workless families, but people from workless households can access other New Deal programmes too, depending on their benefit status and circumstances.

**2.4** Programme data does not record whether people participating in employment programmes are from workless households. Therefore, it is impossible to know precisely how many people from workless households may have gone through all New Deal programmes. However, under 20 per cent of workless households contain someone who is claiming Jobseeker's Allowance (and so is likely to enter the mainstream New Deal programmes).

## Encouraging people to participate in programmes

**2.5** Figure 9 shows the major New Deal programmes, the percentage of working-age benefit recipients participating in programmes at any time, and the percentage of working-age claimants starting programmes each month. The New Deal for Disabled People has a relatively high percentage of participants on the programme, because the average length of time people spend on this programme is longer than for many of the other New Deals.

## Participation in the New Deal for Partners has been very low

**2.6** Around 30 per cent of workless households are couples. While it should be less likely that a couple household is out of work than a lone parent or one-person household (because there are two potential workers), people often partner with others with the same social/skills level so the risks of worklessness in a household are inter-related.

**2.7** The New Deal for Partners was introduced in 1999 as a voluntary programme for dependent partners of Jobseeker's Allowance claimants. Since then further initiatives have been introduced to extend the programme offer to dependent partners of people on Incapacity Benefit, Income Support, Severe Disablement Allowance and Invalid Care Allowance.

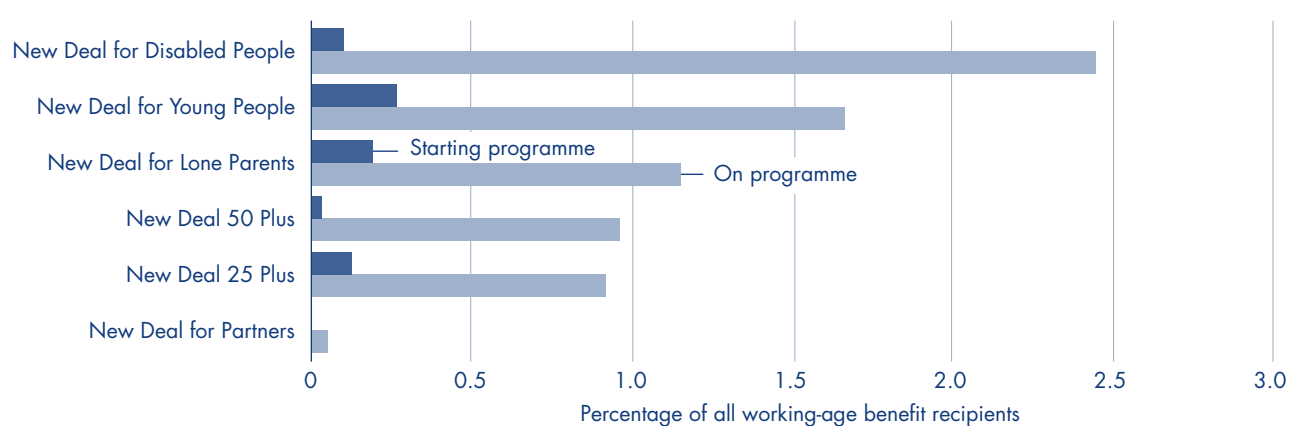
**2.8** Evaluations of the programme show that for those that participate, the New Deal for Partners is helpful at getting people into work. However, in spite of the very wide offer of the New Deal for Partners, programme participation is low. Only around 200 people begin the New Deal for Partners programme each month, which translates to very small numbers in each Jobcentre Plus office.

**2.9** Data on take up illustrates the difficulty of drawing people into the New Deal for Partners. As **Figure 10** shows, there is a high attrition rate between identification and participation in the programme. Under half of the people initially identified are booked for a work-focused interview. This is generally due to circumstances (e.g. caring responsibilities) which mean that an interview would not be appropriate at that time.

**2.10** Research<sup>4</sup> has also suggested reasons for the very small take-up of partner programmes, including the fact that advisers were not optimistic about the chances of involving partners in the New Deal, and did not believe that the offer in the New Deal for Partners was compelling.

**2.11** There are no employment targets set for partners, and the Jobcentre Plus target system gives a lower level of points to partners than to lone parents. Our discussions with staff in Jobcentre Plus also showed that the priority given to conducting work-focused interviews for partners and recruiting for the New Deal for Partners fluctuated in areas over time. Some advisers reported that partners 'used to be a priority' but now took second place to lone parents, others said that efforts with partners were being 're-launched' after a lull. Most advisers have very small caseloads of partners, which reduces their opportunity to build expertise and confidence in working with this group.

## 9 A small percentage of working-age benefit recipients are on New Deal programmes

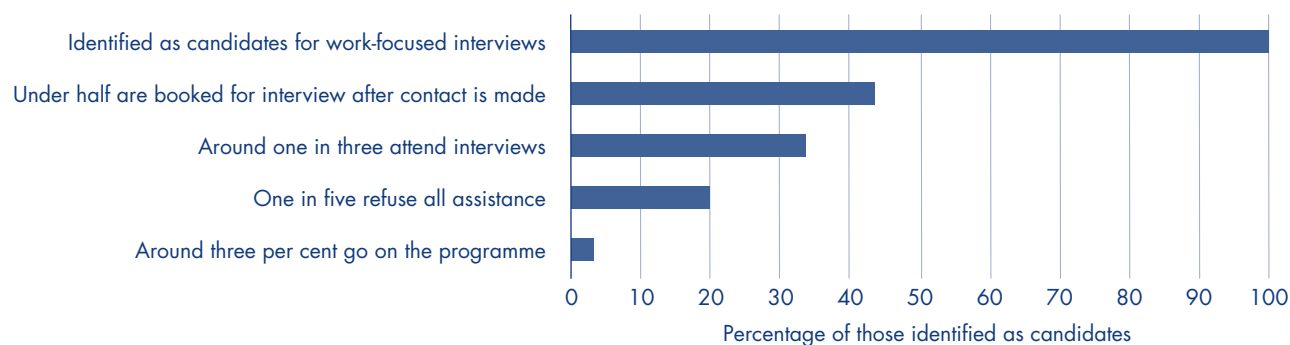


Source: National Audit Office analysis of Department for Work and Pensions data

### NOTE

Data is for 2006 and takes monthly averages. Starting programme data is not shown for New Deal for Partners as the figure is too small to be presented (0.003 per cent).

## 10 Very few partners enter the New Deal for Partners programme



Source: National Audit Office analysis of Jobcentre Plus data

## Many people in workless households are on incapacity benefits, and the Department for Work and Pensions has increased its focus on drawing them in to work

**2.12** More than half of people from workless households have a long-term disability, and incapacity benefits claimants make up the largest group of economically inactive working-age adults in the United Kingdom. Around 2.7 million people of working-age are currently on incapacity benefits.

**2.13** New Deal for Disabled People was the first of the Department for Work and Pensions' programmes designed for those on incapacity benefits. The programme was reviewed in detail in our report *Gaining and retaining a job: the Department for Work and Pensions' support for disabled people*<sup>5</sup> which showed that the programme was most successful for people with mild to moderate disabilities, but that its reach was limited. While around 57,800 people had participated in the programme at the time of our report, this was only a small percentage of those who could potentially benefit.

**2.14** A number of other Departmental programmes help disabled people find and retain work:

- Workstep provides tailored support to find, secure and retain jobs for disabled people who have more complex barriers to finding and keeping work.

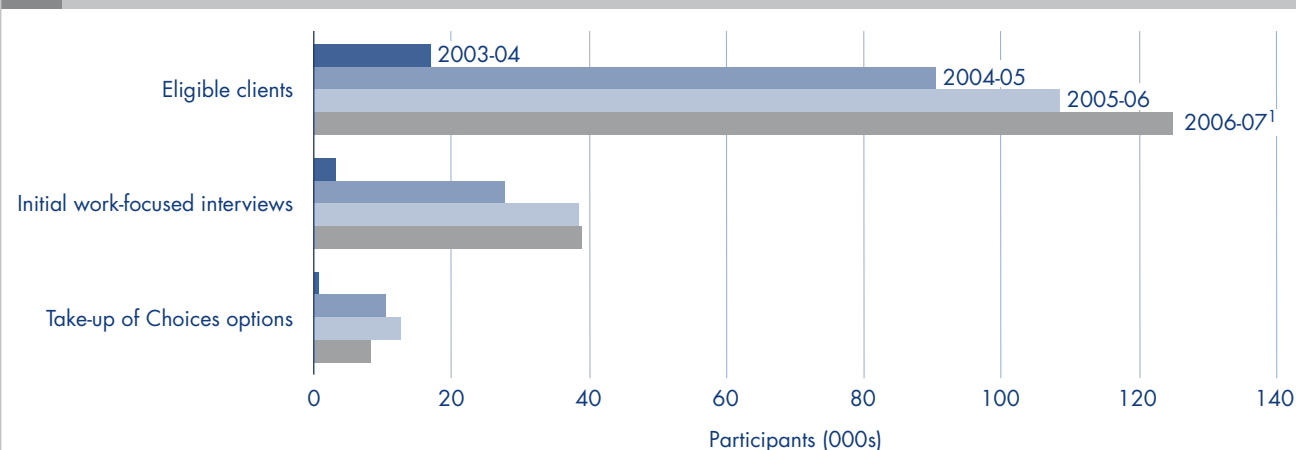
- Work Preparation helps participants identify the most suitable type of work for them by providing experience in a work environment and by developing new and existing skills.
- Access to Work aims to help people overcome work-related obstacles resulting from disability through a system of grants towards the cost of providing support.

In 2005-06, over £250 million was spent on this provision and engaged 61,000 participants.

**2.15** Pathways to Work, also for incapacity benefits claimants, was piloted in three Jobcentre Plus areas from October 2003 and was progressively extended to 19 districts by December 2006. In Pathways areas, all new (or repeat) claimants for incapacity benefits must attend an initial work-focused interview with a personal adviser. The people with most severe conditions, and those likely to return to work without help, are screened out. Those who go on the programme agree on a work-focused action plan and can access the 'Choices' package which includes New Deal support and additional support such as the Condition Management Programme, designed to help people understand and manage their health condition in a work environment.

**2.16** Figure 11 shows the pool of eligible clients in Pathways areas, participation in initial work-focused interviews, and take-up of the Choices options in the programme. The apparent tapering of take-up on Choices in 2006-07 may be explained by the fact that take-up of options lags several months behind clients' entry to the programme.

**11** Pathways to Work has rolled out to more areas, and more people have participated in work-focused interviews



Source: National Audit Office analysis of Jobcentre Plus data

#### NOTE

<sup>1</sup> 2006-07 data only goes up to September 2006.



**2.17** To date, Pathways to Work has been available only in a limited number of areas, but during 2007-08 the programme will be made available nationally. By April 2008, the programme will be available to all incapacity benefits claimants, mainly through private and voluntary sector providers working in partnership with Jobcentre Plus.

## Long-term claimants are less likely to participate in programmes

**2.18** The pool of people on working-age benefits includes a proportion of people who enter and leave benefits relatively quickly and a proportion of people who are on benefits for a long duration. The majority of claimants remain on benefits for a long time, with the result that they cost the most. **Figure 12** shows the distribution of benefits claims by benefit type and claim duration. It is not possible to show the distribution of workless households precisely, but other data sources<sup>6</sup> show that in 2001, over 60 per cent of workless households had been without work for more than three years.

**2.19** To date, the 'gateways' for the major programmes have been focused on shorter-term claimants rather than the people who have been on benefits for longer.

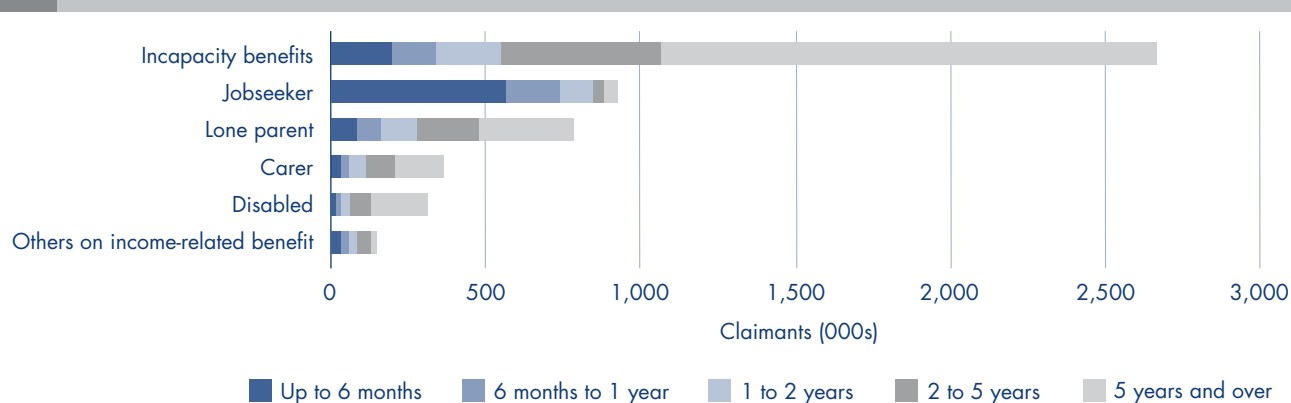
- New Deal programmes and Employment Zones target people on Jobseeker's Allowance when they have been on benefit for six and 18 months.
  - The Pathways to Work programme is automatically offered to new claimants, but longer-term claimants are able to enter voluntarily. Data from the programme pilots shows that only around 14 per cent of participants were claiming before the pilot started.<sup>7</sup>
- Joint Claims for Jobseeker's Allowance were introduced in 2001 for couples aged 18 to 25 without dependent children and who are both claiming Jobseeker's Allowance. These require both members of a couple to be available for and seeking work. In 2002, the requirement was extended to couples born after October 1957, without children.
  - Six monthly work-focused interviews were introduced in 2004 for partners of certain benefits claimants where a couple has been continuously on benefit for at least 26 weeks. These apply to partners of people claiming Jobseeker's Allowance, Income Support, Incapacity Benefit and Severe Disablement Allowance. From April 2008, partners of Jobseeker's Allowance claimants with children will be required to attend regular six monthly work-focused interviews.

## The Government is reviewing the balance of rights and responsibilities in order to bring economically inactive clients closer to work

**2.20** Building participation in employment programmes means balancing individual rights with responsibilities, and carefully considering how incentives and penalties are applied. For people with caring responsibilities, or with limiting health problems, a system which applied too much compulsion would have undesirable social consequences. Conversely, in a system with no elements of compulsion at all, some people would make no effort to move off benefit.

**2.21** Since the launch of New Deal in 1998, the Government has progressively required a widening group of people to be available for work or to at least attend work-focused interviews and discuss the steps they are taking to prepare for their eventual return to work.

**12** Most people on benefits are long-term, incapacity benefits claimants



Source: National Audit Office analysis of Office of NOMIS benefits data. NOMIS provides United Kingdom labour market statistics from official sources

- Work-focused interviews for lone parents were introduced in April 2001 for long-term claimants with a youngest child aged 13 to 15, and for new claimants whose youngest child was aged over five. Since then the requirement has been progressively widened until in April 2004 all lone parents became subject to regular work-focused interviews.
- Work-focused interviews for incapacity benefits claimants were introduced in 2000. Pathways to Work extended this process from one interview to six for most customers. Claimants deemed likely to return to work with no additional assistance, or who have particularly serious medical conditions, have no further mandatory work-focused interviews. Clients judged as likely to be able to work, but needing further support, have a series of further mandatory work-focused interviews.

**2.22** During 2006-07, the Government has increased its focus on ways to draw economically inactive clients closer to the labour market. Historically, people on incapacity benefits have had no obligation to work, and the payment system increases the level of benefit paid after a year on benefit, creating a perverse incentive to stay on benefit. The Welfare Reform Act 2007 changes this system. In conjunction with the roll-out of Pathways to Work, a new benefit, the Employment and Support Allowance, will replace Incapacity Benefit and Income Support on the Grounds of Incapacity.

## Outreach services are critical for reaching the people furthest from work

*I've contacted the Jobcentre a couple of times... it's quite a daunting place to go into really you know – It's a bit scary.*

*Focus group participant, Plymouth*

*I just had a phone call... from somebody up at the Jobcentre who said 'if we can do anything, when you're feeling fitter and you feel you want to start making moves'.*

*Focus group participant, Plymouth*

**2.23** The majority of people on inactive benefits<sup>g</sup> and people who are workless but not claiming a benefit do not have to attend regular signing-on or work-focused interviews, and outreach services provided in local communities can play an important role in bringing them closer to the world of work. Research evidence<sup>g</sup> suggests that an outreach service, such as a local one-stop shop, a service based in a community centre, or one that visits people in their own homes, can:

- raise the profile of services and inform people of help available;
- reach and engage people who do not tend to use mainstream services; and
- deliver welfare to work services in a non-threatening, informal setting.

**2.24** Engaging the hardest to reach can be time-consuming and may be a gradual process. Some people do not like to use government services and will take time to gain trust and confidence in the service. People may initially avoid contact with employment services, fearing that their benefits may be cut or reduced. Some have had negative experiences in formal education, and avoid formal training. Involving these people in learning and preparation for work may need to begin with small steps such as parent and child computer classes or craft classes, taken in a familiar environment. In order to overcome any negative perceptions, outreach services are often marketed quite separately from the mainstream.

## Partnership working is essential for effective outreach

**2.25** Outreach services are provided by many different organisations including Jobcentre Plus and its contractors, Learning and Skills Council funded providers, local authorities and community organisations. Funding for outreach activities comes from a range of sources including the Learning and Skills Council, local authorities, the Department for Communities and Local Government, and the European Union. Partnership working is important in most outreach services, either in their delivery or through cross-referral (for an example of cross-referral see **Case Study 1**).

**2.26** Evaluations<sup>9</sup> have shown that, in addition to external and voluntary sector organisations, Jobcentre Plus are also well placed to engage with people outside mainstream services, and able to use innovative strategies to reach the hardest to help. Jobcentre Plus provides outreach services according to the resources it has available and the perceived need. During our fieldwork we found examples of caravan-based operations in high streets, and advisers working closely with local authorities, in Sure Start Children's centres and with community groups. Since 2005, Jobcentre Plus staff have used a Geographical Information System<sup>h</sup> tool to analyse data on the location of claimants, based on postcodes. This helps them in targeting potential clients and locating their outreach activities. During our fieldwork we found some areas making good use of this data (**Case Study 2**), but also

<sup>g</sup> Income support or incapacity benefits.

<sup>h</sup> Geographical Information System (GIS) is a computerised system for the collection, analysis, storage and manipulation of complex geographical information.

some where the tool was not widely used and where because of staff changes there were only a limited number of staff who could use it.

## There is no systematic strategy underpinning outreach activity

**2.27** In our fieldwork and discussions with outreach service providers we found that most had local knowledge of hotspots of deprivation in the community, but were keen to get more precise information (down to street level) on where the most deprived households were. Whether data sharing for outreach activity was working effectively depended very much on the strength of individual working relationships in each area. Any disclosures by Jobcentre Plus must have a sound legal footing and comply with the Data Protection Act principles. We found that different approaches are being adopted to make the best use of data available, including:

- Jobcentre Plus offices providing partners with information on streets with high numbers of inactive benefit claimants;
- projects seconding in Jobcentre Plus staff, who have access to the benefits data;
- data sharing through informed consent; and
- combining data from public sources to build a local picture of benefits claimants.

**2.28** Few outreach providers and project managers we spoke to were able to rigorously and systematically monitor the effectiveness of their activities. When working with the people furthest from work, getting a job or qualification can take a long time and these are unlikely to be outcomes of the first stage of engagement. Other positive impacts from outreach work (such as helping someone to access support services or start training) are harder to track, because without joined-up systems it is not possible for an outreach worker to know if the client acted on the referral unless the worker spends time following it up. Few outreach providers that we interviewed collected outcome data, and when they did it was not possible to aggregate across an area, or compare with other providers, because of differences in delivery structures, methods employed and target groups. Even where evaluation of outreach services shows they are worthwhile, it can be difficult to apply successful models more widely – outreach is often very labour-intensive, making it costly to transfer elsewhere, and is also often tailored to local needs, so that its programmes may not transfer easily to other places.

## CASE STUDY 1

### GP Employment Adviser projects – engaging the hardest to reach means getting out into the community

A number of initiatives from Jobcentre Plus and voluntary organisations have started to offer employment assistance in collaboration with GP surgeries.

**Tomorrow's People**, an employment charity, has established links with over 80 GPs' surgeries across the United Kingdom. Patients who are out of work for health-related reasons can get support from a specialist employment adviser. Ongoing, one-to-one support includes confidence building, discussion of individual barriers to work, job interview techniques, advice on writing a CV, opportunities for learning and vocational training, help with job application forms, work placements, paid and voluntary work options, as well as 12 months' in-work aftercare support following the client's job start date.

**Jobcentre Plus** is currently piloting Pathways Advisory Service in GPs' Surgeries. Personal advisers based in GPs' surgeries can provide the full range of advice on work-related issues and signpost people to additional services. Pilots will run for two years and the service is currently offered in five Jobcentre Plus Districts.

Evaluations have shown that as well improving access to services and helping many people return to work, education or training, the support in these programmes is also reducing the number of surgery visits and prescription costs.

*Source: National Audit Office case studies in East London, Liverpool and Plymouth*

## CASE STUDY 2

### Streets Ahead – Making good use of data to target outreach

Streets Ahead is an outreach project developed by Liverpool City Council and is based in five neighbourhoods with high levels of unemployment in Liverpool. Project partners include Jobcentre Plus, Connexions, Sure Start, the Learning and Skills Council, Citizens Advice Bureau, Department for Work and Pensions contractors and housing sector organisations. The primary purpose of the project is to engage with people who would not ordinarily access mainstream services. The teams use leaflet drops and door knocking, visit homes, schools and community centres to promote the local employment services and local support services offering training, guidance, financial help and other support. Streets Ahead teams target areas with high concentrations of worklessness, identified from data gained from Jobcentre Plus' Geographical Information Systems tool.

In its first year, teams contacted over 20,000 homes resulting in 6,000 referrals to support services. From the referrals, 243 people started work and 159 began a training course. Due to the success of the project, Streets Ahead is identified as an important component of Liverpool City Strategy's outreach and engagement programme (see Figure 20 for details of the City Strategy).

*Source: National Audit Office fieldwork*

# PART THREE

## Overcoming the barriers to work

**3.1** Once people are motivated to work and see work as a viable option, many still have to overcome significant barriers to getting and keeping a job. This part of the report examines:

- the major barriers to work that people in workless households experience;
- whether these needs and the particular barriers between them and the labour market are identified effectively; and
- whether the current programmes and services have enough flexibility to address these barriers.

### Many people from workless households have multiple barriers to work

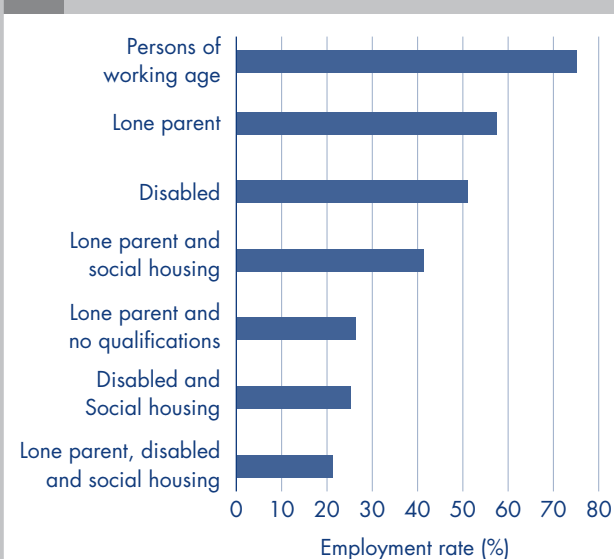
**3.2** People in workless households have a range of barriers to work, may have been on benefits for a long time and are often on inactive benefits. For example, half of all adults living in workless households have a long-term disability, half of workless households live in social rented accommodation (local authority or housing association; paragraph 3.16); and just over a third have no qualifications. The relationships between different disadvantages are not well understood but their impact is additive. **Figure 13** shows how the employment rate reduces as the number of disadvantages a person faces increases.

### Needs should be assessed early and comprehensively

**3.3** It is important to get needs assessments right and to provide them as early as possible, because a long period of worklessness can significantly reduce a person's confidence, motivation, health and well-being. A sound picture of needs can help providers decide who needs the most help, and who is likely to find their way into work without help.

**3.4** Looking into the effectiveness of early identification tools, we found the evidence to be inconclusive. Jobcentre Plus has piloted tools to try and identify those likely to come off Jobseeker's Allowance in less than 13 weeks without assistance, and those unlikely to: 60 per cent of claimants identified as likely to come off benefit in less than 13 weeks did so, but so did 50 per cent of those identified as unlikely to.<sup>10</sup> The results of this pilot were not sufficiently encouraging to justify extending it. Our interviews with advisers reinforced the conclusion that it is difficult to make judgements about a claimant's 'readiness' for work.

**13** The more barriers, the lower the employment rate



Source: National Audit Office analysis of Labour Force Survey data

**NOTE**

Year of reference is 2006, except for: lone parents and social housing; disabled and social housing; and lone parent, disabled and social housing, where the year of reference is 2005.

**3.5** People on different kinds of benefits or accessing different programmes are currently screened at various points in their contact with Jobcentre Plus. Since April 2001, Jobcentre Plus has screened Jobseeker's Allowance claimants to identify basic skills needs. Incapacity Benefit claimants are screened for basic skills needs at the first work-focused interview, using a light touch approach.

## Flexible, comprehensive assistance from many agencies is needed to help the people furthest from work

**3.6** When an individual is part of a larger workless household, wider problems within the family often need to be addressed before that person can get into and stay in work. **Figure 14** describes a case from our fieldwork and shows the ways that families with complex needs often require intensive and coordinated assistance from a number of different agencies. Unless all barriers are addressed, employment assistance alone is unlikely to be successful.

**3.7** A number of reports<sup>11</sup> and stakeholders have identified the limited flexibility in employment programmes as a barrier to helping people with complex needs into work. The previous sections of this report have laid out the main barriers and some of the help available in existing programmes. However, many elements of the help available are tied to particular programmes or to particular types of claimant.

### 14 Workless households may need a comprehensive package of support

A family of two parents and four children, including one autistic child, faced many problems.

- The father had worked as a low skilled labourer, but gave it up when the fourth child arrived because the mother could not cope with caring for the children on her own.
- The house was too small for the family but they were in debt to the local authority and so could not move.
- They had a large debt from doorstep lenders.
- The adults did not know what benefits they were entitled to, and how to claim them.
- Their parenting skills were poor and social services had been involved.

For this workless family to unravel their problems, they need support from a number of services on a number of fronts.

Source: National Audit Office fieldwork

**3.8** Jobcentre Plus' personal advisers play a crucial role in assessing people's needs and channelling them to the right type of assistance. The personal adviser approach is effective in helping individuals, and is well received by claimants, although, as we found in a previous study,<sup>12</sup> it is very difficult to quantify precisely the extent to which advisers help people into work.

**3.9** To date, the focus of advisers has been largely on the individual jobseeker. Reviews of the New Deal for Partners<sup>13</sup> have identified that working with partners of benefit claimants, and identifying the kinds of support needed by household/family as a whole, add a degree of difficulty to the adviser role. Partners often have complex needs, often involving both of the couple, which multiplies the problems and constraints that need to be overcome. The recent Harker review<sup>14</sup> of measures needed to help families with children out of poverty has also identified the need for advisers to take a wider 'family focus' and assess jobseekers' needs in the context of their household. The Department for Work and Pensions' response<sup>15</sup> to the Harker review announced that Jobcentre Plus' targets would be reformed to give a clear focus and incentive for Jobcentre plus staff to focus on helping parents into work.

**3.10** Jobcentre Plus also makes extensive use of private sector service providers to provide claimants with help. This may be partial provision, such as delivery of a basic employability course, or full provision of a total package including case management. Private sector providers often have more flexibility in the incentives and the resources they can offer to meet individual and household needs.

## Many people in workless households have long-term illness or disability

**3.11** Over half of people in workless households have a long-term disability. The total lifetime cost of an incapacity claim is much higher than a Jobseeker's Allowance claim, both because the benefit is higher, and, more significantly, because on average the benefit is paid out for much longer.

- Nearly 60 per cent of people on incapacity benefits have been receiving them for over five years, compared with no more than five per cent of those on Jobseeker's Allowance.
- Out of every hundred people claiming an incapacity benefit, more than 40 will still be claiming one year later.
- Once a person has been on incapacity benefits for more than a year, the average length of a claim is eight years.<sup>16</sup>

- Mental health problems significantly increase the risk that a person will leave employment, compared with other conditions, and the level of worklessness for people with severe mental health problems is around 89 per cent. Around 2,500 people with severe mental health problems enter benefit each year, and data to date shows that most of them will spend a lifetime on benefits.<sup>17</sup>

**3.12** As we discussed earlier in the report (paragraph 2.13), the Department of Work and Pensions has had a number of programmes to assist people with disabilities into work, and many of these programmes were reviewed in detail in our report *Gaining and retaining a job: the Department for Work and Pensions' support for disabled people*.<sup>18</sup>

**3.13** The most recent initiative to assist people on incapacity benefits, Pathways to Work, is showing some success in evaluations<sup>19</sup> of the seven pilot areas. Positive effects include:

- an increase (of around 9.3 percentage points) in the number of incapacity benefits claimants finding work (after 10.5 months); and
- an increase in earned income (average net monthly earnings) across all individuals (whether or not they were in paid employment).

**3.14** The early evaluations of Pathways to Work have shown that its effectiveness varies according to the health condition of participants. People with two or more specific health problems are more likely to be helped than people who report a single, or no specific health problem. People reporting that their only health problem is mental illness did not appear to be benefiting from the Pathways to Work programme.

## Living in social housing is also associated with employment disadvantage

**3.15** Over a third of all workless people in Great Britain live in social housing, and more than half of the people in social housing are out of work. In part, this is a sign that the housing allocation system is working well, and social housing is being allocated to those with the greatest needs. However, evidence also suggests that living in social housing can itself act as a barrier to moving into employment.

**3.16** As well as having a lower employment rate than owner-occupiers or private tenants, if social tenants leave or lose work, they are also less likely to return to employment later on. A range of factors<sup>20</sup> may contribute to this situation:

- neighbourhood effects – these could include poor transport links to available work, exclusion from the informal networks through which people often hear of work, or the peer-group effect of there being fewer models of regular participation in work;
- uncertainty about the effect on the claimant's Housing Benefit – tenants may want to avoid the hassles of coming off their out-of-work benefits, and this may be a disincentive; and
- reduced mobility – tenants in social housing may be less willing or able to move house for work.

## Low basic skills are a barrier to work for many people in workless households

**I realised that I had to learn to read and I had to learn to write to get a job, to get on in life. I'm not up to the standard that I should be.**

*Focus group participant, London*

**3.17** The low-skilled are over-represented in workless households.<sup>i</sup> Trend data shows that although the level of skills in the United Kingdom population is on the whole improving, people in workless households are not sharing in this improvement at the same rate. Between 1997 and 2005, the number of households where the reference person has no qualification fell by 44 per cent, but in workless households this reduction was only 13 per cent. In an economy where employment opportunities for the low-skilled are reducing, people from workless households risk becoming further disadvantaged in the labour market.

**3.18** All low-skilled adults in England, whether they are in or out of work, are entitled to free training to help them obtain a first full Level 2 qualification.<sup>j</sup> For people in workless households to take advantage of this offer, training needs to be flexible. The same barriers that keep some people out of the workforce (for example, caring responsibilities, health problems, or low confidence) can make it daunting to start, or hard to complete, a long course in a formal setting. **Figure 15** outlines some of the key elements of flexibility.

<sup>i</sup> Data collected through the Labour Force Survey reports the qualification level of a household reference person, rather than an aggregate qualification level for all members of the household. However, research evidence indicates that individuals often partner with people of a similar skill/occupation level, so it is likely that this data provides a reasonable representation of the skills levels of people from workless households.

<sup>j</sup> A Level 2 qualification is equivalent to a GCSE Grade A\*–C. A full Level 2 qualification is equivalent to five GCSEs at Grade A\*–C.

**3.19** Learning and Skills Council funded provision offers a range of support to meet customer needs.

- Colleges typically offer courses between 9am and 9pm on weekdays and at weekends. A range of attendance patterns – daytime or evening – is usually available. Some further education colleges deliver modular learning, though most still deliver courses based on annual enrolment. For example, Newham College in London has developed courses that can be accessed six times a year.
- Funded providers work in partnership with community and voluntary sector organisations to deliver learning in local community centres and other less formal centres.
- A range of financial and additional support measures are available to adult learners to help them engage with learning, such as support for additional learner needs such as dyslexia.
- A number of training providers offer flexible electronic learning, including learndirect which provides on-line learning with courses in small chunks. In the academic year 2005-06, around 177,000 learndirect learners were not employed.

**3.20** Some changes to skills provision arrangements will create more flexible paths for people to gain qualifications, and enable qualifications to be completed through flexible routes to achievement. Two developments are under way:

### 15 Flexible training delivery is important for workless households

#### Flexible training:

- is delivered at convenient times, not just 9 to 5;
- is delivered in convenient places, not just at college;
- is 'roll-on roll-off', which lets people start courses when they are ready, not just at the start of the academic year;
- provides courses in short bursts, with learning modules that can build up into qualifications;
- includes 'embedded' support such as childcare or assistance for disabilities; and
- makes use of 'taster' courses to build people's confidence in learning.

Source: National Audit Office literature review

- the **Qualifications and Credit Framework** will recognise achievement both through the completion of qualifications and through the award of credit for units. This is part of the United Kingdom's programme of reform of vocational qualifications and is currently being developed,<sup>k</sup> through a series of tests and trials between September 2006 and July 2008, and is planned to be operational by August 2008.
- the **Foundation Learning Tier** will provide a framework of provision below NVQ Level 2 for learners aged 14 and above.<sup>l</sup> The tier will be made up of units and qualifications from the proposed Qualifications and Credit Framework. Progression Pathways will be the primary offer at Entry Level and Level 1,<sup>m</sup> and are designed to help people progress to Level 2, an apprenticeship, or focus on the development of personal/social skills for independent living, and where appropriate providing a platform for employability or supported employment. Progression Pathways are currently being developed through trial sites which will focus on phased implementation from August 2007, with implementation completed by 2010.

The Department for Work and Pensions and the Department for Innovation, Universities and Skills are starting to integrate skills training with employment programmes

**3.21** During our fieldwork we found that improving integration between employment programmes and skills training was high on the agendas of the two Departments, Jobcentre Plus and the Learning and Skills Council, as they considered how they could implement the recommendations of the Leitch review of skills.<sup>21</sup> Some joint activity was already taking place: for example, the New Deal for Skills was launched in 2004 as a joint initiative from the Department for Work and Pensions and the then Department for Education and Skills, to help low-skilled people move into sustainable employment. The New Deal for Skills is intended to help people improve their skills over time, starting while the claimant is preparing for work and continuing into work (Appendix 3).

<sup>k</sup> By the regulatory authorities for England, Wales and Northern Ireland (Qualifications and Curriculum Authority, Department for Education and Lifelong Learning and The Council for the Curriculum, Examinations and Assessment).

<sup>l</sup> The Foundation Learning Tier is being developed by the Learning and Skills Council and the Qualifications and Curriculum Authority.

<sup>m</sup> Entry Level and Level 1 qualifications recognise basic knowledge and skills and the ability to apply learning in everyday situations under direct guidance or supervision. Learning at these levels is about activities which mostly relate to everyday situations and may be linked to job competencies. Level 1 qualifications are equivalent to GCSE Grades D-G.

**3.22** As part of the New Deal for Skills, trials of Skills Coaching (**Figure 16**) commenced in April 2005. These trials required new joint work arrangements between Jobcentre Plus and nextstep skills coaching services and have developed with time. Initially, for example, Jobcentre Plus advisers did not have contact with many inactive benefit customers so referrals of this group were lower than anticipated. To address this issue, outreach work was included in the second year of the trials. Our fieldwork found that the service was well received by clients (**Case Study 3**), advisers and skills coaches. Although the year one outcomes appear low, many of the programme participants face more than just skills barriers to employment, require a high level of support and therefore progress slowly towards work.

Some arrangements for basic skills provision were changed in 2006-07. It is not yet clear if these changes will deliver the intended benefits

**3.23** In recent years, the Learning and Skills Council has been reviewing the types of training it funds, in order to focus available funds on economically useful qualifications and courses. As part of this change in focus, funding for courses of less than nine hours and for some courses seen as the employer’s responsibility (including Occupational Health and Safety, Food Safety and First Aid) was withdrawn in August 2006. The Learning and Skills Council had evidence that this provision was not leading to employment or engagement in further learning.

**16** The New Deal for Skills – Skills Coaching

**Skills Coaching** trials began in April 2005 in eight Jobcentre Plus Districts. In July 2006, a further three districts joined the trials and from autumn 2006 Skills Coaching has been available in 19 Jobcentre Plus districts. Skills coaching is mainly aimed at adults on inactive benefits who want to return to work in the medium- to long-term and are seeking the skills needed to do so. It is also aimed at a smaller number of Jobseeker’s Allowance customers for whom a lack of skills is the main barrier to employment. Access to the Skills Coaching service is primarily through referrals from Jobcentre Plus. The programme is delivered by nextstep providers, and includes a diagnosis of existing skills, leading to a skills development plan setting out skill-related objectives. The skills coach then brokers appropriate provision and supports the claimant during and after their period of learning. In some areas skills coaches are located in Jobcentres, and evaluation has noted the positive impact this has on the service. A summary of evaluation and management information of the first year is set out below.

**NOTES**

1 Outcomes are, where recorded for year 1 customers, from April 2005, up to a year after customers accessed the service.

2 Being a new service for a new customer group, targets were broad estimates rather than definite aspirations.

Participants	Progress towards outcomes	Outcomes <sup>1</sup>	Cost (2005-06)
4,582 (7,630 planned <sup>2</sup> )  Intended balance of three incapacity benefits claimants to one Jobseeker’s Allowance claimant was not achieved.	<p>Clients progress to different points in the programme:</p> <ul style="list-style-type: none"> <li>Initially about half of all clients referred did not enter the programme – the process has since been strengthened so an initial access interview assesses understanding, commitment and suitability;</li> <li>only two-thirds of participants benefited from a skills diagnostic;</li> <li>approximately half of all participants have completed a skills development plan; and</li> <li>around a third completed a skills passport or receive learning brokerage.</li> </ul>	24 per cent of customers entered employment or voluntary work and 15 per cent entered learning or education.	£1.9 million including development costs, capacity building and resources.

Source: National Audit Office literature review



**3.24** The emphasis in Learning and Skills Council funded learning is for free provision to focus on: people lacking literacy and numeracy skills; those without the foundation of employability skills (as represented by a first full Level 2 qualification); and those on income-related benefits for whom the tuition costs of a course might represent a real financial barrier to improving their skills. In the academic year 2005-06, the Learning and Skills Council invested over £935 million in learning below Level 2, with a greater focus on more substantial courses that had an impact on improving adult skills and led to accredited outcomes.

**3.25** The outcome of the Learning and Skills Council's change in priority is not yet clear. However, one result is that in the academic year 2005-06 there was a net decrease of 660,000 adult learners undertaking provision funded by the Learning and Skills Council with:

- an increase in the number of learners on priority provision, leading to Skills for Life,<sup>n</sup> Level 2 and Level 3<sup>o</sup> qualifications; and
- a decrease in the number of learners on 'low priority' provision, (not leading to nationally recognised qualifications and not sufficiently focused on adults who need to improve low skills).

### CASE STUDY 3

#### Skills Coaching can aid understanding of skills and abilities

Pat left school with no qualifications and had been unemployed for six years. She was on New Deal for Lone Parents. When she started Skills Coaching Pat was uncertain about her abilities and felt that her lack of recent work experience was a barrier to work. A skills diagnostic helped Pat to get a clearer idea of her skills and any gaps. A skills coach worked with Pat to identify potential work opportunities and they worked together writing a CV, completing the skills passport and refining her application form and interview techniques. Pat felt that her CV and skills passport helped her understand and present her skills to employers. Pat gained employment in administration with a Housing Association.

*Source: National Audit Office literature review*

**3.26** In the past, both Jobcentre Plus and the Learning and Skills Council purchased basic skills provision. In some cases, the types of training purchased were duplicated, with the same provider having contracts with both bodies. In 2004, the National Employment Panel recommended that the responsibility for providing Jobcentre Plus clients with basic skills training (except New Deal customers) should be transferred to the Learning and Skills Council.<sup>22</sup> It was expected that this transfer could give economies of scale, and improve the quality of provision.

**3.27** The transfer was agreed in principle in summer 2005, however the issue of whether any funds would be transferred was not resolved until 31 March 2006, when the responsible Ministers<sup>p</sup> announced that the transfer would take effect from 1 April 2006. The short lead time for the transfer meant that Jobcentre Plus and the Learning and Skills Council implemented a three stage process for managing the transition:

- from 1 April 2006, Jobcentre Plus would refer clients to existing Learning and Skills Council provision where this was available and there was capacity to accommodate Jobcentre Plus customers;
- by September 2006 the Learning and Skills Council would have contracts for additional provision in place to accommodate former Jobcentre Plus customers; and
- by August 2007, the Learning and Skills Council would have a new Employability Skills programme delivering basic skills and employability in place for Jobcentre Plus customers.

**3.28** During our fieldwork (December 2006 to February 2007), we found that there had been a number of operational problems with the transfer. Initially, referrals from Jobcentre Plus to basic skills courses funded by the Learning and Skills Council (and starts on available provision) had slowed down or stopped altogether. As contracts were put in place for the new provision, referrals were slow to re-start and in our case study areas few people had been referred to the new contracted providers. Where referrals were made, some clients were unable to start courses when providers claimed they had been referred to unsuitable provision (for example, people with high learning needs referred to short courses).

<sup>n</sup> Skills for Life qualifications include the national tests for literacy and numeracy developed for Skills for Life, approved qualifications in English for Speakers of Other Languages, Key Skills qualifications in communication and application of numbers, and GCSEs in English and mathematics.

<sup>o</sup> Level 3 qualifications recognise the ability to gain, and where relevant apply, a range of knowledge, skills and understanding. They are appropriate for people wishing to go to university, people working independently, or in some areas supervising and training others in their field of work. Level 3 qualifications are equivalent to A levels.

<sup>p</sup> The Ministers for the Department for Work and Pensions and for the then Department for Education and Skills.

**3.29** Jobcentre Plus and the Learning and Skills Council have worked to address the problems that occurred on the initial transition, and the referral rate from Jobcentre Plus to the new provision has steadily improved from 307 referrals nationally in September-October 2006 to around 3,082 by March 2007. During 2005-06 (before the transfer) around 26,000 people with basic skill needs below Level 1 were referred to provision to address their basic skills and employability needs. The new provision proposed for 2007-08 is expected to support around 15,000 people. No funding was transferred, with the exception of £23 million that the then Department for Education and Skills had provided to Jobcentre Plus in 2005-06, which it provided instead to the Learning and Skills Council from 2006-07.

## Good-quality, affordable childcare is essential for workforce participation

**An awful lot of jobs seem to start at 8.30 or 8 o'clock whereas he starts school at 8.55. That means that he'd have to go to a breakfast club which means I'm paying money before I even start a job ... and if I can't get back for 3.15 to pick him up then even if he's only in after-school club for ten minutes that's £6.50 for the afternoon.**

*Focus group participant, Plymouth*

**3.30** While the employment rate of parents has steadily improved over time, some 1.74 million children live in workless households. This is around one in seven of all children in working-age households – an improvement from one in five in 1994. Parents often identify a lack of suitable, affordable childcare as a barrier to entering work.

**3.31** In 2004, the Government launched its Ten Year Childcare Strategy, aiming to provide affordable, flexible, high-quality childcare, and help for parents to balance family responsibilities and work. Measures introduced under the Strategy included:

- improving the availability of daycare and out of school hours childcare;
- by 2010, all families who want it should have access to year round, affordable school-based childcare for children aged five to 11 though the extended school programme;
- by 2010, all secondary schools should be open 8am to 6pm on weekdays all year round, and during school holidays where there is demand, offering a range of activities;
- legislating for new duties on local authorities for adequate provision to meet the needs of families; and

- measures to improve the affordability of childcare including increases in the limits of, and the proportion of costs that can be claimed through, the childcare component of the Working Tax Credit.

**3.32** The Strategy also included a commitment to extending access to integrated early years' services, with 2,500 children's centres to be in place by 2008 and 3,500 – one in every community – by 2010. Our report, *Sure Start Children's Centres*<sup>23</sup> found that many centres in place in 2006 were providing good quality care and support services for families, and that these were valued by clients, but that more could be done to build awareness of the services offered, and to identify and provide outreach services to families with high levels of need. New duties in the Childcare Act 2006 to assess the sufficiency of childcare and secure sufficient childcare for working parents should encourage the development of outreach services.

**3.33** From 2006, the Childcare Act has placed a legal duty on Jobcentre Plus to work with local authorities to secure integrated early childhood services. All children's centres must provide links to Jobcentre Plus services, to support and encourage parents to work, in order to combat poverty. Collaboration should be negotiated and agreed locally between Jobcentre Plus and local authorities and may or may not involve Jobcentre Plus staff working directly in a children's centre.

**3.34** Jobcentre Plus employs childcare partnership managers in each district, who are responsible for raising awareness of Jobcentre Plus services and increasing the availability of affordable childcare. Each manager is currently responsible for the relationship with an average of 15 children's centres. This number which will increase substantially with the planned roll-out of more children's centres.<sup>24</sup>

**3.35** Jobcentre Plus has introduced a marker on client records to identify parents, and plans to start recording the childcare needs and preferences of all parents. Parents participating in the New Deal for Lone Parents and New Deal for Partners can access additional support for childcare, including:

- Childcare Assist, a scheme providing help with childcare costs in the week before work starts; this was intended to allow children time to settle into a new regime before the parent had to start work;
- access to help with childcare costs in the first two weeks of work; and
- childcare subsidies for part-time workers where it is agreed that this is the best step into work.

However, take-up of some measures has been limited.

- Only £56,000 was spent on Childcare Assist in 2005-06 so take-up has been very low. Evaluation has suggested that the initiative would be more popular and beneficial if it were to meet childcare costs in the first week of employment rather than the week preceding work.
- Only £243,000 was spent on the childcare subsidy for part-time workers in 2005-06, suggesting that only 200 parents claimed.

**3.36** The cost of childcare has also been identified as a barrier to participation in learning, particularly for low-income households. The Learning and Skills Council provides financial assistance to learners to help with the cost of childcare through Care to Learn and discretionary Learner Support Funds. In addition, the 2007 budget announced that free childcare places for up to 50,000 workless parents undertaking training would be made available to enable more parents to move back to work.

## Many people see part-time work and flexible work as a step towards full-time work

**3.37** The United Kingdom's labour market is diverse and has a wide range of types and patterns of employment. This diversity gives workers and employers greater choice and flexibility and is one of the reasons the United Kingdom has the highest employment rate among comparative industrialised countries. Over a quarter of all those in employment are part-time workers.

**3.38** Many parents and other carers do not consider working because they believe they will not find a job to fit in with their family responsibilities.<sup>25</sup> Part-time and flexible work can allow them to get into work. It can also be a starting point for people who are not confident that their health or other life issues will allow them to hold down a full-time job.

**3.39** The right to request flexible working has helped many people already in work to get more family-friendly working hours, but people who are applying for jobs often feel they cannot negotiate working hours. At present Jobcentre Plus does not systematically promote or broker flexible working arrangements but is moving to do more. In March 2007, the Department for Work and Pensions published its updated child poverty strategy,<sup>26</sup> which

announced that where flexible working arrangements are available, Jobcentre Plus adverts will state this, and personal advisers will inform people about their right to request flexible working.

**3.40** In East London, an innovative programme has been piloted to match people who want flexible working hours with the available work opportunities (**Case Study 4**).

### CASE STUDY 4

#### Slivers-of-Time

Many people are unable to take up regular work because of commitments such as caring responsibilities or study; others are sometimes well enough to work, but cannot predict whether they will be able to work from one day to the next. Employers often have short-term work opportunities that are not filled because they only become available at short notice (for example, covering lunch hours when regular staff are away). The Slivers-of-Time scheme increases access to work by using an on-line marketplace to match people who want to work with temporary vacancies.

**Work-seekers** list when they are available for work, day to day, hour by hour, in an online diary. They also define the kinds of work they can do, how far they will travel and how their hourly rate for each potential booking is to be calculated based on travel distance, period of notice and length of shift. **Employers** input their needs, for example 'three people to distribute leaflets between 12.00 and 2.00 today' and can then see everyone available in those hours to do that work. Available work-seekers are ranked by reliability and hourly rate, and employers can hire them immediately. Work-seekers are then sent a text message or email advising them that they have been accepted for work. Once the work has been completed, the employer signs off an electronic timesheet and the worker is paid. Slivers-of-Time marketplaces are overseen by recruitment agencies, who vet all participants and manage the payroll and invoicing functions.

Slivers-of-Time has been piloted in East London during 2006, and in the boroughs of Tower Hamlets and Newham. Slivers-of-Time workers are doing leafleting, stewarding at events, providing office support, sales and deliveries. Many people working through 'Slivers-of-Time' had not worked for many years, and working through Slivers-of-Time allows them to get into the workplace on their own terms, and to gain experience and confidence. The on-line recording of assignments also allows them to build up a record of reliability that they can show to future employers. For employers, the service is often more cost-effective than engaging contract providers to undertake the same tasks.

Accenture estimates that nationally up to 13.7 million people could benefit from this way of working, and that 22 per cent of employers potentially have work that they could make available this way.

*Source: National Audit Office fieldwork*

## Making work pay

It's not worth my while going back to work before she's 16, because my rent gets paid, my Community Charge (Council Tax) gets paid, she gets her meals paid... by the time I buy a bus pass and my lunch I'm actually not any better off.

*Focus group participant, London*

You might not get paid for a month .... you have to borrow money off friends to survive during that month, and so it's like you're already in debt from your first month's pay before you even start.

*Focus group participant, London*

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 and you lose the benefits that you've had – your mortgage payments or your rent or whatever.

*Focus group participant, Plymouth*

**3.41** Because of their high dependency on benefits, people in workless households can, when they move into work, face greater financial barriers and risks than those in a household which already has one or more waged earners. A number of considerations are important.

- The complex 'cocktail' of benefit support from many agencies, including work-related benefits, Housing Benefit, Council Tax Benefit, and free school meals, can make it difficult for people considering work to be sure that they will be better off.
- Entering work can bring significant 'start-up' costs, with new expenses such as clothing, childcare and transport costs, as well as the end to any agreements for debt relief and release from child support payments. Even if income will exceed expenses in the long run, there can be a wide gap between the end of benefit support and reliance on a steady income from pay.
- Among the perceived risks of moving from benefit to work, one of the most discouraging is the fear that if you leave benefit but have to return because a job does not work out, it may be difficult to restart benefit, and may take time to re-establish entitlements.

## A number of measures are in place to ensure work pays, but awareness and take-up need to improve

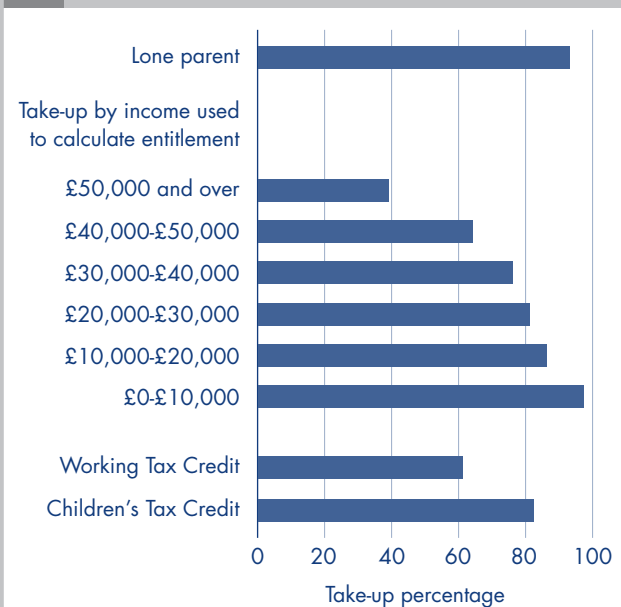
**3.42** A number of measures have been put into place to ensure that work pays, to help people financially through the transition from benefits to work and to reduce the risk that people try working and then find they have to return to benefit and are worse off. The main measures are outlined in Appendix 4 and include:

- Tax Credits that top up the earnings of low paid workers;
- the Adviser Discretion Fund which helps jobseekers with the costs of job search and starting work; and
- rapid benefit re-claim which allows people returning to benefit within 12 weeks to re-enter benefit without delays.

**3.43** The impact of these measures has been mixed.

- The take-up of Tax Credits is relatively high for low income recipients and lone parents (**Figure 17**) but significant amounts are still unclaimed.

**17** The take-up of Tax Credits is relatively high among lone parents and low income households



Source: National Audit Office analysis of Her Majesty's Revenue & Customs data

- The Adviser Discretion Fund can be instrumental in breaking down barriers to work and is particularly helpful in removing financial barriers for people moving into part-time, low-paid work and for people with large debts.<sup>27</sup> Evaluation of the use of the fund to help lone parents shows the money is most often used towards the costs of work clothing, travel passes and childcare. It appears to work best for lone parents with small, often single, barriers to work. There is relatively low use of the fund by people on the New Deal 50 Plus and people on inactive benefits.<sup>28</sup>
  - Research has found that client awareness of in-work benefits such as in-work Housing Benefit and Council Tax Benefit and Job Grants was low and as a result, these benefits had little impact on an individual's decision to move into work.<sup>29</sup> Many people in our focus groups were unaware of support such as the Housing Benefit and Council Tax Benefit 'run-ons'.
- 3.44** Jobcentre Plus is generally the main source of information on transitional assistance and in-work benefits (though not all relevant benefits are the responsibility of Jobcentre Plus). Personal advisers use better-off calculations to help people work out the full financial impacts of moving into work, and from 2008 Jobcentre Plus plans to make better-off calculations available online. While Jobcentre Plus lone parent advisers were generally well informed and confident in advising on the transitional support available, including Housing Benefit and Council Tax Benefit provisions, research<sup>30</sup> has suggested that other advisers were not so well informed or confident.
- 3.45** Whether households are better off with someone in work than on benefit can depend on where they live. As **Figure 18** shows, the high cost of living and working in London is one factor behind the slow progress in helping lone parents in London into work.

## 18 Making work pay in London

Despite the progress made nationally, child poverty remains a particular problem in London, especially in inner London. One in four children in London are growing up in poverty, and one in four live in a workless household. These are some of the factors contributing to the high risk of poverty in London.

- The capital has a concentration of groups that face a higher risk of poverty (lone parents, ethnic minorities and families living in social housing).
- Employment rates for lone parents and couples with children are much lower than the national averages.
- The bulk of new jobs created in London have been for high-skilled work.
- London's high living costs mean the benefit from entering employment can be less than in other parts of the country. High housing and childcare costs make it particularly difficult for parents to find work that pays.

The 2007 Budget set out a number of measures to help reduce child poverty and make work pay in London:

- a higher rate of In-work Credit in London of £60 per week (compared with £40 elsewhere);
- providing lone parents with up-front financial support for childcare;
- expanding the New Deal Plus for Lone Parents pilot to cover all parents in London; and
- trialling short, work-focused approaches to providing courses in English as a Second Language in the London City Strategy pathfinder areas, for parents on benefits or receiving Tax Credits.

In addition, the Childcare Affordability Programme, a three year funding package of £33 million to subsidise childcare places for children aged 0–5 years in London, aims to make childcare in London more affordable and to test what works in terms of types of subsidy and levels of support.

*Source: National Audit Office fieldwork and literature review*

# PART FOUR

## Partnership working at the local level

**4.1** This part of the report examines why local partnerships are important for delivering services to people in workless households, and the role of local partnerships, area-based initiatives and pilot programmes in service delivery.

### Local planning and collaboration are essential for delivering effective services

**4.2** While workless households can be located anywhere, as the maps in the Introduction and Appendix 2 show, the greatest concentrations of worklessness, of lone parents, workless households with children, and of low-skilled individuals are in the cities and urban areas. Workless households are often highly concentrated and clustered in particular wards, estates and streets.

**4.3** Effective collaboration between national agencies, regional bodies, local authorities, service delivery organisations and voluntary and community organisations is essential for employment and skills services to address local pockets of disadvantage and meet local needs.

**Figure 19** shows the major partnerships and the way they link to national, regional and local bodies.

**4.4** In 2006, the Local Government White Paper<sup>31</sup> confirmed Local Strategic Partnerships as the key local planning and partnership body. They are required to:

- deliver joined-up, targeted services based on sound knowledge of what works locally;
- use local and regional data to facilitate cross-authority and cross-agency working; and
- target people most at risk to deliver better and more cost-effective services.

**4.5** Local Strategic Partnerships have a role in aligning the provision of local partners with the programmes of mainstream agencies, such as Jobcentre Plus and the Learning and Skills Council; ensuring the most effective use of the total resources available to best target hard to reach groups, identifying gaps in service provision and delivering complementary programmes where the need is identified. They also offer a flexible funding mechanism, Local Area Agreements, through which the partnership can focus resources on specific areas.

*We are held back by short-term contracting that encourages provision that stops and starts with gaps that put providers such as the voluntary sector out of business.*

*The problem facing our residents is that they experience multiple barriers, no single barrier is the overarching issue.*

*We are developing initiatives that tackle the flow of people onto benefits as opposed to only attempting to reduce the stock; therefore we are working with the private sector to provide occupational health solutions to help avoid people moving onto benefit in the first place.*

*The majority of our area is deprived but some areas more so. We are targeting the 10 per cent worst areas but we are finding it difficult to encourage businesses to take on people from these areas.*

*The prime agency Jobcentre Plus is often hampered by national targets that do not meet local need.*

*One of the key issues for us is to ensure that we use our Local Strategic Partnership commissioning model to ensure more joined-up delivery.*

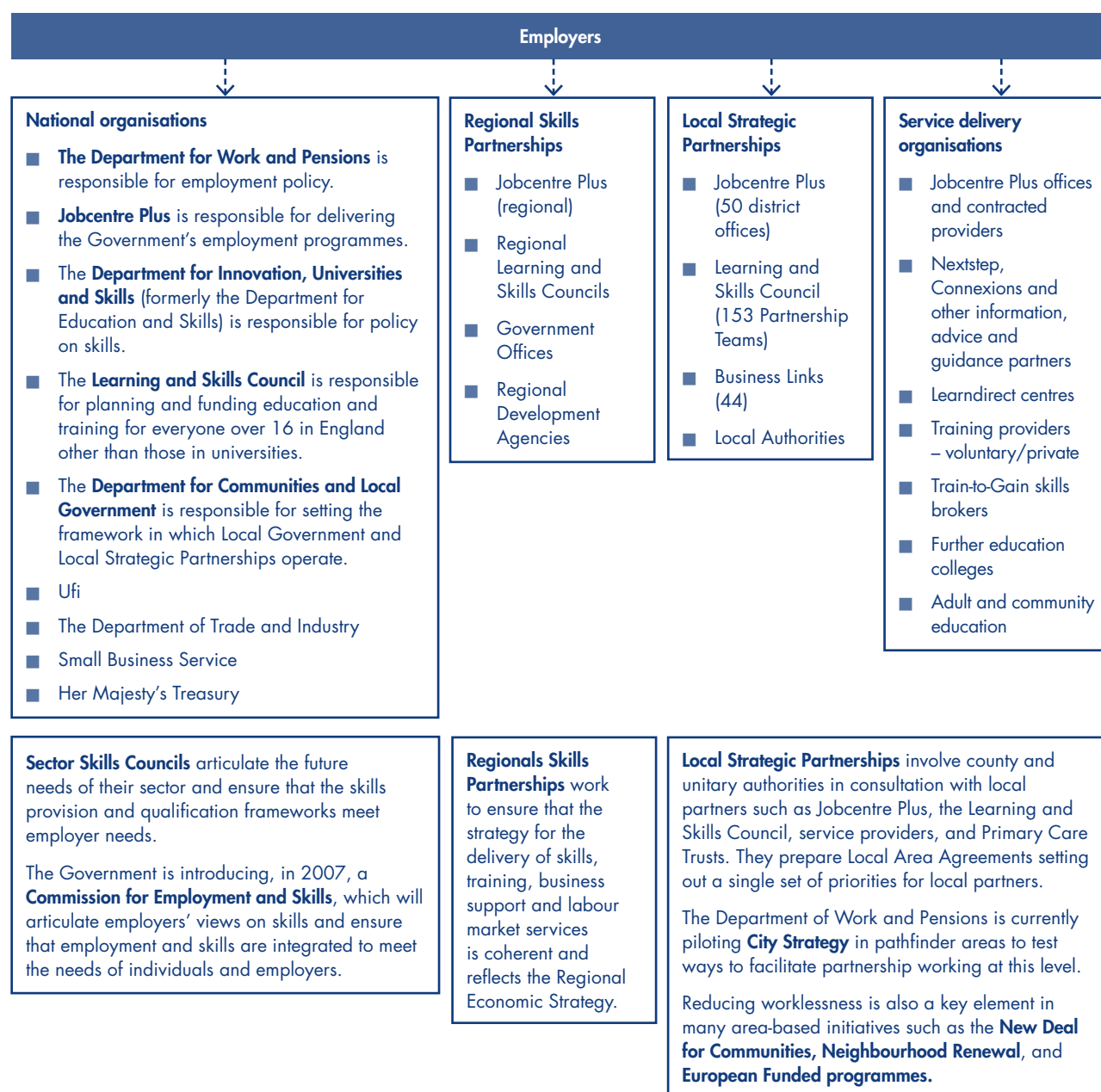
Source: Examples of Local Strategic Partnership responses to National Audit Office survey

**4.6** As part of their brief to target the most at-risk and vulnerable groups, Local Strategic Partnerships in areas receiving Neighbourhood Renewal funding are required to establish targets to improve the outcomes for some of the most disadvantaged groups. There is no target specifically for reducing the number of workless households, but there are employment targets for groups where workless households tend to be over-represented – the most disadvantaged wards, lone parents, ethnic minorities and the lowest qualified. They received a combined spend of around £70 million per year to tackle worklessness. We surveyed Local Strategic Partnerships in areas receiving Neighbourhood Renewal funding and found that nearly a third listed reducing the

number of workless households as a strategic priority, and more than 40 per cent listed reducing the number of children in workless households as a priority.

**4.7** The Department for Work and Pensions is also piloting the City Strategy in 15 Pathfinder areas (**Figure 20 overleaf**). The City Strategy aims to give local stakeholders more scope for innovation and to tailor services in response to local needs. Partners have been given the opportunity to identify barriers to outcomes and request enabling measures to help overcome potential obstacles to the delivery of their targets.

## 19 Departments and agencies involved in employment and skills in England



Source: National Audit Office literature review

**4.8** In October 2006, the Department for Work and Pensions, together with other government departments, set up a Cross-Departmental Board<sup>q</sup> to consider what enabling measures are needed to address the barriers to effective local working, as identified by local partners. The main structural barriers identified, and actions proposed by the Cross-Departmental Board, and agreed by Ministers, to address them, are outlined in Appendix 5.

**4.9** City Strategy's aspiration to break new ground and move quickly has meant that the strategy has commenced with many issues identified but not yet resolved.

## 20 City Strategy

City Strategy aims 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 (and funding) behind shared priorities, and are given more freedom to try out new ideas and to tailor services in response to local need.

Fifteen City Strategy 'Pathfinder' areas have been selected – Blackburn, Dundee, East London, Edinburgh, Glasgow, Greater Manchester, Heads of the Valleys, Leicester, Liverpool City, Nottingham, Rhyl, South Yorkshire, Tyne and Wear, West London and West Midlands City Region.

Key activities will include:

- using funding committed by partners to fill gaps in the existing provision and provide more help to those who are currently furthest from the support of the welfare state;
- joining up local activity more effectively, so there is more clarity and less duplication, with clearer routes for individuals to take up the support they need to get back to work; and
- ensuring the provision on offer is attuned to the needs of the local labour market, so that people gain the skills and attributes they need to take the jobs available.

To support this activity the Government has committed to giving Pathfinders:

- direct control of their share of £32 million from the Deprived Areas Fund (once targets have been agreed);
- better access to shared data;
- a greater ability to influence the provision of training opportunities and employment programmes at a local level; and
- potential additional reward funding if they are successful in meeting their targets and delivering innovative approaches to get people back to work.

Source: National Audit Office literature review

- Some of the flexibilities requested (for example, changes to the '16 hour rule'<sup>r</sup> to allow people to train full-time while keeping entitlement to all benefits) would require primary legislation. The Department for Work and Pensions has advised City Strategy consortia to restrict their requests for flexibility to those not requiring primary legislation.
- The drive for pooled funding has not been accompanied by the development of common targets within partner organisations. For example, the Learning and Skills Council retains targets for qualifications gained (without a focus on job outcomes) and Jobcentre Plus retains targets for job outcomes (not recognising improvements in skills that might enhance opportunities for sustainable employment). These disconnected targets reduce the incentive for partners to pool funding.
- The City Strategy approach proposes that consortia set and are accountable for local targets such as improved employment rates of disadvantaged groups, reductions in child poverty, improvements in skills levels, and improved retention of disadvantaged groups. Some of this data is readily available, but for other data (for example, local measurements of child poverty rates) there is no clear agreement on the measures to be used. Measuring improvement will be a key challenge if City Strategy is to be truly accountable for achieving a major change in service delivery.

## Local partnerships, area-based initiatives and pilots enable innovative approaches to be tested but create a complex service delivery landscape

**4.10** The expanding network of partnerships, including Local Strategic Partnerships and City Strategy consortia, is helping to join up regional economic planning and local activity. However, it creates challenges for regional staff of Jobcentre Plus and the Learning and Skills Council. The statutory obligations on these organisations to engage with local partners are increasing at the same time as challenging Spending Review targets constrain resource growth within the organisations.

<sup>q</sup> Involving the Department for Work and Pensions, the then Department for Education and Skills, Department of Trade and Industry, Department for Communities and Local Government, Her Majesty's Treasury, the Government Office network with representation from the Regional Development Agencies, Jobcentre Plus and the Learning and Skills Council.

<sup>r</sup> The maximum weekly period of part-time study while claiming Jobseeker's Allowance. For full explanation of the '16 hour rule' see Appendix 5.



**4.11** There are 372 Local Strategic Partnerships and the Local Government White Paper has proposed a statutory duty for the local authority and named local partners to co-operate with each other on Local Strategic Partnerships, and agree relevant targets in the Local Area Agreements. Jobcentre Plus and the Learning and Skills Council have had to review their operational approach to ensure that they adequately resource this partnership activity. Jobcentre Plus district managers may have up to 27 Local Strategic Partnerships in their district, and prioritise their activity to ensure they engage with the areas that are developing Local Area Agreements. The Learning and Skills Council has established 153 partnership teams focused around local authority areas.

**4.12** Jobcentre Plus, the Learning and Skills Council and local partners have many area-based pilot programmes testing ways of helping disadvantaged people into work. In the most disadvantaged areas the many funding streams mean that there are many programmes, and many providers. For example, when partners in Glasgow mapped their local programme provision, they identified 125 organisations and 325 individual programmes, projects and services involved in delivering employability services to jobless people.<sup>32</sup>

**4.13** Pilots allow innovative approaches to be tested, but make local service provision complex. Our fieldwork found that operationally, the plethora of programmes and pilots made it hard for advisers and providers to know what is available to whom: in some cases access was restricted by postcode, in others by benefit type. Pilot programmes frequently had a limited life, and programme managers and providers we spoke to noted the hidden costs of ‘initiativitis’ – resources devoted to preparing project submissions and to managing many project funding streams, time spent ramping up new projects and expertise lost as short-term projects wound down.

**4.14** Mapping service pathways and creating a ‘seamless service’ was a priority for a number of the local and regional organisations we contacted in our fieldwork. All were in early rather than advanced stages and **Case Studies 5 and 6** illustrate examples.

## CASE STUDY 5

### Plymouth Works – tracking progress

Plymouth Works aims to address long-term worklessness in four deprived neighbourhoods in Plymouth. Part of the project includes the development of a database to enable voluntary and community groups, providers and statutory agencies to collect information on referrals, track individuals’ progress through employment service pathways, and monitor outcomes. Plymouth Works has also placed additional personal advisers in each neighbourhood, to support individuals, collate and map service delivery and ensure there are no gaps in provision.

Providers will be able to use the database to track outcomes more effectively and to identify individuals who will shortly complete a course or programme. Voluntary sector organisations will be able to use the system to improve measurement of outcomes (potentially improving their chances of accessing further funding). Individual programme participants should benefit from clearer service pathways, and from a more joined-up service where all the organisations that they interact with are aware of which services and programmes they have used in the past.

*Source: National Audit Office fieldwork*

## CASE STUDY 6

### One NorthEast Regional Employability Framework

One NorthEast, the North East Regional Development Agency, has calculated that between £60 million and £168 million is spent each year in the region on employability services alone. Jobcentre Plus and the Learning and Skills Council are the largest mainstream funders, with other money coming from Neighbourhood Renewal Funding, Single Programme and European Structural Funds. Employability service provision in the region is a complicated landscape of public, private, voluntary and community partners.

One NorthEast and its partners have started developing a Regional Employability Framework, providing a structure which funders, partners and providers can use to organise funding, provision and infrastructure better. The proposal includes case management within the employability services, to improve the way that individuals progress through services. The proposal also links up with sub-regional activities such as the City Region Employment Consortium.

*Source: National Audit Office survey of Regional Development Agencies*

# PART FIVE

## Are services for workless households providing value for money?

**5.1** This part of the report examines whether the key programmes supporting workless households into employment are providing value for money and whether the Department for Work and Pensions understands, monitors and manages the costs of its employment programmes.

### The Department for Work and Pensions measure the employment related benefits of programmes

**5.2** The Department for Work and Pensions have conducted cost benefit analyses on individual employment programmes for a number of years. In 2005, the Department commenced work to systematically monitor and compare the costs and benefits of all its employment programmes on a common and consistent framework.

**5.3** The Department measures programme performance in a number of ways.

- 'Job entry rate' and 'cost per job' give a simple measure of performance but do not take into account the fact that a number of people would find work without the programme.
- 'Additional jobs' and 'cost per additional job' estimate how many participants found work specifically as a result of the support in the programme, i.e. additional jobs. The estimate is based on evaluations conducted on each programme. Because some programmes are evaluated more extensively than others, the degree of confidence in additionality estimates can vary by programme.

- 'Net fiscal benefit per participant' estimates the cost-effectiveness to the Exchequer of the programme. It is based on the cost of the programme, minus the direct benefits to the Exchequer (such as increased tax receipts and reduced benefit payments when people move into work) and the costs of any additional in-work payments such as Tax Credits. These elements are calculated based on the best evidence available on the average duration of jobs gained and average entry wages for each programme. Where there is not reliable evidence on job duration and entry wages, duration of one year and a salary at minimum wage level is assumed.

**5.4** **Figure 21** summarises the key elements of the major programmes. While this framework gives an indication of relative performance, great care should be taken in making comparisons between programmes.

- **Programme entry criteria and the groups they target all have an impact on the results they achieve.** Voluntary programmes tend to have higher success rates than mandatory programmes. Some programmes target people with relatively few barriers to work and can achieve results quickly and relatively cheaply, while other programmes (such as Pathways to Work) deal with clients who have more complex needs.
- **Programme location can increase the difficulty and the cost of helping people into work.** Some employment programmes, whether delivered by Jobcentre Plus or Employment Zones, are potentially more costly due to the disadvantaged labour markets within which they operate and the difficulties faced by individuals looking for work.

## 21 Programme performance in 2005-06

Programme	Jobs		Costs				Net Benefit (cost) to Exchequer per participant <sup>1</sup>
	The <b>job entry rate</b> is the number of job entries divided by the total number of participants in the year. <b>Additional jobs</b> is an estimate based on evaluations conducted of each programme.		<b>Programme Costs</b> <sup>2</sup> include delivery and administrative costs. They may also include the cost of any additional benefits participants are entitled to for going on the programme (for example, the lone parent work search premium). The <b>Cost per job</b> and <b>Cost per additional job</b> is the total cost of the programme for the full year, divided by the total number of job outcomes for that year or by the estimated number of additional jobs.				The difference between the cost per participant, and the benefits that will flow back to the Exchequer in benefits saved, and increased tax revenue, less the cost of increased Tax Credits payable to people who move into work.
	Job entry rate (%)	Additional jobs	Costs (including administrative)		Costs (excluding administrative)		£
			Per job £	Per additional job £	Per job £	Per additional job £	
New Deal for Lone Parents	43	15,684	840	4,950	330	1,960	(40)
New Deal for Partners <sup>3</sup>	48	61	2,300	76,540	470	15,760	(1,100)
New Deal 25 Plus	28	10,324	3,530	12,180	2,850	9,840	(360)
New Deal for Young People	33	17,457	2,620	11,720	2,170	9,710	(390)
New Deal 50 Plus	31	2,263	435	3,620	100	870	50
New Deal for Disabled People	48	11,064	2,370	6,780	2,230	6,370	1,260
Pathways to Work (pilots)	29	3,441	2,970	9,910	n/a	n/a	(100)
Employment Zones:							
New Deal for Lone Parents	32	597	3,950	23,250	3,950	23,250	(1,020)
New Deal 25 Plus	25	1,998	5,450	18,810	5,450	18,810	(800)
New Deal for Young People	30	782	4,770	21,360	4,770	21,360	(1,010)

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

### NOTES

- 1 Net benefits to the Exchequer are calculated based on the best evidence available on the average duration of jobs gained under programmes and average entry wages. Where this evidence is not reliable, duration of one year and minimum wage entry are assumed.
- 2 Programme Costs include delivery costs (such as training course provision), and administrative costs (such as staff costs, office costs and computing).
- 3 Data for New Deal for Partners is based on relatively weak evidence on additional jobs and includes a relatively high proportion of administrative costs because of the low number of participants (Paragraphs 5.5 and 5.6).

## Current data on the costs and benefits of the New Deal for Partners is relatively weak

**5.5** Figure 21 shows the comparative performance of the New Deal programmes. The New Deal for Partners has a good job entry rate of 48 per cent of participants into work, but performs relatively poorly in the estimates of cost per additional job and of net benefit to Exchequer per participant. The Department's evidence base for the cost-benefit analysis of the New Deal for Partners is not as strong as for many other programmes. A number of factors in the model significantly influence these results, including:

- **Estimated entry salaries and hours worked are relatively low.** The analysis assumes that partners take up only part-time work (on average 17 hours per week) at minimum wage. The assumed low earnings mean that the estimated fiscal benefits per job gained (including income tax and national insurance contributions paid when people move into work, and savings in benefits) are very low.

- **Current estimates of programme additionality are very low.** The estimate of additional jobs<sup>s</sup> used in the New Deal for Partners analysis is three per cent (compared to, for example, 17 per cent for the New Deal for Lone Parents). If programme additionality could be improved (for example, if the programme conditions were changed to better target people who are unlikely to move into work without the programme) without significantly increasing costs, then the costs per additional job, and the net benefit per participant would improve.
- **Administrative costs are a very high proportion of total programme costs for this programme.** Analysis for all programmes includes delivery costs (the costs that can be directly attributed to the programme, for example, training course provision), and administrative costs (the costs of the general services that all programmes need to run such as staff costs, office costs and computing). For the New Deal for Partners, administrative costs make up 80 per cent of total programme costs (compared to, for example, 60 per cent for the New Deal for Lone Parents). If this proportion of costs could be reduced, for example by increasing the number of people engaging in the programme then the net benefit per participant would improve.

**5.6** The latter two factors above link back to paragraphs 2.6 to 2.11 on participation and entry to the New Deal for Partners. Currently the programme has very low total participation, and a very high attrition rate from initial contact to programme participation, so that most of the people who do enter the programme are very motivated to find work. Changes to programme conditions (for example, more work-focused interviews), to increase the total number of participants, and to better target the programme to the people who are unlikely to work without help, could substantially improve the reported performance of the New Deal for Partners.

## For all programmes, the measures used may understate the benefits for clients furthest from work

**5.7** It is likely that there are positive outcomes from programmes, particularly for the people furthest from the labour market, which are not included in programme cost benefits assessment:

- **Only employment outcomes are recognised.** Many people in workless households are a long way from the labour market, and need considerable pre-work support before they are successful in gaining work. Some positive outcomes are not identified as benefits in the current framework – for example, a person who had previously been inactive gaining the skills and confidence to actively look for work, or improving their chances of employment by increasing their literacy or taking part in a work-experience programme. Programme interactions are not recognised, due to the analytical complexity this would involve combined with existing data limitations. Consequently, if people participate in a number of programmes, then the outcome is assigned to the last programme they take part in.
- **Employment programmes have wider social benefits such as improving health and reducing child poverty.** All these benefits, if realised, generate fiscal benefits beyond any calculation of the cost/return per job. These benefits include encouraging other members of the household to take part in employment, and improved health and well-being for the person in work.

**5.8** The Department for Work and Pensions recognises the limitations in the current framework in measuring wider benefits of programmes, particularly for the hardest to reach and complex client groups. It is undertaking further work to try to identify and quantify these social benefits, and will consider incorporation if a robust methodology can be determined.

## Robust analysis is required to support decisions on provision for different activities and different client groups

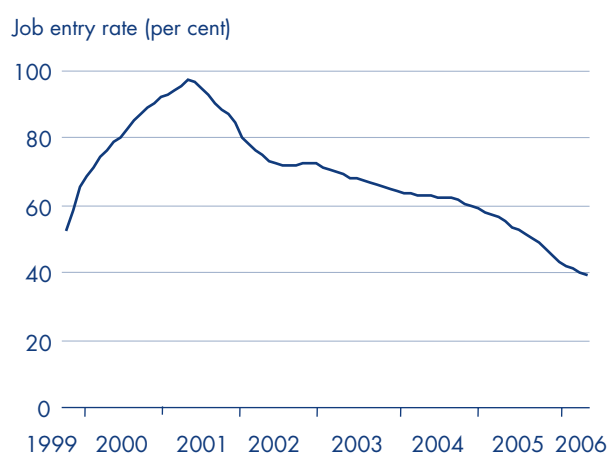
**5.9** It is difficult to judge the relative cost-effectiveness of investing in different claimant groups and programmes. Some programmes produce results quickly, but help the people closest to work. Other programmes may produce fewer job outcomes, but help people who, without help, would be out of work for long periods (data shows that over half of those on incapacity benefits have been on benefits for more than five years).

<sup>s</sup> Additional jobs estimates the number of people on the programme who would not have gained work without the programme. This estimate of three per cent is based on weaker evidence than the department has for other programmes, as the New Deal for Partners has not been so extensively evaluated. However, we believe it is a reasonable estimate given the current programme conditions.

**5.10** Job entry data for the New Deal for Lone Parents (**Figure 22**) and the New Deal for Partners shows that over time, the percentage of participants that these programmes are helping into work is declining. This pattern is mirrored by the New Deal 25 Plus and the New Deal for Young People, where job entry rates have been declining or stable for some years. The reasons for these patterns are unclear – it may be that programmes have helped those closest to the labour market and are now helping those requiring more support.

**5.11** At the same time as job entry rates in many New Deal programmes flatten out, the Department for Work and Pensions and Jobcentre Plus face rising expectations from Government that they should be helping more people, particularly more of the hardest to help, into work. The Department has estimated that to achieve the Government's aspiration of an 80 per cent employment rate, around one-fifth of the economically inactive population will need to move into work, including 0.3 million lone parents, one million older workers and one million incapacity benefits claimants.<sup>33</sup> To date, the majority of spending on employment programmes has been focused on people on Jobseeker's Allowance (**Figure 23**). Helping more people off inactive benefits will require increased investment in assistance for people on benefits other than Jobseeker's Allowance.

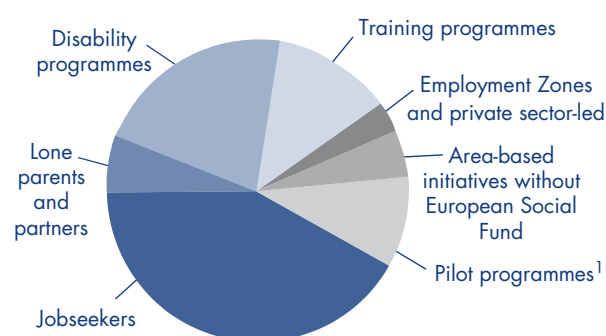
## 22 The job entry rate of the New Deal for Lone Parents is declining



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

**5.12** The complexity of assessing the relative costs and benefits of helping different segments of the workless population has been highlighted in the Freud review of the Welfare to Work programme,<sup>34</sup> which recommended that the Department for Work and Pensions develop a model that will allow it to understand the full costs and benefits of moving different groups of individuals into work. This would provide a basis for assessing whether the current balance of spending on programmes and different client groups is optimal.

## 23 Jobseekers receive the majority of employment programme funding



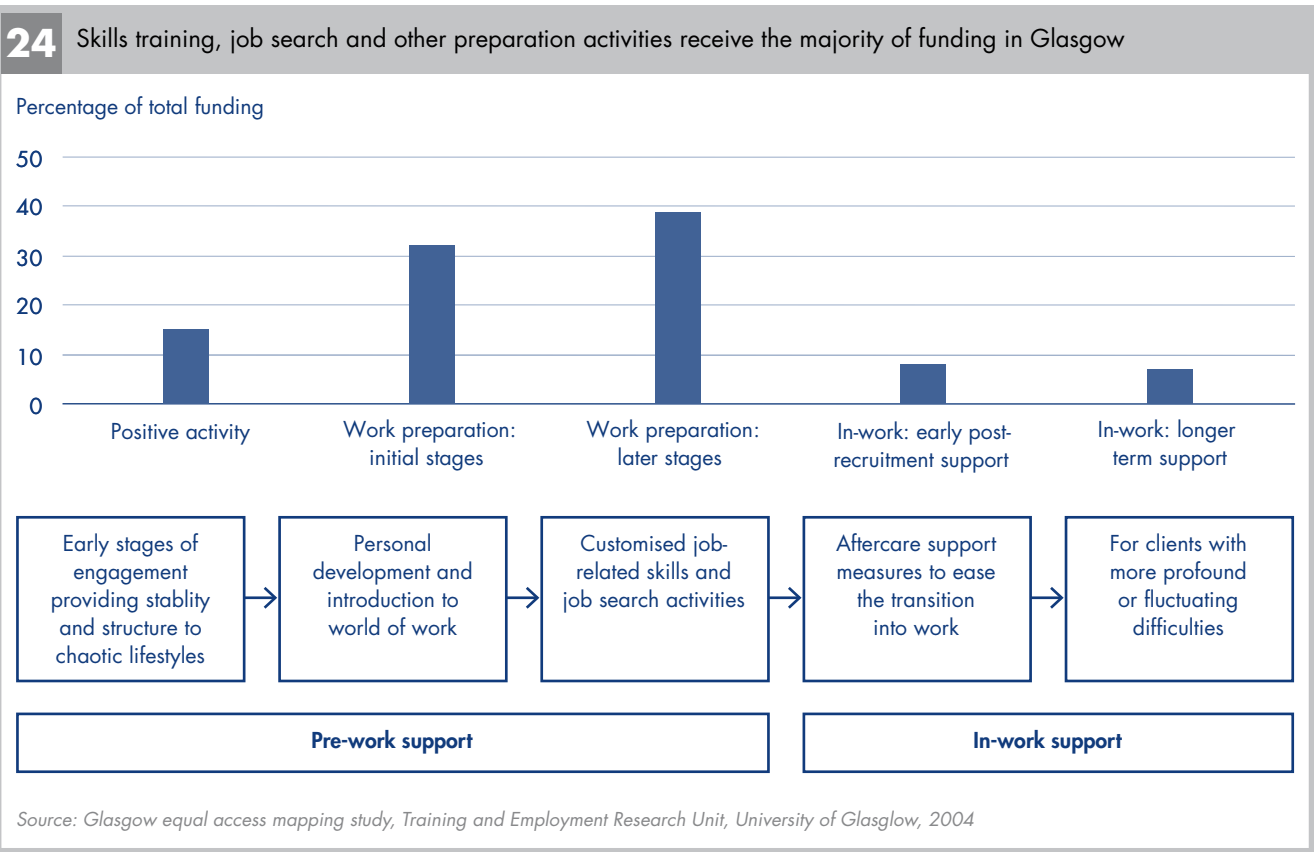
Source: National Audit Office analysis of Department for Work and Pensions data and Jobcentre Plus 2004-05 data

### NOTE

<sup>1</sup> Pilot programmes include Pathways to Work, Lone Parents In-work Credit, the New Deal Plus for Lone Parents, StepUp and Ambition.

**5.13** Some local partnerships are also starting to consider investment priorities. The client's journey from inactivity or unemployment into work includes a number of phases such as engagement with an employment service, work-preparation and in-work support (Figure 24). When local partners analyse local provision they usually find that funding, and activity, are concentrated on job search activities and other work-preparation activities. Substantially less is spent on engagement and in-work support. **Figure 24** shows the analysis conducted in one local area.

**5.14** Local work in mapping service provision and expenditure is at an early stage, and there is little robust analysis available to support decisions about changes to the pattern of activity and funding. For example, there are few measures of 'distance travelled' (paragraph 5.7) to show the current return on activities carried out at an early stage of engagement. This weak evidence base means that while local mapping exercises are useful for showing duplications and gaps in provision, they are currently of limited value as a basis for changing allocations of funding.



# APPENDIX ONE

## Study methodology

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

- Are employment programmes and adult basic skills programmes engaging effectively with people in workless households?
- Are these programmes meeting the needs of the most disadvantaged?
- Are services joining up effectively to help the households furthest from the world of work?
- Are services providing value for money?

The methods we used to answer these questions are described below.

### Quantitative data analysis

**2** The Department for Work and Pensions and the Department for Innovation, Universities and Skills (formerly the Department for Education and Skills) do not maintain data on the household status of programme participants, so it is not possible to determine from departmental data whether benefit claimants and programme participants are from a workless household. This limits the precision with which data analysis on programme performance can assess the specific impacts for participants from workless households.

**3** The most detailed data currently available on the work status of households comes from the Labour Force Survey, which is conducted quarterly. Because of the sample size, this only provides robust data at national and regional level. At local authority level, the Survey's results are subject to wide confidence limits.

### Data on employment programmes

**4** Limited inferences about household status can be drawn from benefit and programme conditions and we used these to guide our selection of programmes for detailed examination. The key considerations are outlined below.

- It is likely that workless lone parents are members of a workless household. However, there may be another adult of working-age in the household. For example, a child over 16 may be employed or a lone parent and children may share accommodation with another adult who is working but who is not a member of the family unit.
- The New Deal for Partners was specifically established for workless households where a second adult in the household is dependent on benefit claimed by the first. However, as with the New Deal for Lone Parents, it is possible that other, working adults live within the household.
- Labour Force Survey data shows that the majority of workless households are dependent on inactive benefits, including Incapacity Benefit, so we included key programmes for incapacity benefit recipients, including New Deal for Disabled People and Pathways to Work in our analysis.
- Workless households are generally concentrated in the areas of high worklessness, so we included area-based initiatives such as Employment Zones, Working Neighbourhood pilots and Action Teams for Jobs (see Appendix 3).

### Education and skills programme data

**5** Education and skills participation data, such as the Individual Learner Record, records income-related benefit status but does not record household status, so there is no way of determining how many or what proportion of participants in education and skills programmes are from workless households.

**6** However, the Labour Force Survey indicates that the household reference person in workless households is typically much lower qualified than the household reference person in households with a working adult, and that the qualification level in workless households is not increasing at the same rate as in working households. For this reason, our quantitative analysis on education and skills programmes focused on programmes for the lowest qualified, including access to basic skills training, and the Train to Gain programme.

## Analysis of longitudinal data on New Deal participants

**7** 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 'churn' and sustainability of the New Deal programmes and Employment Zones. This work analysed the benefit history of claimants prior to joining the New Deal programmes and the long-term pathway of clients after completing New Deal programmes.

- 8** Analysis was conducted on two cohorts:
- Cohort 1 – This tracked programme participants taking part in programmes in 1999-2000, for four years after their participation. The aim was to measure the extent to which transitions to employment are sustained over time, by identifying repeat participation in the programme and the longer-term outcomes for participants after they have completed New Deal programmes. This work will be reported in detail in another report.
  - Cohort 2 – This examined benefit history prior to programme participation, for people taking part in programmes in 2002-03. This enabled us to identify characteristics of participants in New Deal programmes to assess whether the programmes are reaching the most disadvantaged and least engaged.

We selected the two cohort dates 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.

## Analysis of data on the performance, costs and benefits of support programmes

**9** We analysed data from the Department for Work and Pensions and the then Department for Education and Skills on the key programmes in employment and basic skills that were likely to be accessed by people in workless households. We considered data on programme cost, participants and outcome data for the key employment programmes accessed by people in workless households, to establish whether the programmes are providing value for money.

**10** Taking the data on costs, participants and outcomes as our starting point, we considered the degree to which evaluations had determined the programme benefits. We used the Department for Work and Pensions' cost benefit analysis.

## Literature review

**11** We reviewed available research on the following issues:

- the characteristics of workless households and the ways in which workless households may face additional barriers to work;
- the impacts of worklessness and low educational achievement; and
- evaluations of key employment and skills programmes accessed by people in workless households and evaluations of the operation and implementation of policies towards employment and skills.

**12** The sources in our literature review included:

- evaluations and reviews from the Department for Work and Pensions and the then Department for Education and Skills (now the Department for Children, Schools and Families and the Department for Innovation, Universities and Skills);
- academic databases including the Social Science Citation Index from the Institute for Scientific Information and the International Bibliography of the Social Sciences;
- local project evaluations; and
- publications by non-governmental and voluntary organisations.



## Consultation with Government departments, stakeholders and key interest groups

**13** We held discussions with officials from central Jobcentre Plus, the Learning and Skills Council, the Department for Work and Pensions and the then 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.

**14** 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

**15** We asked these groups and individuals for their views on: the key issues affecting workless households; past and current employment and skills programmes; and initiatives that they had implemented, evaluated or participated in.

## Case studies

**16** 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.

**17** During these visits teams interviewed staff from Jobcentre Plus, the Learning and Skills Council, service providers, voluntary agencies, local government, and clients. The fieldwork team also examined local planning documents and data on local service delivery data.

**18** Just as with department-level programme data, local programme data frequently did not distinguish between support for people in workless households and support for workless individuals in mixed households. However, most of the organisations interviewed had a strong sense of workless households as a uniquely and additionally disadvantaged group, with some areas identifying households that had been workless for two or three generations.

**19** Interviews were conducted with over 80 individuals from the organisations listed in the Case Studies table opposite.

## Focus groups

**20** We commissioned KPMG to conduct focus groups with individuals from workless households in order to gain a user perspective on 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).

**21** The focus groups discussed: client perspectives on the barriers and incentives to work; programme participation and attitudes to participation; needs assessment; perceived accessibility of employment and skills programmes; perceived effectiveness of employment and skills programmes; experiences of being in work and of in-work support.

## Surveys of Regional Development Agencies and Local Strategic Partnerships

**22** We surveyed Regional Development Agencies to identify the barriers to employment that the 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.

**23** We also surveyed Local Strategic Partnerships in areas receiving Neighbourhood Renewal Funding to discover the barriers to employment they have identified in their local area, and the activities they have undertaken to address them. Just under half of Local Strategic Partnerships responded to our survey.

### Case studies

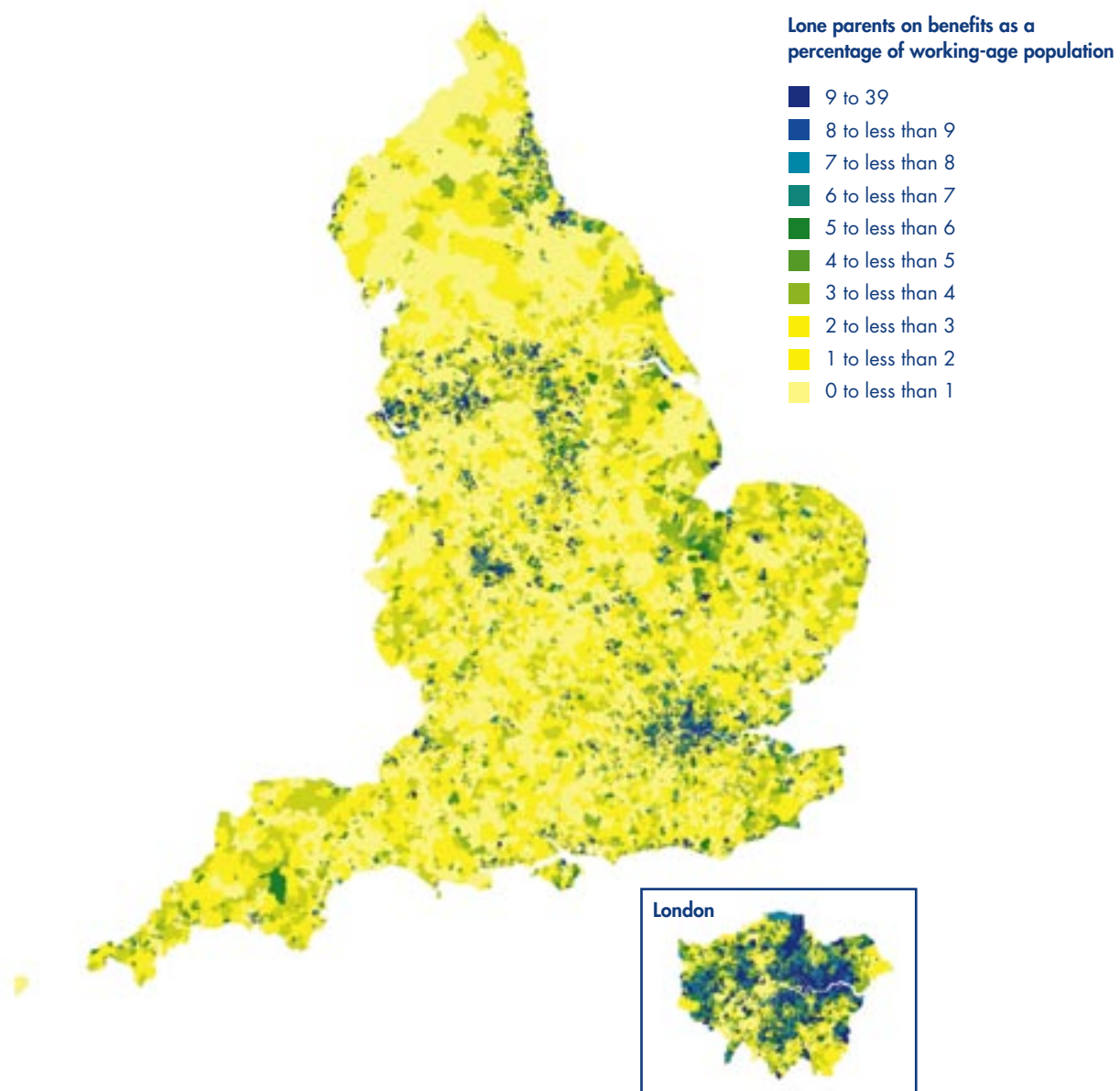
Interviews were conducted with these organisations.

	<b>East London</b>	<b>Liverpool</b>	<b>Plymouth</b>
<b>Jobcentre Plus</b>	London East District office Stratford Jobcentre Plus Tower Hamlets Jobcentre Plus City Jobcentre Plus	District office Everton Jobcentre Plus	District office Devonport Jobcentre Plus
<b>Learning and Skills Council</b>	Area office – London East	Area office – Greater Merseyside	Area office – Devon and Cornwall
<b>Providers</b>	Havering College Instant Muscle Newham College Tower Hamlets College Tower Hamlets Skillsmatch TNG Newham Access to Jobs Futures Careers Management	Nextstep 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	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
<b>Other organisations</b>	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)

# APPENDIX TWO

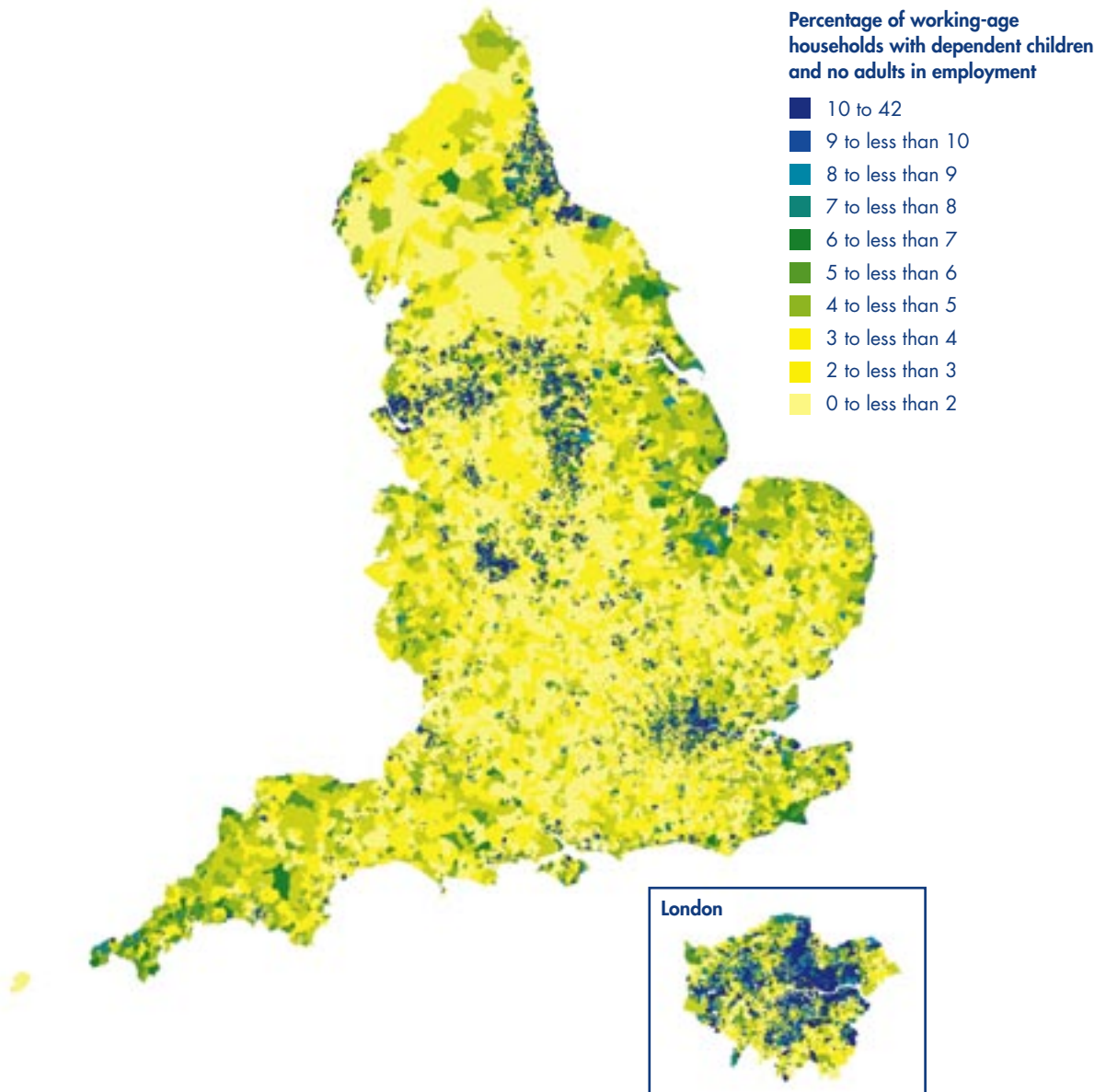
## Regional distributions of worklessness

### 25 Lone parents



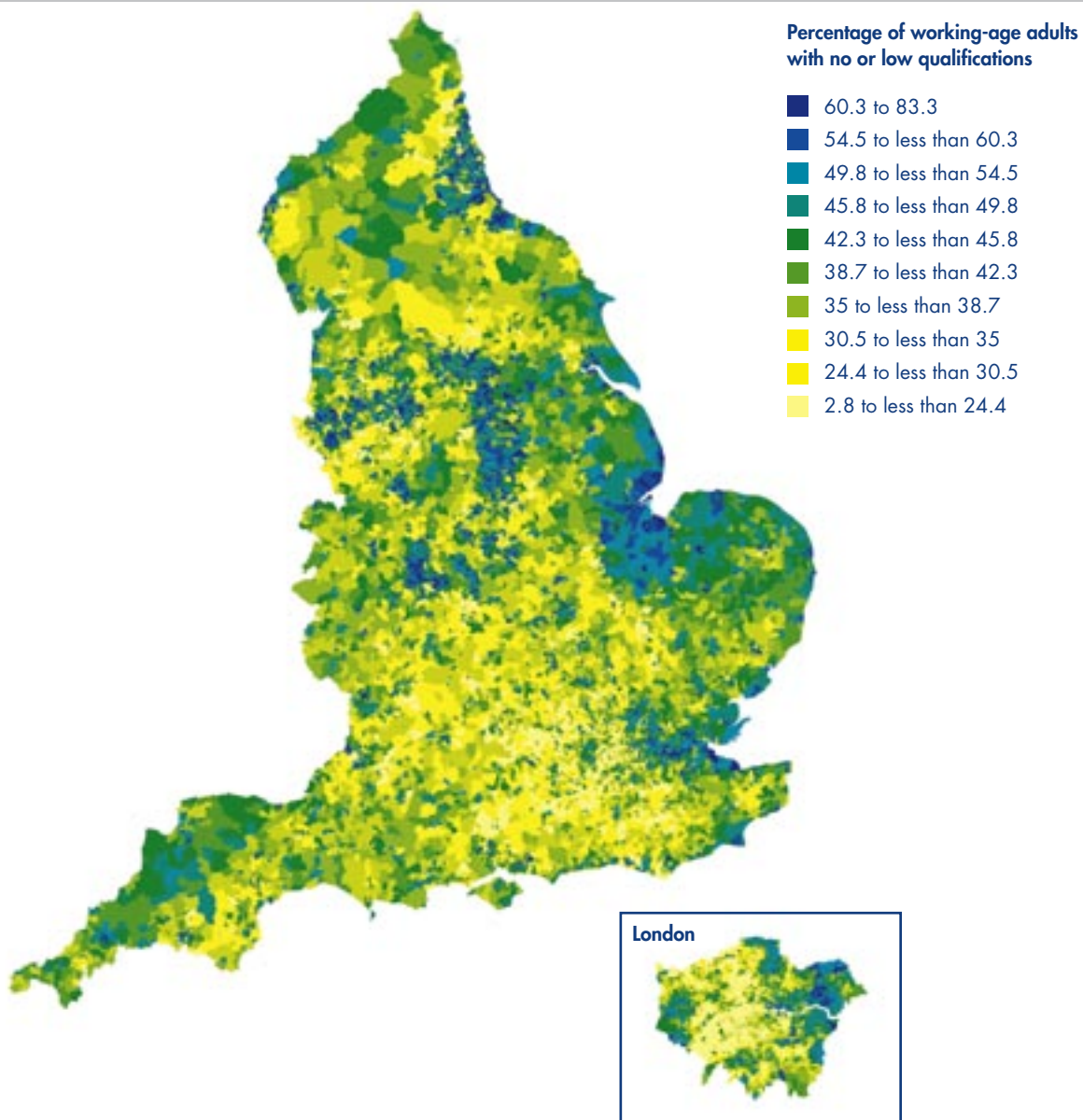
Source: National Audit Office analysis of Department for Work and Pensions data

**26** Workless households with dependent children



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

**27** Adults with no or low qualifications



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

**NOTE**

Each data range contains approximately the same number of records.

# APPENDIX THREE

## Employment benefits and programmes that can be accessed by people in workless households

### Key working-age benefits

Benefit	Description	Number of recipients (000s)	Annual expenditure (£ million)
Income Support	The means-tested 'safety net' benefit that guarantees a minimum level of income for customers who are not entitled to any of the other benefits.	936	6,873
Incapacity Benefits	For those who are sick or disabled – customers whom it would be unreasonable to require to look for work (but nonetheless may be capable of working). Includes Incapacity Benefit, which is contribution-based, and Severe Disablement Allowance, which was based on eligibility and has not been available to new claimants since 2001.	2,683	6,591
Jobseeker's Allowance	This benefit is paid to those who are actively looking for work. It can be either contribution-based or income-based.	931	2,439
<b>Totals, for key working age benefits delivered by Jobcentre Plus</b>		<b>4,550</b>	<b>15,903</b>

Source: Department for Work and Pensions statistics

#### NOTES

The number of recipients is stated at August 2006. Figures for Incapacity Benefits include customers receiving Incapacity Benefit payments and customers receiving Incapacity Benefit credits plus Severe Disablement Allowance payments. Figures for Income Support exclude customers already included under Incapacity Benefits.

The annual expenditure is the estimated outturn for the financial year 2006-07.

## Employment and training programmes

Programme	Nature of programme and eligibility	Key elements	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
<b>Current employment programmes</b>				
New Deal for Lone Parents 1998 – present	<p><b>Voluntary</b> – 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 as follows:</p> <ul style="list-style-type: none"> <li>■ lone parents with a youngest child aged 5 to 13 – before an initial claim for Income Support can be processed, then at six monthly intervals;</li> <li>■ lone parents with a youngest child aged 0 to 14 – before an initial claim for Income Support can be processed, then at six months, then annually. From April 2008 these parents will also have work-focused interviews every six months;</li> <li>■ Lone parents with a youngest child aged 14 or over have work-focused interviews every three months; and</li> <li>■ In New Deal Plus for Lone Parent pilot areas, lone parents with a youngest child aged 11 or over receive three-monthly work-focused interviews.</li> </ul>	<p>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; support during the transition from benefits to employment through the £250 Job Grant.</p> <p>In 2004, several pilot initiatives were introduced in different locations:</p> <ul style="list-style-type: none"> <li>■ Employment Zone services are offered as an alternative in certain areas.</li> <li>■ Extended Schools work with local providers, agencies (and other schools) to provide access to a core offer of integrated services including childcare.</li> <li>■ Childcare Tasters offer the lone parent a discussion with a Childcare Broker about childcare options. Tasters allow up to five days' trial of a childcare provider.</li> <li>■ Debt Counselling is available in some areas for lone parents, partners and others where debt is a barrier to employment or debt advice is not currently accessible.</li> <li>■ Tailored Mentoring offers support to lone parents who are not ready to join the programme or look for work; and Discovery Weeks offer lone parents a week's opportunity, outside the work environment, to explore the benefits of work.</li> <li>■ The In-Work Emergencies Fund offers financial support to lone parents or emergency expenses in their first 60 days of work.</li> <li>■ The In-Work Credit is a weekly payment of £40 for up to 52 weeks for lone parents when they move into work.</li> <li>■ Work Search Premium is a weekly payment of £20 for up to 26 weeks for lone parents who are following an action plan designed to help them move closer to the labour market.</li> </ul>	748	322

**Employment and training programmes *continued***

Programme	Nature of programme and eligibility	Key elements	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
<b>Current employment programmes <i>continued</i></b>				
New Deal for Lone Parents <i>continued</i>		The Government's Green Paper on Welfare Reform published in January 2006 proposes additional measures including: work-focused interviews every six months for all lone parents; work-focused interviews every three months for all lone parents whose youngest child is aged 11 or over; additional support in the first year of work (possibly via further work-focused interviews); introduction of a Work-Related Activity Premium to be paid on top of benefits to lone parents who engage in work-related activity.		
New Deal Plus for Lone Parents 2005 – present	<b>Voluntary</b> – Open to all eligible lone parents in seven areas (see New Deal for Lone Parents).	This programme, introduced in seven areas, brings together several of the pilot initiatives from New Deal for Lone Parents to offer: <ul style="list-style-type: none"> <li>■ 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);</li> <li>■ 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);</li> <li>■ a guarantee of ongoing help from advisers with more adviser contact outside of mandatory work-focused interviews, including active in-work support; and</li> </ul> The offer is balanced by work-focused responsibilities.	N/A	N/A
New Deal for Partners 1999 – present	<b>Voluntary</b> - 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 – present	<b>Mandatory</b> – for 18- to 24-year-olds unemployed for six months or more.	The programme involves three stages. <ul style="list-style-type: none"> <li>■ The Gateway consists of a period of intensive advice and guidance and help with job search lasting around 16 weeks.</li> <li>■ If participants remains 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.</li> <li>■ If participants have not obtained work after completing their option, they receive another intensive help period of up to 16 weeks.</li> </ul>	1,175	2,596



**Employment and training programmes *continued***

<b>Programme</b>	<b>Nature of programme and eligibility</b>	<b>Key elements</b>	<b>Number of participants (000s)</b>	<b>Total cost of programme to end of March 2007 unless otherwise stated (£ million)</b>
<b>Current employment programmes <i>continued</i></b>				
New Deal 25 Plus 1998 – present	<b>Mandatory</b> – 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 – present	<b>Voluntary</b> – 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 – present	<b>Voluntary</b> – 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
Employment Zones 2000 – present	<b>Mandatory</b> – For residents aged over 25 and unemployed for more than 12 months.	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 Zones operate in place of New Deal 25 Plus. 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 – present	<b>Mandatory</b> – For all new incapacity benefits claimants in the pilot areas. Voluntary for those already claiming incapacity benefits.	Piloted a package of measures in seven areas. The initiatives include: <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> </ul>	130 (work-focused interviews to September 2006) 39 (Starts to Choices programmes to September 2006)	304

**Employment and training programmes *continued***

Programme	Nature of programme and eligibility	Key elements	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
<b>Current employment programmes <i>continued</i></b>				
Pathways to Work Pilots <i>continued</i>		<ul style="list-style-type: none"> <li>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.</li> </ul> <p>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> <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>		
Progress2work 2001 – present	<b>Voluntary</b> – For unemployed people who have misused drugs.	Aims to help those with previous problems with drug misuse into work. Help is provided by a support worker who: carries out an assessment of the person's history of employment and misuse of drugs and other factors impacting on finding and keeping work; helps to develop a tailored action plan; offers help in preparing for work e.g. confidence building and life skills, and help to access specialist agencies, e.g. debt, housing etc.	47	82
New Deal for Skills 2005 – present	<b>Voluntary</b> – For Jobcentre Plus customers aged 20 and over:	A package of measures aimed at improving the skills of people for whom a lack of skills is the main barrier to securing/sustaining work. Consists of three elements:		
	<ul style="list-style-type: none"> <li>jobseekers for whom a lack of skills is their main barrier to work; and</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li><b>Skills Coaching</b> 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.</li> <li>The <b>Skills Passport</b> 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.</li> </ul>	13.8	5.9

## Employment and training programmes *continued*

Programme	Nature of programme and eligibility	Key elements	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
<b>Current employment programmes <i>continued</i></b>				
New Deal for Skills <i>continued</i>		<ul style="list-style-type: none"> <li>The <b>Adult Learner Option</b> 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.</li> </ul>	0.1 (up to May 2007)	18.4 (September 2006 to August 2008)
<b>Past employment programmes</b>				
Action Teams 2000 – 2006	<b>Voluntary</b> – For long-term unemployed residents of the areas who belong to at least one of 15 disadvantaged groups.	Set up in the 65 most deprived areas of Britain. Initiatives were unique to each Action Team and aimed to reflect the needs of the area. They included the provision of specialist advice and financial assistance with, for example, transport and clothes for job interviews. Of the 65 Action Teams, 40 were run by the Department for Work and Pensions and 25 were contracted out. From 2004, activities were refocused to target people on inactive benefits or with very significant barriers to work.	325	150
Working Neighbourhood pilots 2004 – 2006	<p><b>Mandatory</b> – For residents of the pilot areas claiming Jobseeker's Allowance.</p> <p><b>Voluntary</b> – For all workless residents of the pilot areas.</p>	<p>The pilots, in 12 areas, tested a new approach of offering intensive support to residents within the pilot neighbourhoods to help them access local jobs. This involved both help to find work – by offering work-focused contacts at the earliest opportunity – and help for people to remain in work through in-work support and incentives. Specific aspects of support included:</p> <ul style="list-style-type: none"> <li>accelerated access on to New Deal/ Employment Zone programmes after just three months for all residents claiming Jobseeker's Allowance;</li> <li>more frequent work-focused interviews for people claiming Income Support and all partners of customers in receipt of designated benefits;</li> <li>more help for new Incapacity Benefit claimants to ensure that employment opportunities and the support available to overcome barriers were regularly discussed and explored;</li> <li>a flexible, discretionary fund for each neighbourhood to allow personal advisers in co-operation with local partners to tackle the substantial and varied barriers that prevent residents in these neighbourhoods from returning to work; and</li> <li>retention payments, in the form of lump sum rewards, for those who moved into and remained in work after previously receiving benefits.</li> </ul>	72	24

<b>Employment and training programmes <i>continued</i></b>				
<b>Programme</b>	<b>Nature of programme and eligibility</b>	<b>Key elements</b>	<b>Number of participants (000s)</b>	<b>Total cost of programme to end of March 2007 unless otherwise stated (£ million)</b>
<b>Past employment programmes <i>continued</i></b>				
StepUp 2002 – 2006	<b>Voluntary</b> – 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.	3.2	30
Ambition pilots 2002 – 2005	<b>Voluntary</b> – Entry criteria similar to those for 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
<b>Current education programmes and support</b>				
Basic skills provision 2000 – present	<b>Voluntary</b> – For all adults with a basic skills need.	Range of courses available to help adults improve their basic skills up to Level 2.	4,337 (to July 2006)	3,117
First full Level 2 qualification 2001 – present	<b>Voluntary</b> – For all adults who do not have a Level 2 qualification	A wide range of courses available that deliver a Level 2 qualification.	1,141 (to end of 2006) <sup>1</sup>	N/A
Information, advice and guidance	<b>Voluntary</b> – Open all adults.	A range of service providers provide 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 – present	<b>Voluntary</b> – Open to all employers.	A service 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"> <li>■ a free skills brokerage service targeted at hard to reach employers, to source any training they need at all levels;</li> <li>■ 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;</li> </ul>	136 (2006-07)	194 (2006-07)

**Employment and training programmes *continued***

<b>Programme</b>	<b>Nature of programme and eligibility</b>	<b>Key elements</b>	<b>Number of participants (000s)</b>	<b>Total cost of programme to end of March 2007 unless otherwise stated (£ million)</b>
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**Current education programmes and support *continued***

Train to Gain  
*continued*

- 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.

*Source: National Audit Office analysis of statistics and expenditure data from the Department for Work and Pensions and the Department for Innovation, Universities and Skills*

**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 estimate 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 FOUR

# Making work pay – in-work and transitional assistance

### Making work pay better

**National Minimum Wage** – Sets minimum hourly rates of pay.

**Tax Credits** – All those on low incomes with children can claim Child Tax Credits, whether they are working or on benefit. In addition, Working Tax Credits top up the earnings of some low-paid workers. Working Tax Credit also includes assistance with childcare costs – up to 80 per cent of weekly costs can be claimed up to maximum limits. Additional Tax Credits are available to disabled people.

**Means-tested Housing Benefit and Council Tax Benefit for low income earners** – Earners on low income are eligible for Housing Benefit and Council Tax Benefit.

**Better-off calculations** assess the full financial effects of moving into work, taking into account wages, passported benefits and other costs of moving into work. Currently better-off calculations are done by advisers, but Jobcentre Plus plans to provide online access to better-off calculations in 2008.

### Smoothing the transition to work

The Jobcentre Plus **Customer Management System**, which stores information on benefit claims can now pass information to local authorities and Her Majesty's Revenue & Customs on benefits claims, reducing delays to claimants receiving Housing Benefit or Tax Credits.

**Job Grant** – £250 for lone parents or couples with children and £100 for single people or couples with no children, if an individual has been out of work for over 26 weeks and takes up work of over 16 hours a week. Partner can also access Job Grant if they take up work of 24 hours or more and remove the whole family from benefit.

**Housing Benefit and Council Tax Benefit run-on** may be available for up to four weeks if a claimant or partner has stopped getting income-based Jobseeker's Allowance, Income Support, Incapacity Benefit or Severe Disablement Allowance because one of them is expecting to move into work for five weeks or more. The payment is only available to those who have been getting benefits for 26 weeks immediately prior to the claim and does not apply to people who have had multiple episodes of work and unemployment over that time – it must be re-applied for in this case.

**Adviser Discretion Fund** – An award of up to £100 for any goods or services needed to support a jobseeker with the job search, or to help them overcome barriers which prevent them

from applying or taking up a job. Available at the discretion of personal advisers. For those on New Deal for Lone Parents and New Deal for Partners up to £300 is available to cover the costs of the up-front childcare for the first two weeks of starting work. Higher awards can be considered in exceptional circumstances. Also available to Pathways to Work clients.

**In-Work Credit/Return to Work Credit** – A non taxable payment of £40 per week for a maximum of 52 weeks. The In-Work Credit is only available in 22 New Deal Plus for Lone Parents pilot areas to lone parents who have been claiming Income Support or Jobseeker's Allowance for a least 12 months, participated in 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. From July 2008 the payment will increase from £40 to £60 per week in London. The Return to Work Credit is available to Pathways to Work participants who have been in receipt of incapacity benefits for 13 weeks and who take up work of 16 hours per week and earn less than £15,000 per annum and their job will last at least five weeks.

**Childcare Assist** – Available to participants of the New Deal for Partners or the New Deal for Lone Parents. The scheme provides one-off help with childcare costs in the week prior to starting a new job.

**Referral to debt help** – Clients who require help with managing debts are referred to local Citizens Advice Bureaux for expert assistance.

### Reducing the risks of trying work or taking short-term work

**Linking rules** – Allow clients who are on Incapacity Benefit to move into work without the risk that if they cannot sustain it they will return to a lower level of benefits. From 2005, linking rules have allowed claimants who move into employment to return to benefit on the same terms as their previous claim.

**Rapid benefit re-claim** – People who have been on Incapacity Benefit, Income Support and Jobseeker's Allowance for 26 weeks, who move into work and then return to benefit within 12 weeks, can have their claim processed more easily.

**Childcare subsidy** – Available to participants in the New Deal for Lone Parents and the New Deal for Partners when they return to work part-time, if their adviser agrees that this is the best first step back into full-time work. A childcare subsidy of up to £67.50 for one child and £100 for two or more children is available for up to one year.

Source: National Audit Office literature review

# APPENDIX FIVE

## City Strategy enabling measures

### Barriers to effective local working and actions proposed

#### Issue identified by stakeholders

Improved access to training provision for those that need it

Access to training provision for certain clients can be restricted by their benefit conditions. For example:

- Inactive benefit claimants may be restricted in the number of hours that they can train without losing their entitlement to benefits, including housing benefits. The number of hours permitted can vary according to whether the training is classified as 'study' or as 'training'. Exceptions apply to certain groups including lone parents, disabled people and refugees learning English. Customers on incapacity benefits may not attend a training course and receive a training allowance. However, someone who chooses not to take the training allowance can remain in incapacity benefits while training.
- Jobseeker's Allowance rules may restrict the vocational skills training some jobseekers can attend. In the case of provision funded by the Learning and Skills Council, or devolved equivalents, this is generally courses of less than 16 hours per week. For provision not funded by the Learning and Skills Council it is dependant on how the provider defines the course. Jobseeker's Allowance is not payable to full time students, however, local Jobcentre Plus Decision Makers can decide if part-time students can receive Jobseeker's Allowance. Any full-time employment-related course must not exceed two weeks and this must be endorsed by a Jobcentre Plus officer before starting. Jobseekers with the greatest training needs often need them addressed in a comprehensive package which goes beyond these time limits.

Improved transitions to work – Work Trials

A Work Trial allows people to try out a job for up to three weeks and show an employer that they are the right person to fill it. However, some people may need a longer work trial to demonstrate their competency. New Deal programmes provide 13-week work trials but these are only available to people on Jobseeker's Allowance.

#### Proposed actions by the Department for Work and Pensions

**Better guidance, to reduce confusion** – Issue new guidance on who can study and for what and how to access finance for study and training through Jobcentre Plus and the Learning and Skills Council.

**Local funding** – the Department has agreed a method for Pathfinder areas to pay for jobseekers who have been unemployed for six months or more and inactive benefit recipients to do training to meet local skill needs. Pathfinders will also be able to participate in Adult Learner Pilots in England, where learners study for a Level 2 qualification funded by the Learning and Skills Council.

**Longer work trial period** – Extension of work trial maximum period from three to six weeks to enable more disadvantaged clients to have the opportunity of a longer work taster.

## Barriers to effective local working and actions proposed *continued*

### Issue identified by stakeholders

Improved transitions to employment programmes

Most people cannot access employment programmes until they have been on benefits for a period of time (usually 6 to 18 months, depending on the programme). Those with multiple disadvantages would benefit from immediate access to support.

Access to support is too specifically targeted or dependent on strict eligibility criteria, for example:

- Support is generally structured around particular client groups such as disabled people, lone parents or older workers, and based on rules according to the benefit being claimed.
- Access may be postcode-based – for example many of the most comprehensive and flexible packages of intensive assistance are pilot programmes in particular areas.

Improved approaches to funding, contracting and the development of local targets

In April 2007, the Department for Work and Pensions took responsibility for Jobcentre Plus service procurement. Many stakeholders are concerned that centralising procurement could reduce responsiveness to local labour market conditions and be based on less understanding of the local environment.

In order for local partnerships to work effectively: local management information and information on the performance of providers need to be shared; local planning needs to be more collaborative; and funding needs to be pooled, including pooling of Jobcentre Plus funds.

Improved data sharing to enable better targeting of provision

Local partners want to improve data on where claimants are located and on programme outcomes (data obtained from Her Majesty's Revenue & Customs). Currently Jobcentre Plus and Her Majesty's Revenue & Customs are not able to share personalised data due to data protection rules.

### Proposed actions by the Department for Work and Pensions

#### **Locally fund changes to eligibility, and widening of entry criteria to mainstream programmes – including self employment –**

The Department will provide costing to Consortia that wish to fund provision additional to the mandatory programmes offered by Jobcentre Plus.

**New planning guidance** – Guidance will be amended to take account of the localisation agenda and Jobcentre Plus' new obligations under the Local Government White Paper to ensure that Jobcentre Plus is more sensitive to local needs.

**Local involvement in development of national programme specifications** – the Department have given a commitment to involve locality representatives when developing new national programme specifications.

**Establish a welfare to work user group** – the Department have agreed to set up a welfare to work user group, including representatives from Pathfinders and Local Area Agreement authorities, to contribute to the debate on ways of tackling worklessness and poverty.

**Clear guidance** – Provide updated guidance on how to access Department for Work and Pensions data for stakeholders and staff, developed with advice from a focus group of users.

**New contracts** – Issue contracts to Pathfinder areas to enable the Department to provide agreed customer data for the specified purpose of them helping customers off benefits and into work.

Source: National Audit Office analysis of City Strategy expressions of interest, Survey of Local Strategic Partnerships, National Audit Office fieldwork



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