



National Audit Office

Helping people from workless households into work

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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.^a 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.

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

^b 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 Deal¹ 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.^c 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.

^c 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.