



## Response To The Work And Pensions Select Committee Inquiry Into How Government Will Reach Its Aim To Achieve An Employment Rate Of 80%

### Introduction

The Wise Group is a third sector organisation that has worked to support disadvantaged unemployed people to access opportunities in the labour market since 1983.

The Wise Group has a track record of developing a wide range of successful welfare to work programmes, the best known of which is the Intermediate Labour Market (ILM) model. The ILM helps unemployed and economically inactive people to gain the skills and experience they need to enter the labour market, whilst contributing to the wider regeneration of deprived areas. In providing training and work experience opportunities, an ILM boosts the economic output of a community, assists in the economic regeneration process and encourages community participation and improved skill levels.

Over our twenty-three years of operation, the Wise Group's approach and programmes have developed and evolved in line with the substantial changes in the economy, labour market and amongst the unemployed population. Since 2002, we have delivered part of the government's New Deal programmes and are the main provider of New Deal for Young People and a substantial element of the Employment Zone in Glasgow. Our Workable programme works with New Deal for Disabled People participants across Scotland and the North East of England and has enjoyed particular success in engaging with this client group.

Our operation of these large-scale government contracted programmes is complemented by a plethora of smaller, specialist, client-driven projects. These projects work on an individualised scale, providing the targeted support to disadvantaged client groups that is often required prior to entry to mainstream employment or training programmes. This approach allows us to successfully deliver meaningful job outcomes at scale, whilst maintaining our focus on supporting the individual, ensuring that our services are driven by client need, whilst meeting (and often exceeding), but not being solely driven by, contractual targets.

The Wise Group welcomes the opportunity to inform the Work and Pensions Committee's considerations on the government's aspirations for an 80% employment rate, and hope the Committee finds our comments useful.

## Executive Summary

- The government's aspiration for an 80% employment rate is a laudable one, but **greater focus on the comparative employment rates of disadvantaged groups is required**. In particular the lack of specific numeric aims regarding the employment rates of disabled people or ethnic minorities is a weakness in the government's otherwise comprehensive employment policy.
- We would advocate the production of **clear milestones** towards the achievement of an 80% employment rate, with **incremental targets** that build towards this longer-term aspiration
- We would welcome wider discussion between government and wider stakeholders as to the **economic and demographic assumptions behind the government's 80% aspiration**.
- Jobless people face a number of barriers to labour market entry. Most of our clients face considerable personal barriers to employment and there is a need for government programmes to **allow providers the flexibility to fully address these complex barriers** in assisting individuals towards labour market entry.
- There are also a number of infrastructural **barriers inherent within our benefits, taxation and services systems that make labour market entry difficult for the most disadvantaged groups**. We suggest a number of measures that could be taken in order to tackle some of these and provide greater incentives for jobless individuals to consider labour market entry. There is also a need for clearer communication of the measures available within the existing incentives structure.
- The UK government is in the process of developing a comprehensive suite of programmes and policies aimed at tackling unemployment and worklessness across the UK. There is still work to be done but **credit must be given to the government for the development of programmes that have successfully moved thousands of people into employment**.
- The market place for the provision of employment related services by private and voluntary sector organisations is still relatively new and **further capacity building is needed to ensure a sufficient quantity and quality of providers is in place**.
- Central to the success of any employment services system based on a 'market place' model is a focus on performance. We would welcome a **greater emphasis on performance management with contracts being rewarded or removed on the basis of a performance rating**.
- There is also a need for greater flexibility for providers within the current raft of programmes. An emphasis on **less formulaic programmes with greater attention based on outcomes, and less on prescribed systems and processes** would allow providers to work more innovatively and individually with every client. It would also free up considerable resource for client-focussed activity.

- **City strategies should provide an effective means by which to tackle disparities in the employment rates of specific urban areas**, allowing the development of innovative and comprehensive approaches that simultaneously tackle a range of issues such as worklessness/unemployment, low skills and child poverty.
- There is also a need for a heavily **localised approach in the effective performance management of government programmes** - local labour market conditions, and the relative levels of disadvantage of individuals participating in programmes must be taken into account in judging their efficiency.
- We believe that the **not-for-profit sector is well placed to deliver employment related public services**, as a result of our independence from the state, our focus on beneficiary need over profit and the way in which we effectively and actively engage with the most disadvantaged groups.
- A greater focus on the sustainability of disadvantaged employees in the labour market is absolutely critical if an aspiration of an 80% employment rate is going to be achieved. Too many individuals circulate between low pay/no pay, moving in and out of the insecure end of the labour market, and low pay is a significant contributor to child poverty across the UK. **Positive action is needed to ensure that disadvantaged individuals not only move into and keep a job but are given support and incentives to progress into more secure and higher paid positions.**
- The employment rate of low skilled individuals is in decline and **the high numbers of disadvantaged people with low or no skills must be tackled as a matter of urgency.** This will involve addressing financial, cultural and practical barriers to learning, and providing incentives for both individuals and employers to encourage participation in skills development activity.

## Submission

### Part One - The 80% Aspiration

1. We support the government in its commendable aspiration to achieve an 80% employment rate, and believe that organisations such as the Wise Group can contribute significantly towards the achievement of this goal.
2. Given the comparatively poor employment rates of many disadvantaged groups relative to the UK average, and the fact that in many instances these gaps have failed to significantly narrow, despite the UK's relatively healthy economic performance and tight labour market, there is a clear need to focus attention and resource on these groups. For these purposes the 80% aspiration set by the government, and the headline figures given in the Welfare Reform Green Paper<sup>i</sup> (1 million Incapacity Benefit (IB) claimants, 300,000 lone parents, 1 million older workers) may be too broad to be practically useful in targeting resource at those groups most in need of support. In particular we note the absence of any numerical statement, aspirational or otherwise, with regards to reducing the employment rate gap experienced by ethnic minority populations or people with disability (as distinct from the IB client group).
3. Whilst the UK average employment rate is a healthy one (OECD figures show it to be the best in the G7<sup>ii</sup>) the benefits of employment are not equally distributed across the population. The employment rates experienced by people with a disability (47.4%), lone parents (56.6%), ethnic minority communities (60.6%) and the over 50s (70.9%) stand in contrast to the overall UK rate of 74.4%<sup>iii</sup> and whilst some progress has been made in reducing the relative gaps between the rates experienced by these groups and the overall population, there is still much work to be done.
4. A series of incremental milestones, that clearly indicate the steps that will need to be taken in order to achieve the government's 80% aspiration may provide a more powerful basis for both the delivery of welfare provision and the allocation of resource resulting from the 2007 Comprehensive Spending Review (CSR). We would therefore advocate the setting of shorter term targets focussed specifically at the task of lifting disadvantaged populations and areas up to the average employment rate.
5. The Centre for Social and Economic Inclusion has calculated that the achievement of an 80% employment rate would involve moving 2.9 million people into work and would take (following current trends) 12 years to achieve. This, they state, would involve moving the following numbers into employment:
  - o 700,000 sick and disabled people
  - o 300,000 lone parents
  - o 200,000 women returners
  - o 500,000 ethnic minorities
  - o 200,00 migrants
  - o 800,00 people aged 50+
  - o 100,00 JSA claimants

6. It would be helpful for the government to engage in open dialogue with stakeholders about its own economic, demographic and social assumptions made in devising the aspiration for an 80% employment rate and the headline targets set in the Green Paper. In particular we would welcome greater clarity with regards to the aim to reduce the numbers on IB by 1 million, as the figure prompts a series of questions including:
  - o Does this figure take account of the fact that of the 2.4million people currently classified as being on IB, only 1.4million are actually in receipt of the benefit? Has this been taken into account in terms of the impact or otherwise of conditionality on this group?
  - o What assumptions are being made about flow off IB through retirement or death?
  - o How do the targets for the IB and 50+ populations take into account the demographic parallels between the two groups? Some 47% of the IB group are aged 50 or over<sup>iv</sup>. Are these individuals separate to those targeted by the green paper for the 50+ age group, or are the groups conflated?
  - o It would be interesting to see a full impact analysis of the government's plans for welfare reform. What for example is the cost of doing nothing with the stock of those on IB, who seem currently to be excluded from proactive interventions towards employment?

## Part 2 - Barriers to work

7. The Committee is right to focus on the barriers to work faced by workless and unemployed people, which may make the achievement of an 80% employment rate challenging. There are, we believe, a number of simple and practical changes that can be made to help to remove or alleviate these barriers.
8. The primary barriers facing the jobless<sup>1</sup> are personal and infrastructural. Many of our clients face considerable personal difficulties that must be overcome in order to consider labour market entry. There are also a number of features of the UK's benefits, financial services and taxation system that make the entry process difficult. Many of the issues highlighted below often prevent labour market entry, but also have significant implications for sustainability (see also Part Six, below).

### Personal Barriers

9. Evidence from our own programmes indicates that many jobless individuals face a number of difficult-to-overcome barriers to work, which must be adequately tackled if a position in the labour market is to be achieved and sustained (see also Part Six).
10. A recent analysis of a sample of over 1000 unemployed Wise Group clients found that they faced an average of three significant barriers to work. 82% faced two or more barriers to work, with 15% facing more than 5 barriers

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<sup>1</sup> When using the term 'workless' we refer to those out of work but not officially counted as unemployed (e.g. on JSA). An individual who is out of work can therefore be defined as either workless or unemployed. Where we use the term 'jobless' we conflate these two groups, and refer to all individuals who are out of work, regardless of their benefit status (excluding those groups who would not seek work - e.g. the retired, students etc).

simultaneously. These included; a history of drug or alcohol misuse (16%), ex-offender status (19%) disability (16%), lone parenthood (14%), homelessness (6%), a lack of qualifications (63%) and being a member of a workless household (71%). Facing any one of these barriers can make labour market entry difficult - facing multiple barriers simultaneously presents a real challenge for jobless individuals seeking mainstream employment.

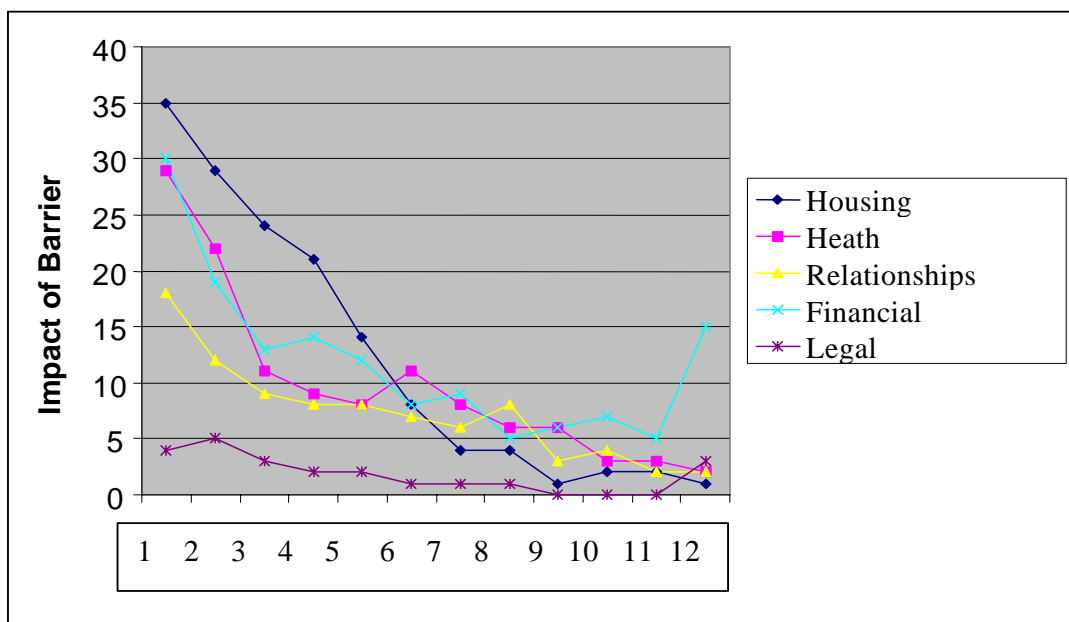
11. It is possible to work with individuals to tackle many of these barriers and the Wise Group does so on a daily basis (for example our Lifecoaching project, targeted at ex-offenders facing an average of 4.5 barriers each, has recently achieved a 63% employment rate). In order to do so however providers must be able to work in a flexible and individualised manner. The rigidity of many programmes, in for example their length, remains a challenge when working with particularly disadvantaged groups (see paragraph 23 below).
12. Contrary to the commonly held perception of the support needs of different jobless groups our research demonstrates that the most disadvantaged individuals coming through our programmes are those on mainstream employment programmes rather than IB or other workless categories. We have found that in many instances our 'mainstream' clients are further away from labour market entry, because of the complex interactions between the various barriers to work that they face. Our IB routed clients tend to face less complex situations (although 41% still face 2 or more barriers to labour market entry). It is therefore vital that the focus on IB, older people & lone parents, whilst welcome and highly justified does not mean that the government takes its eyes off the ball when it comes to the JSA client group.

### **Infrastructural Barriers**

13. Moving from unemployment to employment is a difficult process and this challenge is compounded for many of our clients by infrastructural barriers that work either to prevent them from moving into work in the first place, or result in early exit (many of these barriers also impact on sustainability, as discussed in Part Six).
14. Chart One (below) shows the barriers to employment experienced by clients over a 12-month period on a Wise Group ILM programme. Four of the five barriers show a steady decline over the year (health, housing, relationship issues, legal issues) however a notable exception to this is financial difficulties, which significantly increase again at month 12.
15. There are a number of reasons for this trend including:
  - Increased costs when moving into employment (e.g. requirements for new clothing, equipment, transport etc)
  - These are often compounded by a significant income gap if moving from weekly to monthly payments.
  - Housing and Council tax benefits are removed shortly after an individual moves into work, reducing further disposable income
  - In addition many debts that are not pursued whilst an individual is unemployed are actively pursued once they move into employment, placing even greater financial pressures on the individual.

- There is a paucity of good quality financial services in disadvantaged communities, compounded by a cultural assumption that services such as home insurance are not an option for certain communities. This leads to a reliance on more costly services, such as door step lenders, or on more expensive ways of paying for services - individuals using power cards to pay for their energy needs for example do not receive the discounts that those paying by direct debit are granted. The credit union movement is doing much to try to tackle this situation but cannot, due to FSA rulings, offer the full range of services required to ensure financial inclusion for disadvantaged communities.

Graph One - Impact<sup>2</sup> of Barriers to work over training period (12 months)



16. There are a number of flexibilities and initiatives that could be introduced in order to tackle these difficulties including:
- The introduction of an In-work credit or premium, payable to individuals moving into the labour market. The receipt or level of this credit could be linked to participation in skills related activities, encouraging greater progression within the labour market (see Part Six, sustainability).
  - The extension of Housing and Council Tax Benefit for a longer period post employment
  - Flexibility amongst public sector bodies to extend debt repayment deadlines for those who have recently moved into the labour market and actions to encourage similar flexibilities amongst private sector organisations. Some credit unions have developed schemes to 'buy'

<sup>2</sup> Impact is measured by the number of days spent dealing with these issues by our clients, requiring time away from their training or employment related activity. These figures are aggregated for all participants, rather than detailed on a case-by-case basis.

- the debts of people crippled by immense repayment demands and this approach should be considered.
    - The provision of flexible funds in order to provide immediate and accessible financial assistance to formerly unemployed individuals during a time-limited transitional period.
    - The continued support of the credit union movement
    - The provision of freely available financial advice resource at a national level specifically targeted at people on low to moderate incomes<sup>v</sup>.
17. Existing incentives within the welfare to work system, such as the extended linking rule and the Back to Work credit are excellent ways of ameliorating the perceived and real financial risk involved in moving into work but it is important that the availability of these is also adequately communicated to the target audience in a way that is easily understood. Current documentation about the linking rule for example is incredibly complex and difficult for welfare professionals to translate. Intimidating and officious language can prevent people from putting their trust in a system designed to protect them and simple changes to the tone and approach used in communicating this system could increase the willingness of individuals to take the risk of entering the open labour market.

### Part Three - the Effectiveness of DWP National Programmes

18. The DWP is still in the relatively early stages of developing a suite of programmes targeted at supporting unemployed people into the labour market. These programmes provide national coverage and credit must be given to the government for the development of programmes that have successfully moved thousands of people into employment.
19. The provider mix for these programmes is changing, with a continued role for JCP supplemented by a growing market for private and voluntary sector providers. This market is still in the early days of its development and continued support for its growth is needed.
20. There remain variances in the quality of programmes and providers within the welfare to work market place and it is critical that government focus its attention on performance. Providers of welfare to work must be rated, judged and most importantly challenged on the ground of their performance. However the way in which performance is measured needs to be sophisticated enough to take account of the relative ease of moving certain individuals into employment compared with more disadvantaged groups and of the impact of differing local labour market conditions.
21. Any performance management system must take account of value-added: the starting point of the individual, and the relative health of the labour market in which they are based must be taken into account. The needs and abilities of each individual client will vary greatly - some will require a 'light touch' of support before re-entering the labour market whilst others will require a longer period of training and support. There is a recognised danger that output based funding can drive a move towards 'creaming' - motivating providers to work with those individuals who are relatively easy to move into work, at the expense of those furthest removed from the

labour market, it is important therefore that the government measure and act on the basis of **who** providers are working with, as well as what outcomes they achieve.

22. As a provider of a number of government programmes such as the New Deal for Young People and Employment Zone we would argue that the current raft of programmes are too formulaic and involve a series of prescribed stage points and milestones that result in bureaucratic and expensive processing systems. These remove money from front line services and we believe that there is a real scope for reducing the onerousness of these systems without losing accountability.
23. It is important that providers are given the freedom and flexibility to create innovative packages of support, tailored to the needs of the individuals and economies that they work with. This should include a longer duration of programme if required, to allow sufficient time to work with the individual to properly prepare them for the open labour market. An arbitrary fixed programme length, such as 13 weeks, does not allow for the provision of a fully individualised package of support.

#### **Part Four - Area Based Variations in Employment Rates**

24. As detailed at paragraph 4 (above) we believe that the government should set clear targets for reducing the gaps experienced by those geographical areas with the lowest employment rates when compared with the UK average.
25. When dealing with urban unemployment a city-based approach seems an appropriate one for dealing with the issues surrounding worklessness at a local level. Cities should have a more in-depth understanding of local conditions and be best placed to create local plans in order to tackle the specific conditions that contribute to worklessness in their communities. It is certainly appropriate that a localised approach is taken to the issue of worklessness.
26. City strategies can be used as a means by which to encourage innovation and joined up thinking - to recognise the interrelated nature of benefit dependency and wider disadvantage and to link critical agendas more practically such as worklessness & unemployment, skills and in-work poverty.
27. A number of highly innovative strategies are being developed in the 13 cities granted pilot status by the DWP. Critical to the success of these pilots is the need for them to be recognised as long-term strategies, rather than short term fixes. It is likely that these plans will not deliver substantial results in 2 or 3 years. Rather, if the infrastructural barriers to employment that face many cities are to be tackled, they will need to take 5-10 years in order truly make lasting changes. Cities must take bold moves to tackle barriers and infrastructural weaknesses that can impact on the employment rate.

28. There is a need for national programmes to take a more localised approach in the performance management process advocated at paragraph 20 (above). This system must reflect the conditions in which providers are operating and we would hope for a flexible model that takes account of local circumstances, labour market conditions and the specific characteristics of the client groups worked with, in setting outcome targets.

### Part Five - Private & Voluntary Sector Providers

29. There has been growing debate about the role of private and voluntary sectors in the provision of employment related services. We believe that the market model can, if managed tightly and appropriately, lead to improved provision for jobless individuals. It is our belief that not-for-profit organisations are particularly effective within this market at reaching out to marginalised groups particularly because they are not subject to the distraction of profit margins faced by their for-profit counterparts.<sup>3</sup>
30. As detailed above we believe that there are two interrelated ways in which this market can be managed to ensure better outcomes involving:
- a greater emphasis on performance, with genuine monitoring of who providers are working with, the labour market conditions in which they operate, the quality of jobs achieved and sustainability (beyond 13 weeks), and
  - a reduced emphasis on process in order to allow providers more flexibility in supporting and meeting the specific needs of each individual client.
31. Without this type of active monitoring of performance we believe that there is a danger, particularly with profit-driven providers of welfare services, that conflicts can arise between welfare to work provision and the acquisition of profit, with the susceptibility of the “profit motive” to supersede the needs of beneficiaries. We would therefore suggest that not-for-profit organisations are the most appropriate providers of employability support particularly for disadvantaged jobless individuals.

### Part Six - Sustainability

32. The government’s aspiration for an 80% employment rate cannot be met unless serious action is taken to ensure the sustainability of the position in the labour market of the most vulnerable groups. There are two key issues that we believe impact on the sustainability of jobs for those who have recently moved from unemployment into the labour market:
- The withdrawal of support at a time when many challenges (such as financial difficulties) are just beginning
  - Having low or no skills.

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<sup>3</sup> The Wise Group provided detailed justification for this view point in our submission to the Work & Pensions Committee’s Inquiry into the Pathways to Work programme.

## Support Needs

33. Many of our clients require extensive personal and practical support during their time on our programmes and although this need may reduce during their time on a programme it increases again once they move into employment.
34. The first few months in a new job are challenging for anyone, but are particularly so for those who have not previously held a position in the labour market and who still face a number of personal barriers as discussed in Part 2 (above). Many of our clients are long term unemployed, and some have never had a job, moving into work can therefore be a particularly destabilising and difficult experience.
35. The Wise Group's **Next Steps** project provides two years of post-employment support to clients who have moved from one of our programmes and into the open labour market. This flexible programme provides an individualised service including one to one & group support; drop in, phone, text or email based advice; financial assistance; confidence and aspiration building programmes; career and training advice; support in accessing training and further education; and support in progressing into an improved labour market position.
36. The project is only half way through its pilot stage but has already produced significant improvements in sustainability outcomes compared with national employment programmes. 87% have sustained their labour market position for 13 and 76% for 26 weeks, and of these 87% and 78% respectively are still in the same job. 17% have already improved upon their labour market situation<sup>4</sup>.
37. Importantly this is not a target-driven programme; instead staff are given the freedom to support each client in line with their individual needs. The flexibility this affords project workers has allowed them to produce these considerable results. The project provides us with direct experience of the kinds of support our clients need when struggling to settle into the labour market and we believe that this kind of model could be key to ensuring that people at the insecure end of the labour market are assisted to move into more secure positions.
38. The financial barriers described in paragraphs 14 to 17 have significant implications for labour market sustainability. The Next Steps project has a flexible assistance fund distributed to clients experiencing difficulties during the transitional period, a significant amount of which has been used to deal with the issues detailed above. Some 52% of clients have made use of this fund, indicating a significant need for this kind of support. Money has been given to support a range of costs such as travel passes, bus fares, meal costs, supermarket vouchers and support towards rent.

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<sup>4</sup> An improved labour market position could involve an increased salary, moving into a post with better chances of promotion or development, moving into a post that better suits the individuals lifestyle or family situation or moving from a part to full time post.

## Skills

39. There is an urgent need to respond to the steady decline in jobs for those with low or no qualifications. The employment rate of low skilled people has fallen from 51.7% in 1997 to 49.4% in 2006. It is clear therefore that without action in this area those with low skills moving into the labour market face a highly insecure future. Certainly without a continued emphasis on skills development progression within the labour market is unlikely to be achieved by low skilled individuals: *“Workers will on average change jobs seven times during their working life and the vast majority of today’s workers will need to train or retrain for tomorrow’s skills”*<sup>vi</sup>.
40. In addition the continued predominance of low skills within the UK labour market will have a real impact on national productivity and as will be fully explored in the Leitch Review’s final report at the end of the year, addressing this situation is critical to the continued financial health of the UK.
41. An integrated approach to employability and skills should be promoted with a greater emphasis on skills being placed within employability programmes. A more joined up approach between employability providers and Further Education institutions should be encouraged, playing on the strengths of both sectors. This could involve providing every job seeker with a place on a skills acquisition programme, and maintaining this place once they are in work. Further Education institutions could offer every job entrant a skills passport that entitles them to undertake a qualification specific to their field of employment. These individuals could be supported throughout this period by employment-focussed organisations with skills in tackling the significant barriers faced by many new entrants to the labour market
42. The benefits of continued skills acquisition should be promoted to individuals through incentives such as in-work premiums paid to those engaging in training or skills related activities (see paragraph 16, above). It is important to place as much emphasis on the individual as on employers in promoting skills development. *“The Government needs to address the balance between the employer and the individual, and empower individuals to follow their learning choices.... individuals who make their own learning choices are more successful than those who have less choice”*<sup>vii</sup>.
43. However if on-going skills development is going to be successfully promoted there is a need for consistency in the message that is sent out about the importance of skills in reducing employment gaps and promoting sustainability, particularly for those groups already disadvantaged within the labour market. This message is diluted by decisions such as the exemption of the Learning and Skills Councils from the forthcoming Age Discrimination legislation. This sends a strong message about who skills are for, which needs to be considered.

## Contact

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<sup>i</sup> A New Deal for Welfare: Empowering People to Work (January 2006)

<http://www.dwp.gov.uk/welfarereform/>

<sup>ii</sup> Source - OECD Employment Outlook 2006.

[http://www.oecd.org/document/38/0,2340,en\\_2649\\_201185\\_36261286\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/38/0,2340,en_2649_201185_36261286_1_1_1_1,00.html)

<sup>iii</sup> Source - DWP Resource Centre

<http://www.dwp.gov.uk/ofa/indicators/indicator-19.asp>

<sup>iv</sup> Source – DWP Resource Centre Time Series=FEB06

<sup>v</sup> For further information on the proposal for a national financial advice service see the Resolution Foundation's 'A National Dividend: the Economic Impact of Financial Advice'.

<sup>vi</sup> Gordon Brown, pre-budget speech, December 2005.

<sup>vii</sup> John Adams, Towards Full Employment – Tackling Economic Inactivity. IPPR North, 2005, pp66.