



National Audit Office

DEPARTMENT FOR WORK AND PENSIONS

Increasing employment rates for ethnic minorities

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 206 Session 2007-2008 | 1 February 2008

SUMMARY

Closing the employment gap

1 There is a significant gap between the employment rates of the ethnic minority and general populations – currently 14.2 percentage points. This gap costs the economy some £8.6 billion² annually. It is just 1.3 percentage points lower than the level in 1987 but since then there have been significant fluctuations. However, during the last ten years there has been a slow but steady reduction of 2.8 percentage points in the gap.

2 The Department for Work and Pensions (the Department) is responsible for helping people into employment, largely through a range of services provided by Jobcentre Plus offices across the country. It has a Public Service Agreement target to reduce significantly the ethnic minority employment gap over the three years to spring 2008. The Department is on course to meet this target and has achieved the most recent similar target for 2003-2006 through its mainstream services, targeted initiatives and a stable macroeconomy. The Department told us that it expects its policies to make a small but significant impact on the gap, but that without increased effort it could take 30 years to eliminate it.

3 The ethnic minority population increased from 3.1 million in 1991 to 4.6 million in 2001 and now accounts for 10 per cent of the working age population. There are three main factors that contribute to their underachievement in the labour force: *Human capital* – some ethnic minority groups have lower levels of education and skills than the white population; *Geography* – many ethnic minorities live in deprived areas with high unemployment; and *Discrimination* – unequal treatment by employers on grounds of race or colour represents a further barrier to employment. There may also be cultural factors that may discourage ethnic minorities from participating in the labour market.

² £1.3 billion cost to the Exchequer in benefit payments and lost tax revenue; and £7.3 billion cost to the UK economy in lost output.

Effectiveness of the Department for Work and Pensions in helping ethnic minorities into employment

4 Mainstream services offered by Jobcentre Plus are the principal vehicle for getting ethnic minorities into employment. Starting in 2002 however the Department ran pilot projects specifically aimed at ethnic minorities or their potential employers. These pilot projects have been largely discontinued, and the Department has, since 2006, focussed on wider programmes aimed at disadvantaged groups generally. At the same time, there has been a shift to devolving decision making and funding decisions to local organisations. In managing this strategic shift in focus towards the whole disadvantaged community and to more local control, the Department's strategy for targetting additional support on ethnic minority communities has lacked continuity.

5 The main projects and programmes are:

Specifically for ethnic minorities

- a** **Ethnic Minority Outreach.** This ran from 2002-2006, cost £31.5 million, and more than achieved its original target, getting over 13,000 job entries at a cost to the programme of £2,400 per job. An external evaluation found it to be a qualified success, with those customers with the greatest barriers to employment making limited progress in moving closer to the labour market;
- b** **Ethnic Minority Flexible Fund.** The Fund ran from 2004-2006 and cost £6.8 million. The focus was on progress towards employment rather than job outcomes, but over 2,500 customers found jobs at a cost to the programme of £2,700 per job. An internal evaluation found the Fund had strengthened partnership working, tested methods of engagement with the voluntary sector, and provided additional support to those furthest from the labour market;

- c **Specialist Employment Advisers.** This role was created for a two year pilot period to help tackle discrimination and open up employment opportunities to ethnic minorities. It cost £1.5 million and ran from 2004-2006. The key lesson from an evaluation of the project was that engaging with both employers and communities was a long-term project that would take more than two years for positive results to become visible;
- d **Fair Cities.** Pilot projects are aimed at employer engagement and helping ethnic minorities move into employment with major employers. They started in 2005 and will end in 2008. Only 10 per cent of the job outcome target was achieved in the first year, and an interim evaluation reported that results were disappointing. Cost per job to the programme is £12,715 but will reduce as numbers build up; and
- e **Partners Outreach for Ethnic Minorities.** A 15 month initiative begun in 2007 aiming to reach out and support non-working partners from low income families. The target is 1,000 jobs, but results are not yet available.

Aimed at the wider disadvantaged community

- f **Deprived Areas Fund.** The Fund runs from 2006-2009. Around 60 per cent of available funds will be used to support City Strategy (below), and some £47 million in the first two years used by Jobcentre Plus district managers to fund local projects helping individuals, groups or the wider disadvantaged community into work. Expected cost is £111 million. There are no central targets specifically for ethnic minority employment. It is too early to assess the effectiveness of the Fund; and
- g **City Strategy.** Piloted from April 2007 the Strategy uses local consortia from private and public sectors to support jobless people into work. It is expected to focus on benefit claimants, lone parents, the disabled, older people and ethnic minorities. Plans for the 15 pilot sites have been approved by the Department. They vary in the extent to which they address ethnic minority employment, and just over half of consortia in areas where there are significant ethnic minority populations have specific targets for getting ethnic minorities into employment.

For all customers of Jobcentre Plus

- h The Department's core mechanisms for helping people to move into the labour market include the work focused interview and skilled personal adviser, the job-brokering service provided through a variety of channels and other jobsearch support. Most customers will find employment through these mechanisms. For those that do not, programmes such as New Deal are available.
 - i **The New Deals.** A set of national services since 1998 to help customers into work. The various New Deal programmes have had some success in getting ethnic minorities into employment and half of the respondents to our survey found them very useful. Some of the personal advisers we spoke to told us that some of the training provided under New Deal is not as effective as it could be for ethnic minorities because it is not sufficiently tailored to meet their needs; of insufficient duration to help those who have multiple barriers to employment; not available early enough to those who need it most; and is of variable quality.
- 6 In the light of the change in strategy, local City Strategy consortia and Jobcentre Plus districts now have the opportunity to develop local projects that help break down the employment barriers faced by ethnic minorities, including some of the hardest to reach sections of that community. This approach is also intended to give localities the opportunity to draw in additional resources from local partners. There is, however, a balance to be struck between allowing local discretion and maintaining central accountability. Whilst experience has shown that local control can bring about some real positive changes, there is a risk that ethnic minorities may not receive an appropriate share of the additional resources devoted to disadvantaged sections of the community. Under City Strategy the Department will devolve direct control over £65 million in 2007-8 and 2008-9, and will need to maintain an effective overview so that the ethnic minority community benefits appropriately from this recent policy change. Funding will also need to be allocated in sufficient time to be spent effectively, and lessons from earlier pilot targeted initiatives incorporated into current strategy.

The role and effectiveness of Jobcentre Plus

7 Jobcentre Plus, along with the Department and other government departments, works closely with employers on a range of issues, including promoting workforce diversity and ensuring, as far as possible, equal opportunity for all. Jobcentre Plus staff work with national and local employers through a number of roles including Account Managers who talk to employers about the benefits of recruiting a diverse workforce. In July 2007 the Department published details of Local Employment Partnerships between Jobcentre Plus and local employers. These are intended to help ensure that the support for long-term unemployed people and other priority groups prepares them for the world of work. We saw successful local examples of good practice in employer engagement. More generally, there may be opportunities for Jobcentre Plus to work in partnership with other organisations including parts of government, who have lead responsibilities for advising employers on equality issues and legal requirements.

8 Jobcentre Plus' surveys indicate that employers are broadly satisfied with the performance of Jobcentre Plus as a whole, but in a comparative survey of recruitment methods in 2006-07 45 per cent were not satisfied with the quality of candidates provided though this was an improvement on previous years. The Department told us that this largely reflects prevailing labour market conditions and Jobcentre Plus' role as a provider to employers of a standard, rather than a bespoke service.

9 Discrimination by employers remains a significant barrier to ethnic minority employment though little is reported back to Jobcentre Plus staff by ethnic minorities themselves and recorded by Jobcentre Plus staff.

10 Jobcentre Plus includes amongst its objectives helping unemployed and economically inactive people move into work, helping those facing the greatest barriers in finding employment to compete effectively and move into and remain in work and working towards parity of outcome for ethnic minority customers. In discharging these objectives, Jobcentre Plus has engaged in outreach activity specifically to reach out to those members of the ethnic minority community not in employment and not actively looking for work. This is challenging work which depends on building up long term relationships with the community and with voluntary organizations that can provide valuable support. With the cessation of the Ethnic Minority Outreach programme, outreach activities are now at the discretion of Jobcentre Plus districts. Whilst there are some examples of good practice in this area, some Jobcentre Plus offices we visited had significantly

reduced the amount of ethnic minority outreach work that they undertook, and therefore risk reducing their contact with some hard to reach sections of the community. In Jobcentre Plus' view, it faces difficult choices living within constrained financial circumstances. It seeks to optimise the effectiveness of advisers' work with disadvantaged customers and believes that the Deprived Areas Fund (DAF) ensures that there is still funding available to Cities Strategy consortia or Jobcentre Plus for local level activity in areas with large ethnic minority populations.

11 Jobcentre Plus personal advisers have a key role in helping ethnic minorities into employment. They receive training in dealing with diverse customer groups and in more general ethnic cultural awareness issues. Coupled with interview times which are tightly scheduled, some personal advisers we met told us they are frustrated by the extent to which they are able to help effectively this disadvantaged group many of whom have multiple barriers. Jobcentre Plus is working to increase the average number of interviews conducted each week, by minimising non-customer facing tasks conducted by advisers. It estimates that if achieved this will deliver £31 million in efficiency gains.

12 A recent Jobcentre Plus survey indicated few significant differences in the satisfaction levels as between ethnic minority and white customers.

Value for money assessment

Whilst the majority of ethnic minorities are helped into work through mainstream services, the Department's initiatives specifically designed to contribute to closing the ethnic minority employment gap cost some £15 million in 2005-06.

The costs of the employment gap comprise the cost of benefit payment and lost taxation (£1.3 billion), lost output (£7.3 billion, see Footnote 1) and wider social costs.

Assessing the Department's strategy for significantly reducing the employment gap in pure value for money terms would not be reasonable, since it would ignore the wider benefits and social justice associated with getting ethnic minorities into employment, including the government's aim to reduce child poverty.

In this report we have therefore focussed on the effectiveness of the Department's strategy. In terms of effectiveness, whilst the Department has achieved a reduction in the employment gap there is more that can be done to achieve further increases in ethnic minority employment.

Our conclusions and recommendations

13 The Department has given a high priority to reducing the employment gap for ethnic minorities and has consistently used its mainstream employment services as the principal instrument for closing that gap, with some degree of success. However, the Department's strategy for targeting additional support on ethnic minority communities has lacked continuity. We consider that this has had an adverse impact on the effectiveness of the efforts by Jobcentre Plus to reduce ethnic minority unemployment. A series of pilot projects aimed at increasing ethnic minority employment have been trialled but not continued or rolled out nationally. The Department does not, however, accept that this strategy shift lacked continuity, nor that this had an adverse impact on effectiveness. In the Department's view, although there was a short period of transitional difficulties, this preceded a move to more effective, better funded strategy.

14 The Department has moved away from a direct focus on ethnic minorities towards a focus on disadvantaged groups and areas. Decisions about how to use and prioritise discretionary funds are now taken at the local level, through City Strategy consortia or Jobcentre Plus districts. The Department has also noted that without increased effort it could take 30 years to eliminate the employment gap between ethnic minorities and the overall population.

15 As noted, this shift in focus carries opportunities to concentrate help on those members of the community who are most disadvantaged; but also carries the risk that ethnic minorities may not receive the help that they need to gain employment. The Department will need to use its role of strategic oversight to minimize this risk and to reduce the time taken to eliminate the employment gap. It is with this in mind that we make the following recommendations:

- i** **Issue** – The Department's current strategy devolves decision making on area-specific projects and programmes to a local level. The main current initiatives – City Strategy and the Deprived Areas Fund – allow local decision making to decide what projects to support to address problems of worklessness in the light of the make up of the disadvantaged community. Most City Strategy consortia in areas where there are significant ethnic minority populations have specific targets for getting ethnic minorities into employment (paragraph 2.24).
- ii** **Issue** – The effectiveness of New Deal programmes for ethnic minority customers could be improved through increased flexibility in the timing and content of services to move people closer to the labour market, and tighter control over the quality of providers. New Deal is one of the key vehicles for getting hard to help ethnic minorities in to employment. However some New Deal programmes need to be more flexible to be able to effectively address the employment challenges faced by ethnic minorities (paragraph 2.28).
 - Recommendation** – In developing its proposals for more flexible New Deal programmes, the Department should address the aspects of New Deal which require more flexibility if they are to fully meet the needs of ethnic minority customers – including the time to get on training and the length, content and format of the courses – and introduce the necessary changes. The Department should take action in accordance with its procurement protocols where training providers are not performing satisfactorily.
- iii** **Issue** – Discrimination remains a serious barrier for ethnic minorities, but relatively few examples are recorded by Jobcentre Plus. Whilst Jobcentre Plus works with employers to create a more level playing field, and personal advisers and contact centre staff take action when discrimination is reported to them, NAO believes that Jobcentre Plus could have a greater role in making ethnic minority customers aware of procedures for reporting suspected cases of discrimination (paragraphs 3.8 and 3.9).

Recommendation – Jobcentre Plus should consider innovative ways to increase awareness amongst ethnic minorities of reporting arrangements where discrimination has been perceived to occur. Nationally, the Department should – with other key players – explore the possibility of encouraging employers to obtain a recognized ‘kitemark’ certifying that they are an equal opportunity employer.

- iv Issue** – Outreach activities by Jobcentre Plus working with voluntary organisations have an important role to play in bringing the hardest to reach sections of the ethnic minority community closer to the labour market. During the transition from the Ethnic Minority Outreach programme to new funding arrangements, some Jobcentre Plus offices are significantly reducing the resources devoted to outreach. In doing so they risk losing the skills and experience of some local voluntary sector organisations and their links to some isolated sections of the ethnic minority community (paragraphs 2.9, 3.5 and 3.6).

Recommendation – Jobcentre Plus District managers’ annual plans should incorporate, where appropriate, outreach work identifying the services local organisations can provide to ethnic minority customers, and working in partnership to make effective use of the skills and experience of these organisations. Jobcentre Plus local offices should collate and share information on the services available from such organisations for example in a database.

- v Issue** – Jobcentre Plus personal advisers do an impressive job in helping ethnic minorities find employment, but most of those we spoke to reported frustrations with time pressures and lack of good information (paragraphs 3.17 and 3.18).

Recommendation – To increase personal adviser effectiveness Jobcentre Plus should identify the most efficient routes for spreading good practice in ethnic minority employment practices, and bring these to the attention of all relevant personal advisers. Jobcentre Plus should build on its Diversity Challenge to encourage opportunities for personal advisers to share experiences and best practice and participate in training on ethnic minority issues. The Department should re-assess the time limit for work focussed interviews taking account of efficiency needs, so that there is sufficient time to provide an effective service for customers with complex or multiple barriers to employment and English language difficulties.

- vi Issue** – Research conducted in 2005 showed few significant variations in satisfaction of ethnic minority customers with the service received, though some gave somewhat lower performance ratings to most aspects of service as compared with white customers (paragraph 3.23).

Recommendation – The Department should address the technical issues that have prevented them from undertaking a follow up customer survey of ethnic minorities and carry out such a survey in 2008 to identify trends since the last survey in 2005. In the light of the results, the Department and Jobcentre Plus should draw up an action plan to address any issues where Jobcentre Plus performance in respect of ethnic minority customers is falling short. Jobcentre Plus should also research and draw up an action plan in relation to communicating their services more effectively to ethnic minority customers.