



# The Working Neighbourhoods Fund (WNF) Scoping Study

## **Worklessness and how WNF is being used to tackle it**





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Scoping Study  
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February 2010

The Department of Land Economy, University of Cambridge in association with  
Cambridge Econometrics and Educe Ltd  
Department for Communities and Local Government

The findings and recommendations in this report are those of the authors and do not necessarily represent the views of the Department for Communities and Local Government.

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# Preface

This study was commissioned by Communities and Local Government working with the Department for Work and Pensions. The study team was directed by Professor Peter Tyler and managed by Colin Warnock at the Department of Land Economy, University of Cambridge. Other members of the Land Economy team comprised Anna Clarke, Alex Fenton and Angela Brennan. Additional expertise was provided by Derrick Johnstone of Educe Ltd and Richard Lewney, James Derbyshire and Simone Nitsch at Cambridge Econometrics.

The work was guided by a steering committee that composed Andrew Maginn, Lucy Spurling, Demelza Birch and Roslyn Lynch from Communities and Local Government and Del Jenkins and Alasdair Yeo from the Department for Work and Pensions.

The research team would like to acknowledge the important contribution made by the following 20 Working Neighbourhoods Fund partnerships that took part in the extensive in-depth research work:

Barking and Dagenham	Hartlepool
Birmingham	Kingston upon Hull, City of
Blackburn with Darwen	Liverpool
Bolsover	Manchester
Copeland	Oldham
Doncaster	Southwark
Easington	Thanet
Gateshead	Wansbeck
Great Yarmouth	Wirral
Haringey	Wolverhampton

The research team would also like to acknowledge the valuable assistance from the following 52 WNF areas who responded to the online survey:

Birmingham	Newham
Blackburn with Darwen	North East Lincolnshire
Blackpool	Nottingham
Blyth Valley	Oldham
Bolsover	Pendle
Bolton	Preston
Bradford	Redcar and Cleveland
Burnley	Sandwell
Chesterfield	Sedgefield

Copeland	Sefton
Derwentside	Sheffield
Doncaster	South Tyneside
Easington	Southwark
Gateshead	St. Helens
Great Yarmouth	Stockton-on-Tees
Hackney	Sunderland
Halton	Tameside
Haringey	Thanet
Hartlepool	Tower Hamlets
Hastings	Walsall
Kingston upon Hull, City of	Waltham Forest
Lambeth	Wansbeck
Leicester	Wear Valley
Lewisham	Wigan
Liverpool	Wirral
Middlesbrough	Wolverhampton



# Executive summary

## Introduction

1. The objectives of this Scoping Study Report were to provide a top-line analysis of conditions in WNF areas, provide an early understanding about how strategies and partnerships are evolving to tackle worklessness and how WNF is being used.
2. It is important to re-emphasise that this Scoping Study is not an evaluation; it has not set out to draw conclusions on the effectiveness of WNF, or of wider policies to tackle worklessness. Rather, the emphasis has been on developing a thorough understanding of the problem and of the local and wider policy and delivery landscape.
3. A number of tasks have been required in order to obtain the required evidence. A literature review was undertaken (see Annex A) and also a trawl of indicator sets and data sources during the preliminary research stage to specify the work that would need to be done to undertake a top-line analysis of conditions in WNF areas. This identified a long list of potential indicators and confirmed the full data set collected in the Scoping Study. The data is presented in top-line form in Annex C and is available as a stand-alone data package to CLG.
4. An online survey of all 65 WNF areas (“the all areas survey”) was undertaken and this involved an email to all 65 WNF local authorities requesting their participation in the survey, drawing on contacts provided by Government Offices for the Regions (GORs). The survey was hosted online. Local authorities that did not respond within a given period were contacted again by email. A final response rate of 80 per cent (52 WNF areas) was achieved. Annex B shows that the 52 respondents to the online survey were well-matched to the overall characteristics of all 65 WNF areas.
5. Follow-up interviews were conducted in 20 WNF areas selected to be representative of the worklessness problems across WNF areas. Cluster analysis was used to select the WNF areas for this element of the research and the selection process is described in Annex D. These interviews added more qualitative depth to the understanding of worklessness in WNF areas, the strategies in place to tackle it and the role that WNF has played so far and is expected to play in the future.

## The worklessness problem in WNF areas and how it is changing

### The scale of the problem

6. In the third quarter of 2008 (centred on August 2008) there were 1,036,480 people claiming Jobseeker's Allowance (JSA), 2,603,160 on Incapacity Benefit (IB) and 729,020 lone parents on Income Support (IS) in England. A total of 4,368,660. However, since that time the number of people claiming Jobseeker's Allowance has risen sharply and in April 2009 it stood at 1,304,456.
7. There are extensive variations in the geographical incidence of worklessness by type of benefit claimant. Thus, there are relatively higher proportions on Incapacity Benefit in the older industrial northern areas, but relatively high proportions of lone parent benefit claimants in inner London boroughs. The recession has also increased the numbers claiming Jobseeker's Allowance in a spatially differentiated way.

### Variations in worklessness by specific groups

8. The online survey of WNF local authorities provided further insight into perceptions of how the incidence of worklessness varies across specific groups. Fifty-two WNF areas completed the survey. The group which was identified as having the highest priority need in the survey of WNF areas was young people not in education, employment or training, closely followed by families or households with multiple disadvantage. Lone parents and people with mental health problems were the groups identified as having the next highest priority need.
9. The incidence of worklessness was perceived to be more spatially concentrated for families/households with multiple disadvantage, followed by specific minority ethnic groups and young people not in employment, education or training (the NEET group).

### The relationship between the geographical incidence of worklessness across the three main benefit groups

10. The geography of worklessness for each of the three main groups of worklessness classified according to benefit (Incapacity Benefit, Income Support or JSA claimant) is quite different. Furthermore, a high claimant rate among *individuals* is not a particularly strong indicator of a high incidence of worklessness among *households* in WNF areas. The fact that a local area has a relatively high proportion of claimants does not necessarily imply that the *concentration* of worklessness in disadvantaged households is also high. This could be, for example, because in some areas a high level of Incapacity Benefit claimants is associated with older males who previously worked in traditional industries, but their spouses are in work.

### Understanding the causes of worklessness at the local level

11. The evidence points to the need to understand how a diverse range of factors come together to create the worklessness problem in an area. Within any WNF area the worklessness population is made up of quite disparate groups of individuals and households. The reasons why they are out of work differs accordingly. It is therefore important to consider several facets of the problem and its persistence. **Demand-side factors** emphasise the lack of availability of jobs for residents, particularly in deprived areas. These can be considered alongside **enterprise factors** that relate to the ability of an area to attract and retain new businesses. **Supply-side factors** emphasise the barriers to employment that individuals or households may experience. **Institutional factors** focus on the structural difficulties people experience in entering the workforce, or that employers experience in finding labour – they include the housing market and ‘sorting processes’ that concentrate disadvantaged people. Other institutional factors include the benefits and tax system, the availability of childcare, the availability of transport, and access to information and social networks.

### The economic characteristics of the WNF areas compared to the England average

12. The WNF areas have 34 per cent more households that are workless than the English average. Some 40 per cent more of the WNF population are claiming out of work benefits, 67 per cent more are JSA claimants, 40 per cent more are claiming Incapacity Benefit and 55 per cent more are lone parents on Income Support. The working age population in work in WNF areas is 9 per cent less than the English average. The WNF areas have 170 per cent more of their Lower Super Output Areas (LSOAs) in the most deprived national decile than the England average on the Index of Multiple Deprivation (IMD) 2007. The percentage is much the same if the employment domain on the IMD is used.
13. The three year survival rate of enterprises registered in 2002 in WNF areas is about 4 per cent below the English average. Evidence on earnings provides some insight into variations in local productivity. Average earnings in the WNF areas are between 4.5 and 11 per cent below the English average. The proportion of the working population with no qualifications is much higher in the WNF areas than in England (17.6 per cent compared with 12.6 per cent nationally). Population growth has been relatively slower than the England average over the period 2003–07. Finally, the proportion of the housing stock that is socially rented is approximately 25 per cent higher in the WNF areas than the England average.

### Relative importance of drivers of worklessness – feedback from the online survey

14. The survey of WNF areas provided a more detailed list of contributory factors to worklessness and invited respondents to pick three and then rank them (where first was considered to be the most significant contributory factor). Two supply-side characteristics emerged as particularly important, namely

skills and qualifications (picked as first, second or third by 73 per cent of respondents) and other employability issues (35%). Health also featured as a significant factor in 15 per cent of areas, although this was not ranked as the top issue by any of the respondents.

15. A lack of job opportunities, at both the local area level (25 per cent of all respondents identified it in their top three) and also the wider sub-regional level (12%) was seen as important. Unattractive job offers, low pay and job insecurity also featured (23%), primarily as second and third preferences. The key institutional barriers were a culture of worklessness (37 per cent of all respondents selected this as one of their three key contributory factors) and the state benefit system (19%).
16. When these responses were cross-tabulated by the different types of WNF area (by incidence of different key groups) the broad pattern was similar, but areas with a high incidence of people on Incapacity Benefit highlighted other employability issues as being of more importance than skills and qualifications. A lack of job opportunities was seen as being more important in areas with a relatively high incidence of people on Jobseeker's Allowance.

### **The impact of the recession**

17. Although the evidence on the impact of the recession is quite mixed, there has been a broad tendency for the rate to rise most in areas that already had a relatively high claimant rate. However, some WNF areas lie well outside this pattern of experience, and have seen a smaller rise in the claimant rate than the UK average. A considerable part of this is a London effect: none of the London boroughs (whether WNF areas or not) saw an increase in claimant rate higher than the UK average.

## **Measuring progress in tackling worklessness**

### **Tracking progress in WNF areas and assessing the impact of policy**

18. To assess how WNF is being used to tackle worklessness it is important to establish clear baselines and to benchmark levels of worklessness in WNF areas relative to other areas that are considered to be broadly similar. During the Scoping work an exercise was undertaken to assess the most suitable way of establishing a typology of areas that could enable the economic and institutional diversity of the areas receiving WNF to be reflected in a benchmarking exercise. The cluster analysis generated six groups of authorities, and two authorities whose characteristics were sufficiently different to the rest as to place them in their own category.
19. The cluster groupings provide a useful typology with which to benchmark the performance of an individual WNF area. Since the underlying objectives of WNF relate to reducing worklessness and deprivation and enhancing enterprise these are the main variables that performance should be compared against.

## Modelling changes in worklessness at the local level and the implications for assessing the impact of WNF

20. Establishing baselines and deriving appropriate benchmark areas that can be tracked through time is only one way of evaluating the possible impacts of policy initiatives funded by the WNF. Another approach is to try and build an economic model of 'worklessness'. To illustrate the broad approach a cross-section regression analysis was undertaken as part of the Scoping Study which sought to explain the Incapacity Benefit rate using a number of plausible determining variables.
21. The results showed that the proportion of residents having no qualifications has a clear relationship with the Incapacity Benefit rate, while the proportion of jobs that the area had in 1998 in industries that were in long-term decline was also an influence, albeit a weaker one. Regression analysis cannot conclude there is a *causal* relationship. However, the result is consistent with the view that the Incapacity Benefit rate has tended to be relatively high in areas with heavy job losses in traditional industries. Workers in these industries have tended not to have formal qualifications or skills that were easily transferable to other jobs.
22. The results also showed that, given these factors, areas with a higher proportion of the population in the Asian/Asian British or black/black British ethnic groups tended to have a lower Incapacity Benefit rate. Estimation work of this sort provides some insight into where further research might usefully be progressed. It also indicates how, in evaluating the achievements of WNF, it might be possible to control for important influences on the change in worklessness in any particular area.

## Strategies to tackle worklessness in WNF areas

### A clear strategic focus on supply-side responses

23. Much of the recent focus in tackling worklessness has been on supply-side responses. Studies for DWP (Hasluck and Green 2007) and the Learning and Skills Council (Leeds Metropolitan 2007) have found that assistance works best when targeted on the specific needs of the individual and linked to the different stages of the 'customer journey'. This is the path followed by individuals into a job and sustained employment, tailored to their individual needs, rather than targeted more broadly to the needs of generic groups.
24. Our research also found that, in line with our observations on worklessness priorities and needs, WNF areas are tending to prioritise supply-side issues over demand-side, enterprise or institutional issues in their strategies – though there has been some rethinking of priorities as the recession has bitten. More than three quarters of WNF areas expect to change their strategy in consequence. Not surprisingly efforts to stimulate demand for employment (whether through retention or creation of new activity) feature more heavily than hitherto. On the supply-side there is an inevitable shift in concern towards the newly unemployed. At the same time there is a clear

determination by WNF areas not to neglect those who are further away from the labour market and whose prospects of finding work will be made even more difficult by the current downturn.

### **The partnership and delivery planning landscape is complicated and still too fragmented**

25. The Tackling Worklessness (Houghton) Review<sup>1</sup> identified the critical role that local authorities and LSPs can play in tackling worklessness, but drew attention to the complicated policy and institutional landscape. It showed a need for more and better joining up, especially between discretionary funding streams such as WNF and the mainstream, particularly DWP programmes. The significance of these issues was reinforced at various levels (national, regional and local) by the Scoping Study. The Review's recommendations included important planning and budgeting mechanisms to support a focused, but integrated approach to tackling work and skills issues at the local level which have since filtered through in Government policy. These have now been accepted by Government, which is encouraging the introduction of Worklessness Assessments and Work and Skills Plans where areas are successful in bidding for the Future Jobs Fund.

### **Key partners are actively involved, but room for more improvement**

26. The online survey and fieldwork for the Scoping Study found that, not surprisingly, local authorities are playing a leading role in worklessness strategies, with Jobcentre Plus (JCP) and the Learning and Skills Councils also actively involved, as are the third sector, with the private sector less engaged. The fieldwork suggests that the JCP engagement seems variable, tending to reflect capacity issues and operational priorities within JCP and the extent to which they are involved in decision-making. There also appears to be limited involvement of DWP Pathways providers in strategy, and local authority relationships need developing with JCP and DWP pathways providers. On the demand-side, while RDAs and Business Link tend to be less involved in worklessness *strategy*, RDAs are active in *funding delivery* of efforts to tackle worklessness.

### **Partnerships heading in the right direction**

27. The 'direction of travel' in partnerships on worklessness strategy and delivery mechanisms accords with the principles embodied in the Houghton Review and in DWP Localisation Policy<sup>2</sup> – though there remain obstacles to effective joining up of WNF and mainstream resources. The extent to which many areas were striving to ensure that WNF-funded activities did indeed *complement* mainstream programmes was striking. At the same time, there was limited evidence of WNF activities influencing, or making a significant contribution in enhancing these programmes. This reflects earlier DWP contracting policy, when local authorities and LSPs were not consulted on

<sup>1</sup> CLG (2009) Tackling Worklessness: Review of the Contribution and Role of Local Authorities and Partnerships (Houghton Review) – Final Report [www.communities.gov.uk/publications/communities/tacklingworklessnessfinal](http://www.communities.gov.uk/publications/communities/tacklingworklessnessfinal)

<sup>2</sup> DWP Localisation Policy offers levels of devolutions in responsibilities for determining the use of DWP welfare-to-work budgets.



specifications or procurement decisions; the practice in some local authorities of keeping WNF resources within the council or its direct domain of influence; and, simply, it is early days in implementing WNF.

## Feedback on the early deployment of WNF

### **Most areas are making a transition from NRF and increasing their focus on worklessness**

28. The evidence suggests that 2008–09 has been a transitional year for WNF, and any early results about how it has been used and the extent to which it has added value need to be treated with some caution and viewed very much as an early snapshot on a longer journey. At this early stage, however, there are very positive signs that WNF is adding value, particularly in terms of encouraging local partners to focus attention on worklessness as well as giving them additional, highly flexible resources to target on key gaps in provision.

### **A diversity of budget allocation approaches**

29. The online survey found that a majority of WNF areas plan and report on WNF separately from other parts of Area Based Grant (ABG), but that a sizeable minority do not. The fieldwork suggests considerable diversity in the way WNF is being packaged with other funding streams as part of the commissioning process. Of the sample of 20 areas looked at in more detail, about a quarter were fully ring fencing WNF, purely to be used on tackling worklessness, almost half had fully integrated WNF with other elements of ABG and around a quarter had adopted a more mixed approach. Our conclusion is that integration is not in itself problematic – many areas are doing this for good reasons, in order to give them greater flexibility over project design, duration and ability to lever other resources.

### **In the majority of areas, WNF is wholly or largely being spent on tackling worklessness**

30. Of the WNF areas where we conducted additional feedback, almost three quarters were explicitly using all or a large part of their WNF allocation to tackle a clearly defined tackling worklessness agenda. Of the remaining quarter, there was still a focus on worklessness within a more broadly based approach to the allocation of WNF. However, for this last group in particular, significant WNF resources are being spent on areas that are not directly focused on tackling worklessness.
31. The issue of how WNF should be allocated has been a significant point of debates locally, and it is clear that 2008–09 has seen some significant “bedding down” of arrangements. The issue has been further complicated by local government reorganisation in some areas. Going forward, the greater use of Worklessness Assessments and Work and Skills Plans provides a useful opportunity for localities to show how WNF is being used alongside other resources to tackle worklessness.

### **A clear supply-side focus has broadened in response to the recession**

32. For those areas that were able to comment in the online survey about how they intended to spend their 2008–09 WNF allocation, there was a clear focus on supply-side issues and, for the most part, this appeared to be in line with priority needs. As might be expected, those areas with higher levels of black or Asian populations were targeting ethnicity slightly more. Those areas with higher proportions of lone parents tended to be placing slightly more emphasis on families/households with multiple disadvantage. There seemed less targeting through WNF on people with mental health problems than might be expected given survey evidence on priority needs.
33. The follow-up interviews in the sample of 20 WNF areas revealed that a more balanced approach was expected over the period 2009–10 to 2010–11. In addition to support for helping people towards employment it was expected that there would be considerable WNF support for demand-side employer brokerage activities on work and job placements, enterprise support (particularly for new starts and social enterprises) and efforts to tackle institutional barriers (particularly financial advice to individuals and families, as well as developing local provider networks).

### **Spatial targeting is an important feature of WNF-funded interventions**

34. Spatial concentrations of key client groups, together with available facilities and resources in certain areas to support outreach work, has resulted in a significant amount of spatial targeting. The use of a wide range of facilities in communities is also a growing feature of multi-agency working.

### **Commissioning approaches are diverse ... but not without teething problems**

35. WNF areas have adopted a range of commissioning approaches that broadly fall into two types. The first seek to include stakeholders and providers and involve consensus-building around solutions and the provision of grant funding for agreed interventions. The second are those that clearly separate commissioners from providers and follow a tighter competitive tendering approach. There appeared to be a shift from the former to the latter, but while some areas found competitive tendering delivered good results, others encountered a wide range of problems (e.g. low numbers of bids, inadequate bids, bureaucracy associated with the process, and the role and engagement of national contractors). A number of areas have adopted a mixed commissioning model to provide additional flexibility, particularly for smaller interventions or the continuation of those that are already known to be working well.
36. Commissioning emerged as one of the key learning and improvement issues from the scoping study and is an area where many areas would welcome evaluation feedback on what works as well as practical tools to support the process.



### **WNF is adding value by throwing the spotlight on worklessness at the local level**

37. WNF has added value to the overall development and direction of worklessness strategy so far, more so at the local level than at sub-regional and regional levels. The online survey and follow-up interviews found that the role of WNF as a strategic catalyst was of greatest significance: it has provided the resources to make things happen that would not otherwise have happened and has acted as a spur to give higher priority to reducing worklessness. This strategic influence has been felt most strongly in the development of theme partnership working (particularly, but not exclusively, in economic development and enterprise) and neighbourhood plans. The flexibility of WNF is believed to have been a valuable way of encouraging co-ordination.

### **The flexibility of WNF is crucial for gap-filling and innovation**

38. The scoping study found clear feedback that the flexibility of WNF has made it particularly valuable for funding innovative activities such as pilot projects involving wrap-around<sup>3</sup> support for particularly disadvantaged families. The follow-up interviews also established that WNF areas were seeking continuous improvement in the delivery of tried and tested interventions, rather than innovation in introducing genuinely new services. Areas have searched for ways of adding value and encountered limited room for manoeuvre, given recent developments and flexibility in *national* programmes. However, there were relatively few examples of process innovation.

### **There is an important learning and improvement agenda for worklessness that needs to be addressed**

39. Several learning and improvement needs were highlighted as part of the scoping study. There were clear messages about the need for:
- stronger collaborative working involving Jobcentre Plus and DWP contractors which strengthens service integration, improves service quality in the round, and increases the likelihood of successful outcomes
  - further co-ordination within central government and between national policy and local delivery, in ways which enable co-design and delivery of worklessness interventions – including through data sharing
  - more support and practical advice on “what works” in commissioning
  - a sharper focus for neighbourhood management and action planning in tackling worklessness
  - effective measures for developing the contribution of the local voluntary and community sector in service delivery, including the role of consortia

<sup>3</sup> See Section 4 for a discussion of what wrap-around services might include.

- greater priority to client tracking and the evaluation of WNF-funded and other partnership interventions, not least where these are trying out innovative approaches, e.g. in working with families
- continued attention to working with and influencing employers – and ensuring that local employment and skills provision is geared to meeting their needs as the economy moves out of recession.

# 1. Introduction

## Background

- 1.1 The Working Neighbourhoods Fund (WNF) was announced by Communities and Local Government (CLG) and the Department for Work and Pensions (DWP) in November 2007 and came into being in April 2008. WNF, which replaced Neighbourhood Renewal Funding (NRF), provides resources to 65 local authorities to tackle worklessness and low levels of skills and enterprise in their most deprived areas.
- 1.2 Eligible authorities for WNF were those that met at least one of three criteria. These were that 20 per cent or more of their Lower Super Output Areas (LSOAs) were in the most deprived national decile on the IMD 2007 or 20 per cent or more of their LSOAs were in the most deprived national decile on the Employment Domain 2007, or any authority that was ranked in the top 50 districts on an equally weighted measure of key benefit claim rate and employment rate.
- 1.3 WNF is worth some £1.4bn over a three year period (2008–09 to 2010–11). Across the 65 WNF authorities, the funding allocation per head of working age population over the three year period ranges from £22 to £390. The Working Neighbourhoods Fund does not operate as a stand-alone regeneration programme. It is paid to the local authorities as part of Area Based Grant, a non-ring fenced general grant that brings together a wide range of area-based funding streams across a number of government departments.
- 1.4 Also included in the Area Based Grant (ABG) pot is the DWP Deprived Areas Fund which, from 2009–10, forms part of the WNF allocation. Local authorities, with their partners in LSPs, are free to use ABG as they see fit, provided that they can demonstrate performance against the worklessness-related targets they have agreed with Government in their Local Area Agreement (e.g. reductions in number of claimants in the worst neighbourhoods). There is an added incentive to focus on these particular LAA targets as LAA Reward payments are weighted towards successful performance in these.
- 1.5 As WNF is neither a programme, nor a stand-alone ring fenced budget, the funding mechanism creates particular challenges both for monitoring how these resources are used and evaluating their impact. In order to explore these issues further, and provide preliminary feedback on how WNF resources are being used, Communities and Local Government (CLG) and the Department for Work and Pensions (DWP) commissioned a Working Neighbourhoods Fund (WNF) Scoping Study.

- 1.6 The study has been directed by Professor Peter Tyler and managed by Colin Warnock. The team comprises Angela Brennan, Anna Clarke and Alex Fenton from the Department of Land Economy, Richard Lewney, James Derbyshire and Simone Nitsch from Cambridge Econometrics and Derrick Johnstone from Educe Ltd. An Inception Report was finalised in December 2008. This Report is the second output from the study and reports on three key strands of research that have now been completed: an online survey of all WNF areas; follow-up interviews in a sample of 20 WNF areas; and the collation and analysis of secondary and administrative data on worklessness in WNF areas.

### **Study objectives and focus of this report**

- 1.7 The Scoping Study is divided into three main parts with a total of five objectives as follows:

#### **Part 1**

- 1) Use available data to provide top line analysis of current conditions in WNF areas

#### **Part 2**

- 2) Provide an early understanding of whether and how the WNF is being used to tackle worklessness
- 3) Provide an early understanding of how partnerships and governance arrangements have developed in relation to the WNF and explore the development and appropriateness of strategies to tackle worklessness

#### **Part 3**

- 4) Propose key outcome indicators that could form a baseline of conditions in WNF areas to enable some comparison of the situation before and after the introduction of WNF interventions.
- 5) Consider and recommend a clearly justified approach for an interim evaluation that builds on the findings of part 2 of this scoping study – an Evaluation Plan.

- 1.8 This Report presents our findings and conclusions in relation to Parts 1 and 2 of the study. It is primarily concerned with providing early insight into how the worklessness problem varies across England and the nature of the emerging response that is associated with WNF funding. It also considers how the pattern of worklessness varies across areas by category of benefit claimant and the possible causes of worklessness. Part of this analysis considers how the recession seems to be influencing the geography of Jobseeker's Allowance (JSA) claimants. This research was undertaken partly to help with the fifth objective of the Scoping Study; an exploration of how the achievements of WNF can be evaluated.

## Methods and data sources

- 1.9 A number of tasks have been undertaken in order to obtain the required evidence. This included a literature review (see Annex A) and also a trawl of indicator sets and data sources during the preliminary research stage. The data trawl identified a long list of potential indicators and confirmed the full data set which would be collected for the Scoping Study in order to carry out a top-line analysis of conditions in WNF areas. The data is presented in top-line form in Annex C and is available as a stand-alone data package to CLG.
- 1.10 An online survey of all 65 WNF areas (“the all areas survey”) was undertaken and this involved an email to all 65 WNF local authorities requesting their participation in the survey, drawing on contacts provided by Government Offices for the Regions (GORs). The survey was hosted online. Local authorities that did not respond within a given period were chased by email. A final response rate of 80 per cent (52 WNF areas) was achieved. Annex B shows that the 52 respondents to the online survey were well-matched to the overall characteristics of all 65 WNF areas.
- 1.11 Follow-up interviews were conducted in 20 WNF areas selected to be representative of the worklessness problems across WNF areas. Cluster analysis was used to select the WNF areas for this element of the research and the selection process is described in Annex D. These interviews added more qualitative depth to the understanding of worklessness in WNF areas, the strategies in place to tackle it and the role that WNF has played so far and is expected to play in the future.

## Report structure

- 1.12 Section 2 examines the extent of the worklessness problem in the WNF areas and how it has been changing. Section 3 then moves to assess how progress in tackling worklessness can be assessed in the WNF areas. Section 4 builds on the on-line survey of WNF areas, together with evidence from the literature review and the Tackling Worklessness Review, to understand more about the strategies that are being used to tackle worklessness. Section 5 assesses in more detail how the 2008–09 allocation of WNF is likely to be spent.

## 2. The worklessness problem in WNF areas and how it is changing

### Introduction

- 2.1 This section has two objectives. The first is to examine the extent of the worklessness problem in the WNF areas drawing upon a number of statistical sources and the results of an online survey of the views of the local authorities that are in receipt of the Working Neighbourhood Fund. The second is to review what is known about the causes of worklessness and to profile the economic characteristics of the WNF areas in the light of this. It is important to do this in order to assess the nature of the problems the areas face and the scope for policy intervention.

### Defining worklessness

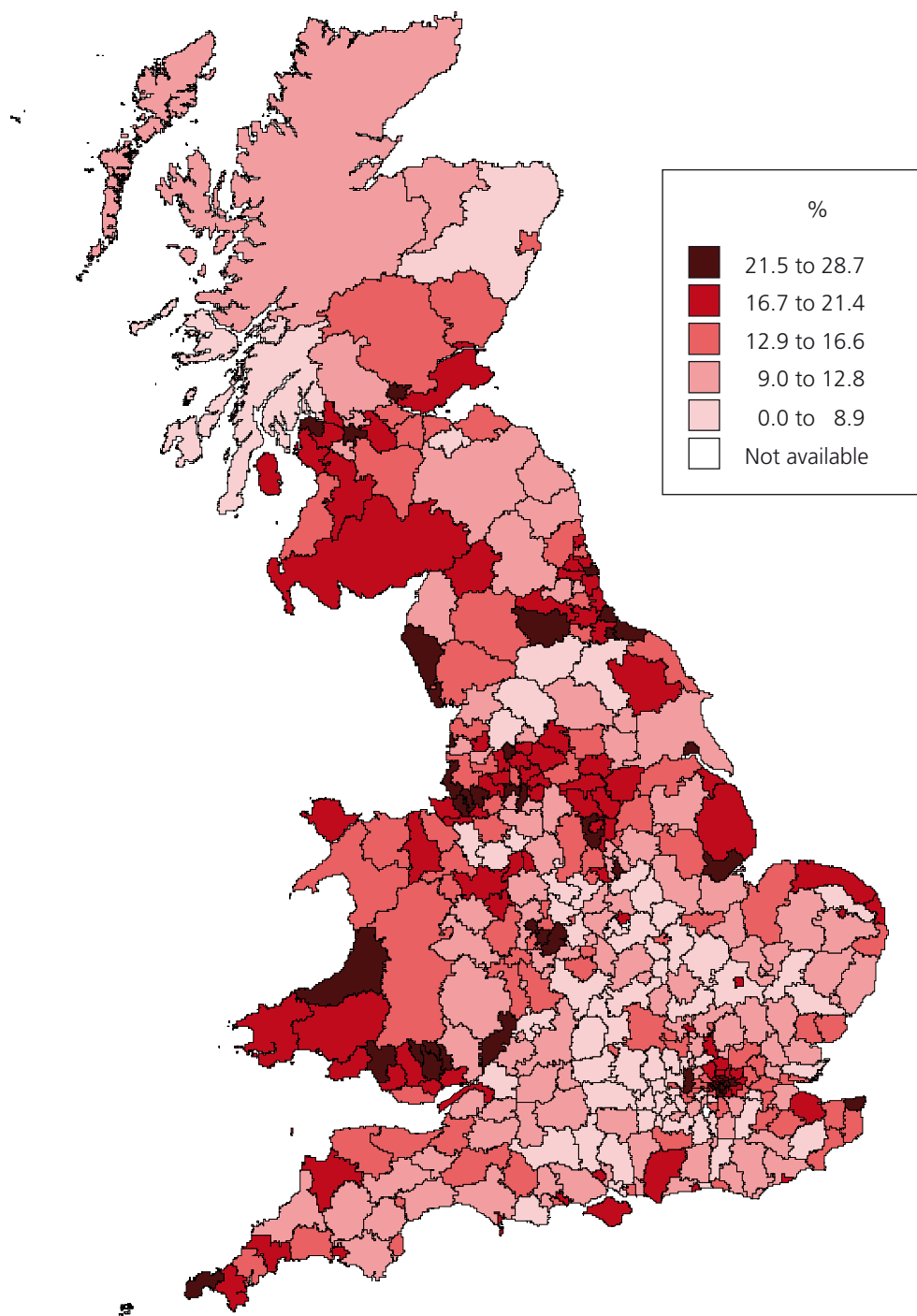
- 2.2 It is only in relatively recent years that the term “worklessness” has gained widespread use as a way of describing stress in the labour market, particularly at the local level. There is no precise definition. Clearly, the workless are those who are without employment in the formal labour market, but in practice the term is more often used to describe those who are without work, not in education or receiving formal training and also receive some form of state benefit where not having work is a key factor in determining ability to qualify for the benefit. In addition to people with these characteristics, there will be a significant number who are not in employment, do not suffer any physical or mental incapacity that prevents them from working, but who have made a voluntary choice not to seek work and who do not receive any form of work related benefit. There will be others in a state of transition whilst they are being assessed for eligibility to a range of possible benefits.
- 2.3 It has also become common, particularly when seeking to understand more about the causes of deprivation at the local level, to distinguish between the worklessness of an individual and that of the household. Workless households are those where no member of the household unit has a job and the incidence of this has been associated with a number of other aspects of deprivation, particularly relating to health and education in areas experiencing multiple deprivation.
- 2.4 The interaction between worklessness and other public policy areas has also been recognised. Health is one area where the links have been made

particularly strongly; there is evidence that, just as unemployment is bad for people's health, returning to work can benefit their health (Waddell and Burton 2006). Working is also associated with life satisfaction (Donavan and Halpern 2002). The Department of Health (DH) has identified the fifth of local authorities in England with the worst health and deprivation indicators to be the focus of specific DH activities to improve health care across a broad front including issues around worklessness (Spearhead Group Primary Trusts).

## The worklessness problem in WNF areas

- 2.5 The map on the following page (Figure 2.1) shows the local authority areas in Great Britain with the greatest concentrations of workless households in 2007. It is taken from the ONS Economic and Labour Market Review (2008) and a workless household is defined as one where no-one of working age aged over 16 is in employment. Figure 2.2 highlights those areas that are receiving WNF. Concentrations in old industrial areas are apparent along with a tendency towards higher rates of worklessness in inner city areas and peripheral estates. The position in London is of particular note, but there are also clear concentrations in the North West and North East of England. There are isolated pockets of elevated worklessness in a number of coastal resorts and rural areas that stand out relative to their hinterlands.
- 2.6 In June 2008, the total number of workless households in England was 2,388,000, representing 15.9 per cent of total households. In May 2008 the number of individuals recorded by DWP as being on "key benefits" (Jobseeker's Allowance, lone parents on Income Support benefit and Incapacity Benefit) totalled 4,368,660.
- 2.7 Annex B provides a detailed analysis of the characteristics of the areas that are receiving WNF support and the next section examines their economic characteristics in more detail. However, in broad terms some 63 per cent are concentrated in the northern regions of England. On the basis of standard ONS local authority typologies almost 45 per cent of the WNF areas fall into the mining/manufacturing category and a further 34 per cent are in the cities and services category. Using the Department for Environment, Food and Rural Affairs (DEFRA) local authority classification around 50 per cent of the WNF areas are in the major urban category (areas with a population of at least 100,000 or 50 per cent of the population in urban areas within an overall population of 750,000). Less than 20 per cent of WNF areas are classed as 'rural'.
- 2.8 The rest of this section seeks to understand more about the incidence of worklessness across particular groups of individuals or households and how this varies by WNF area. Annex C describes the key data sources that have been used in this Report.

**Figure 2.1: Percentage of workless households<sup>1</sup> in Great Britain in 2007 by local authority**



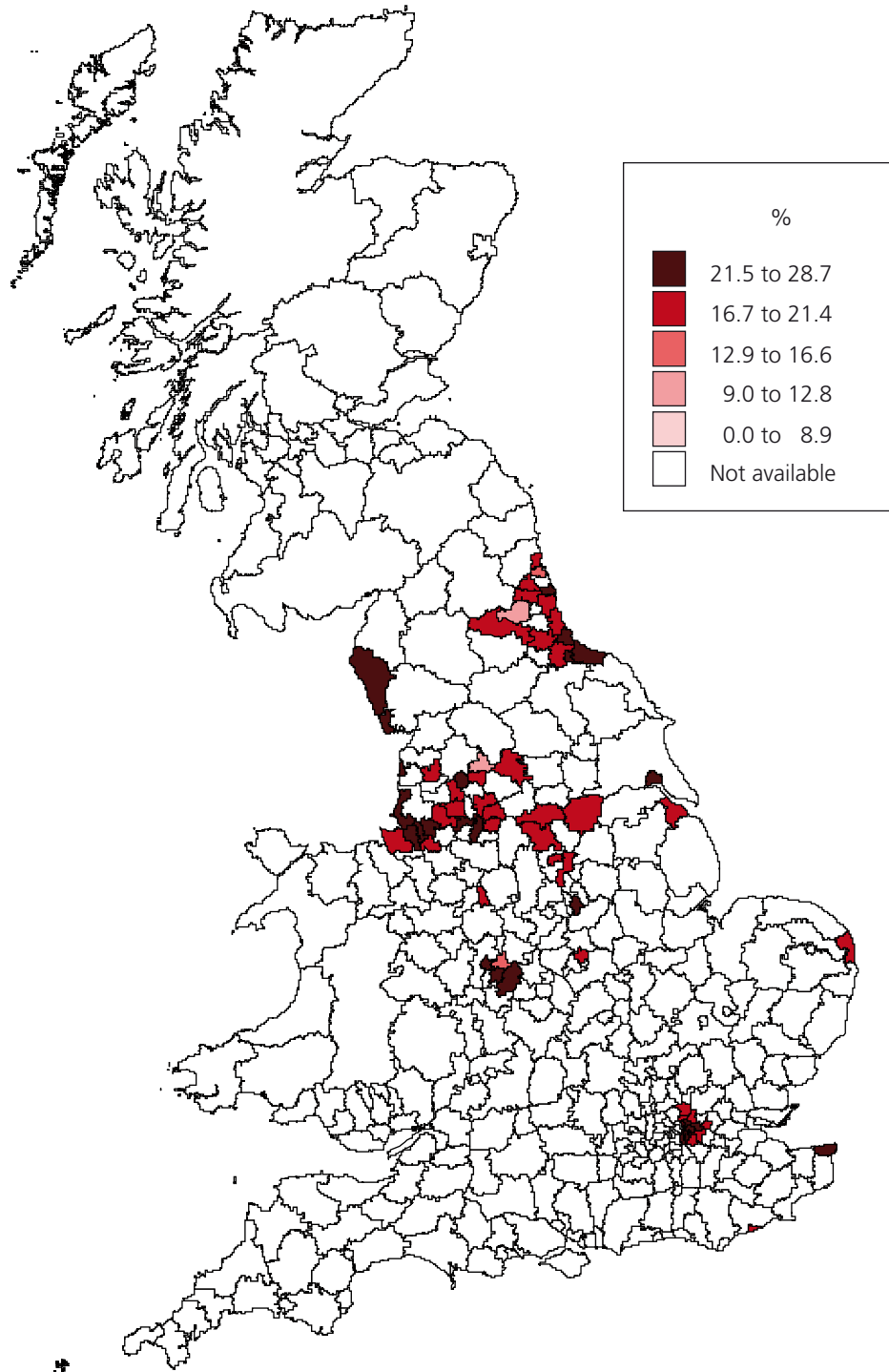
Source: Economic & Labour Market Review, ONS, October 2008

Notes:

- 1 A workless household is a working-age household where no one aged 16 or over is in employment
- 2 Sample size is too small to provide an estimate for City of London, Isles of Scilly, Epsom and Ewell and Oadby and Wigston



Figure 2.2: Percentage of workless households in WNF areas in 2007



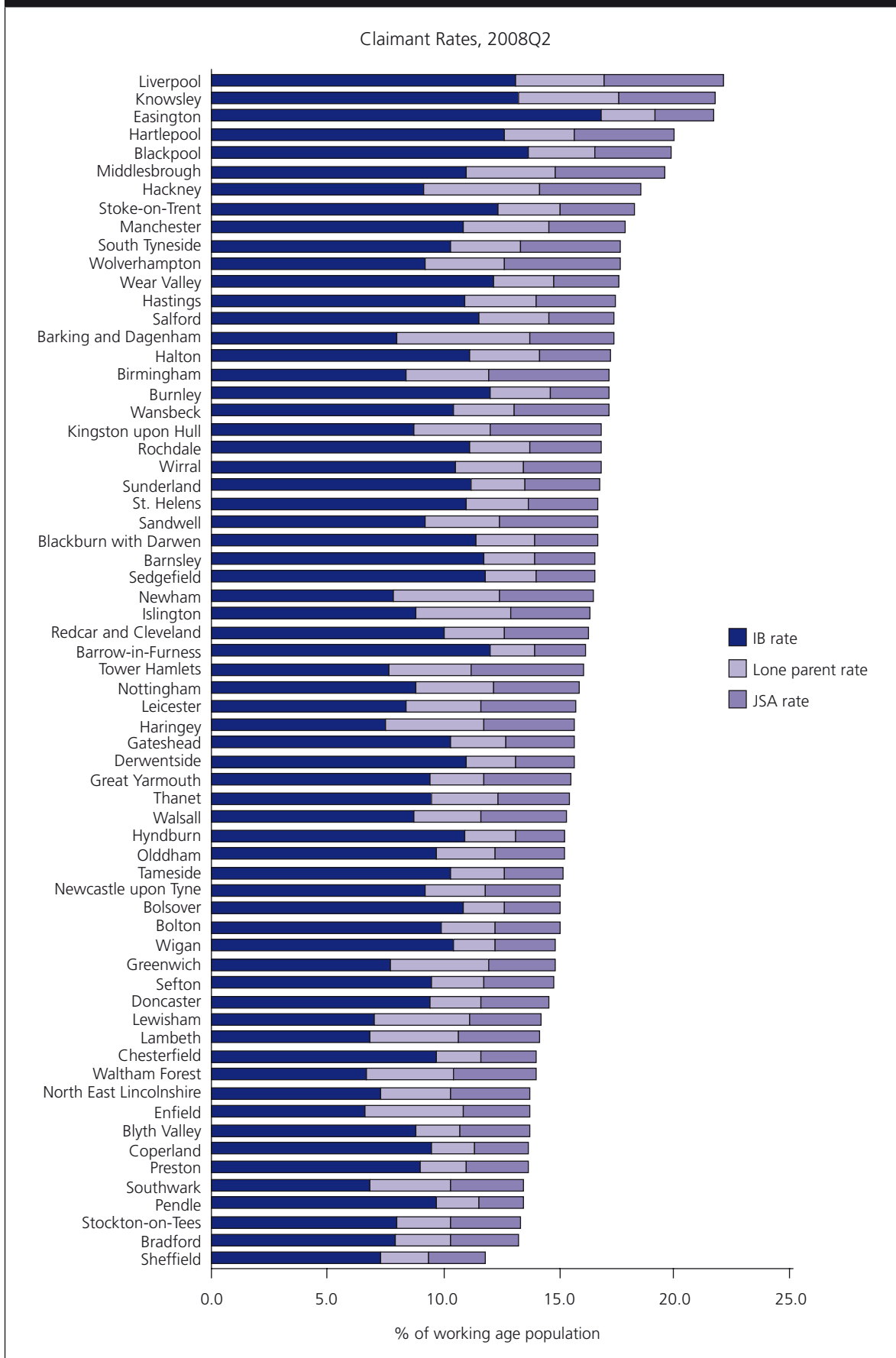
Source: Economic & Labour Market Review, ONS, October 2008

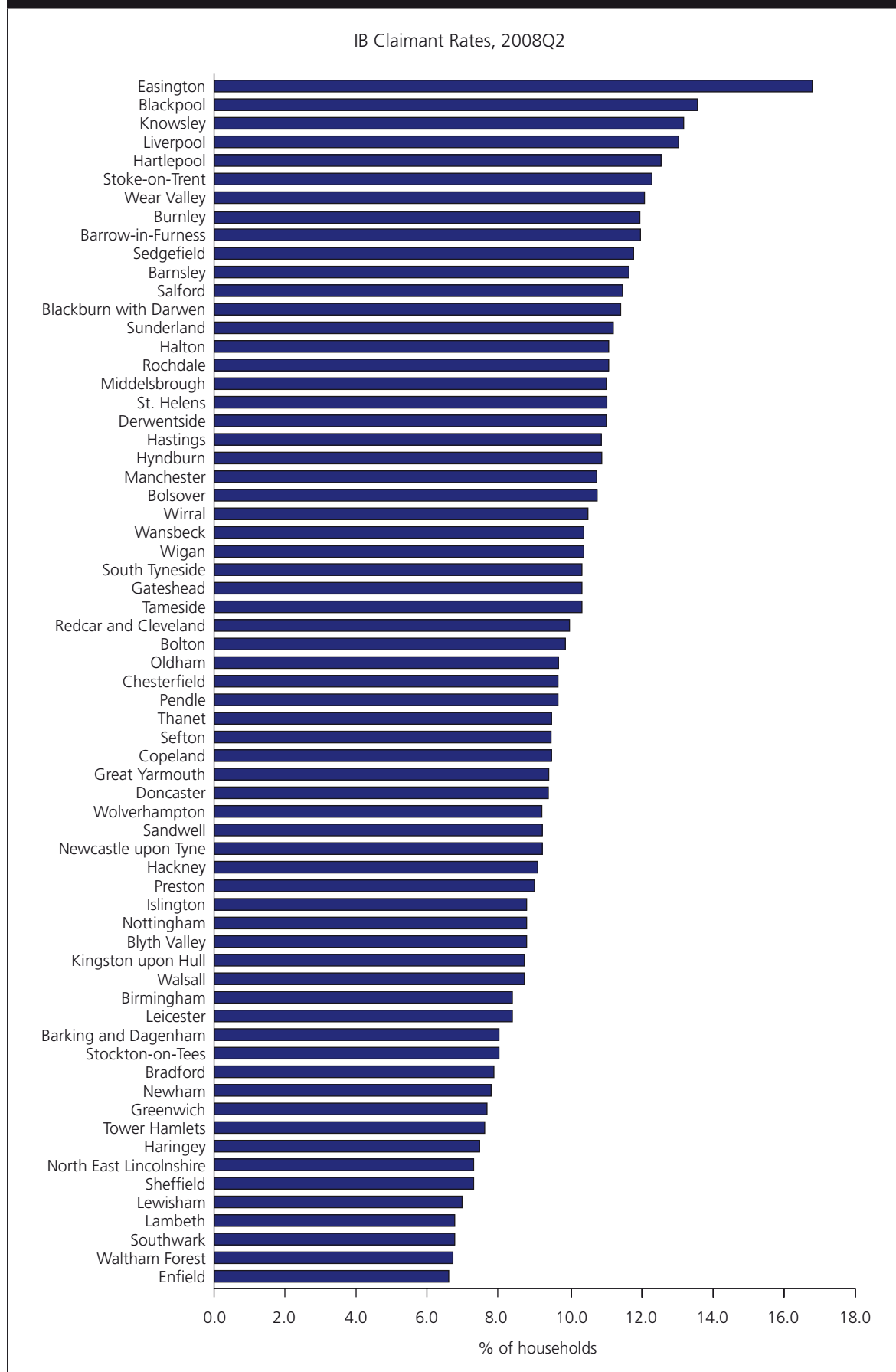
## Do different WNF areas have different types of worklessness problems?

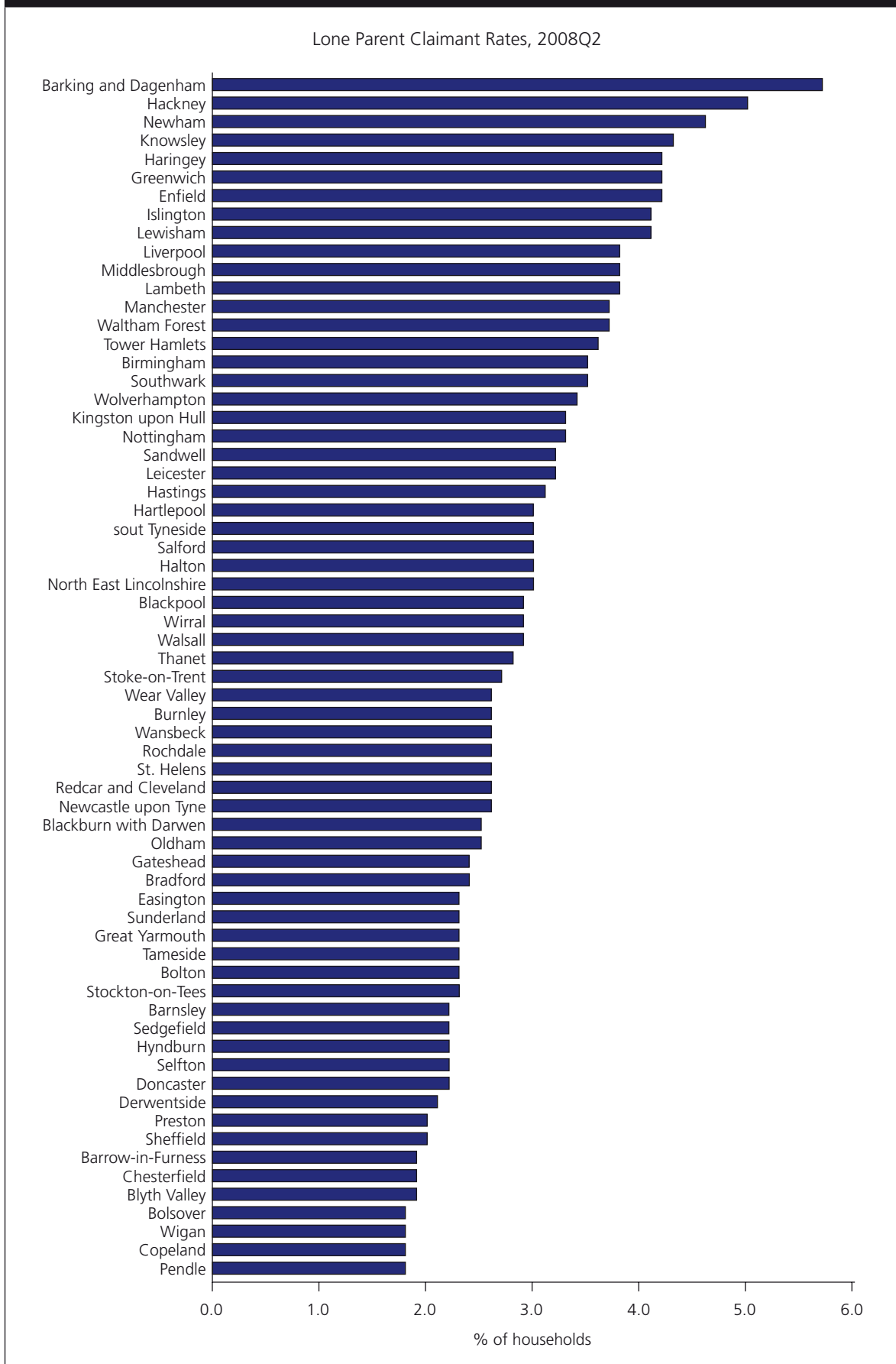
- 2.9 Figures 2.3a–d shows how worklessness is distributed across WNF area according to the type of benefit received (JSA, IS and IB) expressed as a proportion of the working age population. The incidence of each type of claimant varies considerably by geography. Figure 2.3a shows that the area with the highest level of worklessness overall in 2008 Q2 was Liverpool. The area with the highest proportion of those on Incapacity Benefit is shown in Figure 2.3b to be Easington. Figure 2.3c highlights Barking and Dagenham as the WNF area with the highest proportion of lone parent claimants and Figure 2.3d shows that Birmingham, followed closely by Liverpool, had the highest level of JSA claimants.
- 2.10 Data on young people not in employment, education or training (the NEET group) are only available for upper tier local authorities, and not all WNF areas are upper tier. For those areas where data do exist Figure 2.4 provides an insight into the variation across WNF areas. The highest concentrations of NEET groups tend to be found in the more urban WNF areas.

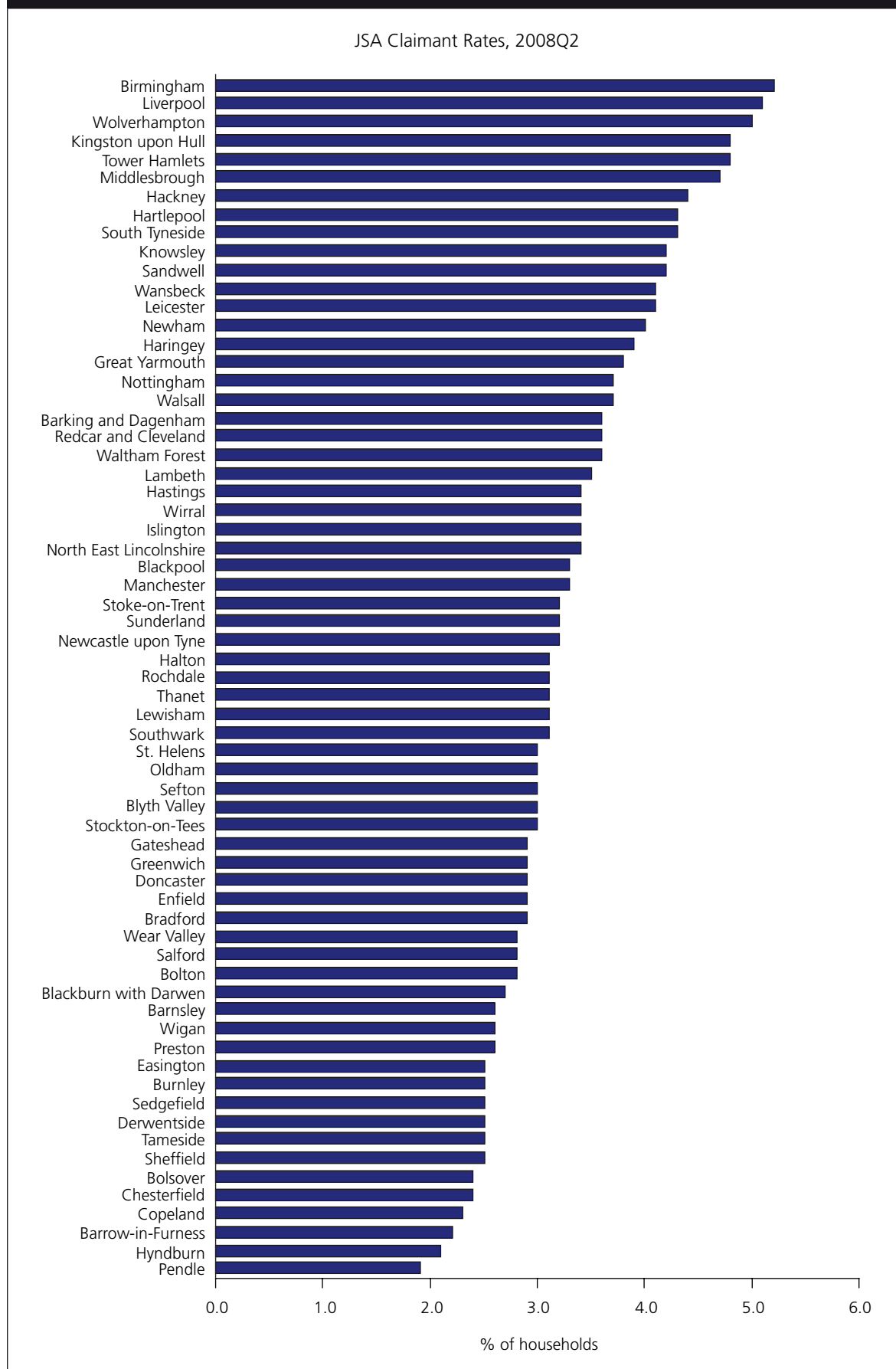
## Variation in worklessness by specific groups

- 2.11 The online survey of WNF local authorities provided further insight into perceptions of how the incidence of worklessness varies across specific groups. Some 52 WNF areas out of 65 completed the survey (the distribution is provided in Annex B). Respondents were asked to consider a number of potential groups in their area and to indicate how much of a priority they were considered to represent in worklessness terms, using a scoring approach that ranged from (1) not important at all through to (5) a very high priority. The average scores are provided in Figure 2.5.
- 2.12 The group which had the highest priority score was young people not in education, employment or training, closely followed by families or households with multiple disadvantage. Lone parents and people with mental health problems were identified as the groups in next highest priority need. Of the different groups prompted for, older people attracted the lowest priority. However, it is important to emphasise that a relatively high priority was assigned to all groups.
- 2.13 The responses were also analysed by categories that reflected the extent to which the areas had a high, medium or low incidence of claimants on IB, IS or JSA, Asian or black working age population, and young people not in employment, education or training (NEET). This was done by ranking the WNF areas on each of these indicators and selecting those ranked 1 to 21 as having a “high” incidence. In general the weight given to the priority groups highlighted in Figure 2.5 was much the same across these different types of area. The exception was those WNF areas with a relatively high proportion of Asian or black residents who, as might be expected, emphasised a higher priority for the specific minority ethnic groups.

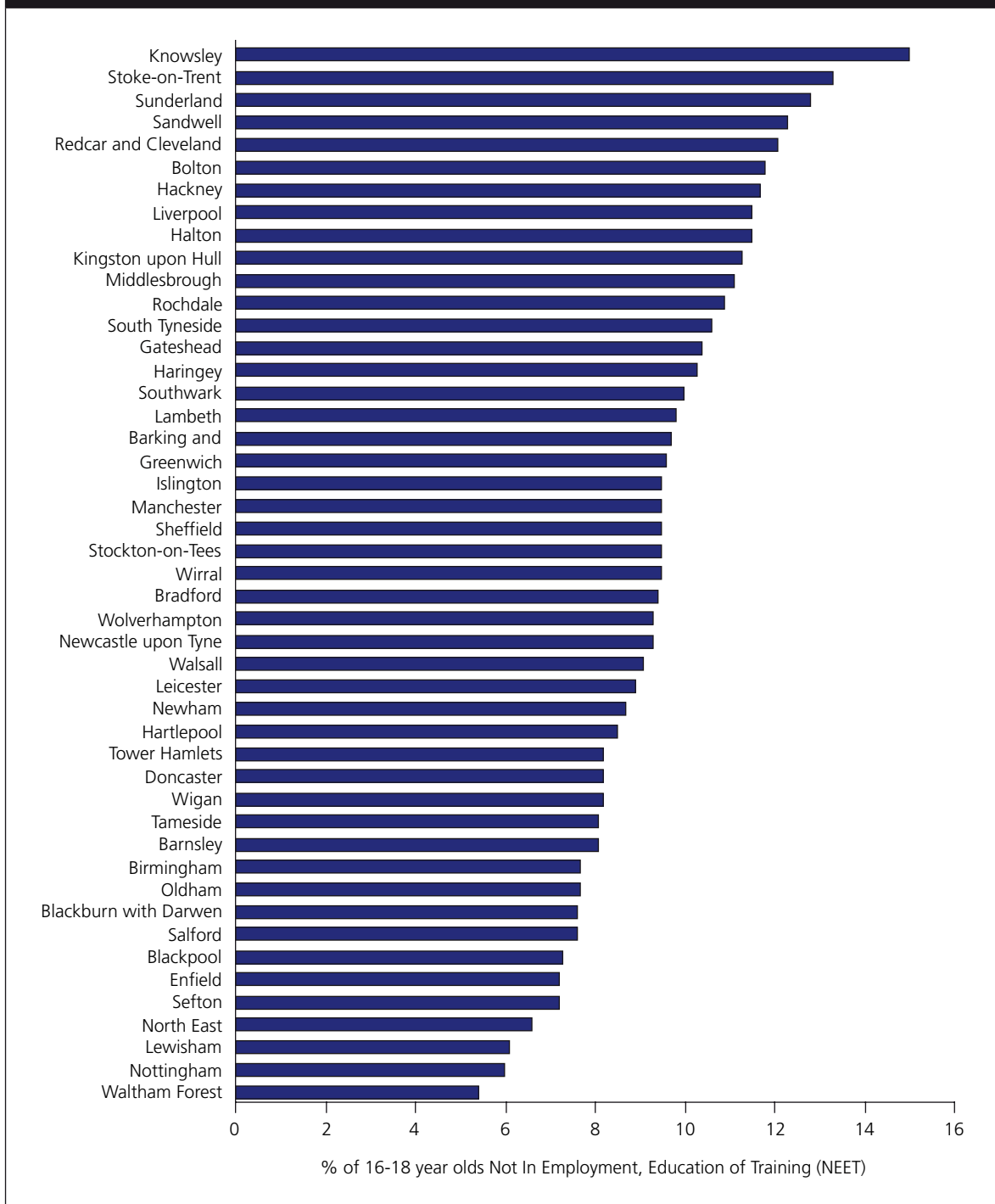
**Figure 2.3a: Distribution of worklessness across the 65 WNF areas**

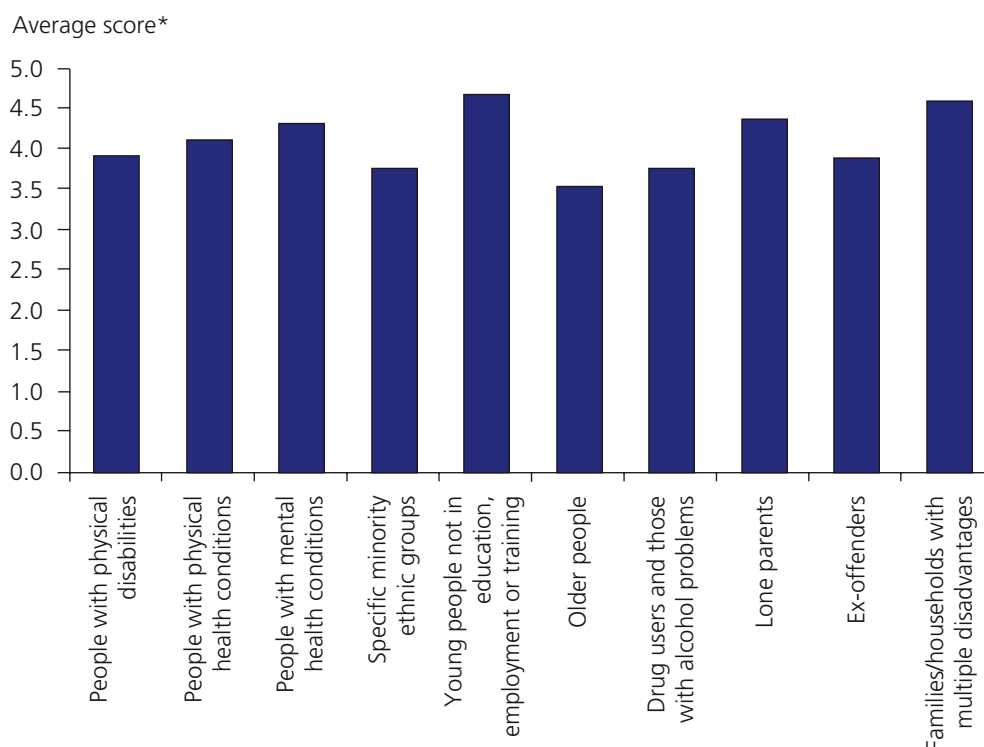
**Figure 2.3b: Distribution of worklessness across the 65 WNF areas**

**Figure 2.3c: Distribution of worklessness across the 65 WNF areas**

**Figure 2.3d: Distribution of worklessness across the 65 WNF areas**

**Figure 2.4: Young people Not in Employment, Education or Training (NEET) in WNF areas that are upper tier local authorities**



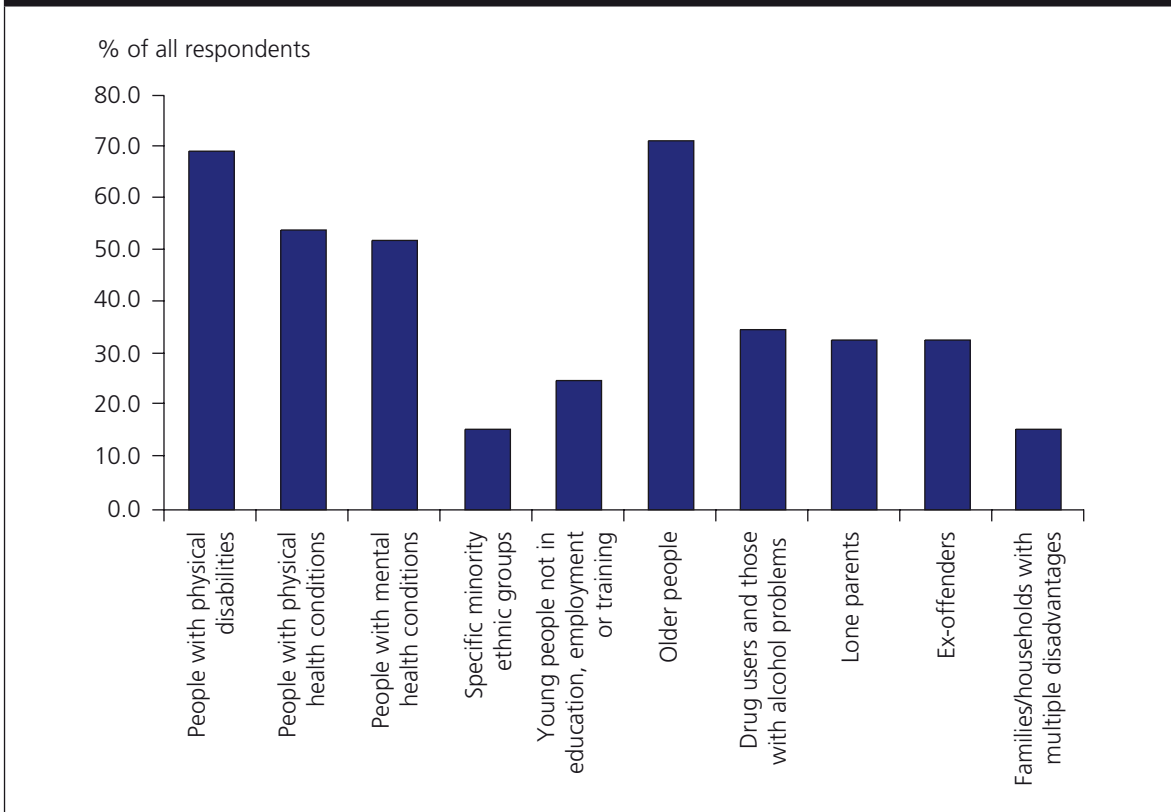
**Figure 2.5: Groups in local authority that represent a priority need in worklessness terms**

\*Ranging from: 1 – not a priority, to 5 – very high priority

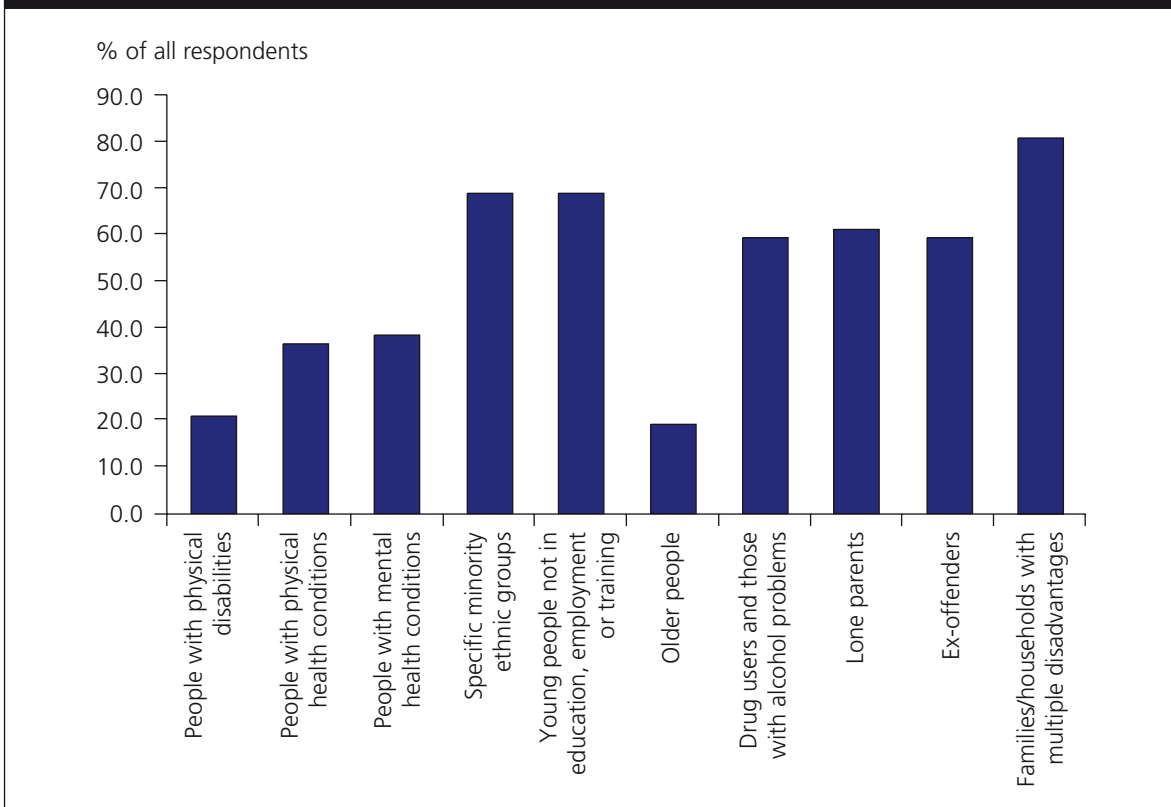
- 2.14 Respondents to the online survey were asked whether they thought that the incidence of the worklessness problem for each of the priority groups was borough-wide or spatially concentrated. Figure 2.6 shows clearly that older people and those with physical disabilities were identified as the two groups where the incidence was perceived to be more borough-wide.
- 2.15 Figure 2.7 indicates those groups where the incidence of worklessness was perceived to be more spatially concentrated. In this case families/households with multiple disadvantage stand out, followed by specific minority ethnic groups. The incidence of worklessness amongst the NEET group was also believed to be spatially concentrated.



**Figure 2.6: Proportion of responding WNF areas who feel the incidence of worklessness amongst each priority group is borough-wide**



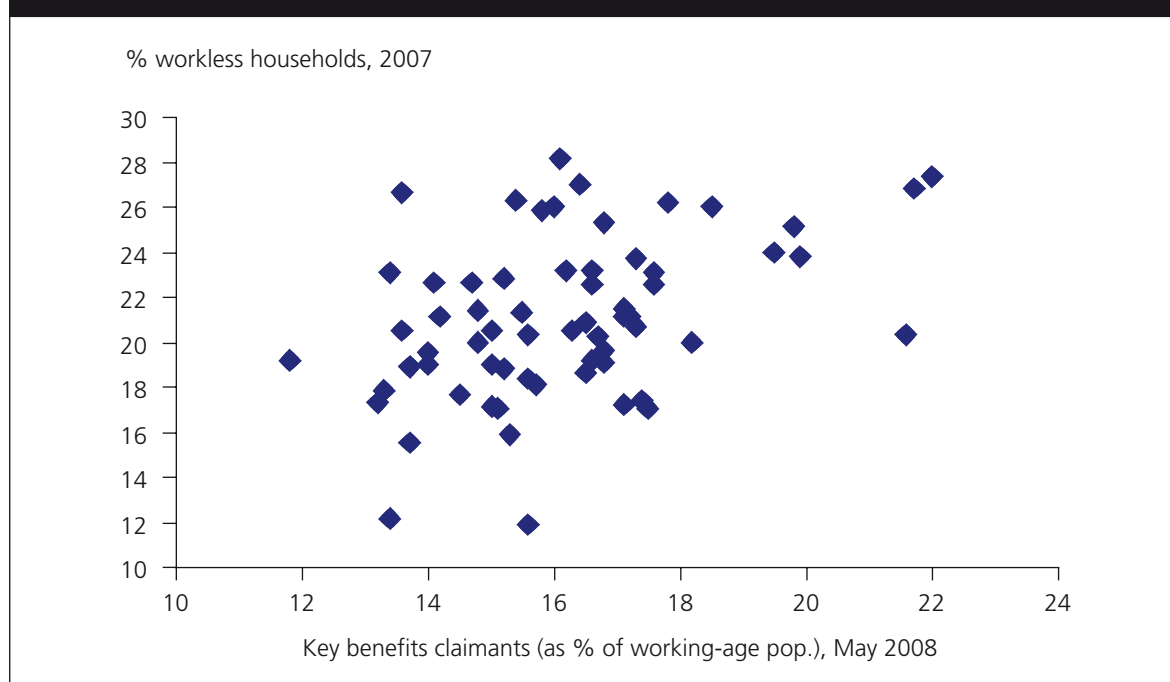
**Figure 2.7: Proportion of responding WNF areas who feel the incidence of worklessness amongst each priority group is spatially concentrated**



## The geographical incidence of worklessness across the three main benefit groups

- 2.16 As the evidence presented earlier showed, the geography of worklessness for each of the three main groups of worklessness classified according to benefit (Incapacity Benefit, Income Support (lone parents) or JSA claimant) are quite different. Furthermore, a high claimant rate among *individuals* is not a particularly strong indicator of a high incidence of worklessness among *households* in WNF areas. Figure 2.8 demonstrates this point by comparing the claimant rate for the three key benefits with the proportion of worklessness households. In other words, the fact that a local area has a relatively high proportion of claimants does not necessarily imply that the *concentration* of worklessness in disadvantaged households is also high. This could be, for example, because in some areas a high level of Incapacity Benefit claimants is associated with older males who previously worked in traditional industries, but their spouses are in work.

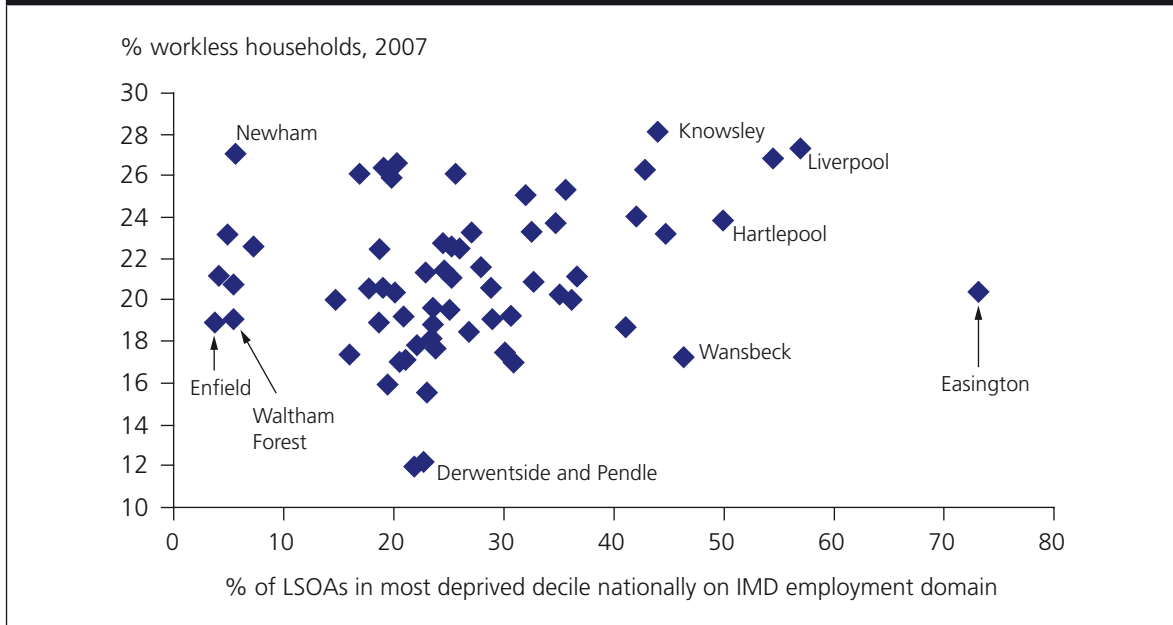
**Figure 2.8: Key benefit rate correlated with workless households in WNF areas**



- 2.17 It might be thought that the concentration of worklessness among disadvantaged households would be more closely related to spatial concentrations of economic deprivation. Figure 2.9 compares the proportion of worklessness households with the Index of Multiple Deprivation (IMD) employment score (the proportion of the area's Lower Super Output Areas (LSOAs) that fall in the worst ranked national decile of LSOAs). This is a measure of the extent to which an area suffers from spatial concentrations of worklessness among individuals. The figure shows that the expected positive correlation exists, but that there are some extreme outliers. The outliers seem to be due to the fact that the indicators used for the IMD employment domain are, themselves, claimant measures. As noted above, just because an

area has a relatively high proportion of claimants does not necessarily imply that the concentration of worklessness in disadvantaged households is also high.

**Figure 2.9: Proportion of LSOAs in WNF Local Authority Districts (LADs) in the 10% worst employment domain correlated with workless household rate**



## The causes of worklessness at the local level

### Understanding the problem

- 2.18 A considerable amount of research has been undertaken in order to establish the factors responsible for the geographical concentrations of worklessness across England. The incidence of the problem has prompted a range of policy responses. Reviews of the evidence have highlighted the extent of the problem (Sanderson 2006, Meadows 2006, Meadows 2008, CLG 2008a), as well as drawing out the overall implications for specific regions (ERS 2005; Meadows 2006; Cousins et al 2007). Annex A provides a review of some of the most recent research.
- 2.19 The first point to make is that the research recognises that changes in the labour market, particularly over the last thirty years have tended to reinforce spatial segmentation and inequality, reduce job security and increase uncertainty. They have also impacted especially upon men (Nickell, 2004).
- 2.20 The recent focus on worklessness has several distinctive aspects. It encompasses a *wider range* of people in different situations and in receipt (or not) of several different state benefits than the term Unemployed (Richie et al 2005). Those in receipt of Incapacity Benefit have been a particular focus (Nickell, 2004; Leeds Metropolitan; Dorsett 2008), as have lone parents (Hasluck and Green, 2007; Leeds Metropolitan 2007). Much research has

also been undertaken to understand the links between worklessness and poverty and income inequality (Hills, et al, 2009).

- 2.21 There is also a greater concern with *long-term* removal from the labour market. Whilst individuals may be unemployed for a period of time, those who are further from the world of work, or whose family and social contacts too are outside of the workforce, may experience a more enduring worklessness (Ritchie et al 2005; Leeds Metropolitan 2007; CLG 2007). And the focus tends to be upon workless *households* where no one has a job, rather than individuals (Nickell, 2004; Hasluck and Green, 2005).
- 2.22 There is a recognition that worklessness occurs even in *times of high overall employment*, giving weight to supply-side explanations (Richie et al 2005) and there is a growing emphasis on *neighbourhoods* with high levels of worklessness (Sanderson, 2006; CLG, 2007; Dewson et al 2007), largely out of concern that a “*culture of worklessness*” can develop when particular neighbourhoods have high levels of worklessness (Richie et al 2005; Sanderson 2006; Dewson et al 2007).
- 2.23 Four main ways of considering the factors that contribute to worklessness stand out from the available literature. **Demand-side factors** emphasise the lack of availability of jobs for residents, particularly in deprived areas, and which can be considered alongside **enterprise factors** that relate to the ability of an area to attract and retain new businesses.
- 2.24 **Supply-side factors** emphasise the barriers to employment that individuals or households may experience. Here the research notes that the main explanation for unemployment and worklessness lies in individual and household factors, rather than direct area effects. Individuals and households with certain characteristics tend to concentrate in certain areas. The factors identified as having a major impact include household structure (especially lone parenthood), qualifications and skills, health and impairment, age and ethnicity (Dewson et al 2007) and the extent of multiple disadvantage faced by some workless people has also been highlighted (Dorsett 2008; Fletcher et al 2008a).
- 2.25 **Institutional factors** focus on the structural difficulties people experience in entering the workforce, or that employers experience in finding labour – they include the housing market and ‘sorting processes’ that concentrate disadvantaged people. Other institutional factors include the benefits and tax system, the availability of childcare, the availability of transport, and access to information and social networks.

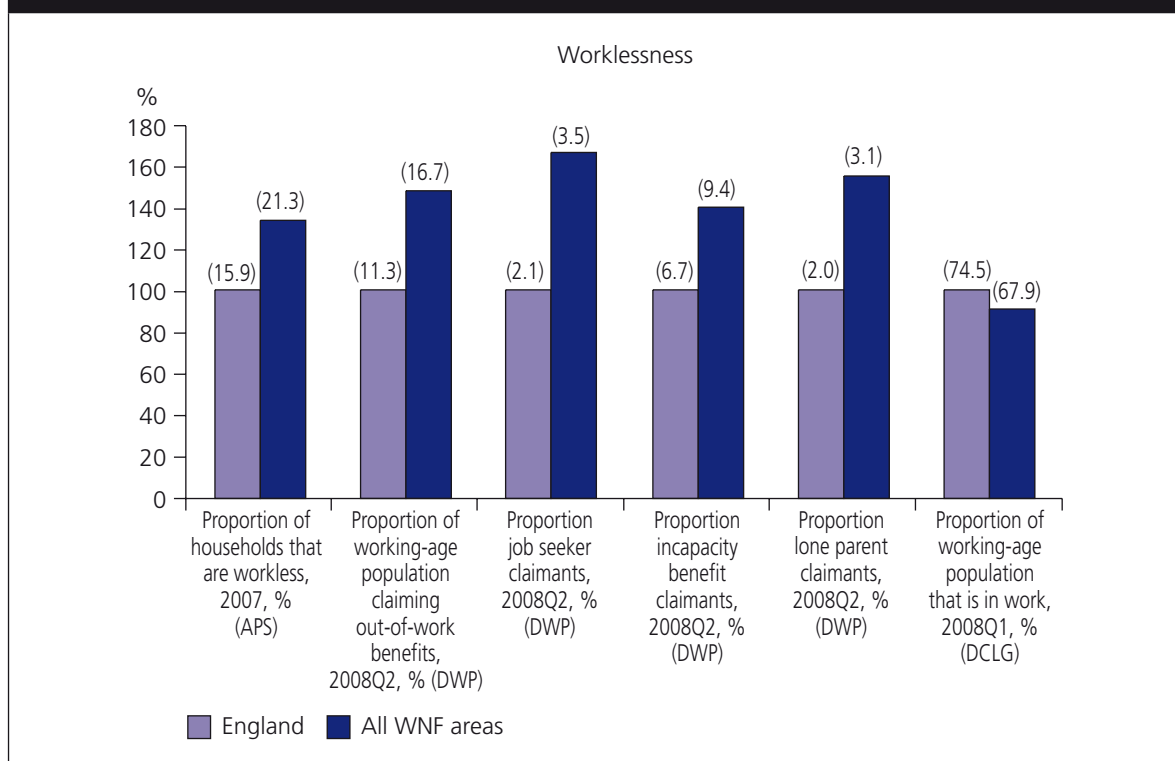
### **The economic characteristics of the WNF areas in the light of the literature review**

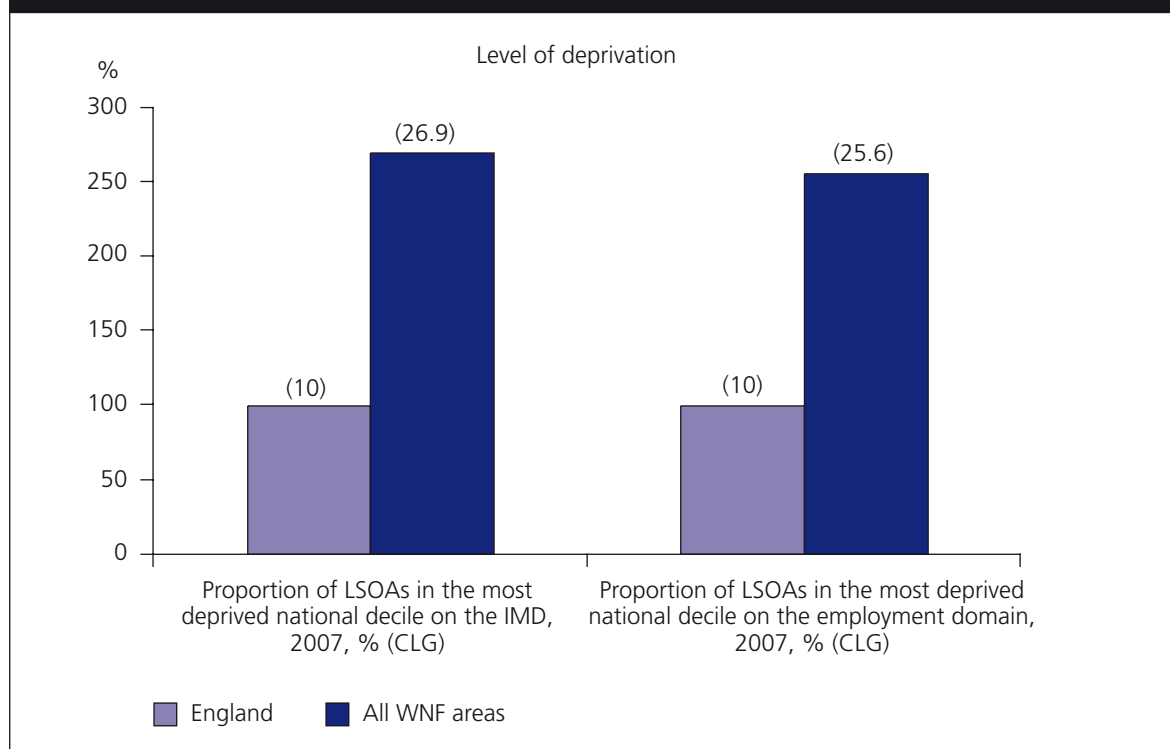
- 2.26 The literature review indicates the importance of understanding how a diverse range of factors come together to create the worklessness problem in an area. This section profiles the WNF areas taken as a whole according to the key dimensions of demand, enterprise, supply and institutional. For each of these dimensions an extensive review of administrative and secondary

evidence was undertaken in order to select proxy indicators. In each case the objective was to be able to compare the position in the WNF areas with that of the England average where this was possible. Figure C1 in Annex C presents the indicators that were chosen and the key data sources.

- 2.27 Figure 2.10a benchmarks the average performance of WNF areas against the English average (100) on a range of indicators. The actual value of the indicator is provided on the top of each bar and the source of data used for the indicator is described in Annex C. The WNF areas have 34 per cent more households that are workless than the English average. Some 40 per cent more of the WNF population are claiming out of work benefits, 67 per cent more are job seeker claimants, 40 per cent more are claiming incapacity benefit and 55 per cent more are lone parent claimants. The working age population in work in WNF areas is 9 per cent less than the English average.
- 2.28 Figure 2.10b illustrates the extent of deprivation in WNF areas compared to the England average. The WNF areas have 170 per cent more of their LSOAs in the most deprived national decile than the England average on the IMD 2007 and the percentage is much the same if the employment domain on the IMD is used.

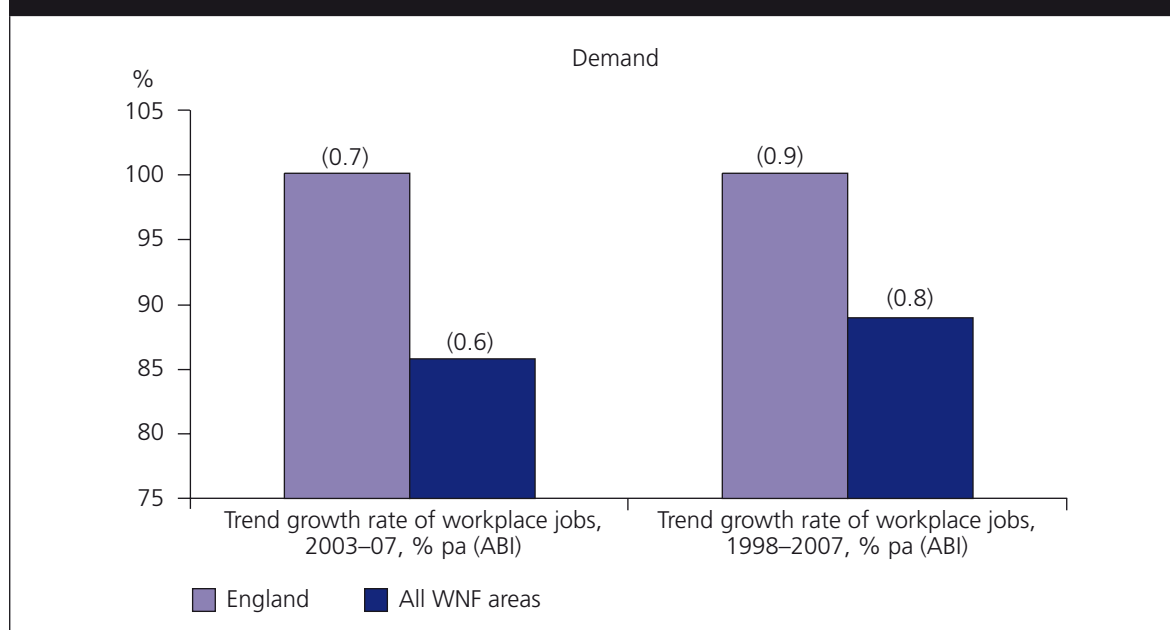
**Figure 2.10a: Characteristics of WNF areas relative to England (values in brackets)**



**Figure 2.10b: Characteristics of WNF areas relative to England (values in brackets)**

### *Labour demand in WNF areas*

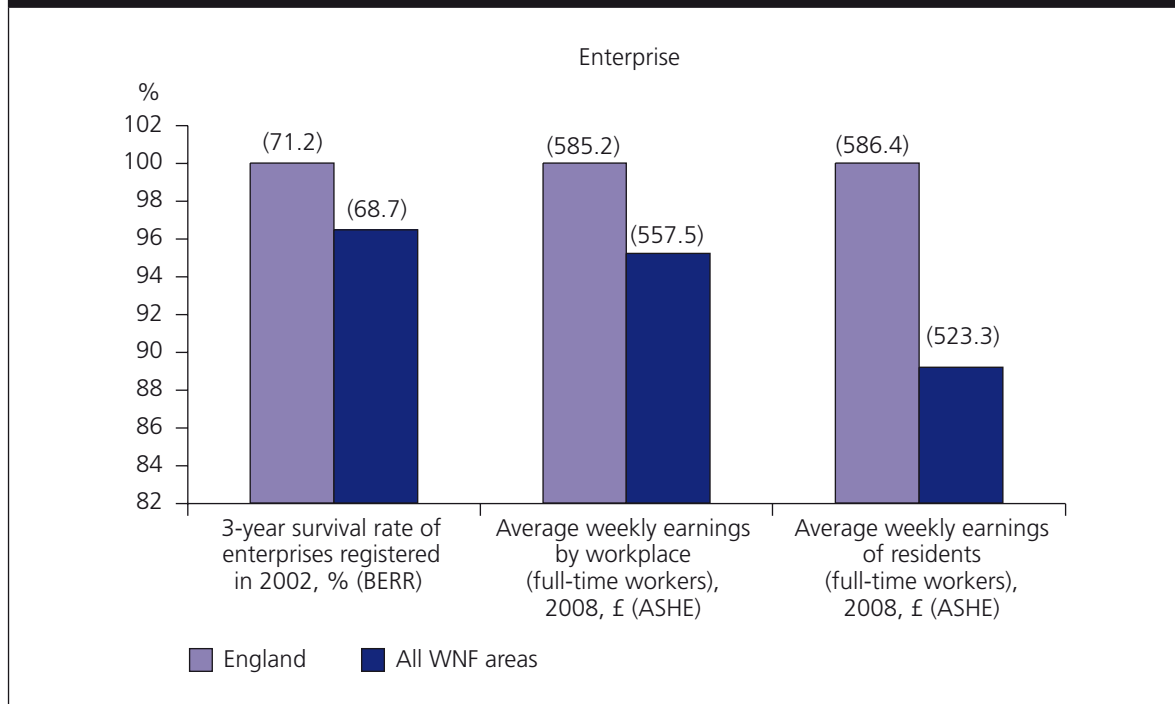
- 2.29 Figure 2.10c provides some insight into how labour demand has varied in the WNF areas compared to the English average. On both measures the growth of jobs has been between 12–15 per cent below the English average during the early 2000s.

**Figure 2.10c: Characteristics of WNF areas relative to England (values in brackets)**

### ***Enterprise in WNF areas***

- 2.30 Figure 2.10d considers a broad measure of enterprise and shows that the three year survival rate of enterprises registered in 2002 in WNF areas is about 4 per cent below the English average. Evidence on earnings provides some insight into variations in local productivity and earnings in the WNF areas, which is some 4.5–11 per cent below the English average.

**Figure 2.10d: Characteristics of WNF areas relative to England (values in brackets)**

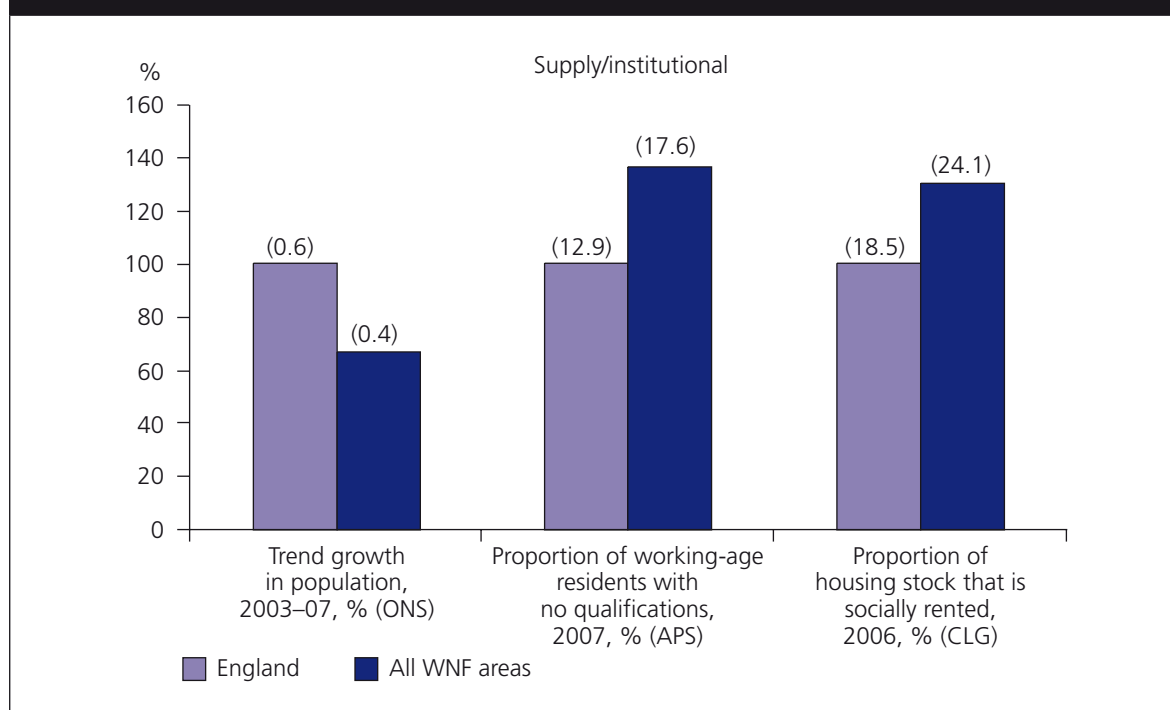
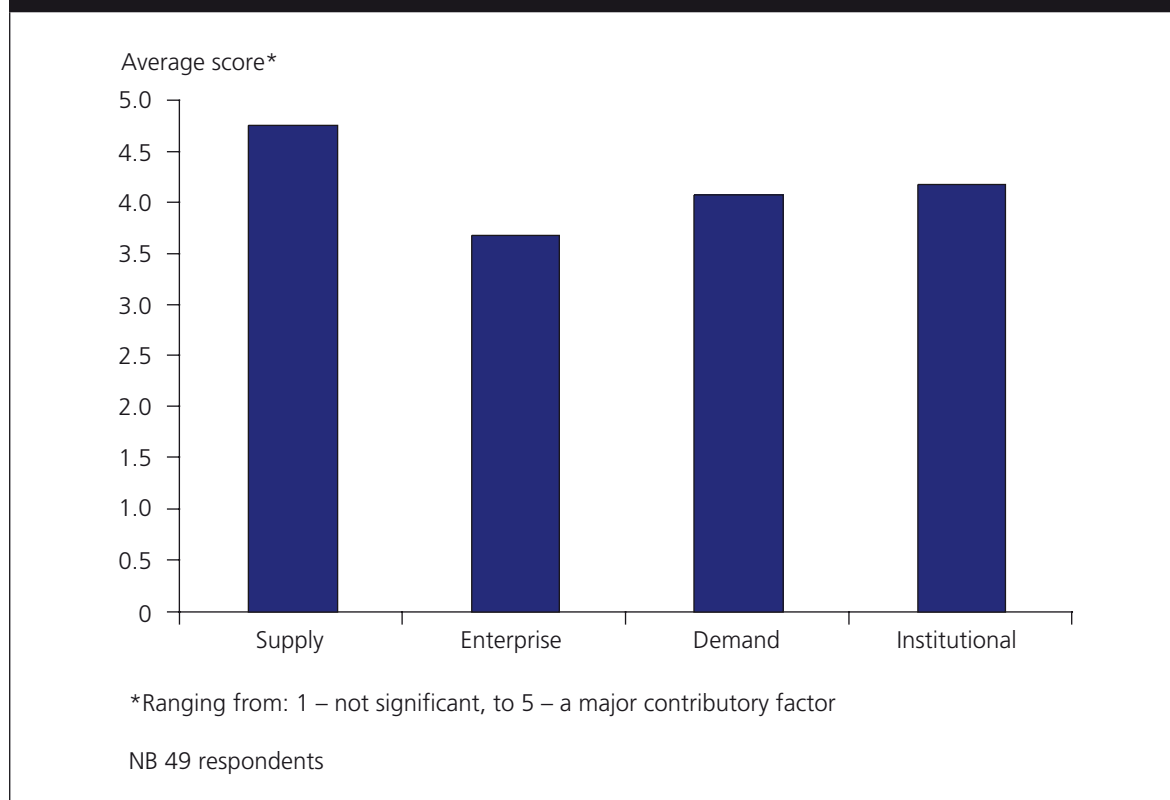


### ***Labour supply and institutional factors in WNF areas***

- 2.31 Figure 2.10e provides evidence on the labour supply and institutional characteristics of the WNF areas. In general, population growth has been slower in the recent study period in WNF areas than in England as a whole and the proportion of the working population with no qualifications is much higher in the WNF areas than in England. Finally, the proportion of the housing stock that is socially rented is approximately 25 per cent higher in the WNF areas than the England average.

### ***Relative importance of drivers of worklessness – feedback from the online survey***

- 2.32 In order to gain further insight into the factors that underpin high levels of worklessness in WNF areas, respondents to the survey of WNF areas were asked to score the significance of the supply, demand, enterprise and institutional drivers of worklessness identified in the literature using a scale of 1 (not a significant factor) to 5 (a major contributory factor). Drawing on these perceptual responses, Figure 2.11 reveals that the highest score was given to supply side based factors. This result was consistent across the different groupings of WNF areas described above.

**Figure 2.10e: Characteristics of WNF areas relative to England (values in brackets) – Supply/institutional****Figure 2.11: Relative significance of contributory factors to worklessness in WNF areas**

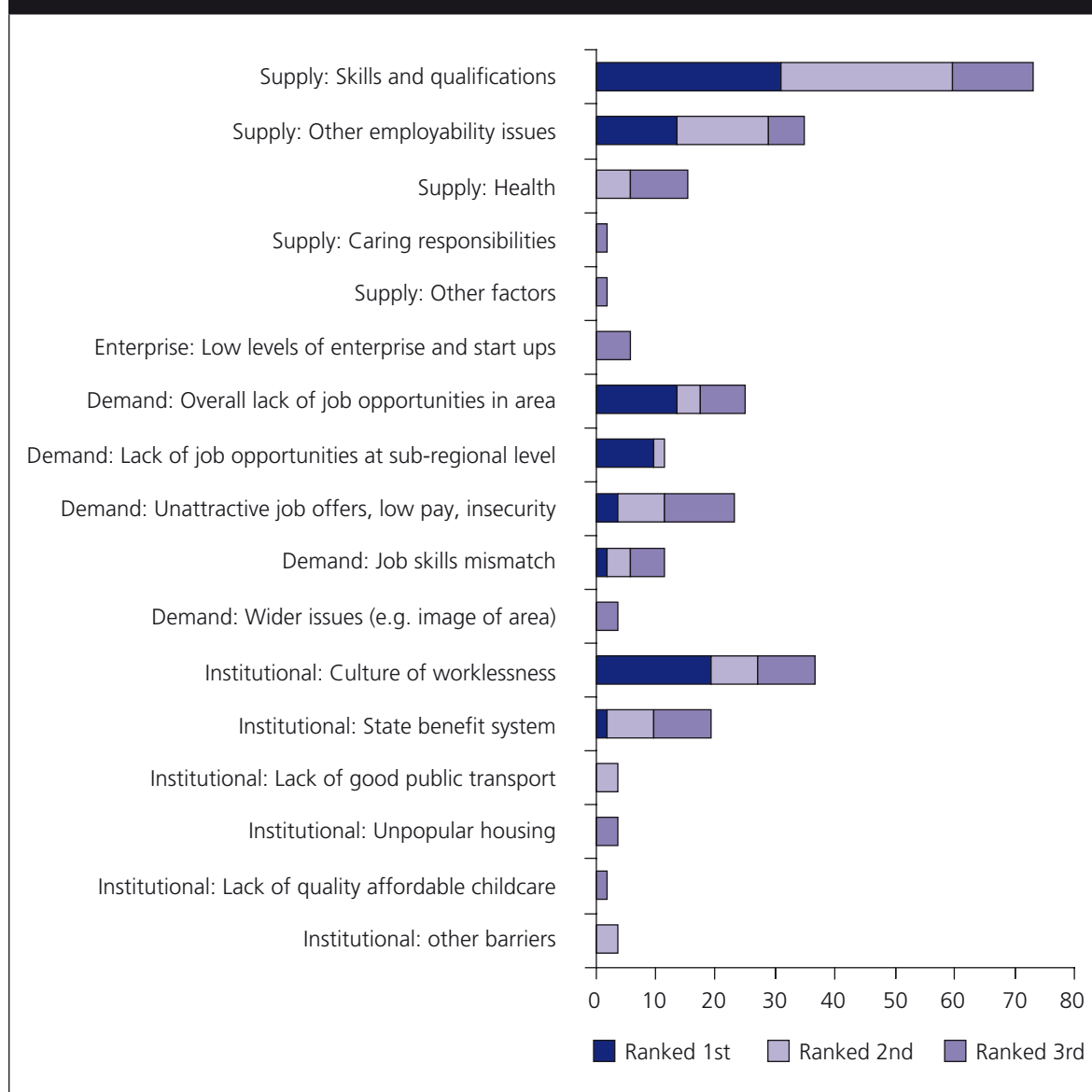


- 2.33 The survey of WNF areas provided a more detailed list of contributory factors and invited respondents to pick three and then rank them (where first was considered to be the most significant contributory factor). The results are presented in Figure 2.12.
- 2.34 When constrained to select just three contributory factors and then rank them, two supply-side characteristics emerged as particularly important, namely skills and qualifications (picked as first, second or third by 73 per cent of respondents) and other employability issues (35%). Health also featured as a contributory factor in 15 per cent of cases, although this was not ranked as the most significant issue by any of the respondents.
- 2.35 A wide range of demand-side factors emerged in the responses to this question, and it is clear from Figure 2.12 that a lack of job opportunities, at both the local area level (25 per cent of all respondents identified it in their top three) and also the wider sub-regional level (12%) was seen as important. Unattractive job offers, low pay and job insecurity also featured (23%), primarily as second and third preferences. The key institutional barriers were a culture of worklessness (37 per cent of all respondents selected this as one of their three key contributory factors) and the state benefit system (19%).
- 2.36 When these responses were cross-tabulated by the different types of WNF area (with a high incidence of different key groups) the broad pattern was similar, but there were some notable differences. Areas with a high incidence of people on Incapacity Benefit highlighted other employability issues as being of more importance than skills and qualifications. A lack of job opportunities was seen as being relatively more important in areas with a higher incidence of those on Jobseeker's Allowance.
- 2.37 It is obvious from the literature, and from the analysis presented above, that a number of factors come together to produce high levels of worklessness in any particular area. It is therefore important to consider several facets of the problem and its persistence.

## How is the recession impacting on worklessness in WNF areas?

- 2.38 Secondary data can give a broad indication of the impact of the recession across the UK's local authorities and the extent to which the experience of the WNF areas reflects wider patterns. This section focuses on the claimant count unemployment rate because it is up to date. Clearly its coverage is limited, but it is used here merely as a proxy to compare areas according to the scale of labour market changes.

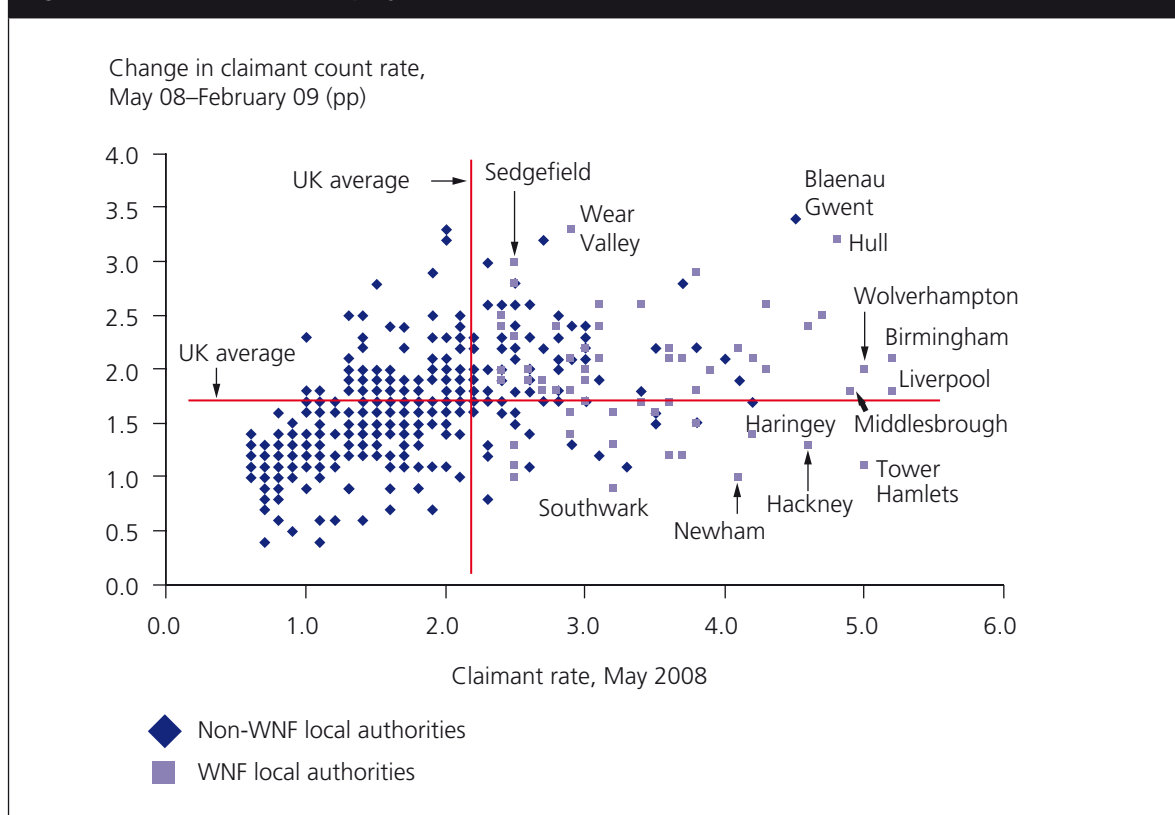
**Figure 2.12: Proportion of respondents ranking each factor 1st, 2nd or 3rd most important in contributing to worklessness in their area**



- 2.39 Figure 2.13 shows the *change* in the claimant count unemployment rate in local authorities in the UK since May 2008 (when unemployment started to pick up), and compares this with the *level* of the rate at that time. The figure distinguishes WNF from non-WNF areas, and shows that (with one exception) the WNF areas had a higher claimant rate than the UK average, although they were not all ranked at the high end of the range.
- 2.40 Although the evidence is quite mixed, there has been a broad tendency for the rate to rise most in areas that already had a relatively high claimant rate. Some of the WNF areas reflect this broad tendency (e.g. Wear Valley and Kingston upon Hull, which are picked out in the figure).

- 2.41 However, some WNF areas lie well outside this pattern of experience, and have seen a smaller rise in the claimant rate than the UK average. A considerable part of this is a London effect: none of the London boroughs (whether WNF areas or not) saw an increase in claimant rate higher than the UK average. This looks consistent with the regional jobs data (but these are only up to September 2008) which show London less affected than most regions in the northern half of the country. It may also be a 'city' effect: Middlesbrough, Liverpool, Wolverhampton and Birmingham saw increases in their claimant rate that were broadly in line with the UK average rather than much worse.

**Figure 2.13: Increase in unemployment claimants**



- 2.42 Recent jobs data are not yet available below regional level, and so it is not possible to tell whether this outcome reflects a somewhat insulated jobs market or a less marked tendency for job losses in city areas to be reflected in the claimant count. The latter may be because more of the impact falls on commuters from outside of the city, or because those losing jobs have not registered for benefit. It will be important to track how the geography of JSA claimants changes with the economic cycle.

### 3. Measuring progress in tackling worklessness

- 3.1 The evidence indicates that there are considerable variations in the incidence of worklessness by benefit type across the WNF areas and the contribution that individual demand/enterprise, supply and institutional factors make. To assess how WNF is tackling the problem it is desirable to establish clear baselines and to identify how much the level of worklessness in WNF areas is changing relative to other areas that are considered to be broadly similar. Benchmarking in this way is a common approach in evaluation work and there is an extensive literature on the issues that arise in trying to do this. An alternative approach to formal benchmarking is to model the patterns of the worklessness and the scope for this is examined at the end of this section.
- 3.2 During the Scoping Study an exercise was undertaken to assess the most suitable way of establishing a typology of areas to enable the economic and institutional diversity of the areas receiving WNF to be reflected in a benchmarking exercise. This diversity, as well as the intensity of policy support, was captured by gathering data on area classification, relative accessibility, demographics, the level of WNF allocation, labour market characteristics, the extent of policy intervention measures, performance of LAD and information on institutional and delivery arrangements. Cluster analysis was used to identify groups of WNF areas with common economic features.

#### Cluster analysis

- 3.3 “Cluster analysis” is a label for a range of exploratory statistical techniques which seek to identify groups or clusters of cases within datasets that have similar characteristics. A set of variables is selected to form the basis of the clustering, and the cluster technique then places cases which have similar values for these variables into groups. Cluster techniques work iteratively – cases are moved around between groups, until a set of groups are achieved in which cases inside groups are as similar as possible to each other, and as different as possible to other groups. The intention is that underlying patterns in the data can be found while taking multiple variables into account.
- 3.4 For the purposes of the WNF exercise, the cases are the 65 WNF local authorities. The variables to form the basis of the clustering – those in which similarities are sought – represent aspects of the economic context. Twelve variables were used and these are described in Figure 3.1. Population size variables were tried but excluded from the final analysis as the large relative disparities between small districts (e.g. Hyndburn, 2007 population 82,000) and the largest (e.g. Birmingham, population 1,010,200) meant that this variable exercised a distorting influence even after standardisation.

- 3.5 Other characteristics, such as urban/rural classification, region and policy environment were not included in the cluster analysis. Whilst differences between regional economies, and between spatial factors such as isolation or connectedness are important, it was intended that looking at labour market variables would already capture the effects of these. The results confirm that there is considerable correlation between the clusters and existing typologies such as DEFRA's rural/urban classification and the Office for National Statistics' (ONS's) Census-based typology.

**Figure 3.1: Variables used in the cluster analysis of WNF authorities**

Variable	Description	Date
<b>Current labour market context</b>		
JOBS_DENSITY	Jobs per working age adult	2006
BENEFITS_RATE	Working age benefits claimant rate (DWP)	2007
EMPLOYMENT_RATE	Working age adults employment rate (LFS)	2007
OUTCOMMUTE	Working age adults employed outside district (Census)	2001
<b>Recent labour market trends</b>		
JOBS_GROWTH_TREND	Trend in jobs growth	1998–06
EMP_RATE_CHANGE	Change in employment rate (LFS)	2000–07
BENEFITS_CHANGE	Change in benefits rate (DWP)	2000–07
<b>Enterprise</b>		
VAT_REG_RATE	New business VAT registrations (labour market measure)	2002–06 avg
<b>Characteristics of the labour supply</b>		
NO_QUAL_ADULTS	Adults with no qualifications (Census)	2001
GCSE_5AC	Resident pupils gaining 5 A*-C grades at GCSE (DCFS)	2006/07
<b>Demographic features</b>		
POP_ASIAN	% all population of Asian ethnicity (ONS experimental stats)	2006
POP_BLACK	% all population of ethnicity (ONS experimental stats)	2006

## Cluster results

- 3.6 The cluster analysis generated six groups of authorities, and two authorities whose characteristics were sufficiently different to the rest as to place them in their own category. The clusters were given descriptive names. Figure 3.2 below summarises the characteristics of all clusters, and a description of each is given below.

Figure 3.2: Cluster centre values vs. all-WNF mean values for variables

Cluster Group No.	Cluster name	Number in cluster	Labour Market			Labour Market Trends			Enterpr.		Labour Supply		Population	
			Jobs density	Employ rate	Benefits rate	% Out-commute	Employ rate change	Benefits rate change	Jobs growth trend	VAT reg. rate	Adults with no quals	5 A*-C GCSEs	% Pop Asian	% Pop
1	Remote /self-contained	17				--						-		-
2	Industrial hinterland	9	-	+	+		+	-		-	+			-
3	Inner London	4		-		+				+	--			+
4	Urban manufacturing	12				-	-	+			+		+	
5	Peripheral suburbs	8	-			+	-	+		-		+	+	+
6	Islington	1	+			+	+	-		+	--	+		+
7	Tower Hamlets	1	+	--		+	+			+			+	
8	Northern urban satellites	13		+								+		-

**Key:**

- ++ group's districts have values much above average for WNF districts (cluster centre is 1 s.d. above mean)
- + group's districts have values somewhat above average for all WNF districts (cluster centre is 0.5 s.d. above mean)
- group's districts have values somewhat below average for all WNF districts (cluster centre is 0.5 s.d. below mean)
- group's districts have values much below average for all WNF districts (cluster centre is 1 s.d. below mean)

## Detailed description of clusters

- 3.7 The descriptions below pick out some of the distinguishing characteristics of the clusters summarised above, and identify the members that are most typical. Note that because of the nature of cluster analysis, the fact that a cluster on average has a certain characteristic does not mean that all members of that cluster have that characteristic. Therefore, a specific characteristic of any particular WNF district should not be inferred from its membership of a particular group.

### **Group 1: Isolated and self-contained labour markets (17 districts)**

- 3.8 Many of these districts are relatively isolated; their most striking characteristic is very low levels of employees commuting out of the district. The group includes remoter coastal settlements (such as Thanet, Great Yarmouth and Hull) and larger urban areas with self-contained labour markets (such as Liverpool, Nottingham and Sheffield). Economic performance is average overall, but there is variance within the group. Educational attainment is low. The group has average WNF allocation per capita, but there are some major recipients, such as Liverpool.

### **Group 2: Industrial hinterlands (9 districts)**

- 3.9 This cluster includes areas historically heavily dependent on primary industries such as mining, or on manufacturing. The large majority are in the North East, and are outside the major conurbations; several have a rural character. Five of the nine are two-tier districts. Job vacancies are scarce and benefit claimant rates are high, but employment rates are also high. Trends in employment and benefit claimant rates have been better than average – this may well reflect the fact the performance of districts starting from a particularly disadvantaged base during a period of economic expansion. Enterprise rates are low. These districts have WNF allocations much above the per-capita average. Typical members of this group are Wansbeck, South Tyneside and Redcar & Cleveland.

### **Group 3: Inner London (4 districts)**

- 3.10 All of these are London districts in the south-centre and north-east of the city. They have large black populations. Employment rates are below average and there is a high degree of travel outside the district for work. However, the proportion of adults with no qualifications is very low, and business start-up rates are high. Southwark and Haringey are the most typical members of this group, which also includes Lambeth and Hackney.

### **Group 4: Urban manufacturing (12 districts)**

- 3.11 This group includes cities and towns across the North and Midlands whose traditional economic base was manufacturing – in part supported by labour from the Indian subcontinent. The largest districts by population are in this category. They remain centres of employment; many residents work within the area. Typically, recent economic trends in these areas

have been somewhat less favourable than average: slower falls in benefit claims, and slower rises in employment rates. Typical members of this group are Wolverhampton, Oldham and Bradford. Manchester, Leicester and Birmingham are also in this group.

#### **Group 5: Peripheral suburbs (8 districts)**

- 3.12 Most of the areas in this group are in the peripheral areas of London. They have relatively few jobs in the area relative to the resident population and much out-commuting. Economic performance trends are weak across employment, benefits and jobs growth. Human capital measures are better – fewer unskilled adults, and above-average GCSE results. They have large ethnic minority populations. This group receives the lowest average WNF allocations. Typical members of this group are Greenwich, Waltham Forest and Barking & Dagenham. The group has two members outside London, Rochdale and Bolton.

#### **Group 6: Outlier 1 – Islington**

- 3.13 Islington does not fit neatly into any of the main cluster groups. It shares some characteristics with the other Inner London boroughs, but on all economic trends has seen above-average performance.

#### **Group 7: Outlier 2 – Tower Hamlets**

- 3.14 Tower Hamlets also does not fit into any of the clusters. It has an employment rate very much below average, despite there being a concentration of jobs in the area, and strong trends in job creation. Educational attainment and rates of adults with no skills are average in Tower Hamlets, unlike other London boroughs where education and skills are high. Tower Hamlets is receiving a large WNF allocation.

#### **Group 8: Northern urban satellites (13 districts)**

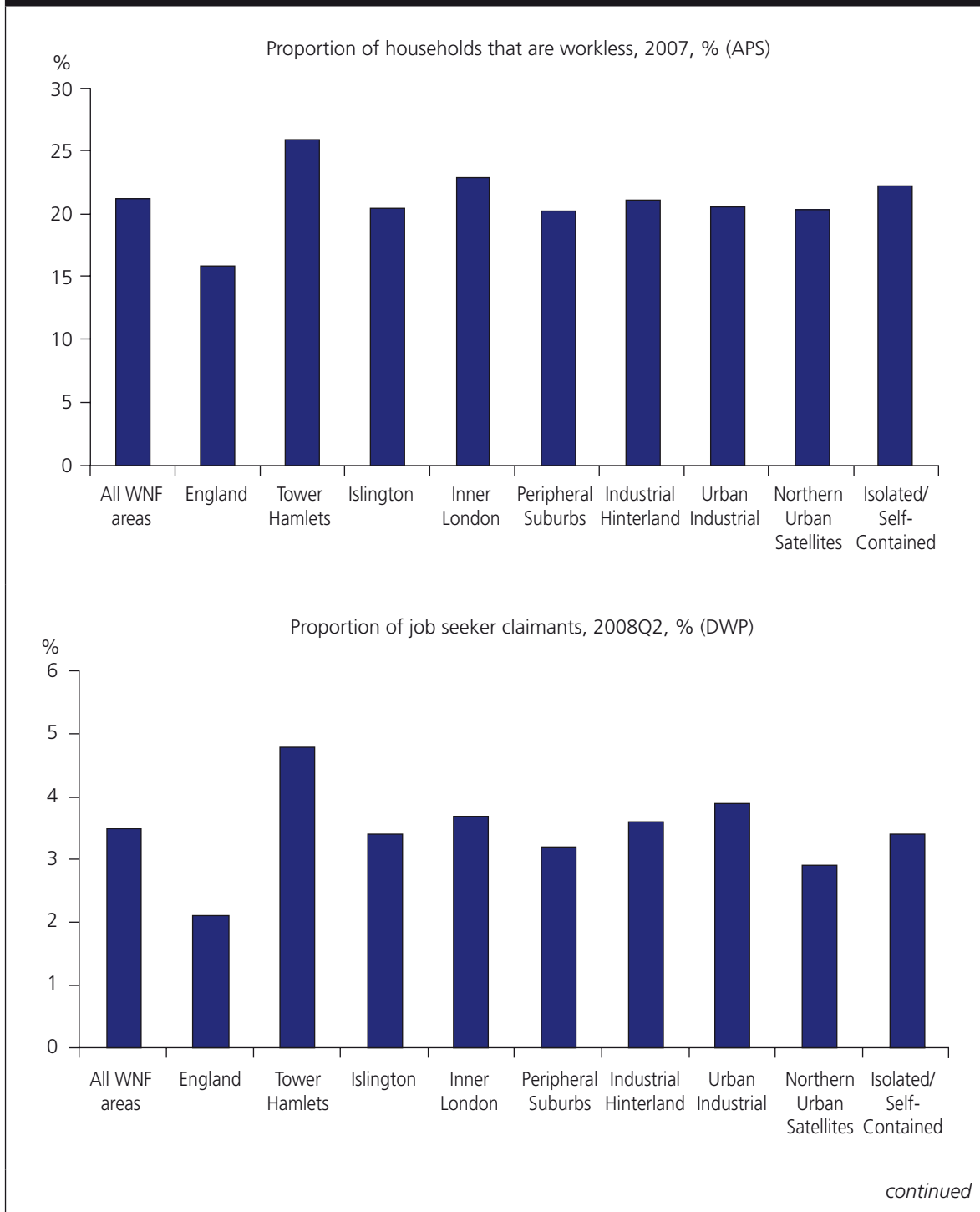
- 3.15 The members of this group are satellite districts to the major conurbations of the North West and North East. Employment rates are above average and the group average WNF allocation is somewhat below the overall average. There are below-average proportions of ethnic minorities in these districts. The most typical examples are Wigan, Sefton, Halton and Gateshead.
- 3.16 Figure 3.3 gives the group membership for every WNF local authority. The third column, distance, is a measure of how representative that district is of the cluster overall. A lower value means that the district is closer to the typical values for the cluster.

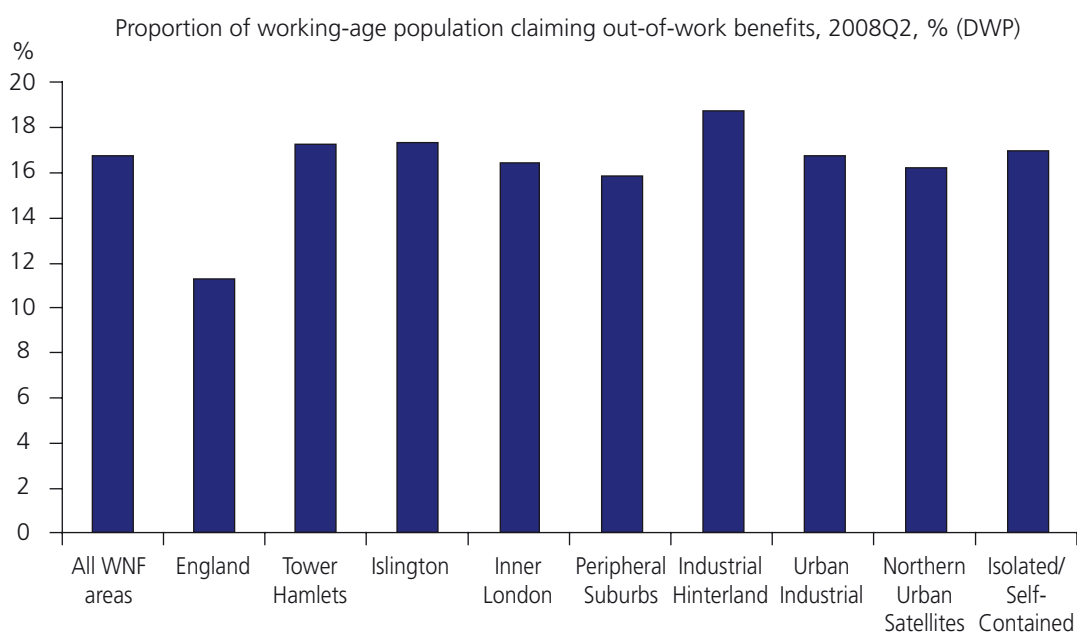
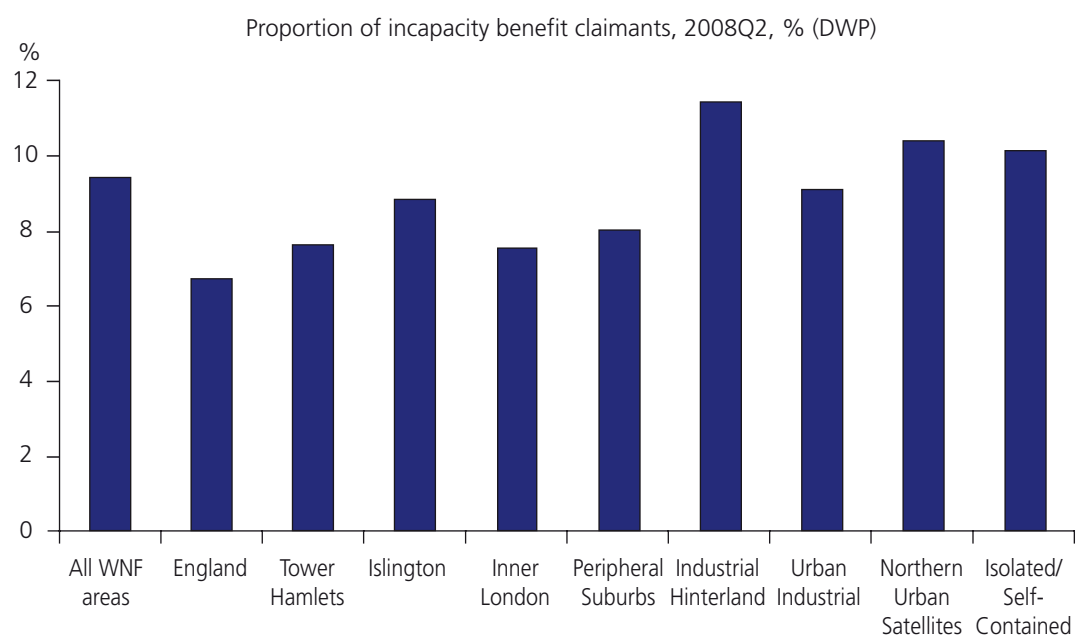


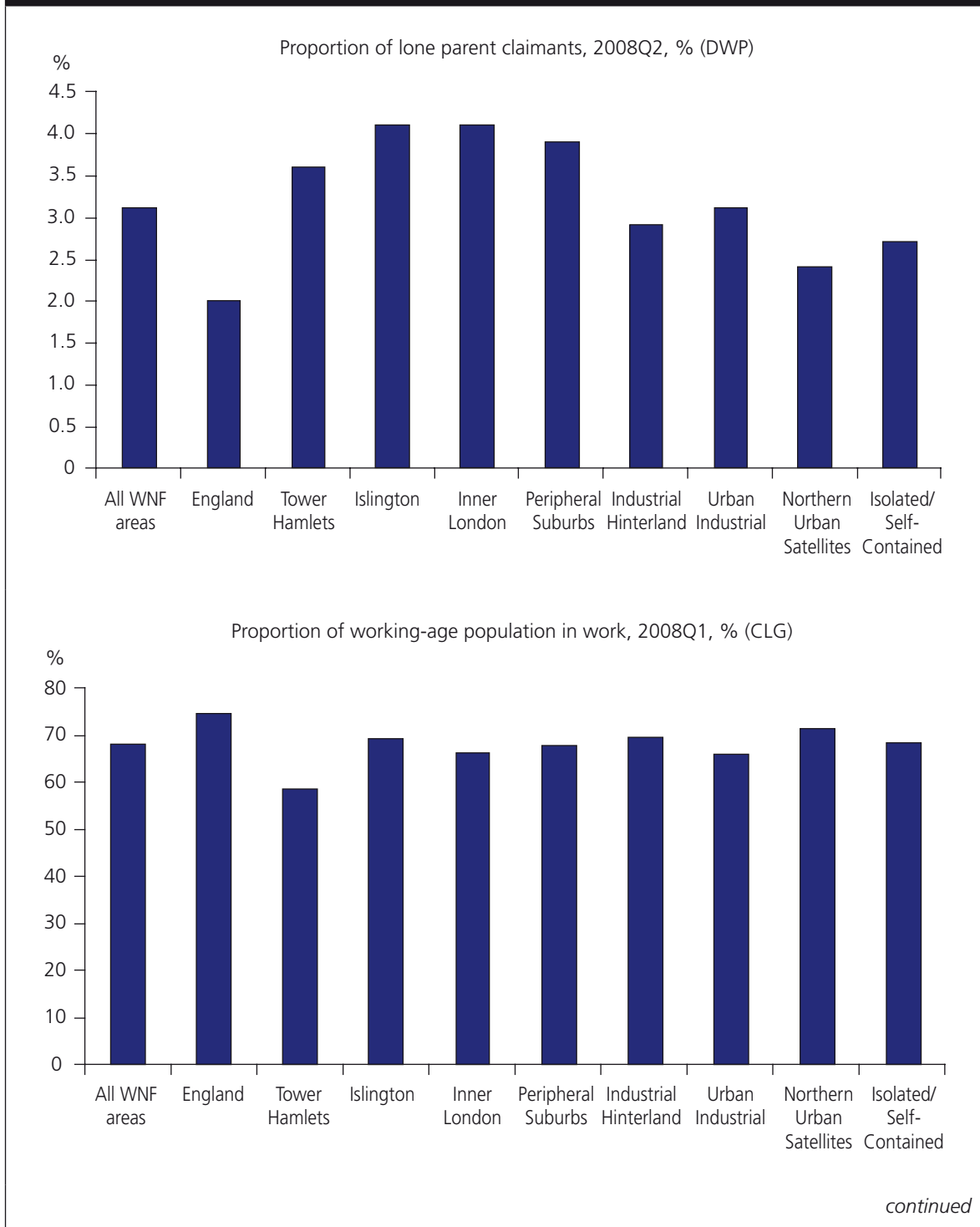
**Figure 3.3: Group membership for all WNF local authorities**

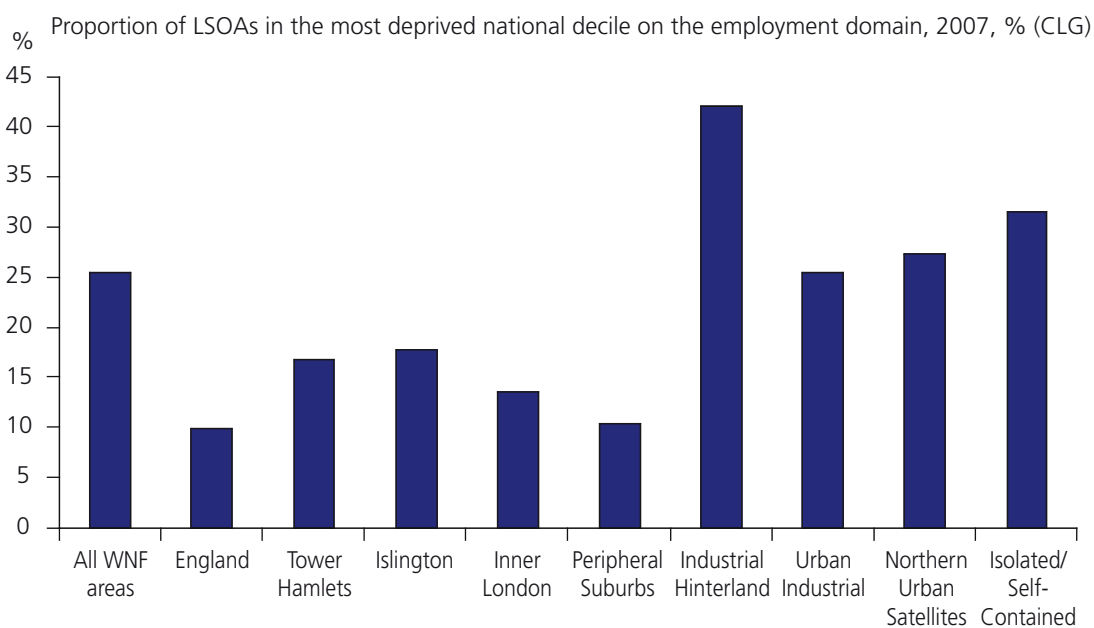
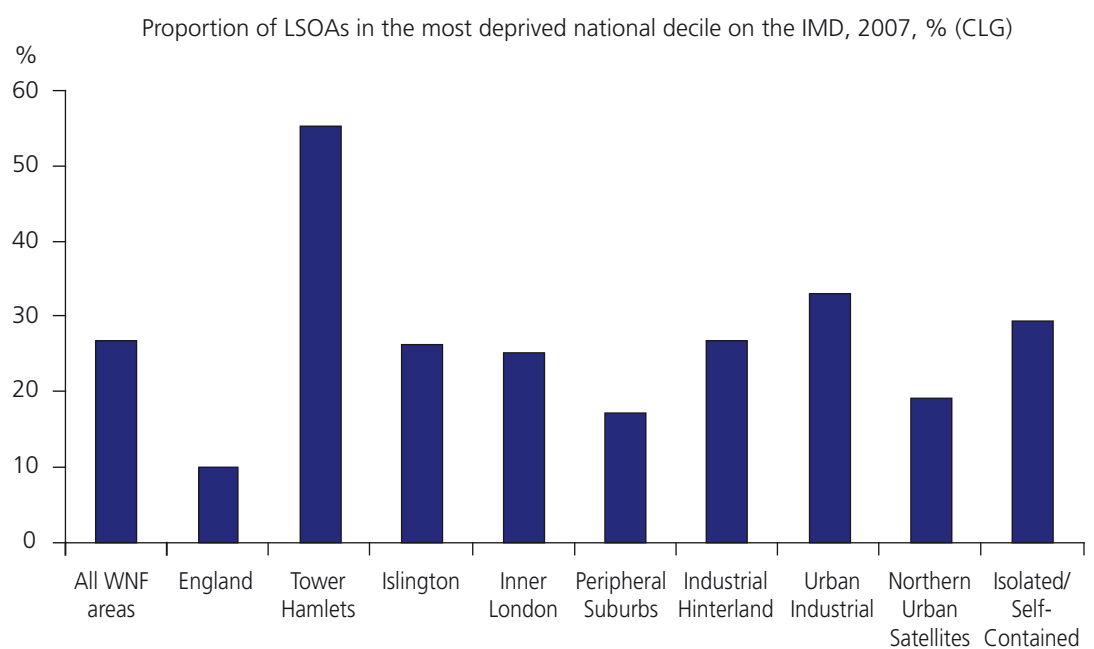
GP1: ISOLATED /SELF – CONTAINED			GP 4: URBAN MANUFACTURING		
Doncaster	00CE	5.1	Wolverhampton	00CW	6.0
Thanet	29UN	7.7	Oldham	00BP	6.1
Stoke-on-Trent	00GL	8.7	Bradford	00CX	6.4
Great Yarmouth	33UD	8.7	Pendle	30UJ	7.5
Newcastle upon Tyne	00CJ	9.2	Blackburn with Darwen	00EX	10.3
Hastings	21UD	9.2	Walsall	00CU	10.3
Hartlepool	00EB	9.9	Burnley	30UD	10.5
Kingston upon Hull	00FA	10.0	Preston	30UK	13.8
Liverpool	00BY	10.1	Sandwell	00CS	14.6
Barrow-in-Furness	16UC	10.8	Birmingham	00CN	14.6
Copeland	16UE	11.3	Manchester	00BN	15.6
Sunderland	00CM	11.5	Leicester	00FN	17.2
Nottingham	00FY	11.6			
Barnsley	00CC	12.0	GP5: PERIPHERAL SUBURBS		
Sheffield	00CG	12.3	Greenwich	00AL	7.05
Blackpool	00EY	12.5	Waltham Forest	00BH	8.81
North East Lincolnshire	00FC	13.4	Barking & Dagenham	00AB	10.81
			Rochdale	00BQ	12.94
GP2: INDUSTRIAL HINTERLAND			Bolton	00BL	13.37
Wansbeck	35UG	5.95	Enfield	00AK	13.87
South Tyneside	00CL	8.16	Lewisham	00AZ	15.99
Redcar and Cleveland	00EE	10.11	Newham	00BB	24.89
Middlesbrough	00EC	10.52			
Easington	20UF	11.41	GP6: Islington		
Blyth Valley	35UD	13.63		00AU	0.00
Bolsover	17UC	13.64			
Derwentside	20UD	14.38	GP7: Tower Hamlets		
Knowsley	00BX	15.26		00BG	0.00
GP3: INNER LONDON			GP8: NORTHERN URBAN SATELLITES		
Southwark	00BE	4.20	Wigan	00BW	3.5
Haringey	00AP	4.71	Sefton	00CA	6.1
Lambeth	00AY	11.83	Halton	00ET	6.1
Hackney	00AM	13.39	Gateshead	00CH	6.5
			Tameside	00BT	6.6
			St. Helens	00BZ	7.0
			Sedgefield	20UG	8.3
			Stockton-on-Tees	00EF	9.1
			Wear Valley	20UJ	9.6
			Chesterfield	17UD	10.7
			Salford	00BR	11.1
			Wirral	00CB	11.9
			Hyndburn	30UG	16.1

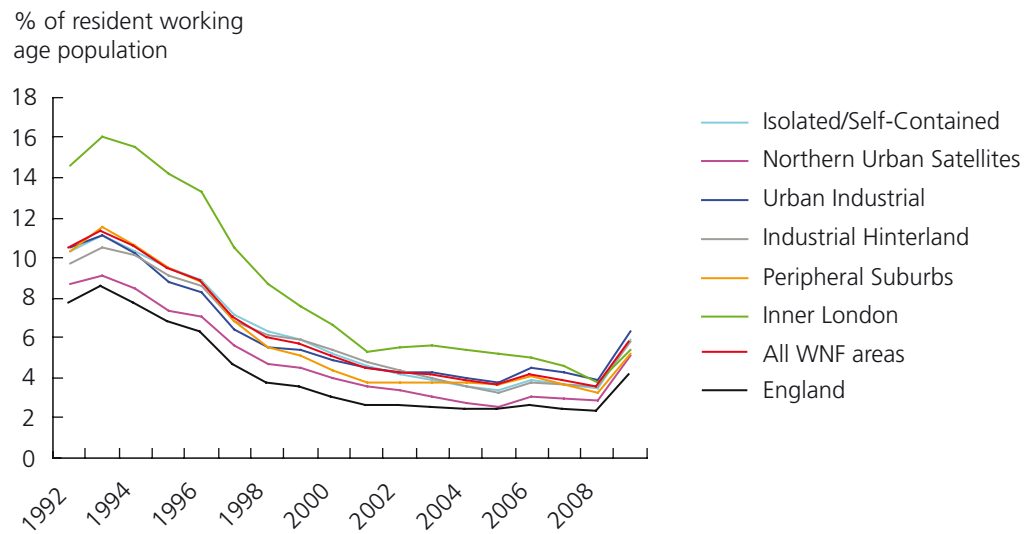
- 3.17 Figure 3.4 shows the variations that exist by cluster type along the dimensions of worklessness type and deprivation. The cluster groupings provide a useful typology with which to benchmark the performance of an individual WNF area (where each area is assigned its cluster type as described in Figure 3.3). In each case the 'All WNF' and England average is also presented to facilitate comparison. Since the underlying objectives of WNF relate to reducing worklessness and deprivation and enhancing enterprise these are the main variables that performance might be compared against. This section has presented the WNF averages by cluster type. It is recommended that in an evaluation of WNF it would be desirable to produce averages for each indicator for all local authorities in that cluster group, not just WNF authorities. The WNF average for each cluster could then be compared against the all England average for that cluster type. This would enable progress in any individual WNF area to be compared with similar WNF areas in the same cluster. Also, the performance of each WNF cluster as a whole could be compared with the equivalent England cluster average.
- 3.18 The cluster averages reveal some interesting variations in the incidence of worklessness according to benefit type. The highest levels of those currently on incapacity benefit are concentrated in the old industrial areas. By way of contrast, the highest levels of lone parent claimants are to be found in the inner cities, particularly in London. Employment deprivation is highest in the WNF areas that are in the old industrial heartlands.
- 3.19 It is useful to gauge how unemployment has changed by WNF cluster type over a longer term and the performance of WNF areas since 1992 is presented in Figures 3.5 and Figure 3.6. The WNF areas have had higher unemployment than the England average for the whole period. There is some convergence for WNF areas on the England average, but the story is not the same for all clusters (the four inner London boroughs are particularly different, having seen a marked convergence on the England average over 1994–2001; other clusters don't see such a marked convergence). The two London clusters don't see as large an upturn in 2009 as the rest of the WNF areas.
- 3.20 When considering enterprise, Figure 3.7 indicates that many of the WNF cluster groups have a weaker three year survival rate compared to the England average but there is still substantial variation between the cluster groups. The charts on average weekly earnings show the difference between London and the other cluster types.

**Figure 3.4: Characteristics by clusters – worklessness and deprivation**

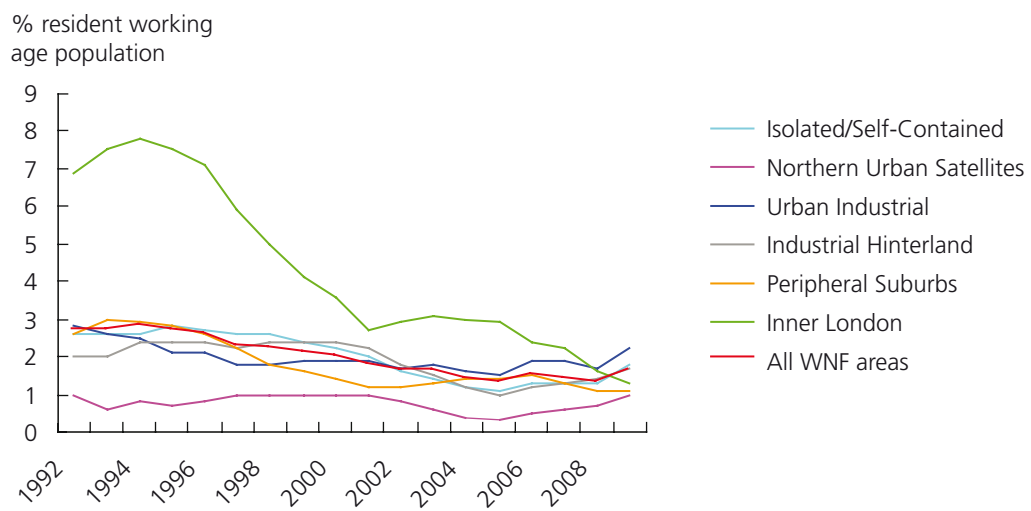
**Figure 3.4: Characteristics by clusters – worklessness and deprivation***continued*

**Figure 3.4: Characteristics by clusters – worklessness and deprivation**

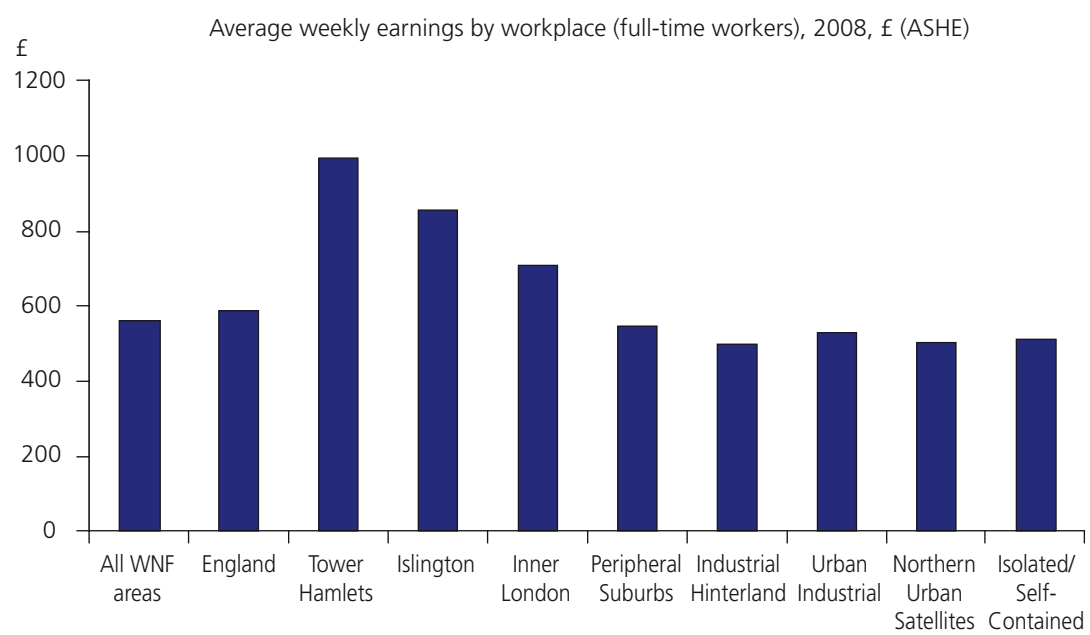
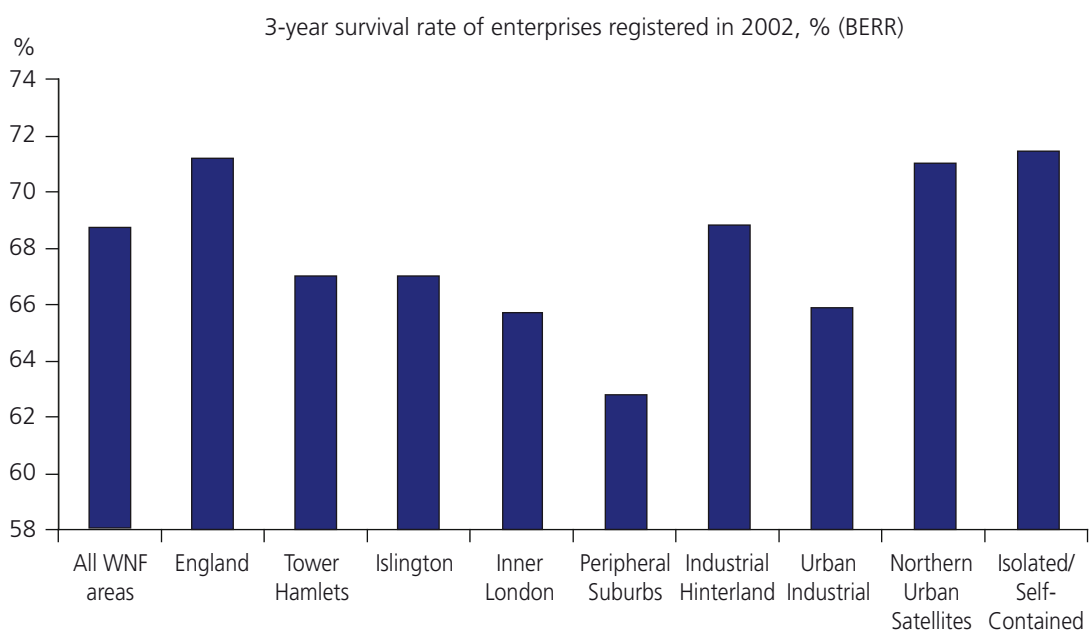
**Figure 3.4: Characteristics by clusters – worklessness and deprivation**

**Figure 3.5: Unemployment in WNF areas and England**

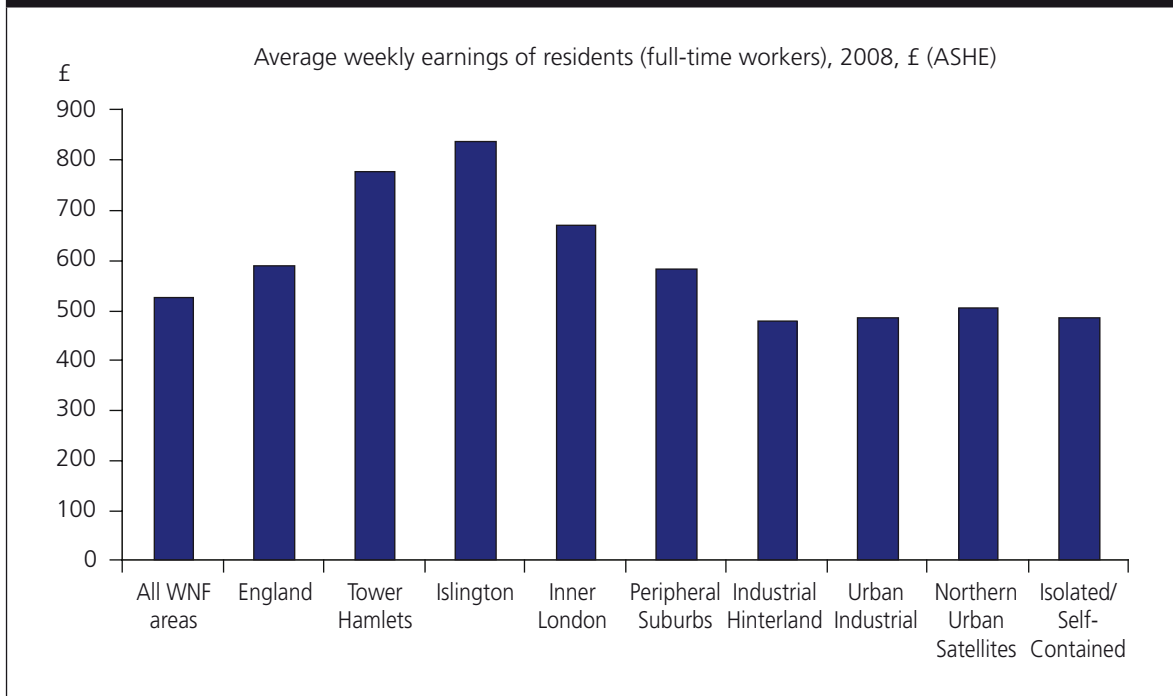
Source: NOMIS, unemployment claimant count rate.

**Figure 3.6: Differential unemployment in WNF areas of England**

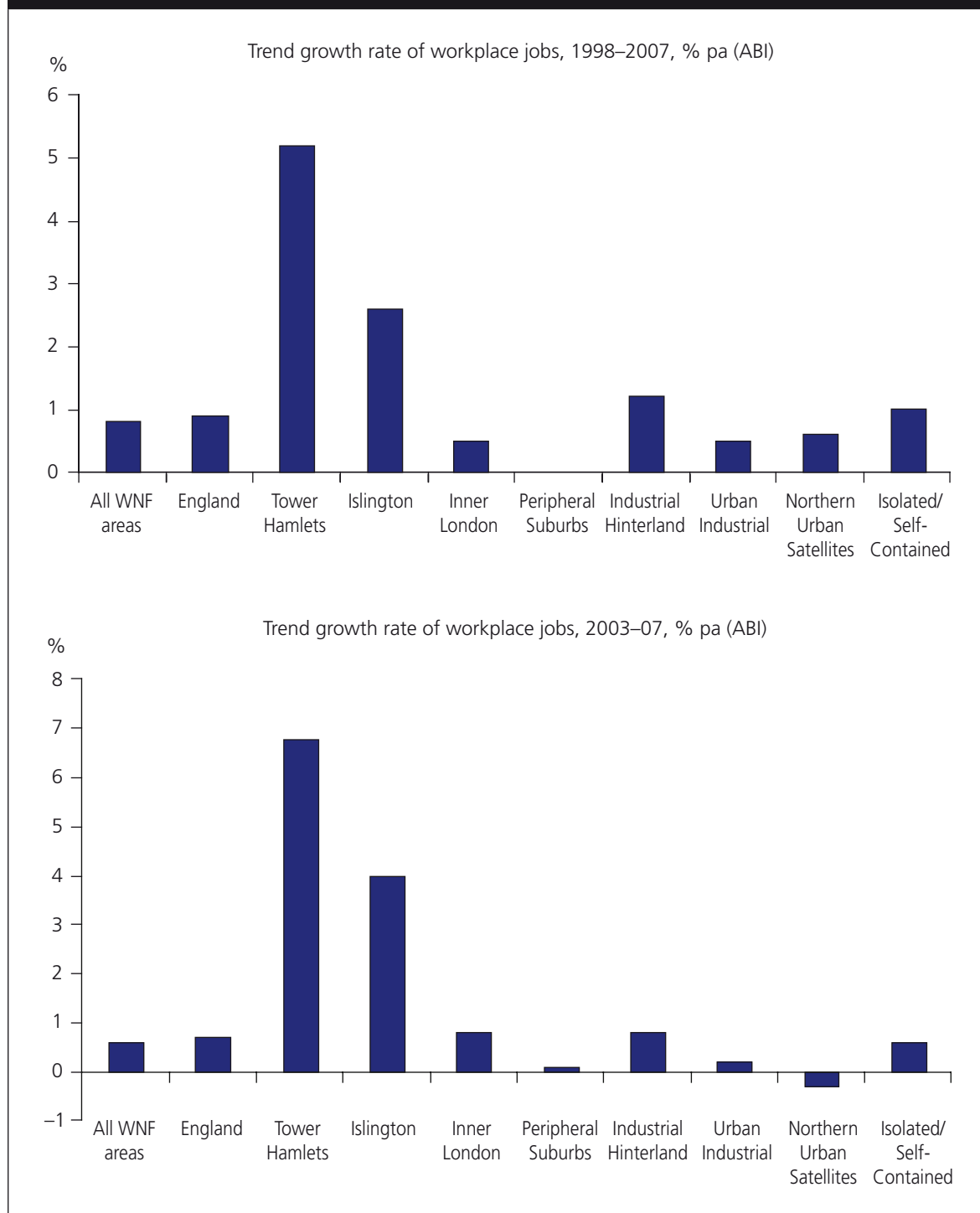
Source: NOMIS, differential of unemployment claimant count rate compared with England average

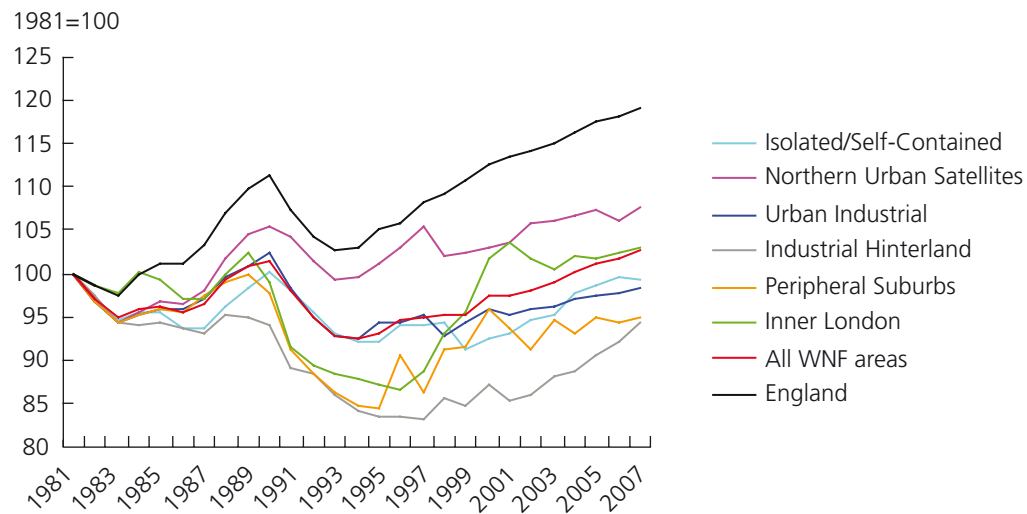
**Figure 3.7: Characteristics by clusters – Enterprise***continued*



**Figure 3.7: Characteristics by clusters – Enterprise**

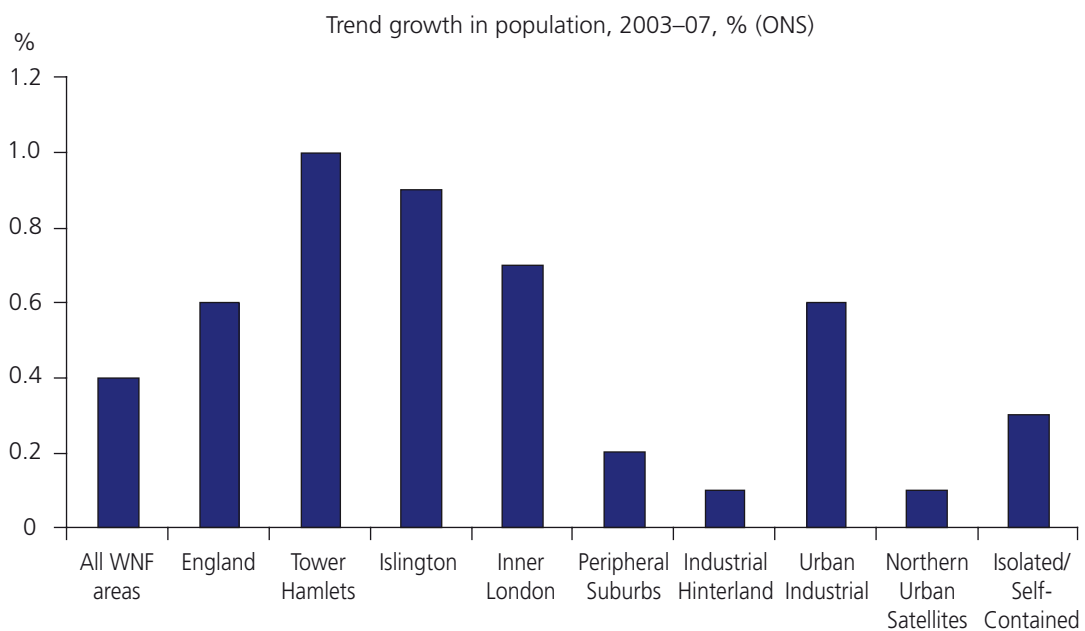
- 3.21 Figures 3.8, 3.9 and 3.10 provide further insight into understanding how the nature of the underlying labour demand and supply conditions vary across the WNF areas by cluster type. The relative contribution of demand and supply factors for any individual WNF area can be assessed against the benchmark position of its underlying cluster group.
- 3.22 On the demand side, figure 3.8 indicates the largest difference has been between the two London boroughs of Tower Hamlets and Islington and the averages for the other cluster types. Further insight has been added into the way in which demand factors have affected the WNF areas grouped by cluster, by analysing the growth of jobs by WNF cluster type over the period 1981 to 2007. This is shown in figure 3.9. The WNF average saw a larger fall than England in the 1981 recession and weaker recovery thereafter. It also saw a larger fall in the 1990–93 recession and somewhat weaker recovery (especially in the 1990s). There are variations amongst clusters (Islington and Tower Hamlets are not shown in the chart because they are single areas, and Tower Hamlets had large jobs growth as Canary Wharf was developed). Some have seen better jobs performance since 2000 (including the Industrial Hinterland).

**Figure 3.8: Characteristics by clusters – Demand**

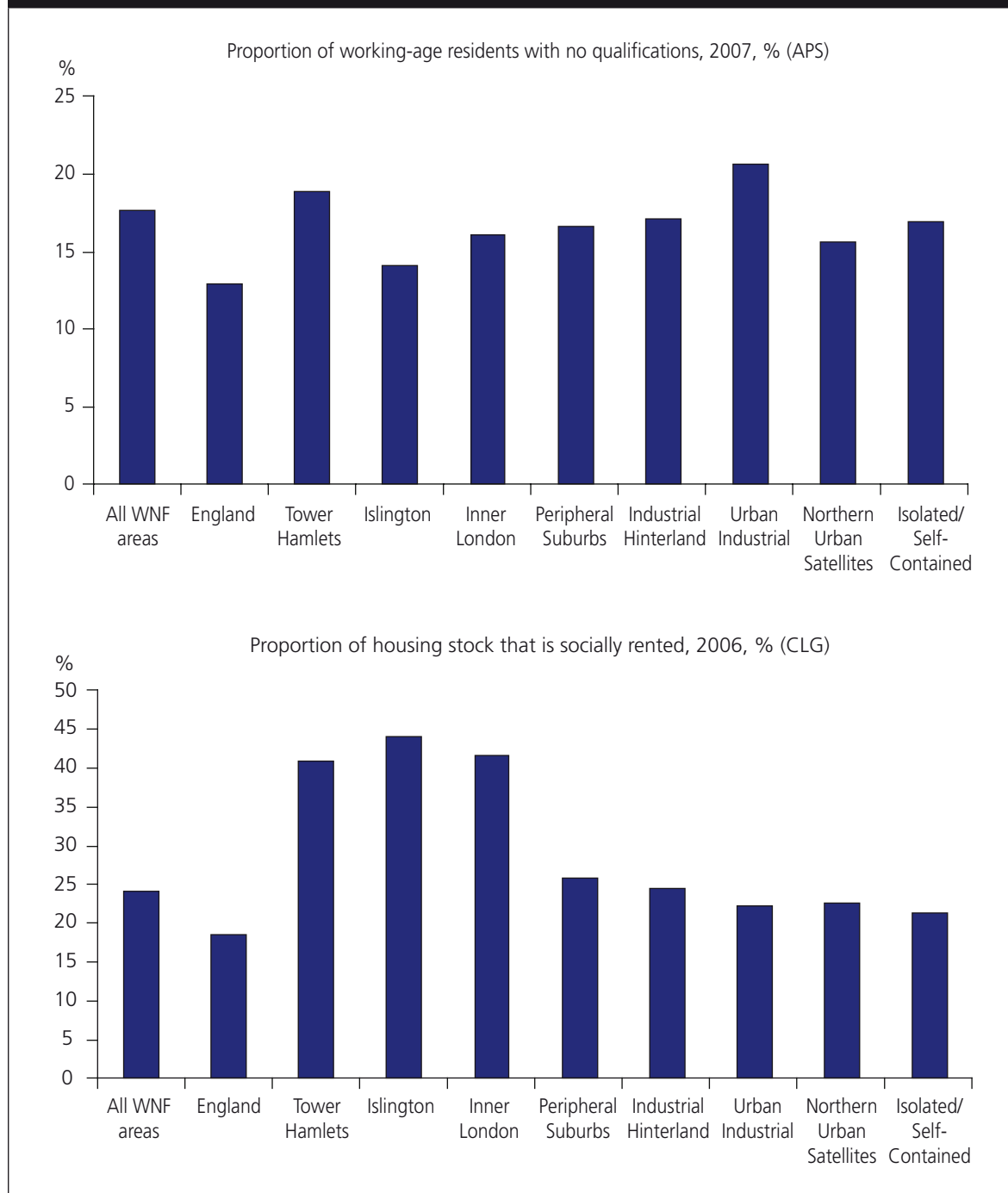
**Figure 3.9: The growth of jobs in WNF areas and England**

Source: Cambridge Econometrics, based on ABI and predecessors

- 3.23 Figure 3.10 shows the contribution of supply and institutional factors. There has been substantial variations between clusters in the growth of population and the largest increases have been recorded in Inner London. The proportion of the population with no qualifications is highest in the Urban Industrial areas, although all WNF areas irrespective of cluster type are worse than the England average in this respect. The proportion of the council stock that is socially rented is greatest in the Inner London areas.

**Figure 3.10: Characteristics by clusters – Supply/institutional**

*continued*

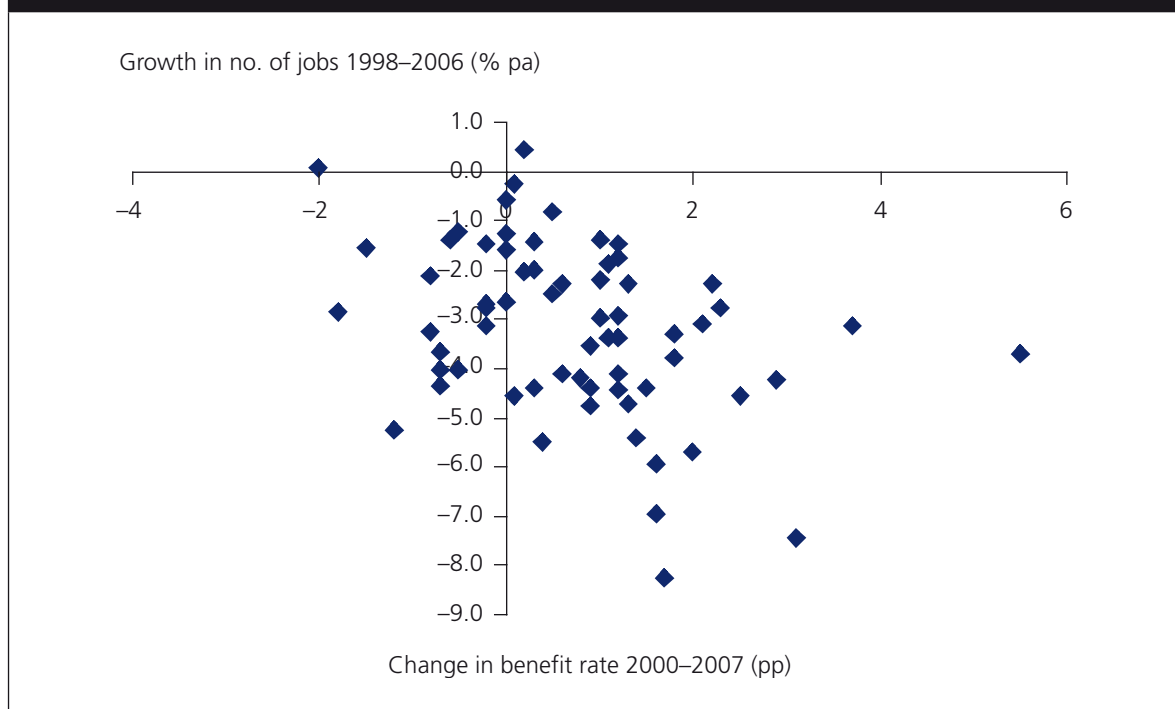
**Figure 3.10: Characteristics by clusters – Supply/institutional**

### Modelling changes in worklessness at the local level and evaluating the achievements of WNF

- 3.24 Establishing baselines and deriving appropriate benchmark areas that can be tracked through time to assess relative change in the WNF areas is only one way of evaluating the possible impacts of policy initiatives funded by the WNF. Another approach is to try and build an economic model of worklessness. This section describes the results of some preliminary work that we have undertaken to explore what can be learned from this kind of modelling.

- 3.25 A simple ordinary least squares cross-section regression analysis was undertaken, in which the observations were the 65 WNF local authority areas. Preliminary analysis sought to explain the *proportion of workless households* in each area, using various indicators of demand-side, enterprise, supply-side and institutional factors<sup>4</sup>. These attempts were unsuccessful in producing a model which explained much of the variation in worklessness across the WNF authorities.
- 3.26 The extent to which changes in the benefit rate (across all three categories) were correlated with changes in jobs in the same local authority was also examined. Figure 3.11 indicates the expected negative correlation, but also reveals significant outlying observations that reinforce the general impression of a range of factors at work, embedded partly in the history of the area.
- 3.27 This suggests that any attempt to model the geography of worklessness by any one single equation is likely to be unsuccessful. Each category of worklessness, at least as identified by benefit eligibility, has its own key drivers (or, at least, a different weighting to a common driver). This is a finding highlighted in the literature review and this analysis reinforces it. There are also implications for how it may be best to evaluate the achievements of WNF and the relative contribution that data sources that track the individual might make compared to those based on more secondary and administrative data at the household level.

**Figure 3.11: Correlation of growth in number of jobs with change in benefit rate**



<sup>4</sup> For the purposes of this analysis, the four main drivers were represented by: Demand ((a) change in employee jobs at workplaces between 2003–2007 and (b) jobs in declining industries in 2007 as a percentage of jobs in the 10 industries that have suffered the largest percentage job losses nationally in the past 10 years); Enterprise (three-year survival rate of VAT registered firms in 2002), Supply (% of working-age population with no qualifications); and Institutional (% of the housing stock that was socially-rented in 2006)

- 3.28 To illustrate and test this line of reasoning further a cross-section regression analysis was undertaken seeking to explain the Incapacity Benefit rate, rather than the household worklessness rate, using a number of plausible determining variables.
- 3.29 Table 3.1 presents the results of the equation after insignificant variables (the proportion of housing that is socially rented<sup>5</sup>, the proportion of resident workers in the lowest occupational group) were dropped.

**Table 3.1: Results of OLS Regression to explain variation in Incapacity Benefit across WNF local authorities**

Dependent variable: Incapacity Benefit rate			
	Coefficient	Standard error	t-ratio
Intercept	7.994	0.794	10.069
No qualifications	0.158	0.049	3.225
Asian	-0.1	0.026	-3.822
Black	-0.129	0.031	-4.18
Declining industries share 1998	0.054	0.037	1.472
R2	0.524		
Rbar2	0.492		
Number of observations	65		

- 3.30 The results show that the proportion of residents having no qualifications has a clear relationship with the Incapacity Benefit rate, while the proportion of jobs that the area had in 1998 in industries that were in long-term decline was also an influence, albeit a weaker one. Although regression analysis cannot conclude there is a *causal* relationship, the result is consistent with the understanding that the Incapacity Benefit rate has tended to be high in areas with heavy job losses in traditional industries. These industries have tended to have workers without formal qualifications or the skills that may be easily transferable to other jobs.
- 3.31 The results also showed that, given these factors, areas with a higher proportion of the population in the Asian/Asian British or black/black British ethnic groups tended to have a lower Incapacity Benefit rate. Estimation work of this sort provides some insight into where further research might usefully be progressed. It also suggests how, in evaluating the achievements of WNF, it might be possible to control for important influences on the change in worklessness in any particular area.
- 3.32 These results are consistent with the evidence from the literature that worklessness has several dimensions and that an attempt to explain an overarching measure of worklessness is unlikely to be successful. It would be preferable to examine each component of worklessness separately and develop modelling work accordingly.

<sup>5</sup> The fact that the proportion of housing that is socially rented proved insignificant shows that the extent of social housing provision is not correlated with the scale of IB claimants. For example, the proportion of lone parent claimants is much more correlated with social housing provision.

## 4. Strategies to tackle worklessness in WNF areas

### Introduction

- 4.1 Having considered the nature and severity of the worklessness problem in Section 2, this section explores the strategies local partners are putting in place in response. It begins with a brief review of the literature, which illustrates the kinds of approaches which have been deployed in recent years. The section continues by discussing some of the key findings from the recent Tackling Worklessness Review. It then brings together findings from the on-line survey and in-depth fieldwork to understand more about the strategies adopted in WNF areas and how these are evolving in the light of changed economic circumstances.

### Evidence from the literature review

- 4.2 Recent studies have tended to reach similar conclusions about what is being done to tackle worklessness and the most effective approaches. The literature suggests that most programmes to address worklessness focus on supply-side factors. There is general support for this emphasis, though there are concerns with some programmes that the root causes may be demand-side and neglected (Sanderson 2006). The programmes that have most success tend to be those working with individuals who are closest to the labour market. It is considerably harder to help those with multiple difficulties and problems (Sanderson 2006; Fletcher et al 2008b).
- 4.3 Assistance works best when tailored to individual needs, rather than the needs of generic groups (Sanderson 2006; Hasluck and Green 2007; Leeds Metropolitan 2007) and engaging with employers is critical to success (ERS 2005; Sanderson 2006; Hasluck and Green 2007; Leeds Metropolitan 2007). There is little evidence to support the use of direct job-creation schemes to target area-based problems (Meadows 2006; Sanderson, 2006), though there is more evidence to support intermediate labour markets targeted at individuals who need support to sustain work (Meadows 2006; Sanderson 2006).
- 4.4 There has been a substantial focus on 'what works' in tackling worklessness (ERS 2005; Meadows 2006; Sanderson 2006; Hasluck and Green, 2007, Leeds Metropolitan 2007). The type of delivery mechanisms has not been shown to have a substantial impact, but the type of programme and quality of staff are much more important (ERS 2005; Hasluck and Green 2007), as is good partnership working (ERS 2005; Sanderson 2006; Dewson et al

2007; Hasluck and Green 2007). Much less is known about the ways in which the majority of jobseekers leave benefits without involvement in major government programmes (Hasluck and Green 2007).

- 4.5 Most of what we know about what works is based on research carried out at a time of a strong and favourable labour market. We can be less confident in this at a time of less favourable conditions or rising unemployment (Hasluck and Green, 2007).

## Evidence from the Tackling Worklessness Review

- 4.6 The Houghton Review, *Tackling Worklessness Review: of the Contribution and Role of Local Authorities and Partnerships* (CLG, 2009) provides essential context for this Report. The remit of the Review was to consider:
- how the Working Neighbourhoods Fund is being used
  - what more can government departments do to support local partners to deliver employment and skills services?
  - how can private sector, third sector and RDAs do more to help local partners?
  - how can agencies like Learning and Skills Council (LSC) and Jobcentre Plus better tailor their services to meet needs in areas with high worklessness?
- 4.7 The Review found that local authorities and Local Strategic Partnerships (LSPs) have a major role to play in tackling worklessness, not least in those areas most vulnerable to the recession. It concluded that WNF is making an impact and is essential in providing the flexibility for effective local responses, but noted that the framework for devolving and planning local interventions is too complicated. It also drew attention to the mixed record of local interventions in reducing worklessness, while noting that some do work. It also highlighted a need to build local authority and partner capacity in “*converting policy on social exclusion and disadvantage into a practical joined-up reality*” (p24).
- 4.8 The authors considered that “*one reason for ... high concentrations [of worklessness] is a collective failure of central and local government – an inability of mainstream and local services to work sufficiently closely together to really make a difference*”, and strongly advocated the role of local authorities and LSPs in co-ordinating and delivering a number of services and functions that all have a contribution in tackling worklessness. These include local welfare provision (e.g., childcare, social care, and young people’s services); neighbourhood management; partnership responses to urgent problems (for instance, knife crime); planning regeneration; and promoting enterprise. Together, these would also address child poverty.
- 4.9 The Report proceeded to make the case for local co-ordination of ‘wrap-around services’, doing much more to link mainstream DWP provision with services such as:



- debt and benefits advice
  - administration of Housing Benefit and Council Tax Benefit
  - childcare, Children Centres, and extended schools
  - adult social care and mental health
  - community outreach services
  - services to social housing tenants
  - adult education
  - Drug and Alcohol Action Team
  - interpreting services
  - volunteering; and
  - travel and transport.
- 4.10 Conclusions included the need for local authorities and LSPs to demonstrate leadership in pursuing reductions in worklessness as a mainstream objective, focusing on the most disadvantaged/'at risk' people and neighbourhoods; ensuring direct funding is adding value to, and is integrated with, mainstream provision; and adapting local indicators to measure success in a changed labour market.
- 4.11 The Review's recommendations included:
- action by local and national partners to develop new forms of delivery to integrate, support and access opportunities
  - enhancing the role of WNF, still as part of Area Based Grant, to ensure maximum freedom and flexibility to partners
  - a requirement to have worklessness assessments as part of the new Local Economic Assessments ushered in by the Sub-National Review – leading into ...
  - the development by each WNF area of a Work and Skills Plan (covering employment, skills and enterprise), to provide the basis for improving service planning and delivery
  - Work and Skills Integrated Budgets for those authorities and partnerships that want to align budgets and co-commission services
  - WNF should move to a five year cycle, enabling more secure funding for interventions and planning alongside the flexible New Deal.
- 4.12 The Review also noted the importance of consistency with the development of Multi-Area Agreements (MAAs) and DWP's emergent Localisation policy (which offers levels of devolution in responsibilities for determining the use of DWP welfare-to-work budgets). It also envisaged that the new Work and Skills Plans would form the basis for devolved funding and be the channel for future national programme funding.

#### 4.13 Other recommendations related to:

- local authorities themselves providing leadership as employers (e.g. through increased provision of work experience and apprenticeships for young people and adults; commitments to entering into Local Employment Partnerships with Jobcentre Plus and influencing supplier practices)
- establishing a National Challenge Fund to fund temporary jobs of public benefit and other interventions in those areas with the highest worklessness and worst hit by the recession
- building capacity in the third sector to play a fuller role in the delivery of services to reduce worklessness
- overcoming barriers to information sharing
- building partnership skills and capacity to deliver more effectively, with a key role to be played by Regional Improvement and Efficiency Partnerships.

4.14 These recommendations have been largely adopted by DWP and CLG (CLG/DWP 2009), most notably in the introduction of the Future Jobs Fund (FJF), based in part on the argument for a National Challenge Fund. This is intended to create 100,000 jobs for young people aged 18–24 who have been out of work for a year and 50,000 jobs in unemployment hotspots. It also marks a shift in relationships between DWP and local authorities, with the latter expected to lead on developing creative responses to the impact of the recession, rather than DWP contracting a national programme. DWP have set broad criteria: at a minimum the jobs should last for at least 6 months, the work should benefit local communities and get underway quickly.

4.15 The response to the Houghton Review also provides further information on DWP Localisation policy, on how DWP proposes to devolve programme responsibilities to sub-regional and local level. Three levels of devolution are set out:

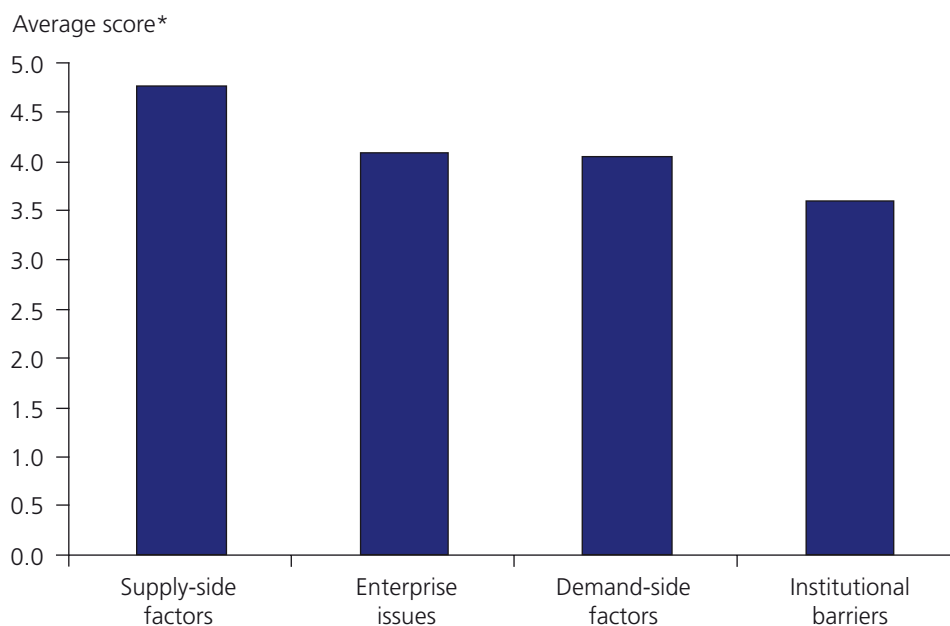
- Level 1, where local partners are offered the opportunity to shape DWP contracted provision to meet local requirements, with considerable flexibility for how DWP contractors and local partners work together to improve delivery
- Level 2, where local partners adopt a ‘co-commissioning’ approach and contribute funding to enhance services delivered through DWP contracts
- Level 3, where DWP hands over contracting responsibility for achieving specified outcomes, subject to robust governance, delivery and accountability arrangements.

4.16 In England DWP wishes to see partnerships progress through Levels 1 and 2, with Level 3 requiring a strong business case. Success in developing strategies, governance and delivery around WNF can be seen as a precondition of the roll-out of this devolution policy.

## What is the emphasis of worklessness strategies in WNF areas?

- 4.17 As discussed above, respondents to the online survey of WNF areas were asked about the relative emphasis in their worklessness strategy on tackling supply, demand, enterprise or institutional issues and scored each on a range of 1 (no emphasis in strategy) to 5 (a major emphasis in strategy). Figure 4.1 shows that the highest average score was given to supply-side factors, consistent with the needs identified in Section 2. Demand and enterprise factors were weighted equally and institutional factors the lowest.
- 4.18 When these results were analysed by WNF areas categorised by relatively high proportions of the groups described in Section 2, the main difference was a higher emphasis given to policy responses addressing institutional factors by WNF areas with relatively high proportions of lone parents and black and minority ethnic populations. It was also notable that those authorities with a relatively high incidence of NEETs gave a somewhat higher priority to enterprise factors.

**Figure 4.1: Degree of emphasis given to the following factors in strategy**



\*Ranging from: 1 – no emphasis in strategy, to 5 – a major emphasis factor

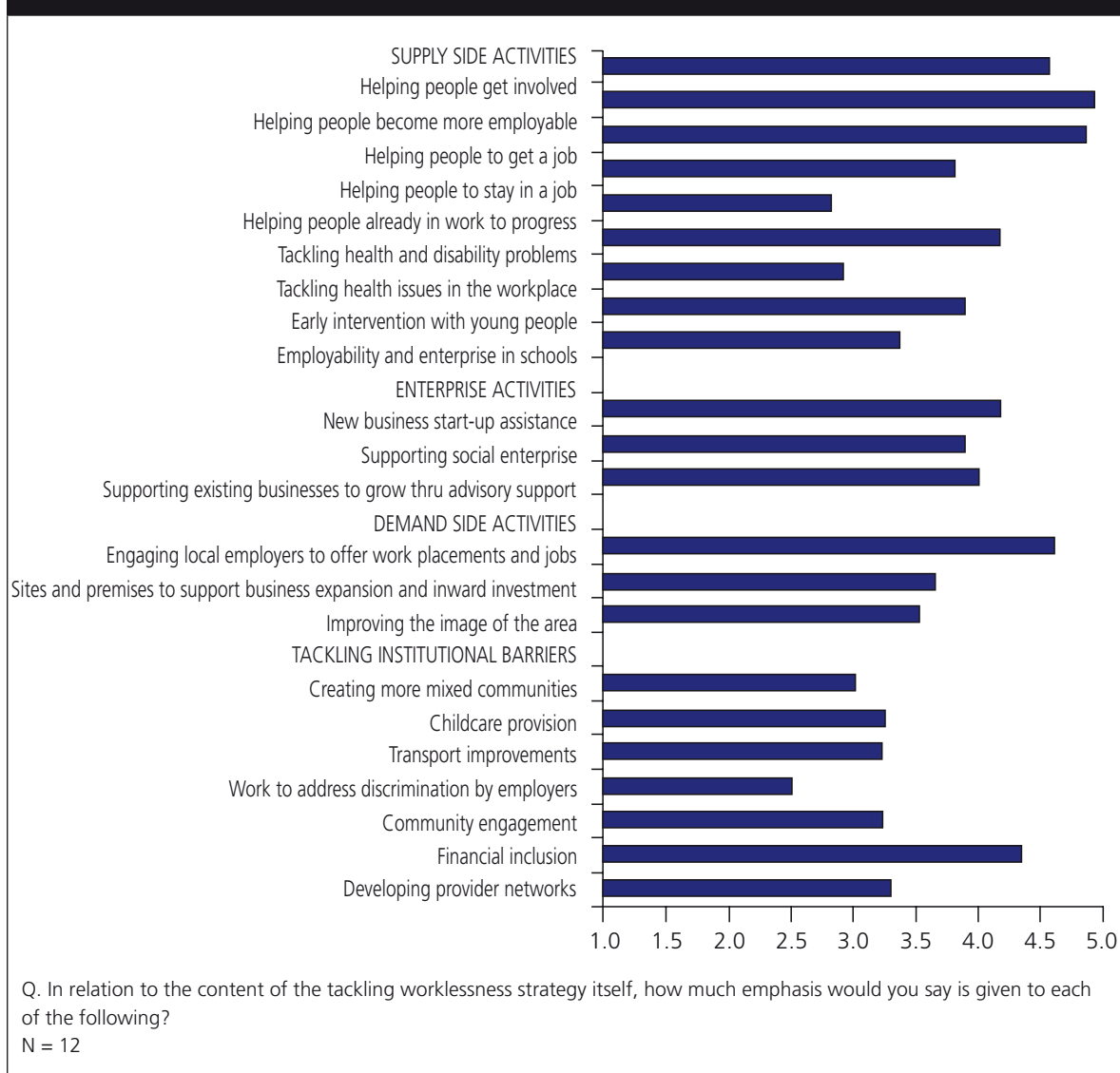
NB 48 responses

- 4.19 The 20 areas involved in the in-depth work were asked to rate the emphasis their strategies give to different types of intervention under these headings (Figure 4.2). The highest ranked with an average score of 4 out of 5 or more were:

- Helping people become more employable (4.9)

- Helping people to get a job (4.8)
- Engaging local employers to offer work placements and jobs (4.6)
- Financial inclusion (4.3)
- New business start-up assistance (4.2)
- Tackling health and disability problems (4.2)

**Figure 4.2: Degree to different types of intervention**



4.20 We found that the majority of localities in the fieldwork have an explicit focus on targeting their most deprived areas. Several placed their emphasis on particular client groups, *wherever they reside*, albeit that these groups may often be concentrated in particular parts of the locality. It is interesting to note that several areas that began by adopting hard boundaries, perhaps defined by post codes, have started to move away from this in some cases because of concerns about community cohesion or more generally a recognition that workless people need help wherever they happen to live. Only one area in the depth research retained such an approach, excluding

those outside the designated WNF neighbourhoods from receiving services funded by the scheme. The majority made efforts to *target* their interventions to designated neighbourhoods but did not exclude those outside from participating.

- 4.21 In some areas the approach has been to consider not only where individuals needing support are located, but also where there is available capacity to support delivery. There has been a tendency for the locus for delivery to gravitate to where existing outreach services are already in operation, such as via family centres, primary healthcare settings, neighbourhood housing offices and neighbourhood and community centres. In this context, it was no surprise that the follow-up interviews found increasing evidence of multi-agency activity, not only at the strategic planning level, but also operationally in terms of integration of front-line service delivery (e.g. wrap-around care from multiple agencies focused on families with multiple disadvantage).
- 4.22 In a *few* cases, an explicit neighbourhood dimension to strategy has not featured, on the grounds that the disadvantage and deprivation is high more or less everywhere across the whole local authority district.

## Preparation of worklessness strategy documents and plans

- 4.23 The online survey asked WNF areas whether they had a worklessness strategy document, delivery or action plan which shows the full range of support being brought to bear on worklessness in the borough and how these resources will be used. Of the 48 respondents to the question, almost two thirds (63%) of respondents said they had such a document and were implementing it and a further 29 per cent said that it was being developed. Only four respondents (8%) said that they had no such document.
- 4.24 In the in-depth areas “worklessness strategy” documents tended to be of one of two types:
- a dedicated worklessness strategy or action plan, often prompted by the introduction of WNF or
  - an overarching economic strategy, combining supply- and demand-side measures, typically in place before WNF.
- 4.25 In the case of the former, the timespan is usually three years, to fit with the funding, and sometimes only for two, where the first year of WNF was treated as a transition year from NRF. The latter vary between three and 20 years depending on the degree of ambition for bringing about structural economic change.
- 4.26 Those few areas in the fieldwork with no identifiable worklessness strategy were using WNF to complement established activities or working to the

broader sustainable community strategy at local level or to sub-regional priorities set by economic development partnerships or City Strategy.<sup>6</sup>

- 4.27 Interviewees highlighted the iterative nature of many strategies and action plans, with comments such as *“The delivery plan was a bit back to front because the delivery plan was developed before the economic strategy ... We had to work from what we knew and formalise it afterwards”*. In a number of cases work was underway on a new worklessness strategy.
- 4.28 Processes of strategy development have tended, first and foremost, to draw on partner data and analysis and evidence from previous evaluations (e.g., for NRF and City Strategy) and from national research and evaluation (e.g. Sheffield Hallam work on Incapacity Benefit claimants). JCP/DWP are a major data source (often via use of NOMIS), and there is increasing use of information from Registered Social Landlords and Primary Care Trusts (PCTs), with some reliance on research and analysis undertaken by regional and sub-regional bodies. Much analysis has been focused around mapping need, especially down to Lower Super Output Area (LSOA) level. Some partnerships have commissioned external research, while others argued that timescales for spending WNF worked against doing this. In a few cases, evaluation is planned as part of rolling work programme.
- 4.29 Strategy development has typically involved dialogue with partners and providers, feedback on service gaps, priority setting events, and formal consultations on draft strategies. Importantly, much of the focus of strategy development on worklessness has been to identify and fill gaps left by mainstream funding.
- 4.30 Most areas have undertaken some form of “mapping and gapping”; an identification of what is already in place and where additional resources are needed. However, the onset of the recession and the emergence of some new funding streams, particularly those deployed via Jobcentre Plus and the Learning and Skills Council, has tended to muddy what, pre-recession, were relatively clear priorities for WNF.

## Worklessness targets

- 4.31 Most targets contained in current worklessness strategies and action plans are those contained in the Local Area Agreement – either newly in the 2008–11 LAA or, more likely, refreshed from the previous one. Our fieldwork found that several areas have set specific worklessness targets in addition to those in the LAA, often focusing on ‘distance travelled’ for those at greater disadvantage in the labour market. Interviewees also commented on the use of specific output measures that they expect as part of commissioned provision.

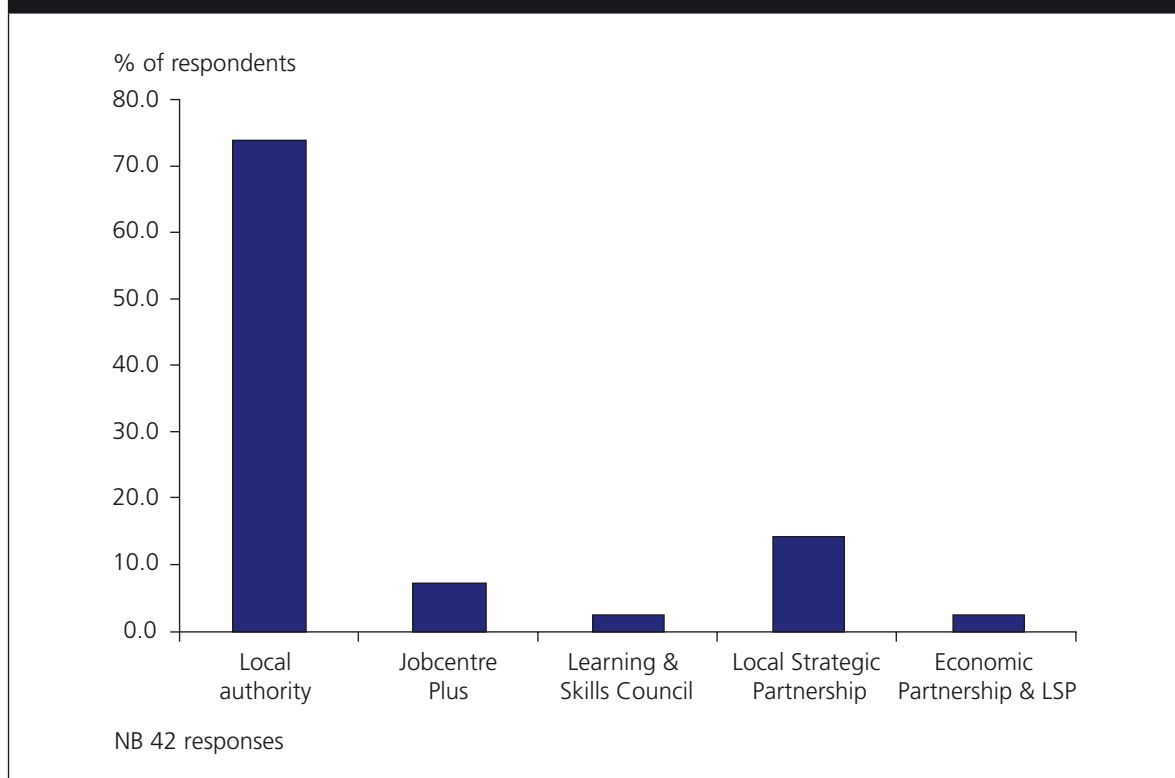
<sup>6</sup> The Government response to the Houghton Review avoids introducing a retrospective requirement on localities to produce Work and Skills Plans but does expect all areas bidding for the Future Jobs Fund to develop such a plan by March 2010

- 4.32 A few LSPs had recently renegotiated their LAA worklessness targets with their Government Office (GO) in the light of recession. However, in most regions this has not been the case, and the GOs have taken the advice in the LAA Reward Guidance 2009<sup>7</sup> not to 'lock down' the targets for reward grant purposes until the final LAA review late in 2009–10.

## Partner engagement: organisations involved in leading, framing and delivering worklessness strategies

- 4.33 The WNF respondents were asked to identify the local organisation that was most responsible for framing and delivering the worklessness strategy in their area. The responses are summarised in Figure 4.3 below and show that the lead organisation is the local authority. This reflects the situation under NRF where local authorities tended to assume this role at LSP level, the two main factors being their responsibilities for managing regeneration and limited capacity within Jobcentre Plus to take on the commitment.

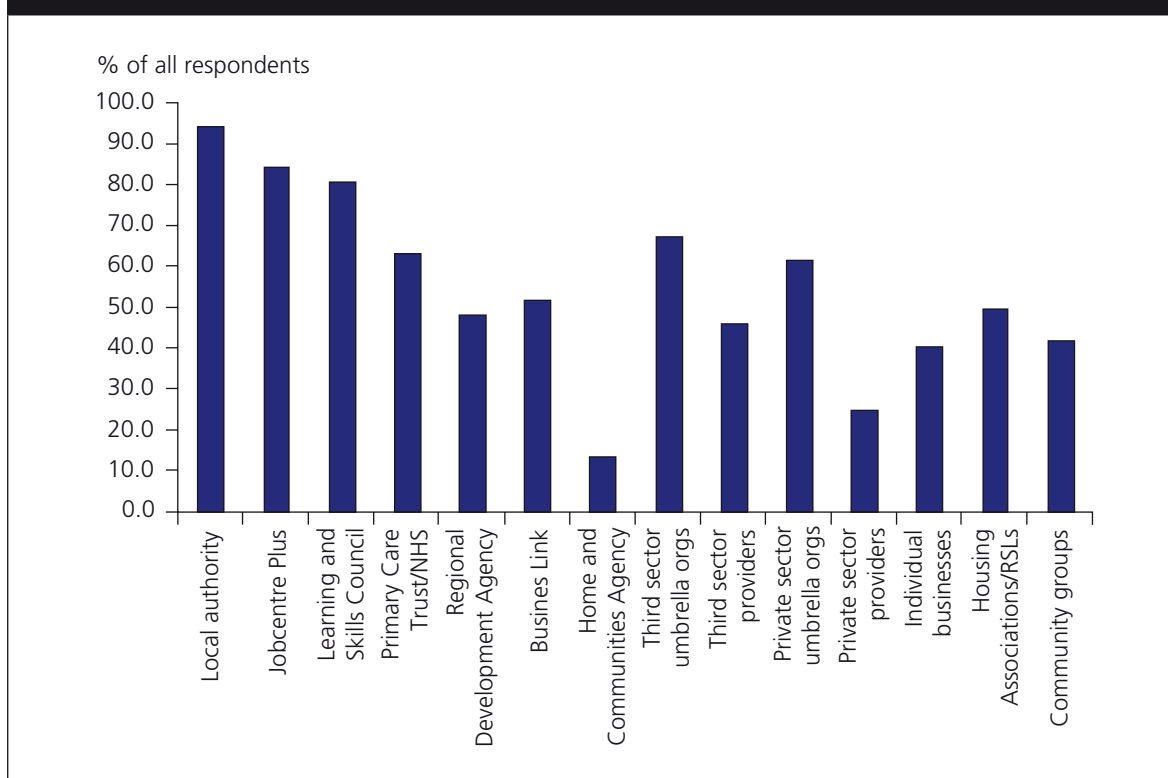
**Figure 4.3: Lead organisation in framing and delivering the worklessness strategy for the area**



<sup>7</sup> [www.communities.gov.uk/publications/localgovernment/laarewardguidance2009](http://www.communities.gov.uk/publications/localgovernment/laarewardguidance2009)

- 4.34 Further evidence was gained from the WNF areas about the organisations involved in framing and delivering the worklessness strategy in their area. Taking strategy development first of all, Figure 4.4 shows that in addition to local authorities (who were involved in this aspect in virtually all WNF areas), Jobcentre Plus was identified as having an involvement in strategy design in 84 per cent of responding areas, followed closely by the Learning and Skills Council (81%). Primary Care Trusts were also involved in the majority of cases (64%), observed as a growing trend in the fieldwork. The third sector was involved in strategy design in more than two thirds of cases (67%) and private sector umbrella organisations were also engaged in a similar proportion of areas (62%). Interviewees in a third of the fieldwork areas commented that the private sector (in terms of employers) was not as involved as it could be.

**Figure 4.4: Organisations involved in designing worklessness strategies**

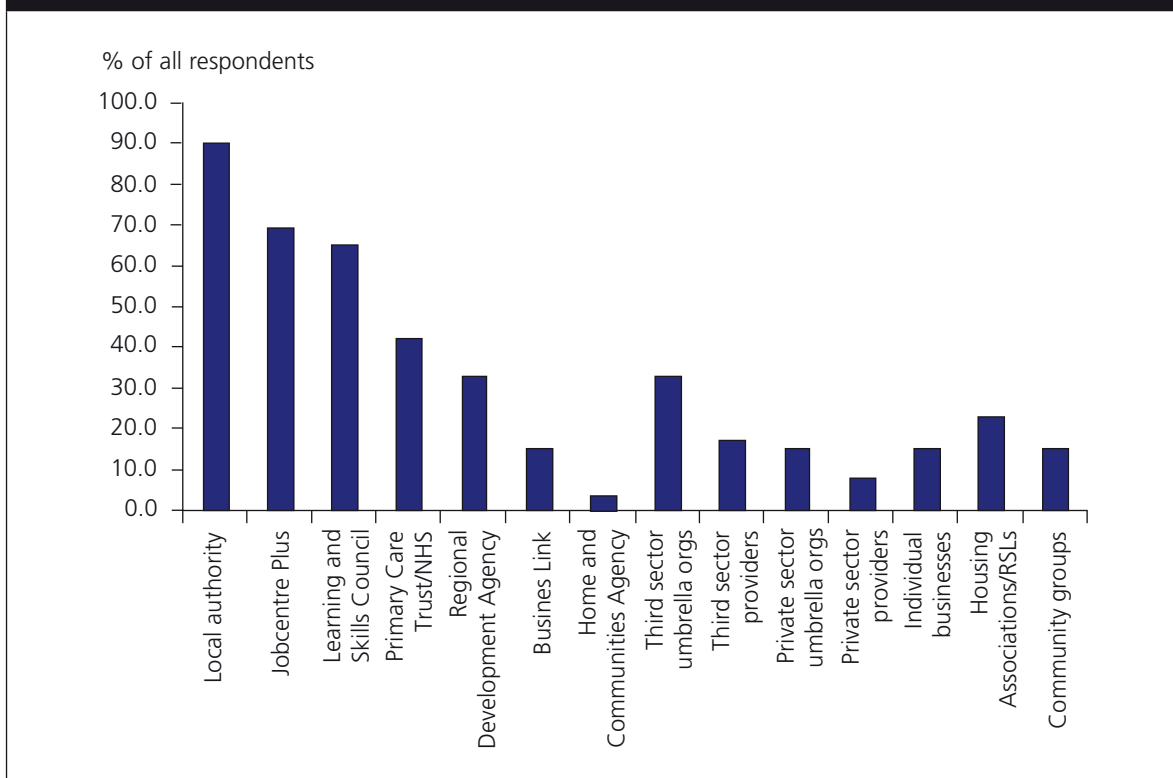


- 4.35 The in-depth research found wide variance in relationships between the local authority and Jobcentre Plus (JCP). In some areas, relationships were very good, while in others there were reservations. For local authorities, concerns tended to relate to access to information on mainstream provision and to data sharing. In some cases, JCP officials felt excluded, or concerned that insufficient priority – and therefore expenditure – was being accorded to reducing worklessness. Typically they felt constrained in what information they are able to share, reflecting DWP and Data Protection Act requirements, and recent restrictions in the supply of claimant data thanks to major national data security exigencies. This contrasts with the situation of Learning and Skills Council who were actively involved in almost all in-depth areas, and frequently on commissioning panels.



- 4.36 Regional Development Agencies and Business Link, which might be expected to have a potential contribution to make to the debate about strategic focus on demand-side and enterprise issues, were less likely to be involved (48% and 52% respectively). However, this was raised as an issue in only a few of the in-depth areas.
- 4.37 Given the significance of the delivery of DWP mainstream programmes through contractors (currently on Pathways to Work and imminently on flexible New Deal), more references in the fieldwork to involvement of Pathways providers in local partnership working were expected. Where this did arise, it was more likely to be a case of interviewees expressing concern about relationships and Pathways provider performance, than remarking on their active participation.
- 4.38 Local authorities were in the lead when it came to *commissioning and performance management* aspects of the worklessness strategy (Figure 4.5), taking a lead role in 90 per cent of areas that responded. Jobcentre Plus (69%) and the Learning and Skills Council (65%) were also involved in the process in around two thirds of areas.

**Figure 4.5: Organisations involved in commissioning and performance management of efforts to tackle worklessness**



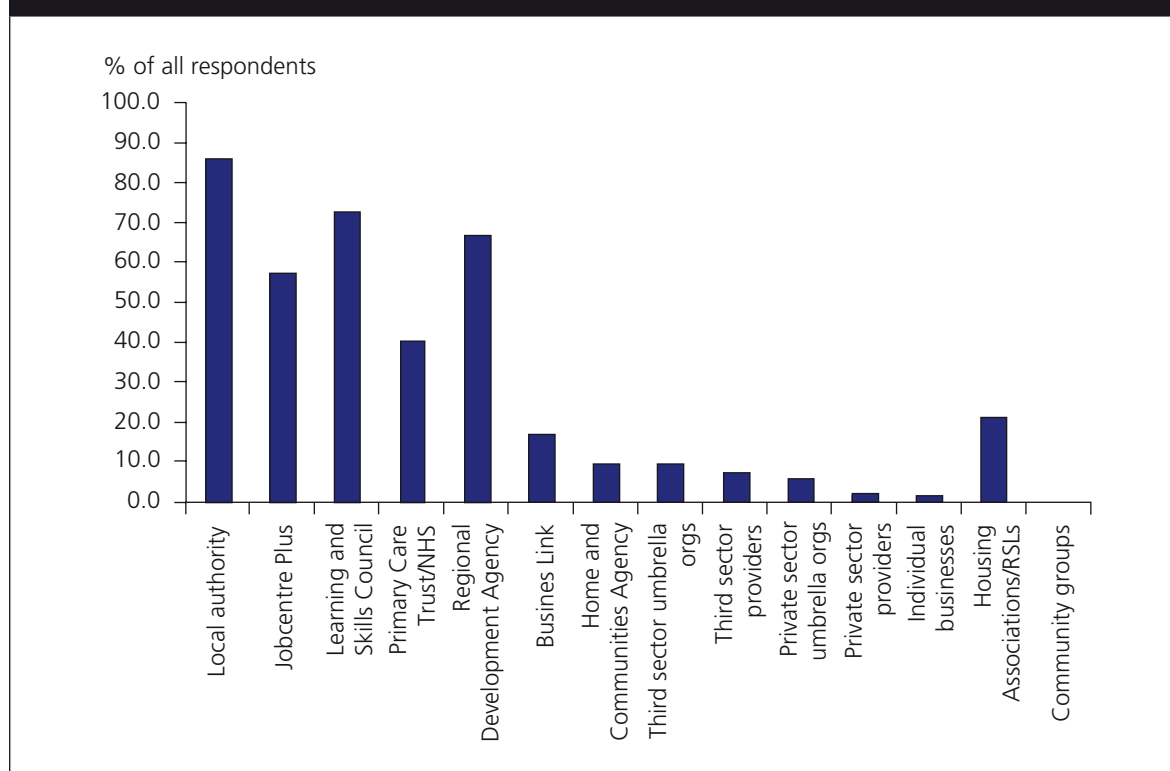
- 4.39 In most cases in the in-depth areas the primary responsibility for allocating and overseeing WNF rests with the relevant thematic partnership sitting under the LSP umbrella<sup>8</sup>, although day-to-day performance management

<sup>8</sup> These are variously titled: Economic Development /Enterprise /Employment, etc or some combination of these. In areas covered by City Strategy, local management groups may be important in driving use of WNF.

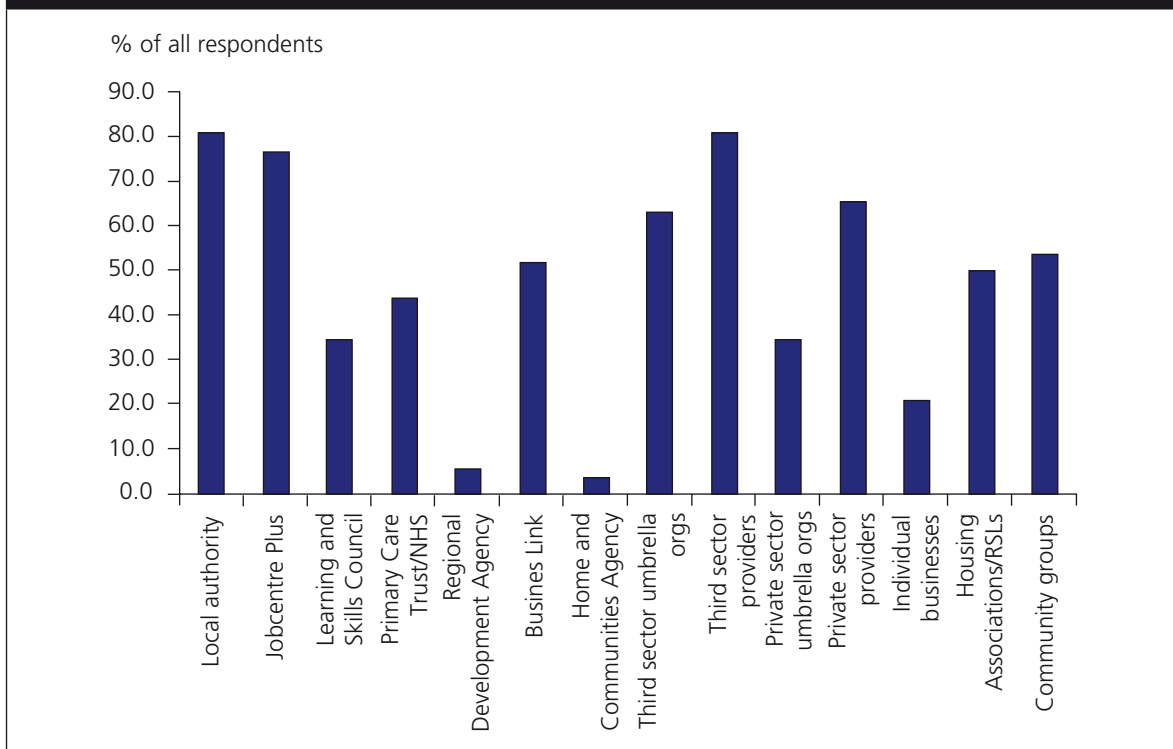
is most often done by officers in council. In a few areas, other thematic partnerships are responsible for WNF allocations and oversight. In a few areas there were concerns that WNF funds appeared not to reach the LSP, their use being determined within the Council.

- 4.40 In several in-depth areas, there was evidence of a tension between having an inclusive approach to involving a wide range of organisations in strategy and commissioning, and a commercial approach limiting such involvement on the grounds that many of these organisations could in turn bid for contracts. Conflicts of interest can arise, and the issue may not be addressed head-on, especially where there is a desire to involve the voluntary and community sector at all stages of strategy and delivery.
- 4.41 In terms of the *funding* of worklessness strategies, Figure 4.6 shows that local authorities were again identified as being involved in the vast majority of cases (87%), followed by the Learning and Skills Councils (73% of areas), Regional Development Agencies (67%), Jobcentre Plus (58%), and Primary Care Trusts/NHS (40%).

**Figure 4.6: Organisations involved in funding efforts to tackle worklessness**



- 4.42 The picture on delivery was much more mixed than the other aspects of strategy. Figure 4.7 on the following page shows the key role played by third sector providers (involved in delivery in 81 per cent of responding WNF areas) and private sector providers (65%). Jobcentre Plus was involved in delivery in just over three quarters of responding WNF areas (77%).

**Figure 4.7: Organisations involved in delivering worklessness strategies**

## To what extent do resources match need?

- 4.43 Interviewees in most areas covered by the in-depth fieldwork think that the scale of the resources is insufficient given current economic circumstances and existing levels of need – though a few, mainly in cities, think that resources are sufficient to cover the kinds of programmes they want to run.
- 4.44 Relatively few interviewees readily identify gaps in provision, with the response from most being of the nature, ‘we’re doing a good job and we’re addressing all the key needs that we can identify’. Gaps identified varied markedly across the localities, though with no pattern. Those ‘gaps’ that interviewees wished to talk about were in fact a mix of client needs and strategy/delivery issues:

### Client needs

- insufficient provision for ex-offenders
- problems with debts and financial inclusion
- reaching the ‘hardest to reach’, e.g., amongst long term IB claimants
- still more to do to tackle weaknesses in basic skills
- partners of IB claimants ineligible for JCP schemes.

### Strategy/delivery issues

- need for partners to do more to address the causes rather than the symptoms of worklessness – and to connect action supply and demand-side activities

- insufficient funding for business start-up
- provision not responsive enough to quickly changing events
- making and co-ordinating effective links with local employers
- developing commissioning at the neighbourhood level.

## How are strategies changing to reflect the recession?

- 4.45 When asked if respondents would be changing the strategy to reflect the recession some 42 per cent of WNF areas said that they would and a further 35 per cent said that it was very likely they would do so. Only 4 per cent said they would not be changing the strategy. The remaining 19 per cent did not know or did not answer the question. Table 4.1 summarises the main ways in which the WNF areas intend to change their strategy in response to the recession.

**Table 4.1: Main ways that strategy will be changed to reflect the recession (% of 39 areas saying they had or would change strategy to reflect the recession)**

	%
<b>Demand-side activities</b>	
Business support/encourage business engagement	21
Safeguarding/job creation	5
<b>Supply-side activities</b>	
Concentrate on the recently unemployed	15
Combination of newly unemployed and long term unemployed	15
Emphasis on upskilling/reskilling/ILM activity	10

- 4.46 On the demand-side, over a fifth of respondents intend to provide increased business support and further engagement with businesses and around 5 per cent intend to increase their emphasis on safeguarding or creating new employment. On the supply-side, about 15 per cent intended to concentrate on the recently unemployed and a further 15 per cent say they will combine their strategy for the long-term unemployed with more efforts targeted at the newly unemployed. Another 10 per cent say they will increase their emphasis on upskilling or Intermediate Labour Market activity.
- 4.47 Our interviews in the in-depth areas showed a wide variety of responses to the impact of the recession. Some respondents believe their area is suffering particularly badly, but others feel that they are better equipped to deal with it: *“we’ve been in a recession for twenty years.”* London interviewees tended to report less of an impact, and areas with traditionally high levels of worklessness believe there has been little proportionate change.
- 4.48 The localities that had moved quickest in implementing WNF have already commissioned provision, while others delayed action in order to respond

when needs became clearer. Uncertainty about the nature of future employer skill demand has affected the nature of local responses, with a frustrated desire to do more to tailor support to likely future needs.

- 4.49 There has been a tendency in those areas with more room for manoeuvre to focus on demand-side measures (business support/enterprise promotion). Some underlying concerns that the credit crunch has made it harder for people who are made redundant to start up self-employed were noted – as they might have done in previous recessions. There was recognition though, that WNF could do relatively little on demand: *“we can’t use WNF to bring the recession to an end.”*
- 4.50 There has been a tension in many areas in considering appropriate responses, given the scale of the numbers of newly unemployed people, including those previously in managerial or professional jobs. Arguments have run that it is better to ‘prevent’ greater problems in future by helping these people quickly into employment – but at a cost of delaying re-entry for those already out of work. In practice this has tended to resolve itself given the additional resources allocated by the Government to such client groups. However, there were some instances of reallocation of resources away from ‘workless’ client groups such as IB claimants to those newly unemployed.
- 4.51 Such national initiatives have brought a further ‘problem’ for localities, in that there were cases where these led to duplication or where WNF plans and allocations had to be changed. A few interviewees commented on the challenge of keeping up with national developments and their implications.
- 4.52 Otherwise, there was:
- a concern to mitigate the impact of the recession on young people (16–25)
  - a tendency for areas to give more emphasis – in keeping with the principles behind the Future Jobs Fund – to offer training as short term goal, and offer productive activities to keep people in the routine of work and avoid loss of motivation or deskilling – e.g. through volunteering opportunities
  - a growing concern with effects of unemployment on community cohesion – and consideration of whether/how WNF may be used in response.
- 4.53 There were also cases where local authorities were taking other action, e.g., signing up to the Public Sector Jobs Pledge in the West Midlands, entering into Local Employment Partnerships with JCP, and some are trying to ensure that they take on unemployed people when they have a vacancy instead of someone with a current job. This greater role for authorities as employers has been found to be necessary in areas where providers are experiencing difficulties in engaging with employers who find it currently much easier to fill vacancies. There were also examples where local authorities worked closely with other major public sector partners (such as NHS Trusts) to promote employment opportunities to local people.

## 5. Feedback on the early deployment of WNF

### Introduction

- 5.1 Section 4 discussed the strategies in place to tackle worklessness at the local level. This section provides some early findings on how WNF is being deployed. As with Section 4, it draws on feedback from the Tackling Worklessness Review (CLG, 2009) and the Government's response (CLG/DWP, 2009) as well as answers to questions contained in the online survey of WNF areas and follow-up interviews conducted in a sample of 20 WNF areas as part of this Scoping Study.

### Feedback from the Tackling Worklessness Review

- 5.2 Locality visits to WNF areas by the members of the Tackling Worklessness Review Group, and consultation feedback from other WNF areas, highlighted the extent to which:
- allocation of WNF in 2008–09 has been treated as a 'transitional year' in many areas. With limited time between the announcement of WNF and the new financial year, local authorities and their partners have sought to shift away from broader Neighbourhood Renewal Fund priorities to ones more focused on employability and skills as central to reducing worklessness and improving prospects for residents in the poorest communities
  - the advent of WNF is helping partners to focus/refocus on worklessness/employability. This refocusing is not just about funding programmes and projects, but is serving to join up action at LAA and neighbourhood level and influencing priorities and ways of working across partner organisations.
- 5.3 Several of the areas visited stressed to the Review Group that their approach was intentionally blurring distinctions between funding streams, in order to provide more seamless, personalised services and join up service delivery. As such they argued that the focus should be on the outcomes achieved through Area Based Grant (*including* WNF), combined with mainstream funds from Jobcentre Plus, LSC, Regional Development Agency (RDA), the local authority, etc – rather than pegging the 'WNF budget' to specific activities.
- 5.4 The Houghton Review also raised several issues relating to the evaluation of WNF, including the need for better information on what works, and on the

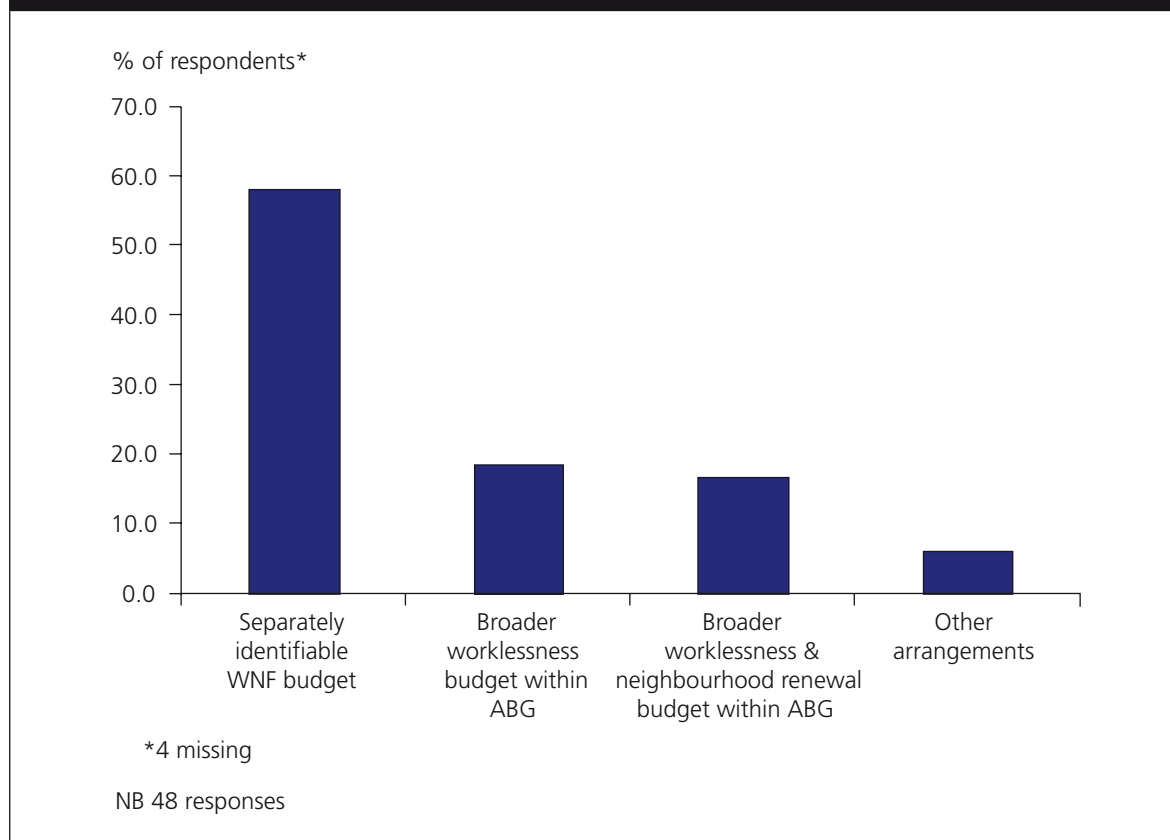
effectiveness and efficiency of delivery using Area Based Grant mechanisms and resources.

- 5.5 In its response to the Tackling Worklessness Review, the Government accepted the Review's recommendation that Worklessness Assessments and Work and Skills Plans should be introduced to provide a clearer framework to integrate employment and skills support at the local level.
- 5.6 The Worklessness Assessment is expected to form an integral part of the local economic assessment duty which is expected to come into force in April 2010. Work and Skills Plans are expected to set out the strategic approach to tackling worklessness by local authorities and partnerships, as well as the funding arrangements in place and roles and responsibilities of partners, and matters relating to devolution and accountability. There is a clear expectation that the plans would be subject to regular review and evaluation.
- 5.7 The response also set out the Government's proposals for the Future Jobs Fund (FJF), an employment subsidy which, in response to the recession, is expected to directly stimulate employment demand in ways that are integrated with WNF-funded efforts to tackle worklessness. In the first instance it is expected that Worklessness Assessments and Work and Skills Plans will be put in place by areas bidding for the FJF. There is also a clear Government expectation that WNF areas will bid for FJF resources.

## Feedback from the Scoping Study

### **Budget-setting arrangements for WNF**

- 5.8 Notwithstanding the aspirations of Government for WNF to be used to tackle worklessness, there are no restrictions on how WNF can be spent locally other than the usual constraints on local authority spending. The issue of transparency of the WNF resource allocation process and how the money has been spent has attracted considerable interest and debate nationally and locally.
- 5.9 The online survey asked the WNF areas to describe the arrangements they had set in place to set budgets and other financial arrangements around WNF. Only 58 per cent of areas had established a separately identifiable WNF budget (Figure 5.1). Almost a fifth (19%) had incorporated the funding into a broader worklessness budget within the Area Based Grant and a further 17 per cent into a broader worklessness and neighbourhood renewal budget within the Area Based Grant reporting structure. This raises some challenging issues for tracking WNF resources in any future evaluation of WNF.

**Figure 5.1: Arrangements for worklessness budget setting and financial reporting**

- 5.10 Although the online survey found many areas to have a clearly identifiable WNF budget line, the follow-up interviews in a sample of 20 WNF areas suggests that the arrangements in practice are more complex. A clear distinction needs to be made between two separate issues: whether a budget is separately identifiable; and what those resources are then spent on, however they are packaged.
- 5.11 In terms of the extent of WNF budget separation or integration, the follow-up survey in a sample of 20 WNF areas identified three contrasting approaches being taken at the local level:
- Areas that were fully integrating WNF with Area Based Grant
  - Areas that were fully ring fencing WNF as a separate funding stream, purely to be used on tackling worklessness
  - Areas with a mixed approach.
- 5.12 Nine of the 20 areas where interviews were conducted (45 per cent of the sample) were adopting an integrated budgeting approach. This includes five areas that reported in the online survey that their budget was separately identifiable. Of the nine sampled areas with integrated budgets, five said they were focusing a large majority of resources directly on tackling worklessness, while four were spending as much as 50 per cent of their resources on themes less directly focused on worklessness such as community capacity building. Those with integrated budgets who had retained a clear overall



focus on using WNF for tackling worklessness argued that WNF can be more effectively used when put alongside other resources. These authorities had rejected ring fencing because WNF is currently only committed for a relatively short period (currently 2008–09 to 2010–11) and argued that integration of funding provides even greater flexibility to fund longer-term initiatives as well as helping to minimise duplication.

- 5.13 Five of the 20 areas where we conducted follow-up interviews (25%) were clearly ring fencing WNF and seeking to ensure that it was only used for new projects that added value to the tackling worklessness agenda. All of these areas had reported a separate WNF budget as part of the earlier online survey. Feedback from the follow-up interviews revealed that these areas have ring fenced WNF primarily because of concerns that without that approach WNF would be absorbed into general local authority budgets with no guarantee that it would be used to tackle worklessness. Areas that have adopted the ring fenced approach have tended to give greater control over resource allocation to those concerned with developing worklessness strategies – a highly desirable outcome that does not always feature in the integrated approach described above. Those authorities that had ring fenced WNF also argued the neighbourhood dimension of WNF, and believed that the need for spatial targeting was more likely to be retained in their approach. (It is worth noting that there was no clear evidence from the non-ring fencing authorities that they were any less concerned with spatial targeting than the ring fenced WNF authorities.)
- 5.14 Some WNF areas that were ring-fencing resources also argued that separation of WNF budgets could ensure that new and innovative approaches to tackling worklessness can be piloted. Again, it is not clear that this assertion is borne out in practice. While it is possible to see how the relationship between WNF and support for innovation might be clearer and more direct in a ring fenced approach, there were numerous examples of pilot projects in authorities that were integrating WNF with other budgets.
- 5.15 There were six areas (30 per cent of the depth research areas) with a more mixed approach to the use of WNF. These included two areas that had passed full responsibility for the allocation of WNF over to the LSP through the full array of LSP theme groups, with clear instructions about the need for alignment with the tackling worklessness agenda. In two other areas there was a clear focus on spending WNF on tackling worklessness, but an agreement that, as part of local government reorganisation, part of the 2009–10 and 2010–11 allocation would be retained by their respective new Unitary Authorities. The extent to which this proportion of WNF will remain targeted on tackling worklessness is unclear. The final two areas had not integrated WNF with Area Based Grant, but were aligning it with other funding streams focused on a more broadly based economic development and regeneration agenda.
- 5.16 Based on discussions with local authorities and partner organisations in 20 of the WNF areas, it is not clear that there are rights or wrongs in the overall approaches adopted above. Even in the fully integrated and mixed

groups above, there were processes put in place to ensure the use of WNF in tackling worklessness. Overall, amongst the 20 WNF areas, 14 were explicitly using all or a large part of their WNF allocation to tackle a clearly defined tackling worklessness agenda. Of the remaining six areas, there was still a focus on tackling worklessness within a more broadly based approach to the allocation of WNF that also included measures to tackle issues such as crime, health and community capacity.

- 5.17 There is no doubt that the issue of how WNF should be allocated has been a significant point of debate between local authorities and their partners in some areas. It is also clear that the use of WNF has seen some significant “bedding down” during 2008–09. While some of the former NRF areas adopted a clear policy of decommissioning NRF during 2008–09 and completely focusing WNF on tackling worklessness, others were slower to move in this direction, seeing 2008–09 very much as a transition year, with plans to modify their commissioning processes from 2009–10 onwards.
- 5.18 The issue of how WNF has, and should be used, has been further complicated in some of those areas undergoing local government reorganisation, where different local authorities that took different approaches during 2008–09 are now part of the same unitary authority.
- 5.19 More generally, it is important to see the first year’s deployment of WNF in the wider context of how well ABG as a whole is aligned (or not) with LAA delivery planning processes. As these wider issues are still being worked through in many areas, it is hardly surprising to find such diversity in the way WNF has been viewed and allocated by local authorities and partnerships.

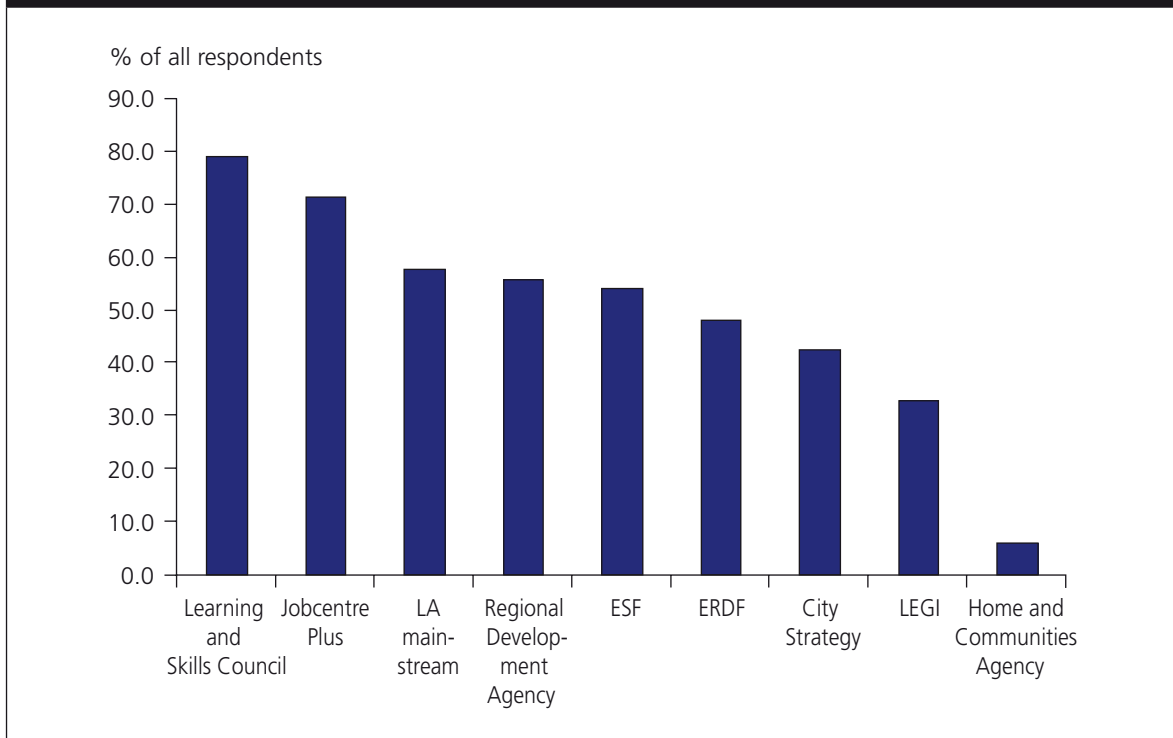
### **Overall expenditure on worklessness LAA targets in 2008–09**

- 5.20 Respondents to the online survey were asked to identify how much, in total, was being spent in 2008–09 in pursuit of worklessness LAA targets. Only 23 of the 52 WNF areas were able to respond to this question, so the results need to be treated with considerable caution, even if we assume that in making their estimates WNF areas have adopted the same approach to the inclusion of mainstream resources<sup>9</sup>. The survey results show that more than half of the responding WNF areas were spending between £1m and £5m in pursuit of their worklessness LAA targets in 2008–09. Some 18 per cent of areas were spending between £5m and £10m and about 9 per cent over £10m. About a fifth of areas were spending less than £1m.
- 5.21 Information was also sought on the other organisations and funding streams that were expected to contribute to spend on worklessness related initiatives in 2008–09. All 52 respondents answered this question, and Figure 5.2 shows that the majority of these WNF areas identified other funding from Learning and Skills Council (79%), followed by Jobcentre Plus

<sup>9</sup> Respondents were asked to identify how much in total was being spent on worklessness in 2008–09. A subsequent question asked them to identify funding sources, in addition to WNF, which included Jobcentre Plus, Learning and Skills Council and LA mainstream resources. While we cannot be certain that the figures here include all DWP mainstream resources, the word “total” made it clear that all resources should be included. An auditing exercise would be needed at each local area level, involving a more consistent framework, to derive an unambiguous result. These results should be treated with caution.

(71%). Funding from local authority mainstream, Regional Development Agencies and European Social Fund (ESF) was identified by more than half of the responding WNF areas, while European Regional Development Fund (ERDF) funding was identified by 48 per cent of respondents. Funding contributions towards worklessness LAA targets from City Strategy and Local Enterprise Growth Initiative (LEGI) was noted in 42 per cent and 32 per cent of responding areas respectively.

**Figure 5.2: Other organisations/funding streams expected to contribute to total spend on worklessness in 2008–09**



### **To what extent has the 2008–09 WNF allocation been used to tackle worklessness?**

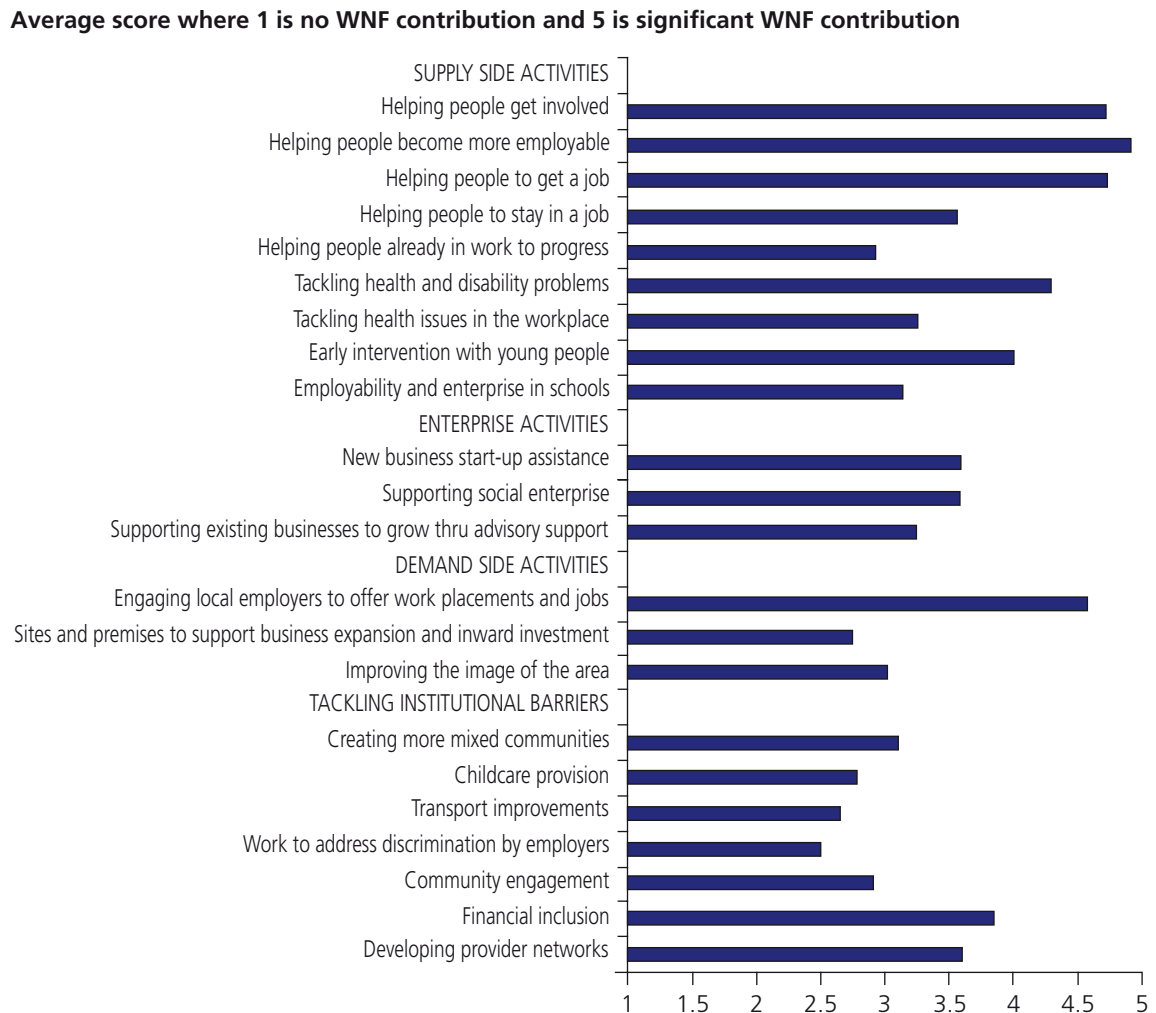
- 5.22 The online survey asked WNF areas how they expected to allocate their 2008–09 WNF allocation. Six aspects were probed: activities focusing on supply-side interventions; activities focused on demand-side interventions, support for enterprise and start-up activities; activities aimed at tackling institutional barriers, wider neighbourhood social inclusion activity; and the core costs of partnership working.
- 5.23 Only 28 WNF areas (or 54%) were able to answer this question. Although it is a low response rate, it needs to be put in the context of answers given to a previous question where over one third of WNF respondents indicated that WNF has been incorporated into worklessness or even wider budget headings at the local level (see Figure 5.1).
- 5.24 Nevertheless, the results which follow must be treated with great caution. They have not been put in graphical or tabular form to minimise the chance of them being misinterpreted. **They cannot be assumed to represent**

**the actual, overall use of all WNF resources, information which is not currently collected or reported on a systematic basis.** However, the data do tend to reinforce the points made earlier about the dominant focus of supply-side interventions at the local level.

- 5.25 The anticipated breakdown of 2008–09 WNF allocations by activity, **for the 28 areas that provided the data**, was as follows:
- on average, 43% of the respondents' 2008–09 WNF allocation is likely to be spent on supply-side activities (e.g. training, helping people into work)
  - 14% of the respondents' 2008–09 WNF allocation, on average, is likely to be spent on demand-side activities (e.g. stimulating employment growth)
  - 7% of the respondents' 2008–09 WNF allocation, on average, is likely to be spent on tackling institutional barriers, (e.g. transport or benefits issues)
  - 10% of the respondents' 2008–09 WNF allocation, on average, is likely to be spent on supporting enterprise and start-ups
  - 20% of the respondents' 2008–09 WNF allocation, on average, is likely to be spent on wider neighbourhood renewal and social inclusion activities
  - 7% of the respondents' 2008–09 WNF allocation, on average, is likely to be spent on core costs of partnership working, including the costs of Local Strategic Partnership and, in some cases, neighbourhood management structures.
- 5.26 The follow-up interviews were not focused on extracting any further quantitative data on WNF spend. Without a more detailed monitoring accounting exercise, covering all of the resources devoted to tackling worklessness and not just WNF, it is impossible to say exactly how much has been spent on tackling worklessness overall, and on what activities WNF has been spent.
- 5.27 Earlier in this section it was noted that some areas had ring-fenced WNF while others had integrated it with other budgets, the researchers conclude that, however the budgets are configured, about 70 per cent of the 20 areas we sampled are using their WNF budgets solely or mostly to tackle worklessness. However, the non-ring fenced nature of WNF means that there are clearly a small minority of local authorities (about 30 per cent of the sample) which have used significant amounts of WNF to support activities which cannot be regarded as clearly or directly focused on tackling worklessness.
- 5.28 Going forward, the greater use of Worklessness Assessments and Work and Skills Plans, in the first instance for those areas bidding for the Future Jobs Fund, provides a useful opportunity for localities to show how WNF is being used alongside other resources to tackle worklessness.
- 5.29 Section 4 commented on the findings from the follow-up interviews about the relative emphasis given to different intervention types in worklessness strategies. The same interviews invited respondents to indicate the extent to which they expected WNF to be directed at different activities over the period

2008–09 to 2010–11. The results, displayed in Figure 5.3 below, are based on responses from 12 of the 20 areas.

**Figure 5.3: Extent to which WNF is likely to be directed towards different tackling worklessness activities over the period 2008–09 to 2010–11**



5.30 Figure 5.3 demonstrates the expectation that WNF will be used to support a diversity of activities over the three year period, most significantly:

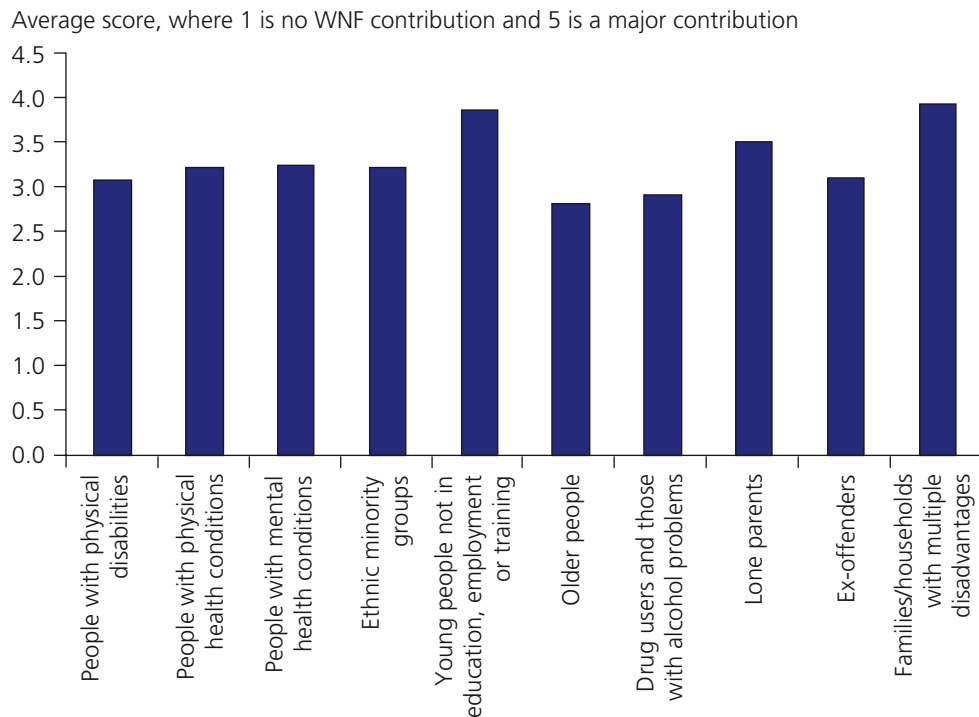
- **supply-side** efforts focused on the early stages of the customer journey, particularly helping people to get involved in the world of work, helping them to become more employable and helping them to get a job. Tackling health and disability problems is also expected to be a priority for WNF funding, as is early intervention with young people
- **enterprise** activities directed at new start-ups and social enterprises as well as the growth of existing small firms
- **demand-side** interventions that involve engaging local employers to offer work placements and job placements. By contrast, land and property interventions and image improvements are seen as clearly less important

- tackling key **institutional barriers**, particularly improving financial inclusion and developing provider networks.

- 5.31 Compared with the results of the online survey, the anticipated diversity of WNF expenditure appears to be more broadly based going forward than it has been during 2008–09. The online survey was conducted mainly in January 2009. Figure 5.3, which anticipates the focus of WNF over the three year period, is based on responses secured through follow-up interviews conducted during April 2009. During that time the recession in the UK deepened and there was significant local and national policy debate around the impact of the recession on local employers and thus employment demand. This may explain the increased focus on demand-side and enterprise issues. It may also be the case that, with further time for forward planning, it has been possible to take a more strategic view about where WNF can usefully be deployed across the full range of employment, skills and enterprise issues.
- 5.32 It seems clear, however, that a selective approach is being taken to the use of WNF and that it is being used to plug gaps in wider provision, particularly in relation to supply-side factors and institutional barriers. A comparison of the average scores for the anticipated focus of WNF with those for the wider worklessness strategy (see Section 4), suggests that WNF is less likely than worklessness strategies overall to be focused on enterprise-related support for new start-up activity or the growth of existing businesses. It is also much less likely to focus on demand-side land and property activity and less likely to focus on transport improvements and financial inclusion. The same results suggest that, by contrast, WNF is at least as likely, if not more so, to focus on supply-side activities.

### **How has the 2008–09 WNF allocation been used to support different disadvantaged groups?**

- 5.33 WNF areas were asked for their view on the degree to which their 2008–09 WNF allocation was likely to be targeted on particular disadvantaged groups. The responses are summarised in Figure 5.4 and suggest a relatively higher allocation to families/households with multiple disadvantage, followed by the NEET group and then lone parents.
- 5.34 Overall, there appears to be a fairly close match between the groups identified in most need (see Section 2) and where the greatest WNF contribution is being made (families with multiple disadvantages, NEETs and lone parents), but in the case of one group – people with mental health conditions – there appears to be a mismatch. People with mental health conditions were identified as a relatively high priority in Figure 2.5, yet feature as a lower priority in the use of WNF funding in 2008–09. This may partially be because other funding streams are already in place to tackle these issues, or because the commissioning process for this kind of activity was still underway in some WNF areas, or because the incidence of worklessness among people with mental health conditions might be less spatially concentrated than that of other groups.

**Figure 5.4: Degree to which the 2008–09 WNF allocation is likely to be targeted at the following disadvantaged groups**

NB 37–44 responses

- 5.35 In Sections 2 and 4 we examined whether WNF areas with high proportions of population with particular characteristics (JSA claimants, IB claimants, lone parent claimants, Asian population, black population and NEETs) exhibited different responses. When the results were analysed in this way, they were found to exhibit a similar pattern across most of the groups. As might be expected, those areas with higher levels of black or Asian populations tended to be targeting ethnicity slightly more. Those areas with higher proportions of lone parents tended to be placing slightly more emphasis on families/households with multiple disadvantage.

### **Spatial distribution of WNF: locality-wide versus neighbourhood focus?**

- 5.36 The online survey invited all WNF areas to indicate the proportion of WNF in 2008–09 likely to be spent on spatially focused interventions versus locality-wide activity. Respondents found it difficult to estimate the proportion quantitatively. As we noted in Section 4, our follow-up interviews in the sample of 20 WNF areas found that many areas were targeting resources at particular neighbourhoods. In some cases this was an explicit allocation decision, but in many WNF areas it was a natural consequence of focusing on client groups that were concentrated in particular areas or making use of delivery facilities/capacity within disadvantaged areas.



### What commissioning approaches have been used?

- 5.37 The follow-up interviews found a diverse mix of approaches in place for procuring activity through WNF as well as varying levels of confidence in the processes. A few areas allocate all of the WNF to projects internally, with no external bidding or tendering process, but most areas invite participation from potential providers in the process for the allocation of at least some of their WNF resources, whether in the form of bidding for grants or competitive tendering to a tight service specification.
- 5.38 Joint commissioning is still rare and the interviews suggest that it mainly occurs in those situations where WNF is pooled with other funds. A number of local authorities said they would be keen to develop this in the future. One of the in-depth areas highlighted that, amongst other constraints, they had encountered difficulty aligning different planning cycles, particularly between organisations working to traditional financial years and the LSC which plans on academic years.
- 5.39 A few authorities have allocated funding directly to deprived neighbourhoods, where commissioning is arranged through the existing neighbourhood management structures (e.g. community committees or steering groups supported by full-time neighbourhood management teams). The approach attracted positive feedback for its ability to engage the community in finding new or better ways of tackling worklessness. Typically, however, the level of resources devolved to the neighbourhood level is small, and a number of respondents expressed some concern about what they perceived as a lack of strategic direction. Purely in terms of the worklessness outcomes, there were doubts about whether this approach was likely to represent good value for money given the alternative options available.
- 5.40 Local authorities engaged in external commissioning of WNF-funded activity have tended to adopt one of two main approaches:
- Working closely with all partners, including providers, to agree the strategy and action plan and decide on the use of resources. This inclusive approach appears to be associated most commonly with a grant-funding system. The local authority and partners adopt a relatively open, outcome-focused stance and work with providers to determine a range of effective solutions and services within the available budget.
  - Limiting involvement in strategy development and commissioning to the local authority and partners who are not delivery agents. This approach, which is less inclusive, has tended to be associated with the specification of particular services by the partners followed by a competitive tendering process where providers are invited to bid. The approach, while outcome driven, is much more prescriptive in terms of the services to be provided.
- 5.41 Overall, the feedback from the sample of 20 WNF areas suggests that there is a gradual shift away from flexible commissioning frameworks and grant-giving activity towards tighter competitive tendering processes.



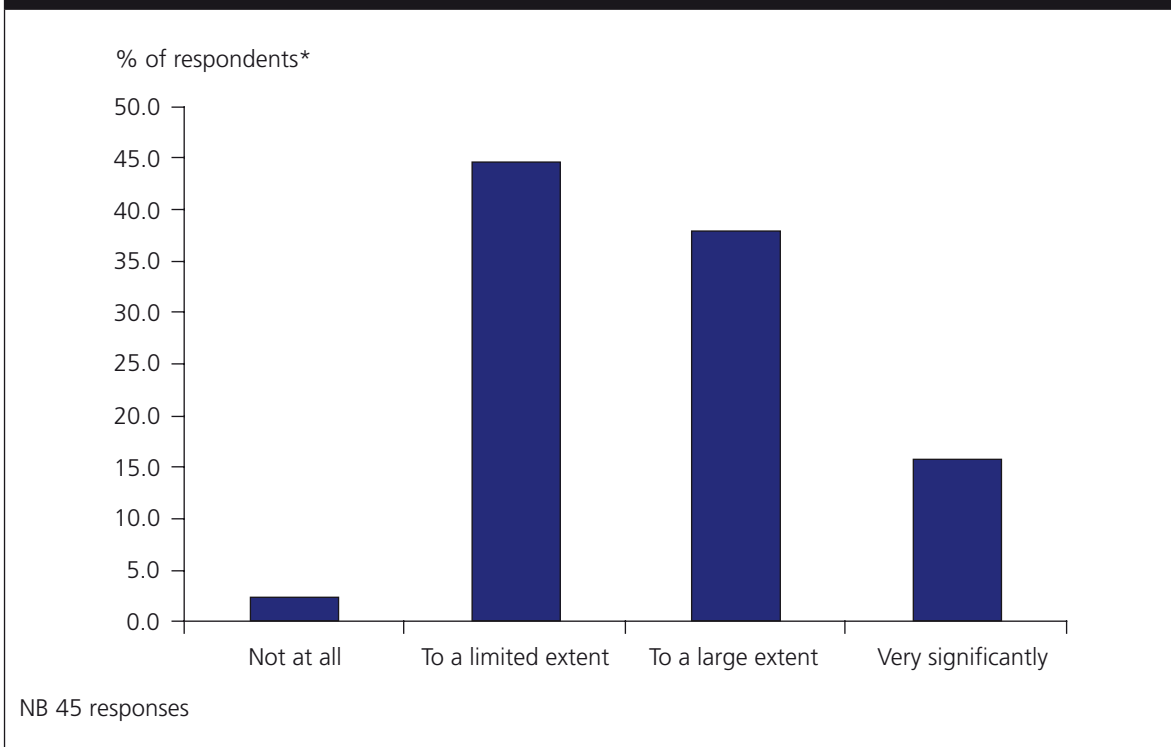
- 5.42 Feedback suggests that the inclusive, grant-giving, approach has maximised the availability of local intelligence on gaps and on what works on the ground as well as enabling a clear consensus to be built around priorities for tackling worklessness. However, there is also feedback that the process has attendant risks of being hijacked by particular providers (whether private sector or Voluntary and Community Sector (VCS) who are keen to promote their own projects, even where there is little evidence to support the level of provision.
- 5.43 The competitive tendering approach brings the clear benefit of ensuring the integrity of strategic planning without undue influence from particular agencies with their own agendas. Some respondents interviewed were happy with the process and felt that it was leading to the procurement of good services. However, other areas encountered a range of difficulties:
- Some partners have felt excluded from the process, causing tension among local stakeholders who had previously been closely involved in the strategy development and commissioning process
  - Competitive tendering is more complex, involves greater bureaucracy and is consequently more time-consuming
  - Delivery agencies are less able to respond to formal tendering procedures than more straightforward grant-applications, an issue made worse by the fact that they are busier with additional clients because of the recession
  - Commissioning agencies are sometimes faced with a lack of bids, possibly due to time pressures for bidding (sometimes caused by self-imposed time pressures by commissioners to spend the funding, but normally because the whole process takes longer, which puts pressure on the bid-preparation timescale) and also because of the limited duration of some of the contracts being tendered. Feedback suggested that getting bids for after care support for those in work was particularly difficult
  - Less often, commissioning agencies can sometimes be faced with too many bids, increasing the challenge of tender selection
  - Some bids are inadequate in terms of quality or coverage or the representation of providers (commissioners report a common problem of getting consortium bids, for example)
  - Bidding deficiencies may be linked with inadequate specification of requirements from commissioners, leading to bids that are discovered later to be inappropriate or even disputes during delivery
  - Competitive tendering can be overly constraining and highly disruptive where there is a desire to continue an existing service that is working well
  - Particular difficulties were reported in connection with national contractors (see below).
- 5.44 In order to overcome these problems, some areas have adopted a mixed model, involving grants for small amounts and tendering for larger projects. To overcome the concerns about excluding key stakeholders, in some cases the key players have been involved directly as the lead organisation for an

intervention and a competitive tendering exercise has then been undertaken to bring a partner alongside. An approach which is felt to have improved the quality of bids and downstream delivery is to work with successful tenderers to refine the project before it commences.

- 5.45 A common area of feedback from those interviewed was the sensitivity surrounding the use of local versus national contractors. Local authorities reported that national contractors, with their expertise in bidding for such contracts and their economies of scale, tend to win such tenders, but there were concerns about insufficient engagement by national contractors with local providers. They also reported an unwillingness by national contractors to customise approaches to local circumstances (causing inefficiencies in take-up as well as duplication) as well as poor experiences of service delivery. Against the backdrop of poor local sentiment towards national contractors, and political reluctance in some areas to reduce support for local VCS providers, it is not surprising to hear of reports that some local authorities have favoured local VCS providers, either explicitly in their tender scoring or implicitly.
- 5.46 Overall, commissioning emerged as one of the key learning and improvement issues from the scoping study and it is an area where many local areas would welcome evaluation feedback on what works as well as practical tools to support the process.

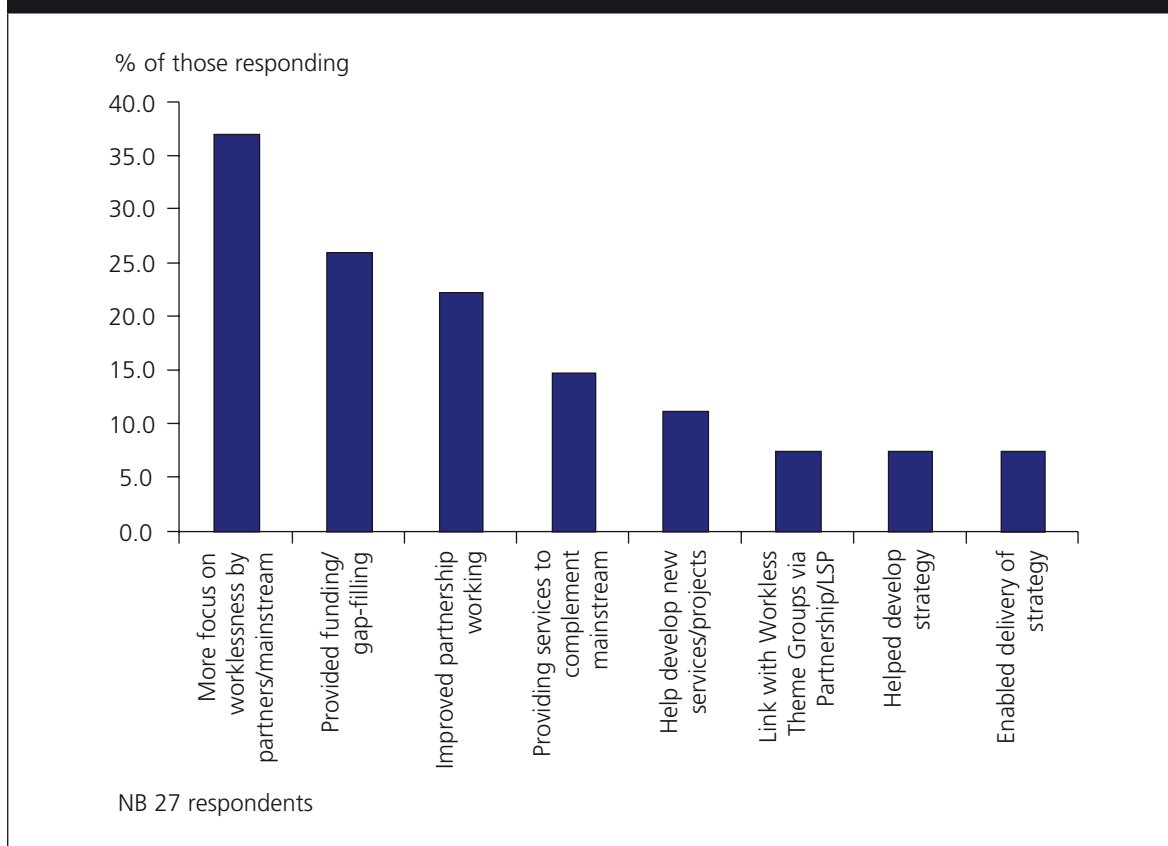
### **To what extent has WNF added value to the direction of worklessness strategy?**

- 5.47 The online survey asked respondents whether WNF had influenced the overall development and direction of worklessness strategy in the areas concerned, including relationships with mainstream activities. The results were encouraging, with some 37 per cent of the 45 responding areas suggesting that WNF had added value “to a large extent” and 16 per cent stating that it had added value “very significantly”. Some 44 per cent said that WNF added value had occurred “to a limited extent”, and only 2 per cent (1 area) said that there had been no added value from WNF at all. Figure 5.5 summarises the results. We would expect the extent of WNF added value to develop as the funding stream takes root and as areas move out of the transition phase identified earlier in this section.
- 5.48 Table 5.1 explores whether WNF added-value has varied depending on the characteristics of WNF areas. As noted in Section 2, each of the WNF areas were ranked according to their incidence of different needy groups (JSA claimants, IB claimants, lone parents on Income Support, NEETs) as well as the proportion of black and Asian populations. Taking those areas ranked 1–21 out of 65 on each of these measures enables us to distinguish between WNF areas with different key characteristics. Applying the analysis to the question of WNF added value suggests that WNF has added greatest value for those areas with high proportions of IB and lone parent claimants, and those areas with proportionately higher BME populations.

**Figure 5.5: Extent to which WNF has influenced the overall development/direction of worklessness strategy****Table 5.1: Added value of WNF by area characteristic**

WNF influence	Results for the top third of WNF areas (ranked 1–21 out of 65) in terms of:					
	JSA claimants	IB claimants	Lone parent (IS)	Asian popn	Black popn	NEETs
Not at all	0	7	0	0	0	6
To a limited extent	42	50	33	35	31	41
To a large extent	37	21	47	29	44	35
Very significantly	5	21	0	6	0	0
No response	16	0	20	29	25	18
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

5.49 Those areas which responded that WNF had added value to a large or significant extent in the online survey were invited to comment further. In Figure 5.6 we have summarised the results from the 27 WNF areas that provided feedback. The most significant forms of added value include providing a stronger focus on worklessness issues at the local level, helping to develop worklessness strategies and improving partnership working. WNF has also provided additional funding to fill gaps in provision and helped to develop new projects and services.

**Figure 5.6: How WNF has influenced overall development/direction of worklessness strategy in the borough to date**

- 5.50 The follow-up interviews sought to probe the nature of WNF added value in more detail. Figure 5.7 shows that WNF is perceived to have added value across a number of dimensions, but that the most significant was its role as a strategic catalyst; WNF has provided the resources to make things happen that would not otherwise have happened and it has acted as a spur to give higher priority to reducing worklessness. This strategic influence has been felt most strongly in relation to theme partnerships especially (but not only on economic development and enterprise) and neighbourhood plans. The flexibility of WNF is felt to have been valuable as a means of making co-ordinated action happen.
- 5.51 As a funding stream directed towards individual local authorities and linked to LAAs WNF would not be expected to have a particularly strong influence at the sub-regional or regional level. In Section 4 it was noted that a number of WNF authorities are active participants in Multi Area Agreements (MAA) focused on employment and skills. It was clear from a number of these that as the MAA process matures, the allocation of WNF at the local level is becoming increasingly well aligned with the sub-regional strategic priorities. There have been some early discussions about learning from and applying the best approaches to tackling worklessness and the possibility of future joint commissioning at the sub-regional level.

**Figure 5.7: Extent to which WNF has had a positive influence, or added value to, each of the following so far:**

Average score where 1 is no WNF influence and 5 is significant WNF influence



### Has WNF encouraged innovation in tackling worklessness?

- 5.52 There was clear feedback from respondents to the follow-up interviews that the flexibility of the “no strings” WNF makes it particularly valuable for funding small scale pilots or trying out completely new approaches.
- 5.53 A number of examples of innovative activity emerged from the follow-up interviews. Many of these revolve around working through particular agencies or different facilities in order to target and access key client groups (for example working through community safety teams to access offenders or young people at risk of offending, using events like Family Learning Week, or through a voluntary sector carers support group to access carers).
- 5.54 A number of areas are doing this as part of the development of multi-agency working to provide wrap-around services for families with multiple disadvantage. One example is a pilot project, funded by WNF, City Employment Strategy and ERDF, which is being delivered via a Registered Social Landlord (RSL). Located in a housing estate, the initial focus is on 100 families and the recruitment of a caseworker who will be employed by the RSL. That person will identify needs and co-ordinate tailored support from a variety of service providers while retaining consistent contact with the family.

- 5.55 Another example, which formed part of an initiative to promote links between housing choice and employment, was a concerted effort to make the best use of the resources already available, without developing new centres or commissioning additional outreach support. To this end several hundred existing front-line staff across many different agencies went on a one day training course to ensure that there is “no wrong door”: wherever people encountered public services they would get consistent messages about the importance of being employed or developing the necessary skills to be employed.
- 5.56 There was also a strong message of the need for continuous improvement of existing initiatives which are tried and tested – getting on with the process of what is known to work. As one respondent put it: *“The remaining gaps are smaller and more specialist – it’s not the quick wins any more. There aren’t that many new ideas – it’s about packaging, and reaching individuals who perhaps don’t want to be reached.”*
- 5.57 The agenda has therefore moved on from purely focusing on innovation in projects to considering innovation in process as well, particularly how action planning and project design processes benefit from evidence from other initiatives and using the commissioning process to drive innovation. Overall, however, we did not encounter many instances of process innovation.
- 5.58 One WNF area reported a simple technique that they have used to encourage greater cross-agency participation during the action planning stage, by circulating the action plan between other theme partnerships to stimulate ideas for new or improved interventions. *“They sometimes go off at a tangent, but it has generally worked well. The social exclusion agenda overlaps a lot. The cohorts without work do tend to have housing problems, health problems, etc. We’re therefore trying to look at getting the services to work together”.*
- 5.59 Another WNF area was particularly impressive in its commitment to an evidence based approach to intervention design and delivery. By way of example, it found that it was not attracting young people to a course specifically run for the NEET group. There was nothing wrong with the course itself, but because it was not accredited by Ofsted, the young people were not receiving Education Maintenance Allowance (EMA), which in turn meant their families were not able to receive child benefit. An early review of the project’s performance uncovered the problem and by a simple process of accrediting the course with Ofsted the take-up problem was quickly resolved. The learning from this project is reported to have had wider benefits to other initiatives across the region.

### **What do local areas think about the LAA reward grant for WNF?**

- 5.60 Leaving aside the impact of the current recession on the realism of employment-related targets, there was clearly polarised opinion on the merits of the current incentive arrangements. Those in favour of current reward grant arrangements believed strongly that targets work and that monetary reward for organisations provides an important focus for strategy

development and delivery planning. The argument against was couched in terms of the long-term nature of the problem and the difficulty of setting targets, particularly as key client groups may be some distance and time away from the labour market. There was also a concern that in an attempt to manage contract performance, over-reliance on output measurement (to inform progress towards outcome attainment) risks duplication between providers rather than encouraging complementarity and added value.

### **How has WNF been deployed in areas undergoing local government reorganisation?**

- 5.61 WNF areas that have recently been undergoing local government reorganisation have encountered a number of challenges. Adjacent districts moving to the same unitary structure may have had different approaches to ring fencing or integrating WNF with other elements of ABG. Districts will inevitably have had different targets, projects and, in some cases, approaches to spatial targeting. Finally, and of great significance, is that key staff involved in the implementation of WNF in some authorities are seeing their posts disappear as part of organisational restructuring. All of these represent significant challenges for the small number of WNF areas that are working through reorganisation.

### **What were the main learning and improvement needs reported by WNF authorities and partners?**

- 5.62 The follow-up interviews invited respondents to identify key learning and improvement needs. The main topics to emerge focused on the importance of establishing strong partnerships at an early stage, and in particular of ensuring that the key players are actively included in key decisions regarding strategy, delivery planning and resourcing. Given the current recession it was not surprising to hear authorities and their partners stress the importance of flexibility in the face of changing circumstances, and a number noted the importance of building the scope for flexibility into contracts to allow for changes in direction if need be.
- 5.63 A plea was made for improved co-ordination between national and local provision, particularly in view of recent recession-related funding streams made available to Jobcentre Plus (Rapid Response) and the Learning and Skills Council (Redundancy Support Programme) where some respondents remarked on the apparent lack of joining up.
- 5.64 A further challenge related to the oft-quoted difficulties of data sharing between different parts of the public sector, and in particular the difficulties of access to key data from Jobcentre Plus that could improve the targeting of front-line service delivery. This was seen as especially important given the important role of non-JCP providers in providing outreach to those client groups that might be least motivated to access JCP services. Wider information sharing, for example on the arrival of new local employers and mapping local issues, was also highlighted.

- 5.65 Otherwise the main area of learning and improvement need which emerged from the interviews –relevant to the work programmes of the new regional Worklessness Networks proposed by the Houghton Review – was *commissioning*. Different approaches have been adopted, and there is a need to spread the learning on what works, and to review the implications of the recession for what may need to be commissioned in future. Other issues for the regional networks to consider include (a) effective measures for developing the contribution of the local VCS in service delivery including the role of consortia; (b) evaluation of WNF interventions, not least those focusing on outreach and readying people to take advantage of mainstream provision; and (c) performance management skills.



## 6. Conclusion

### Introduction

- 6.1 The objectives of this Scoping Study Report were to provide a top-line analysis of conditions in WNF areas, provide an early understanding about how strategies and partnerships are evolving to tackle worklessness and provide an early understanding of how WNF is being used.
- 6.2 It is important to re-emphasise that the Scoping Study is not an evaluation; it has not set out to draw conclusions on the effectiveness of WNF, or of wider policies to tackle worklessness. Rather, the emphasis has been on developing a thorough understanding of the problem and of the local and wider policy and delivery landscape.

### The worklessness problem in WNF areas and how it is changing

#### **The scale of the problem**

- 6.3 The latest date for which it has been possible to get figures for claimant data for England is the third quarter of 2008 (centred on August 2008). At that time there were 1,036,480 people claiming Jobseeker's Allowance (JSA), 2,603,160 on Incapacity Benefit (IB) and 729,020 lone parents on Income Support (IS). A total of 4,368,660. However, since that time the number of people claiming Jobseeker's Allowance has risen sharply and in April 2009 it stood at 1,304,456.
- 6.4 There are extensive variations in the geographical incidence of worklessness by type of benefit claimant. Thus, there are relatively higher proportions on incapacity benefit in the older industrial northern areas, but relatively high proportions of lone parent IS claimants in inner London boroughs. The recession has also increased the numbers claiming Jobseeker's Allowance (JSA) in a spatially differentiated way.

#### **Variations in worklessness by specific groups**

- 6.5 The online survey of WNF local authorities provided further insight into perceptions of how the incidence of worklessness varies across specific groups. 52 WNF areas completed the survey. The group which was identified as having the highest priority need in the survey of WNF areas was young people not in education, employment or training, closely followed by families or households with multiple disadvantage. Lone parents and people with mental health problems were the groups identified as having the next highest priority need. Of the different groups prompted for, older people attracted

the lowest priority. However, it is important to emphasise that a relatively high priority was assigned to all groups. The incidence of worklessness was perceived to be more spatially concentrated for families/households with multiple disadvantage, followed by specific minority ethnic groups. The incidence of worklessness amongst the NEET group was also perceived to be spatially concentrated by the WNF responding to the survey.

### The relationship between the geographical incidence of worklessness across the three main benefit groups

- 6.6 The geography of worklessness for each of the three main groups of worklessness classified according to benefit (Incapacity Benefit, Income Support or JSA) is quite different. Furthermore, a high claimant rate among *individuals* is not a particularly strong indicator of a high incidence of worklessness among *households* in WNF areas. The fact that a local area has a relatively high proportion of claimants does not necessarily imply that the *concentration* of worklessness in disadvantaged households is also high. This could be, for example, because in some areas a high level of Incapacity Benefit claimants is associated with older males who previously worked in traditional industries, but their spouses are in work.

### Understanding the causes of worklessness at the local level

- 6.7 The evidence points to the need to understand how a diverse range of factors come together to create the worklessness problem in an area. Within any WNF area the worklessness population is made up of quite disparate groups of individuals and households. The reasons why they are out of work vary accordingly. It is therefore important to consider several facets of the problem and its persistence. **Demand-side factors** emphasise the lack of availability of jobs for residents, particularly in deprived areas. These can be considered alongside **enterprise factors** that relate to the ability of an area to attract and retain new businesses. **Supply-side factors** emphasise the barriers to employment that individuals or households may experience. **Institutional factors** focus on the structural difficulties people experience in entering the workforce, or that employers experience in finding labour – they include the housing market and ‘sorting processes’ that concentrate disadvantaged people. Other institutional factors include the benefits and tax system, the availability of childcare, the availability of transport, and access to information and social networks.

### The economic characteristics of the WNF areas compared to the England average

- 6.8 The WNF areas have 34 per cent more households that are workless than the English average. Some 40 per cent more of the WNF population are claiming out of work benefits, 67 per cent more are JSA claimants, 40 per cent more are claiming Incapacity Benefit and 55 per cent more are lone parents on Income Support. The working age population in work in WNF areas is 9 per cent less than the English average. The WNF areas have 170 per cent more of their Lower Super Output Areas (LSOAs) in the most deprived national decile than the England average on the IMD 2007 and the percentage is much the

same if the employment domain on the IMD is used. The three year survival rate of enterprises registered in 2002 in WNF areas is about 4 per cent below the English average. Evidence on earnings provides some insight into variations in local productivity and earnings in the WNF areas that is between 4.5 per cent and 11 per cent below the English average. The proportion of the working population with no qualifications is much higher in the WNF areas than in England (17.6 per cent compared with 12.6 per cent nationally) and we also note that their population growth has been relatively slower over the period 2003–07. Finally, the proportion of the housing stock that is socially rented is approximately 25 per cent higher in the WNF areas than the England average.

### **Relative importance of drivers of worklessness – feedback from the online survey**

- 6.9 The survey of WNF areas provided a more detailed list of contributory factors to worklessness and invited respondents to pick three and then rank them (where first was considered to be the most significant contributory factor). Two supply-side characteristics emerged as particularly important, namely skills and qualifications (picked as first, second or third by 73 per cent of respondents) and other employability issues (35%). Health also featured as a significant factor in 15 per cent of areas, although this was not ranked as the top by any. A lack of job opportunities, at both the local area level (25 per cent of all respondents identified it in their top 3) and also the wider sub-regional level (12%) was seen as important. Unattractive job offers, low pay and job insecurity also featured (23%), primarily as second and third preferences. The key institutional barriers were a culture of worklessness (37 per cent of all respondents selected this as one of their three key contributory factors) and the state benefit system (19%).
- 6.10 When these responses were cross-tabulated by the different types of WNF area (by incidence of different key groups) the broad pattern was similar, but there were some notable differences. Areas with a high incidence of people on Incapacity Benefit highlighted other employability issues as being of more importance than skills and qualifications. A lack of job opportunities was seen as being relatively more important in areas with a higher incidence of those on Jobseeker's Allowance.
- 6.11 It is obvious from the literature, and from the analysis presented above, that a number of factors come together to produce high levels of worklessness in any particular area. It is therefore important to consider several facets of the problem and its persistence.

### **The impact of the recession**

- 6.12 Although the evidence on the impact of the recession is quite mixed, there has been a broad tendency for the rate to rise most in areas that already had a relatively high claimant rate. However, some WNF areas lie well outside this pattern of experience, and have seen a smaller rise in the claimant rate than the UK average. A considerable part of this is a London effect: none of the

London boroughs (whether WNF areas or not) saw an increase in claimant rate higher than the UK average.

## Measuring progress in tackling worklessness

### Tracking progress in WNF areas and assessing the impact of policy

- 6.13 To assess how WNF is being used to tackle worklessness it is important to establish clear baselines and to benchmark levels in WNF areas relative to other areas that are considered to be broadly similar. During the Scoping work an exercise was undertaken to assess the most suitable way of establishing a typology of areas that could enable the economic and institutional diversity of the areas receiving WNF to be reflected in a benchmarking exercise. The cluster analysis generated six groups of authorities, and two authorities whose characteristics were sufficiently different to the rest as to place them in their own category.
- 6.14 The cluster groupings provide a useful typology with which to benchmark the performance of an individual WNF area. Since the underlying objectives of WNF relate to reducing worklessness and deprivation and enhancing enterprise it is suggested that these are the main variables that performance might wish to be compared against. We presented the WNF averages by cluster type. We would recommend that in the evaluation of WNF it would be desirable to produce averages for each indicator based on the all England result for that cluster group. The WNF average for each cluster could then be compared against the England average for that cluster type. This would enable progress in any individual WNF area to be compared with similar WNF areas in the same cluster. Also, the performance of each WNF cluster as a whole could be compared with the equivalent England cluster average.

### Modelling changes in worklessness at the local level and the implications for assessing the impact of WNF

- 6.15 Establishing baselines and deriving appropriate benchmark areas that can be tracked through time is only one way of evaluating the possible impacts of policy initiatives funded by the WNF. Another approach is to try and build an economic model of 'worklessness'. To illustrate the broad approach a cross-section regression analysis was undertaken as part of the Scoping Study which sought to explain the Incapacity Benefit rate using a number of plausible determining variables. The results showed that the proportion of residents having no qualifications has a clear relationship with the Incapacity Benefit rate, while the proportion of jobs that the area had in 1998 in industries that were in long-term decline was also an influence, albeit a weaker one. Regression analysis cannot conclude there is a *causal* relationship. However, the result is consistent with the view that the Incapacity Benefit rate has tended to be relatively high in areas with heavy job losses in traditional industries. Workers in these industries have tended not to have formal qualifications or skills that were easily transferable to other jobs.

- 6.16 The results also showed that, given these factors, areas with a higher proportion of the population in the Asian/Asian British or black/black British ethnic groups tended to have a lower Incapacity Benefit rate. Estimation work of this sort provides some insight into where further research might usefully be progressed. It also indicates how, in evaluating the achievements of WNF, it might be possible to control for important influences on the change in worklessness in any particular area.

## Strategies to tackle worklessness in WNF areas

### **A clear strategic focus on supply-side responses**

- 6.17 Much of the recent focus in tackling worklessness has been on supply-side responses, where the evidence suggests that critical success factors are the way programmes are designed and targeted and the skills of those who deliver them, rather than the choice of delivery mechanism per se.
- 6.18 Our research also found that, in line with our observations on worklessness priorities and needs, WNF areas are tending to prioritise supply-side issues over demand-side, enterprise or institutional issues in their strategies – though there has been some rethinking of priorities as the recession has bitten. More than three quarters of WNF areas expect to change their strategy in consequence. Not surprisingly efforts to stimulate demand for employment (whether through retention or creation of new activity) feature more heavily than hitherto. On the supply-side there is an inevitable shift in concern towards the newly unemployed. At the same time there is a clear determination by WNF areas not to neglect those who are further away from the labour market and whose prospects of finding work will be made even more difficult by the current downturn.

### **The partnership and delivery planning landscape is complicated and still too fragmented**

- 6.19 The Tackling Worklessness Review<sup>10</sup> identified the critical role that local authorities and LSPs can play in tackling worklessness, but drew attention to the complicated policy and institutional landscape. It showed a need for more and better joining up, especially between discretionary funding streams such as WNF and the mainstream, particularly DWP programmes. The significance of these issues was reinforced at various levels (national, regional and local) by the Scoping Study. The Review's recommendations included important planning and budgeting mechanisms to support a focused, but integrated approach to tackling work and skills issues at the local level which have since filtered through in Government policy. These have now been accepted by Government which is now encouraging the introduction of Worklessness Assessments and Work and Skills Plans where areas are successful in bidding for the Future Jobs Fund.

<sup>10</sup> CLG (2009) Tackling Worklessness: Review of the Contribution and Role of Local Authorities and Partnerships (Houghton Review) – Final Report [www.communities.gov.uk/publications/communities/tacklingworklessnessfinal](http://www.communities.gov.uk/publications/communities/tacklingworklessnessfinal)

### **Key partners are actively involved, but room for more improvement**

- 6.20 The online survey and fieldwork for the Scoping Study found that, not surprisingly, local authorities are playing a leading role in worklessness strategies, with Jobcentre Plus (JCP) and the Learning and Skills Council also actively involved, as are the third sector, with the private sector less engaged. The fieldwork suggests that the JCP engagement seems variable, tending to reflect capacity issues and operational priorities within JCP and the extent to which they are involved in decision-making. There also appears to be limited involvement of DWP Pathways providers in strategy, and local authority relationships need developing with JCP and DWP Pathways providers. On the demand-side in partnership working, while RDAs and Business Link tend to be less involved in worklessness *strategy*, RDAs are active in *funding delivery* of efforts to tackle worklessness.

### **Partnerships heading in the right direction**

- 6.21 The 'direction of travel' in partnerships on worklessness strategy and delivery mechanisms accords with the principles embodied in the Houghton Review and in DWP Localisation Policy – though there remain obstacles to effective joining up of WNF and mainstream resources. The extent to which many areas were striving to ensure that WNF-funded activities did indeed *complement* mainstream programmes was striking. At the same time, there was limited evidence of WNF activities influencing, or making a significant contribution in enhancing these programmes. This reflects, earlier DWP contracting policy, when local authorities and LSPs were not consulted on specifications or procurement decisions; the practice in some local authorities of keeping WNF resources within the council or its direct domain of influence; and, simply, it is early days in implementing WNF.

## **Feedback on the early deployment of WNF**

### **Most areas are making a transition from NRF and increasing their focus on worklessness**

- 6.22 The evidence suggests that 2008–09 has been a transitional year for WNF, and any early results about how it has been used and the extent to which it has added value need to be treated with some caution and viewed very much as an early snapshot on a longer journey. At this early stage, however, there are very positive signs that WNF is adding value, particularly in terms of encouraging local partners to focus attention on worklessness as well as giving them additional, highly flexible resources to target on key gaps in provision.

### **A diversity of budget allocation approaches**

- 6.23 The online survey found that a majority of WNF areas plan and report on WNF separately from other parts of Area Based Grant (ABG), but that a sizeable minority do not. The fieldwork suggests considerable diversity in the way WNF is being packaged with other funding streams as part of the



commissioning process. Of the sample of 20 areas looked at in more detail, about quarter were fully ring fencing WNF, purely to be used on tackling worklessness, almost half had fully integrated WNF with other elements of ABG and around a quarter had adopted a more mixed approach. Our conclusion is that integration is not in itself problematic – many areas are doing this for good reasons, in order to give them greater flexibility over project design, duration and ability to lever other resources.

### **In the majority of areas, WNF is wholly or largely being spent on tackling worklessness**

- 6.24 Of the WNF areas where we conducted additional feedback, almost three quarters were explicitly using all or a large part of their WNF allocation to tackle a clearly defined tackling worklessness agenda. Of the remaining quarter, there was still a focus on worklessness within a more broadly based approach to the allocation of WNF. However, for this last group in particular, significant WNF resources are being spent on areas that are not directly focused on tackling worklessness.
- 6.25 The issue of how WNF should be allocated has been a significant point of local debates locally, and it is clear that 2008–09 has seen some significant “bedding down” of arrangements. The issue has been further complicated by local government reorganisation in some areas. Going forward, the greater use of Worklessness Assessments and Work and Skills Plans provides a useful opportunity for localities to show how WNF is being used alongside other resources to tackle worklessness.

### **A clear supply-side focus has broadened in response to the recession**

- 6.26 For those areas that were able to comment in the online survey about how they intended to spend their 2008–09 WNF allocation, there was a clear focus on supply-side issues and for the most part this appeared to be in line with priority needs. As might be expected, those areas with higher levels of black or Asian populations were targeting ethnicity slightly more. Those areas with higher proportions of lone parents tended to be placing slightly more emphasis on families/households with multiple disadvantage. There seemed less targeting through WNF on people with mental health problems than might be expected given survey evidence on priority needs.
- 6.27 The follow-up interviews in the sample of 20 WNF areas revealed that a more balanced approach was expected over the period 2009–10 to 2010–11. In addition to support for helping people towards employment it was expected that there would be considerable WNF support for demand-side employer brokerage activities on work and job placements, enterprise support (particularly for new starts and social enterprises) and efforts to tackle institutional barriers (particularly financial advice to individuals and families, as well as developing provider networks).

### **Spatial targeting is an important feature of WNF-funded interventions**

- 6.28 Spatial concentrations of key client groups, together with available facilities and resources in certain areas to support outreach work, has resulted in a significant amount of spatial targeting. The use of a wide range of facilities in communities is also a growing feature of multi-agency working.

### **Commissioning approaches are diverse ... but not without teething problems**

- 6.29 WNF areas have adopted a range of commissioning approaches that broadly fall into two types. The first seek to include stakeholders and providers and that involve consensus-building around solutions and the provision of grant funding for agreed interventions. The second are those that clearly separate commissioners from providers and follow a tighter competitive tendering approach. There appeared to be a shift from the former to the latter, but while some areas found competitive tendering delivered good results, others encountered a wide range of problems (e.g. low numbers of bids, inadequate bids, bureaucracy associated with the process, and the role and engagement of national contractors). A number of areas have adopted a mixed commissioning model to provide additional flexibility, particularly for smaller interventions or the continuation of those that are already known to be working well.
- 6.30 Commissioning emerged as one of the key learning and improvement issues from the scoping study and is an area where many areas would welcome evaluation feedback on what works as well as practical tools to support the process.

### **WNF is adding value by throwing the spotlight on worklessness at the local level**

- 6.31 WNF has added value to the overall development and direction of worklessness strategy so far, more so at the local level than at sub-regional and regional levels. The online survey and follow-up interviews found that the role of WNF as a strategic catalyst was of greatest significance; it has provided the resources to make things happen that would not otherwise have happened and has acted as a spur to give higher priority to reducing worklessness. This strategic influence has been felt most strongly in the development of theme partnership working (particularly, but not exclusively, in economic development and enterprise) and neighbourhood plans. The flexibility of WNF is believed to have been a valuable way of encouraging co-ordinated.

### **The flexibility of WNF is crucial for gap-filling and innovation**

- 6.32 The scoping study found clear feedback that the flexibility of WNF has made it particularly valuable for funding innovative activities such as pilot projects involving wrap-around<sup>11</sup> support for particularly disadvantaged families. The follow-up interviews also established that WNF areas were

<sup>11</sup> See Section 4 for a discussion of what wrap-around services might include.



seeking continuous improvement in the delivery of tried and tested interventions rather than innovation in introducing genuinely new services. Areas have searched for ways of adding value and encountered limited room for manoeuvre, given recent developments and flexibility in *national* programmes.

**There is an important learning and improvement agenda for worklessness that needs to be addressed**

- 6.33 Several learning and improvement needs were highlighted as part of the scoping study. There were clear messages about the need for:
- stronger collaborative working involving Jobcentre Plus and DWP contractors which strengthens service integration, improves service quality in the round, and increases the likelihood of successful outcomes
  - further co-ordination within central government and between national policy and local delivery, in ways which enable co-design and delivery of worklessness interventions – including through data sharing
  - more support and practical advice on “what works” in commissioning
  - a sharper focus for neighbourhood management and action planning in tackling worklessness
  - effective measures for developing the contribution of the local voluntary and community sector in service delivery, including the role of consortia
  - greater priority to client tracking and the evaluation of WNF-funded and other partnership interventions, not least where these are trying out innovative approaches, e.g. in working with families
  - continued attention to working with and influencing employers – and ensuring that local employment and skills provision is geared to meeting their needs as the economy moves out of recession.

# Annex A: Literature review and bibliography

## Introduction

The material presented below builds upon a comprehensive review of worklessness in deprived areas commissioned by CLG (Sanderson, 2006) and updates it with new evidence that has emerged in more recent years, including material referred to in the Joseph Rowntree Foundation's wide-ranging synopsis of evidence on local workless initiatives (Meadows, 2008). A full bibliography of the literature referred to in this section can be found at the end of the section.

## The worklessness problem

Worklessness has increasingly been identified as a problem worthy of investigation and governmental intervention. Reviews of the evidence have highlighted the extent of the problem (Sanderson 2006, Meadows 2006, Meadows 2008, CLG 2008a), as well as drawing out the overall implications for specific regions (ERS 2005; Meadows 2006; Cousins et al 2007). The interaction between worklessness and other public policy areas has also been increasingly recognised. Health is one area where the links have been made particularly strongly and evidence presented that, just as unemployment is bad for people's health, returning to work can benefit their health (Waddell and Burton 2006). Working is also associated with life satisfaction (Donavan and Halpern 2002).

### The causes of worklessness and understanding the problem

The 2006 review (Sanderson) begins by recognising the greater degree of spatial segmentation and inequality in labour markets that has been brought about by changes in the labour market. These changes have reduced job security and increased uncertainty and have impacted especially upon men (Nickell, 2004). Unemployment is acknowledged to promote "social corrosion" (Martin 1998:4), eroding people's skills and ability to re-enter the labour market. This entrenchment of unemployment disproportionately affects certain groups in certain areas. The explanation for these disparities is however, uncertain, as there is a lack of consensus in the literature due both to a scarcity of robust evidence, and competing theoretical frameworks through which the problem is understood. The recent focus on worklessness has several distinctive aspects:

It encompasses a *wider range* of people in different situations and in receipt (or not) of several different state benefits than the term Unemployed (Richie et al 2005). Those in receipt of Incapacity Benefit have been a particular focus (Nickell, 2004; Leeds Metropolitan; Dorsett 2008), as have lone parents (Hasluck and Green, 2007; Leeds Metropolitan 2007). There is a greater concern with *long-term* removal from

the labour market. Whilst individuals may be unemployed for a period of time, those who are further from the world of work, or whose family and social contacts too are outside of the workforce may experience a more enduring worklessness (Ritchie et al 2005; Leeds Metropolitan 2007; CLG 2007).

The focus tends to be upon workless *households* where no one has a job, rather than individuals (Nickell, 2004; Hasluck and Green, 2005). There is a recognition that worklessness occurs even in *times of high overall employment*, giving weight to supply-side explanations (Richie et al 2005). There is a growing emphasis on neighbourhoods with high levels of worklessness (Sanderson, 2006; CLG, 2007; Dewson et al 2007), largely out of concern that a “*culture of worklessness*” can develop when particular neighbourhoods have high levels of worklessness (Richie et al 2005; Sanderson 2006; Dewson et al 2007).

There are three key ways in which the causes of worklessness can be understood:

- **Demand-side factors** emphasis the lack of availability of jobs for residents in deprived areas
- **Supply-side factors** emphasise the barriers to employment that individuals or households may experience
- **Institutional factors** focus on the structural difficulties people experience in entering the workforce, or that employers experience in finding labour – they include the benefits system, lack of transport or childcare provision.

It is widely recognised that the workless population is diverse and the balance between these factors and potential solutions will vary from case to case (Meadows, 2006).

### ***Demand-side factors: availability of jobs for residents of deprived neighbourhoods***

The 2006 review explores the question of whether there is an overall lack of jobs in areas of high unemployment, or whether there is some kind of ‘spatial mismatch’ between the jobs available and the potential workforce. It concludes that the evidence is ‘inconclusive’, but also that there is “little evidence to support the case for targeting job creation specifically at (deprived neighbourhoods) firstly because of the difficulties attracting businesses to deprived areas and , secondly, problem of ‘leakage’ effects due to migration and commuting” (ibid:5).

More recent work has concluded similarly that job-creation “generally represents exceptionally poor value for money” (Meadows, 2006), as it does little to increase the chances that participants will get further employment afterwards or to increase the overall number of jobs in the economy.

Intermediate labour market interventions get a more favourable review (Meadows, 2006). These are a form of job creation, but targeted on individuals in need of intensive support in the workplace and can help participants who would otherwise be unlikely to find or maintain a job to do so.

Sanderson concluded that it is more widely acknowledged that more attention needs to be paid to demand-side factors as a potential problem for jobseekers' efforts to find work. In particular there is a wealth of research suggesting that the jobs available to those in poor neighbourhoods are often low paid, temporary and insecure, making them unattractive to (male) jobseekers (Adams, et al., 2000; Manning, 2000; Hillage and Pollard 1998).

The review also concludes that there is "evidence that employers' recruitment practices have an important effect in reducing the chances of certain groups obtaining work" (ibid: 5). The use of informal networks for recruiting people would seem likely to disadvantage those from deprived areas, and there is also some evidence that employers are adverse to recruiting from certain neighbourhoods or taking people on who are dependent on unreliable public transport services.

In addition, there is a reluctance to recruit individuals who have been long-term unemployed, certain ethnic minorities, those with mental health problems, language difficulties and criminal records. Other recent research has drawn attention to the importance of macro-economic factors in determining the availability of jobs, and in particular, manufacturing jobs. The lack of suitable or well-paid jobs is a factor that continues to emerge as limiting the prospects of finding work for many residents in deprived areas (CLG 2007; Dewson et al 2007).

### ***Supply-side factors: barriers to employment – individual and household factors***

Despite the focus on deprived neighbourhoods, the 2006 review acknowledges that there is a "weight of available evidence" suggesting that the main explanation for unemployment and worklessness lies in individual and household factors, rather than direct area effects. Individuals and households with certain characteristics tend to concentrate in certain areas.

The factors identified as having a major impact include household structure (especially lone parenthood), qualifications and skills, health and impairment, age and ethnicity. The review also highlights growing evidence that lack of access to a car or similar form of transport can be a barrier to employment, especially for young people and for women.

More recent research has continued to highlight the importance of individual and household factors in preventing access to the labour market (Nickell 2004; Richie et al 2005; ERS 2005; Meadows 2006; Dewson et al 2007) and has highlighted the extent of multiple disadvantage faced by some workless people (Dorsett 2008; Fletcher et al 2008a). Nickel (2004) draws attention to the relatively long "tail" in the skills distribution and large numbers of very low skilled adults, whilst Meadows (2006) highlights the importance of training and intensive support for those furthest removed from the workforce.

Lack of motivation and a "culture of worklessness" have also been identified as a perceived cause of worklessness among both the public and policy-makers (Richie et al 2005; Dewson et al 2007). There are concerns that the informal economy may pull people away from formal work or that low expectations of work may damage prospects. A study into life satisfaction found that worklessness had less of an impact

on life satisfaction when people lived in a region with high unemployment or had family members who were unemployed (Donavan and Halpern 2002). This suggests that the incentive to get work may be less for these people.

Recent research directly with workless people, however, has failed to find much substance behind the notion of a “culture of worklessness” and refuted the notion of a peer-enforced opposition to work, instead highlighting the importance of caring responsibilities and other personal difficulties as affecting people’s desire to find work (Richie et al 2005; Fletcher et al 2008b).

### ***Institutional barriers to employment***

The 2006 review identifies several distinct institutional factors that serve to create or perpetuate high levels of worklessness in deprived neighbourhoods:

- The **housing market** is recognised as a factor creating spatial patterns of disadvantage. Better-off people with choice about where to live choose not to live in deprived neighbourhoods. Access to good schools, open space and a better social mix draw them away. This ‘sorting process’ (Cheshire et al., 2003) concentrates the poorest in the least popular neighbourhoods, and can mean that even if the unemployed residents of a deprived area are successful in finding a job, they may then choose to move out, to be replaced by another poor (workless) household with less choice about where to live. The focus of much of the research on this process has been within the social housing sector (Fletcher et al 2008a), though it has been found to operate within both private and social housing sectors. Recent research has drawn attention to the interaction between residential sorting and the development of cultures of worklessness when workless individuals may remain in the area they grew up in, whilst those who find work leave (Richie et al 2005).
- The **benefits system** is also recognised as constraining the willingness of some claimants to enter the workforce. Concerns about losing housing benefit in particular have been shown to cause reluctance to start work (Smith 2000). It is the perceived risks of employment relative to the security of benefits that are believed to be the main focus of the problem (Adams 2002). The tax credit system has been developed further in recent years and has been recognised as helping to make work pay by improving in-work benefits and providing a cushion to cover emergencies or fluctuations in income (Meadows 2006). Rent increases have however effectively increased the value of housing benefit, lessening the economic incentive to work (Nickell 2004). Concerns that the complexities of the benefits and tax credits system may deter people from entering the workforce remain (Fletcher et al 2008a). There has also been work more recently that has sought to understand more about the impact of the Minimum Wage on local employment projects (see Dolton 2009).
- The availability of **childcare** is also highlighted as an issue, having been recently picked up upon by Government as a priority. The lack of good quality, convenient, reliable, affordable childcare is cited by large numbers of mothers, and by lone parents in particular, as a major barrier to work (Woodland et al. 2002). There were concerns that there may be particular difficulties in setting up childcare facilities in deprived neighbourhoods. The Government has responded to some of these concerns in the last few years, the tax credits system has

increased its contribution to childcare costs and now pays 80 per cent of costs to eligible households. The Government has also done more to increase the supply of childcare by requiring all schools to provide access to out of hours childcare for under 14s by 2010. Recent research has however questioned the assumption that parents will always make choices about work and childcare on financial benefits alone and has pointed out that many mothers especially may instead be motivated by their desire to be a good parent by staying at home to care for their children, rather than to improve their finances by working (Fletcher et al 2008b; Richie et al 2005).

- The availability of **transport** is also identified as a barrier. Young people and women in particular tend to be without their own transport and reliant on public transport which can often be inadequate. The recent evaluation of the Working Neighbourhoods pilot also identified difficulties in accessing jobs in peripheral industrial estates that were difficult to reach by public transport (Dewson et al 2007).
- The 2006 review also considers access to **information and social networks** as a factor contributing to worklessness. A lack of 'bridging social capital' is sometimes identified as a factor inhibiting people from finding work, whilst 'bonding social capital' may have a negative impact in the form of destructive peer influences on attitudes.
- The 2006 review acknowledges that there is mixed evidence on the nature and extent of **neighbourhood effects**. Some evidence suggests that what may appear to be neighbourhood effects may in fact be unmeasured individual factors. It does mention the problem of postcode discrimination, a point picked up by the recent evaluation of the Working Neighbourhoods pilot (Dewson et al 2007). More recent research has however questioned whether the lives of existing residents would be improved by increasing social mix in deprived disadvantaged areas as worklessness appears to be much more affected by individual factors than by anything intrinsic about where people live (Fletcher et al 2008a).

## Policies and programmes to address worklessness; the effectiveness of active labour market policies

The 2006 review draws upon work by Robinson (2000) to classify four types of active labour market policies in the UK:

- Measures to reduce mismatch and enhance job search
- Measures to raise skill levels of jobseekers
- Measures to subsidise employment opportunities for target groups
- Measures to promote job-retention and progression.

The review details the main programmes in operation firstly at the national level and then the local level.



## National labour market policies and programmes

The main types of national programme have been:

- **Training Programmes** – There have been many different training programmes over the last twenty years. Evidence overall concludes that they have had some overall success, with positive evaluations in particular from training programmes linked to employer placements and work experience. However, the programmes have been least effective at meeting the needs of those who face the most disadvantage in the labour market, which may include many of those in the most deprived neighbourhoods. A more recent review of what works (Meadows 2006) concluded however that training, especially when combined with work experience and involvement from employers, could be successful with those with the least skills and that the benefits arose over quite long timescales (six to ten years). The importance of engaging employers in training schemes is something that has been increasingly recognised in recent years (ERS 2005; Leeds Metropolitan, 2007). It has also been identified as an area where Jobcentre Plus staff may be lacking in skills and failing to engage employers (Hasluck and Green 2007).
- **Jobcentre Plus** – Jobseeker's Allowance took over from Unemployment Benefit in 1996. An evaluation concluded that it had reduced the number of long-term claimants, but mainly because they transferred onto other benefits. It increased job search behaviour but without having an overall impact on movements into work. In 2001 the Employment service introduced changes to make better use of new technologies in assisting jobseekers. The impact of these changes was found to be greatest for those in more advantaged positions in the labour market with older men the least likely to benefit.
- **New Deal** – There are various 'brands' of the New Deal initiatives, targeting different client groups. Concerns were expressed that this supply side emphasis would be unsuccessful given the geography of where jobs were available (Turok and Webster 1998). An evaluation gave credence to these concerns when it found that the impact of New Deal was greatest in economically buoyant areas and weakest in the north of the country (Martin et al. 2003). Research also found that those least likely to benefit were again those most disadvantaged in the labour market, including people with lower educational levels, long-term unemployment, poor health, disabilities, alcohol or drug dependency, criminal records, homelessness or people from ethnic minority groups.
- **Employment Zones** – These were area-based initiatives first introduced in 1998 in localities with high levels of unemployment among over 25s. They assign personal advisors to jobseekers, helping them achieve sustained employment. Evaluation was broadly positive, though again, the evidence suggests that the schemes were most effective at helping those least disadvantaged in the labour market (Hales et al 2003).
- **Action Teams for Jobs** – This initiative was launched in 2000 initially in 37 Local Authorities (more were added later). It targeted groups disadvantaged in the labour market. It again offered a client-focussed approach with outreach efforts made to engage those normally out of contact with services. Evaluation again found that certain groups were particularly hard to engage including

certain ethnic groups, long-term claimants, non-JSA claimants, those with poor health and disabilities, asylum seekers and refugees.

The overall conclusion of the 2006 Sanderson review is that there is “*very little evidence specifically on the effect of national programmes on deprived neighbourhoods, but rather more on the effect on disadvantaged or ‘hard-to-help groups’*” (Sanderson 2006:63). More recent research has focused on some of these groups (people with disabilities, lone parents, ethnic minorities, over 50s and people lacking qualifications) recognising that these groups can have different needs, but all benefit from a personal approach that can be tailored to individual (rather than group) needs (Hasluck and Green 2007; Leeds Metropolitan 2007; Dorsett 2008).

One major policy development in recent years is the roll out of the Pathways to Work (Dorsett 2008). This was first introduced as a pilot in 2002, but then extended nationwide by 2008. It offered both incentives and threats of sanctions to claimants of Incapacity Benefit. Participants are compelled to attend interviews where they are offered assistance with jobsearch. There are also financial rewards offered to those who enter work. One distinctive aspect of Pathways was that it had dual objectives, both to reduce worklessness and also to benefit participants’ health.

The evaluation found the scheme to be successful in encouraging employment, and that it may also have had some benefits to health. There has also been increasing interest from Government in recent years in ensuring that those in work are better off financially than they would be on benefits. This has included expansions to the tax credit system to include 80 per cent of childcare costs and allowing people moving into work or increasing their hours a more generous cushion before they start losing benefits.

### Local action to address worklessness

The 2006 review concluded that “evidence on the effectiveness of local action is less robust but indicates concerns about additionality and deadweight, substitution and leakage effects”. The review draws some brief conclusions from the available evidence:

- **City Challenge** – This programme ran during the mid–1990s and provided funding to LAs that bid successfully to run programmes promoting investment to improve social, economic and environmental conditions. Programmes to address worklessness were an important part of the programme. An evaluation of the scheme was broadly positive, though there remained concerns about the viability of such schemes in areas of low demand for labour.
- **Single Regeneration Budget (SRB)** – This was a major Government funding stream which ran during the late 1990s and early 2000s. An evaluation found SRB to be effective and responsive to local needs (CLG 2007). Fourteen per cent of expenditure was devoted to training and employment schemes, though there were concerns of ‘leakage’ effects when jobs were taken by in-commuters, or beneficiaries of schemes then left the deprived areas. Overall there was a small but significant impact found on worklessness in the SRB areas.
- **European Social Fund Objective 3** – This is aimed at combating long-term unemployment and integrating excluded groups into the labour market. A



variety of local projects obtain the funding. An evaluation found that the holistic approach integrating packages of support worked well, though again there were more difficulties in helping the most disadvantaged groups to gain work (Alan et al 1999).

- **Intermediate labour market initiatives** – These schemes target the long-term unemployed with a package of temporary contracts, a wage, training, personal development and benefits advice. The 2006 review concluded that there is increasing evidence that this model can successfully address long-term unemployment. Other research has formed similar conclusions (ERS 2005).

### More recent evidence

The major recent funding of local initiatives has come from the **Working Neighbourhoods Pilot** (Dewson et al 2007; DWP 2008). The Working Neighbourhoods pilot was established in April 2004 in twelve pilot sites to test new approaches to intensive support towards people without work. The approaches taken were essentially local as the local delivery organisations could determine what measures to take. A variety of delivery models were developed but a key feature was assigning a personal advisor to job-seekers. The evaluation found considerable variation in the types of activities funded by the Community Discretionary Fund covering provision of infrastructure, projects to build social capital and support to jobseekers (advice or training).

Within the Working Neighbourhoods Pilot, retention payments were also offered to reward financially those moving from benefits into work and sustaining their job. These were viewed as having helped overcome concerns about paying off debts or purchasing clothes or tools for work (Dewson et al 2007). IB and IS claimants were found to be less likely than JSA claimants to move into work but more likely, once they have done so, to sustain it, suggesting that the additional barriers these groups may have in entering work (such as childcare needs or health problems), once overcome do not generally present on-going problems in sustaining employment. Overall the pilot was identified to have an impact – as rates of entry to the labour market were around 13 per cent higher than in comparison areas. Positive features of the approach were identified as the flexibility and range of provision, as well as the quality of staff and engagement of local players.

The **Local Enterprise Growth Initiative** (LEGI) was announced by the Government in 2005. It aims to “release the economic and productivity potential of the most deprived local areas across the country through enterprise and investment” (CLG 2008b). £280m was allocated to 20 areas, all past or current recipients of Neighbourhood Renewal Funding. A baseline Report was published in April 2008 (ibid) which concluded that the areas in receipt of funding lagged behind in terms of higher value businesses, and that the areas were taking a variety of approaches to addressing the problem.

Another recent initiative is the **City Strategy Pathfinders**, introduced in 2006 with the aim of tackling worklessness in the most disadvantaged communities across the UK with a focus on major cities and other urban areas. The evaluation is still on-going though early findings suggest that setting up effective partnership working remain an important challenge (Hasluck et al 2008).

There are also programmes with a wider regeneration objective, but which include a substantial emphasis on addressing worklessness. The **New Deal for Communities** (NDC) is the government's major programme of funding neighbourhood renewal over the early part of this decade. The NDC programmes are currently coming to an end and an evaluation has been carried out (CLG 2008c). This evaluation, whilst finding some evidence of success overall in the NDC, found that worklessness was one of the objectives that the NDC areas made slower improvement on.

There has been a growing recognition of the need to **tailor support to the needs of the individual** and develop a "customer journey". Recent reviews have concluded that what works varies between "groups" (such as disabled people, lone parents, etc) but also cautioned against assuming homogeneity within groups as customers needs could vary and household changes may mean that they moved between groups, or belonged to more than one (Hasluck and Green 2007; Leeds Metropolitan 2007). The role of personal advisors is generally seen as essential in delivering the personally tailored and flexible response needed (Hasluck and Green 2007; Dorsett 2008).

There has also been an increasing focus on **Housing Associations** in delivering programmes to combat worklessness in recent years. This is in recognition to the recent concerns about high levels of worklessness among social tenants (Hills 2007; Fletcher et al 2008). It also recognises the potential of social landlords to engage hard-to-reach client groups and to tie in employment and housing support. The Trailblazers schemes aim to pilot ways of integrating housing and employment advice (CLG 2008d).

There is also an on-going question raised as to whether locally-based initiatives are the most effective way of tackling worklessness. It is known that large numbers of workless people do not live in areas of overall high worklessness and there remain concerns that they may fail to benefit from a neighbourhood-based approach (CLG 2008e; Hasluck et al 2008).

## Delivery mechanisms

A recent review of what works for whom concluded that "there is little robust evidence that the nature of the provider of services, be it a Jobcentre Plus, a private sector provider or some other organisation, has a systematic impact upon effectiveness" (Hasluck and Green 2007:3). The quality, motivation, enthusiasm and commitment of staff were found to be much more important. Other reviews of the evidence have found similarly that whether the intervention is delivered by a private, voluntary or public sector is not of great importance (ERS 2005).

What has been found to have an impact is the level of partnership working. Some organisations have been found to adapt more readily than others to the new cultures involved in working with other organisations. Generally, organisations with a history of working with others have found that they and their staff are most able to adapt (Dewson et al 2007; Hasluck and Green 2007). The level of autonomy is also crucial in ensuring that programmes can be tailored to local and individual needs (ERS 2005).

## Conclusions on worklessness policy

Recent studies have all drawn similar conclusions on what we know about how to tackle worklessness. Overall, studies conclude that:

- Most programmes to address worklessness focus on supply-side factors. There is general support for this approach, though concerns with some programmes that the root causes may be demand-side and therefore not addressed (Sanderson 2006).
- Most programmes have most success with those who are closest to the labour market. It is considerably harder to help those with multiple difficulties and problems (Sanderson 2006; Fletcher et al 2008b).
- Services work best when tailored to individual needs, rather than the needs of generic groups (Sanderson 2006; Hasluck and Green 2007; Leeds Metropolitan 2007).
- Engaging employers is critical to success (ERS 2005; Sanderson 2006; Hasluck and Green 2007; Leeds Metropolitan 2007).
- There is little evidence to support the use of direct job-creation schemes to target area-based problems (Meadows 2006; Sanderson, 2006). Though there is more evidence to support intermediate labour markets targeted and individuals who need support to sustain work (Meadows 2006; Sanderson 2006).
- The impact of delivery mechanisms has not been shown to have a substantial impact. The type of programme and quality of staff are much more important (ERS 2005; Hasluck and Green 2007), as is good partnership working (ERS 2005; Sanderson 2006; Dewson et al 2007; Hasluck and Green 2007).
- There has been a substantial focus on what works in tackling worklessness (ERS 2005; Meadows 2006; Sanderson 2006; Hasluck and Green, 2007, Leeds Metropolitan 2007). Much less is known about the ways in which the majority of jobseekers leave benefits without involvement in major government programmes (Hasluck and Green 2007).
- Most of what we know about works in addressing worklessness is based on research carried out at a time of a strong and favourable labour market. It has been pointed out that we can be less sure what will work at a time of less favourable conditions or rising unemployment (Hasluck and Green, 2007).

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# Annex B: Characteristics of WNF areas

The table below provides a breakdown of the characteristics of the 65 WNF areas, the 52 WNF areas that responded to the online survey and the 20 WNF areas selected for follow-up (depth) research.

Category	65 WNF areas		52 WNF areas responding to the online survey		20 WNF areas selected for follow-up/depth interviews	
	No.	%	No.	%	No.	%
<b>Regional breakdown</b>						
East	1	1.5	1	1.9	1	5.0
East Midlands	4	6.2	4	7.7	1	5.0
London	12	18.5	8	15.4	3	15.0
North East	14	21.5	13	25.0	4	20.0
North West	21	32.3	15	28.8	6	30.0
South East	2	3.1	2	3.8	1	5.0
West Midlands	5	7.7	4	7.7	2	10.0
Yorkshire/Humber	6	9.2	5	9.6	2	10.0
<b>Breakdown by ONS local authority type</b>						
Cities & Services	22	33.8	16	30.8	7	35.0
Coast & Country	3	4.6	3	5.8	2	10.0
London Centre	2	3.1	1	1.9	0	0.0
London Cosmo	6	9.2	6	11.5	2	10.0
London Suburbs	3	4.6	1	1.9	0	0.0
Mining & Manufacturing	29	44.6	25	48.1	9	45.0
<b>Breakdown by local authority category</b>						
Two-tier	17	26.2	15	28.8	6	30.0
Unitary authority	48	73.8	37	71.2	14	70.0
<b>DEFRA local authority classifications</b>						
Large Urban	11	16.9	10	19.2	2	10.0
Major Urban	32	49.2	23	44.2	9	45.0
Other Urban	11	16.9	9	17.3	3	15.0
Rural 50	4	6.2	4	7.7	2	10.0
Rural 80	3	4.6	3	5.8	1	5.0
Significant Rural	4	6.2	3	5.8	3	15.0

*continued*



Category	65 WNF areas		52 WNF areas responding to the online survey		20 WNF areas selected for follow-up/depth interviews	
	No.	%	No.	%	No.	%
<b>Demography – Total population</b>						
Under 100,000	15	23.1	13	25.0	6	30.0
100,000–149,999	8	12.3	8	15.4	2	10.0
150,000–199,999	8	12.3	5	9.6	2	10.0
200,000–249,999	13	20	8	15.4	3	15.0
250,000–349,999	14	21.5	12	23.1	3	15.0
350,000–499,999	5	7.7	4	7.7	3	15.0
Over 500,000	2	3.1	2	3.8	1	5.0
<b>Demography – Working age population</b>						
Under 50,000	5	7.7	4	7.7	3	15.0
50,000–99,999	21	32.3	19	36.5	5	25.0
100,000–149,999	16	24.6	9	17.3	4	20.0
150,000–199,999	18	27.7	16	30.8	5	25.0
200,000–499,999	4	6.2	3	5.8	2	10.0
Over 500,000	1	1.5	1	1.9	1	5.0
<b>Demography – Black population (% in total population)</b>						
over 30%	0	0	0	0.0	0	0.0
20–29%	5	7.7	5	9.6	1	5.0
10–19%	5	7.7	2	3.8	2	10.0
5–10%	4	6.2	2	3.8	2	10.0
1–4%	17	26.2	15	28.8	5	25.0
under 1%	34	52.3	28	53.8	10	50.0
<b>Demography – Asian population (% in total population)</b>						
over 30%	2	3.1	2	0.0	0	0.0
20–29%	4	6.2	4	7.7	2	10.0
10–19%	9	13.8	7	13.5	3	15.0
5–10%	16	24.6	10	19.2	3	15.0
1–4%	19	29.2	17	32.7	7	35.0
under 1%	15	23.1	12	23.1	5	25.0
<b>WNF allocation per head of total population</b>						
Under £50	10	15.4	7	13.5	3	15.0
£50–79.9	14	21.5	13	25.0	2	10.0
£80–£99.9	17	26.2	15	28.8	7	35.0
£100–£119.9	9	13.8	5	9.6	2	10.0
£120–£149.9	5	7.7	4	7.7	2	10.0
£150–£199.9	7	10.8	6	11.5	2	10.0
Over £200	3	4.6	2	3.8	2	10.0

*continued*



Category	65 WNF areas		52 WNF areas responding to the online survey		20 WNF areas selected for follow-up/depth interviews	
	No.	%	No.	%	No.	%
<b>WNF allocation per head of working age population</b>						
Under £50	4	6.2	2	3.8	1	5.0
£50–£79.9	5	7.7	5	9.6	2	10.0
£80–£99.9	3	4.6	2	3.8	0	0.0
£100–£119.9	6	9.2	5	9.6	1	5.0
£120–£149.9	16	24.6	15	28.8	4	20.0
£150–£199.9	17	26.2	12	23.1	6	30.0
Over £200	14	21.5	11	21.2	6	30.0
<b>2007 Benefit Rate</b>						
up to 15%	17	26.2	16	30.8	3	15.0
15–15.9%	12	18.5	9	17.3	3	15.0
16–16.9%	12	18.5	9	17.3	5	25.0
17–17.9%	14	21.5	11	21.2	5	25.0
18–18.9%	3	4.6	1	1.9	1	5.0
19–19.9%	4	6.2	4	7.7	1	5.0
20% and over	3	4.6	2	3.8	2	10.0
<b>2007 Employment Rate</b>						
under 60%	2	3.1	2	3.8	0	0.0
60–64.9%	7	10.8	5	9.6	3	15.0
65–67.9%	20	30.8	14	26.9	10	50.0
68–69.9%	11	16.9	8	15.4	1	5.0
70–72.9%	17	26.2	15	28.8	5	25.0
73–74.9%	7	10.8	7	13.5	1	5.0
over 75%	1	1.5	1	1.9	0	0.0
<b>2006 Job density figures (No. of jobs per resident of working age)</b>						
up to 0.6	10	15.4	9	17.3	3	15.0
0.6–0.69	14	21.5	9	17.3	4	20.0
0.7–0.79	13	20	11	21.2	4	20.0
0.8–0.89	13	20	12	23.1	3	15.0
0.9–0.99	8	12.3	7	13.5	4	20.0
over 1	7	10.8	4	7.7	2	10.0
<b>Trend in job growth 1998–2007</b>						
negative growth	9	13.8	8	15.4	2	10.0
0.1–0.49%	8	12.3	5	9.6	2	10.0
0.5–0.99%	9	13.8	5	9.6	4	20.0
1–1.49%	17	26.2	13	25.0	1	5.0
1.5–1.99%	9	13.8	9	17.3	6	30.0
2–2.49%	6	9.2	5	9.6	2	10.0
2.5–2.99%	2	3.1	2	3.8	0	0.0
over 3%	5	7.7	5	9.6	3	15.0

*continued*

Category	65 WNF areas		52 WNF areas responding to the online survey		20 WNF areas selected for follow-up/depth interviews	
	No.	%	No.	%	No.	%
<b>2001 Out-commuters % of residents employed out of district</b>						
under 20%	5	7.7	4	7.7	2	10.0
20–29.9%	13	20	12	23.1	7	35.0
30–39.9%	15	23.1	12	23.1	4	20.0
40–49.9%	14	21.5	12	23.1	2	10.0
50–59.9%	5	7.7	3	5.8	2	10.0
60–69.9	11	16.9	7	13.5	2	10.0
Over 70%	2	3.1	2	3.8	1	5.0
<b>Performance Indicator groupings included in reward baskets<sup>11</sup></b>						
Spatial concentration of worklessness	43	66.2	35	67.3	13	65.0
Skills/qualifications/supply	44	67.7	35	67.3	13	65.0
Work barriers	49	75.4	39	75.0	16	80.0
Enterprise	8	12.3	7	13.5	1	5.0
Poverty	33	50.8	25	48.1	11	55.0
Quality of life/access	3	4.6	3	5.8	0	0.0
<b>Policy Overlay: No. of policy interventions/involvement taken up by WNF areas</b>						
One	3	4.6	3	5.8	2	10.0
Two	3	4.6	2	3.8	0	0.0
Three	15	23.1	11	21.2	4	20.0
Four	12	18.5	11	21.2	5	25.0
Five	13	20	11	21.2	2	10.0
Six	12	18.5	9	17.3	2	10.0
Seven	4	6.2	2	3.8	3	15.0
Eight	1	1.5	1	1.9	1	5.0
Nine	2	3.1	2	3.8	1	5.0

*continued*

<sup>11</sup> Groupings comprised the following Performance Indicators: Spatial concentration of worklessness – 151, 153; Skills/qualifications supply – 79, 90, 161, 162, 163, 164; Work barriers – 117, 118, 144, 146; Enterprise – 171; Poverty – 116, 152, 173; Quality of life/accessibility – 141, 176.

Category	65 WNF areas		52 WNF areas responding to the online survey		20 WNF areas selected for follow-up/depth interviews	
	No.	%	No.	%	No.	%
<b>WNF area involvement with each policy initiative</b>						
Tackling Workless Review pilot	11	16.9	9	17.3	2	10.0
Multi Area Agreement	30	46.2	23	44.2	8	40.0
Employment Zones	11	16.9	11	21.2	5	25.0
Local Enterprise Growth Initiative	23	35.4	21	40.4	8	40.0
Working Neighbourhood Pilot	8	12.3	5	9.6	3	15.0
City Strategy	24	36.9	18	34.6	7	35.0
Neighbourhood Renewal Fund	61	93.8	48	92.3	18	90.0
New Deal for Communities	27	41.5	21	40.4	10	50.0
Housing Market Renewal	20	30.8	13	25.0	9	45.0
Neighbourhood Management Pathfinder	13	20	11	21.2	4	20.0
Single Regeneration Budget	65	100	52	100.0	20	100.0

# Annex C: Top-line analysis of secondary/administrative data

## Introduction

This section specifies and then presents a top-line analysis of conditions in WNF areas. It begins with a brief summary of the work done in the inception stage to specify an appropriate data package for this part of the study brief. It then goes on to present the top-line data for key indicators. This descriptive annex aims to complement the more analytical approach to understanding the worklessness problem which features in Section 2 of the main Report.

## Indicator specification

The specification of the secondary/administrative data package involved the identification of a long list of potential indicators and agreement with the CLG/DWP client group on the short list of indicators and final data package.

The criteria by which candidate indicators were assessed for their potential relevance for inclusion in the Objective 1 data package included their relevance, timeliness, frequency, consistency over areas and consistency over time.

A range of indicators at the local authority level were reviewed, covering the economic, demographic and labour market conditions that are relevant to an understanding of trends in worklessness.

The indicators cover worklessness, the state of the labour market, skills and education and entrepreneurial activity. Contextual indicators were also identified that characterise the local area and inform an understanding of the social context and the longer term or structural factors that contribute to worklessness (for example, a historical reliance on one of the dominant, traditional industries that have shed jobs rapidly in the past two to three decades).

In developing the list of indicators, consideration was given to the most appropriate spatial level of analysis and this in turn has been informed by the desirability of gathering time series data. Analysis was undertaken both of local authority indicators as well as selected indicators that draw on information for the neighbourhoods in which worklessness is concentrated.

The focus of the WNF is on neighbourhoods with particular concentrations of worklessness, and benefits-based indicators are available to provide the basis for a summary indicator for the worst-affected neighbourhoods in each local authority. Data at the level of the local authority as a whole has also been felt to be relevant, because the WNF allocates funding to local authorities and because economic

developments at the local authority level provide an important context for initiatives to tackle worklessness at the local level.

There are two further reasons for providing most of the data at local authority level. The first is that a broader range of indicators over a longer time period is available at this level. Second, the availability and/or usefulness of some important data sources are limited below local authority level because of survey sample size constraints.

Figure C1 below presents the indicators that it was agreed with CLG and DWP would form the data package to meet Objective 1 of the study brief. Charts provided after Figure C1 illustrate the extent of geographical variation that exists for some of the key indicators.

**Figure C1: Proposed indicators to be reported for WNF local authorities**

Indicator	Units	Time period
<b>Worklessness</b>		
Working-age people claiming out-of-work benefits in the LA's worst performing neighbourhoods (LSOAs)	% of working age population	latest quarter
	Pp	change over past year
Working-age population claiming out-of-work-benefits in the LA	% of working age population	latest quarter
	Pp	change over past year
Percentage of LSOAs in the most deprived national decile on the Employment Domain of the IMD 2007	% of LSOAs in the LA	2007
Equally weighted measure of key benefit claim rate (Jobseeker's Allowance, Income Support, Incapacity Benefit and Lone Parents) and employment rate	weighted rate, % of working age population	latest quarter
	Pp	change over past year
Jobseeker's Allowance, Incapacity Benefit, and Income Support Lone Parents 'statistical groups' in DWP Benefit Claimants Working Age Client Group database	% of working age population for each group (type of claimant) separately	latest quarter
	Pp	change over past year
Jobseeker's Allowance claimants by ethnic group	% of working age population for each group	latest quarter
Unemployment rate	% of all economically active	latest quarter
	Pp	change over past year
Employment rate	% of working age population	latest quarter
	Pp	change over past year
Workless households	% of all households	latest year
Proportion of 16–18 year-olds NEET	5 of all 16–18 year-olds	latest year

*continued*

**Figure C1: Proposed indicators to be reported for WNF local authorities**

Indicator	Units	Time period
<b>State of labour market</b>		
Unfilled vacancies	% of working age population	latest month
	Pp	change over past year
Employee jobs at workplaces	% pa	change over latest year
	% pa	change over past 10 years
Workplace workers	% pa	change over latest year
	% pa	change over past 4 years
Average earnings at workplaces	£ per week	latest year
<b>Skills and education</b>		
Resident workers in the lowest 3 SOC occupations	% of all workers	latest year
Proportion of working-age population qualified to level 2 or higher	% of all aged 19-retirement age	latest year
Proportion of working-age population with no qualifications	% of working-age population	latest year
Average earnings of residents	£ per week	latest year
<b>Entrepreneurial activity</b>		
VAT registrations	per 10,000 adults	latest year
	% pa	change over past year
	% pa	change over past 10 years
Three-year survival rate of VAT registered firms	% of firms registered in initial year	latest year
Self-employment	% of working-age population	latest year
<b>Demographic, social and economic context</b>		
Population	'000	latest year
	% pa	change over past year
	% pa	change over past 10 years
Population by ethnic group	% of population	latest year
Working-age people with access to employment via public transport (living within reach (via public transport) of a location with more than 500 jobs.	% of working-age population	latest year
The directly age and sex standardised mortality rate per 100,000 population, from all causes at all ages	rate per 100,000 population	latest year

*continued*

**Figure C1: Proposed indicators to be reported for WNF local authorities**

Indicator	Units	Time period
Proportion of the dwelling stock that is unfit	% of dwelling stock	latest year
Violence against the person, notifiable offences recorded by the police, as % of population	% of population	latest year
Burglary in a dwelling, notifiable offences recorded by the police, as % of population	% of population	latest year
Percentage of LSOAs in the most deprived national decile on the IMD 2007	% of all LSOAs in the LA	2007
Jobs in declining industries	% of jobs in the (say) 10 industries that have suffered the largest percentage job losses nationally in the past 10 years	latest year
Jobs in growing industries	% of jobs in the (say) 10 industries that have seen the largest percentage job increases nationally in the past 10 years	latest year

The key data sources used to derive the indicators are ONS NOMIS, DWP benefits claimants dataset, the Annual Population Survey, NEET data is from the Department for Children, Schools and Families, IMD is from Communities and Local Government.

# Annex D: Cluster analysis and group selection

## Overview

As noted in the introduction, the Scoping Study has involved depth research in a sample of 20 WNF areas. The 65 local authority districts that qualify for the Working Neighbourhood Fund are profiled in Annex C above, along with the 52 WNF areas that responded to the online survey and the 20 WNF areas selected for depth research. This section describes the process used to select the 20 areas.

The literature review in Section 2 showed that the causes, incidence and trends in worklessness in England also vary across areas. In some places, for example, there are not enough jobs; in others, jobs may be plentiful, but there are barriers to residents taking up those that are available. These variations are driven by spatial differences and economic history, particularly the reliance of some areas upon industries that have declined or expanded.

It was thus important that the selected case studies were representative of the range of economic contexts in which WNF authorities operate. In order to select a representative sample a number of criteria were used which are set out in the table below:

**Figure D1: Selection criteria employed**

	<b>Data sources</b>
Area classification	Region, local authority administrative structure, ONS typology
Accessibility	DEFRA urban-rural classifications
Demographics	Mid year population, working-age population, ethnicity
WNF allocation	2008/9, 2009/10 and 20010/11 WNF allocation
Labour market characteristics	Employment rate, jobs density, benefit claim rate, jobs rate, out commuting, basket of WNF reward target Performance Indicators
Policy intervention measures	Employment Zones, Local Enterprise Growth Initiative, Working Neighbourhood pilots, Single Regeneration Budget, Neighbourhood Management Pathfinders, New Deal for Communities, Neighbourhood Renewal Fund, London City Strategy Pathfinders, Housing Market Renewal Pathfinders, Multi Area Agreement Partnership, Tackling Worklessness Review case study
Performance	Local Strategic Partnership Performance Management Framework, Comprehensive Performance Assessment
Institutional and delivery arrangements	High level interviews with CLG, DWP and GORs, December 2008



Data exists on most of these selection criteria. The exception is the final one in Figure D1 – institutional and delivery arrangements for WNF – which could not be ascertained without input from Government Offices in particular. The selection process generated a short list of 27 areas, from which the final selection of 20 areas was made, informed by feedback from these interviews.

The selection process was taken forward in two stages. The first was to use cluster analysis techniques to identify groups of WNF areas with common economic features. Having done that, the second stage was to select from within each group to generate a short list with a broadly representative mix of areas in terms of criteria such as regional coverage, local authority and LSP performance and policy overlay.

## Cluster analysis method

The specific cluster technique used was K-means analysis. 5, 6, 8 and 10 cluster solutions were tried; an 8-cluster solution was selected as producing greatest between-group differences and within-group coherence. The solution was tested starting from different starting orders of the cases, as this can influence the final clusters generated. With a stable set of clusters established, the characteristics that most distinguished each group from the whole population were identified, and the cluster groups cross-tabulated against other typologies and classifications.

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