



Centre for  
Public Service  
Partnerships



**Personalisation, innovation**  
and **economic growth** – the  
essentials for tackling long term  
unemployment

A report prepared by the  
Centre for Public Service  
Partnerships in partnership  
with Tomorrow's People

June 2011

**The Centre for Public Service Partnerships and Praxis, the research and innovation unit at Tomorrow's People, are working in partnership to address issues related to long-term unemployment. This report was commissioned by Tomorrow's People under the auspices of this partnership.**



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## Foreword

### John Tizard, Director, Centre for Public Service Partnerships

The Centre for Public Service Partnerships is pleased to have produced this research report for our strategic partner Tomorrow's People.

It is very much in accord with our objectives of promoting effective partnership working across the public sector and between it and the business and third sectors to secure social and economic outcomes. We know Tomorrow's People. I have had the privilege to be associated with it for a number of years and I have seen its innovative and successful projects in action.

Addressing systemic long-term unemployment becomes ever more challenging as the UK economy shows few signs of recovery and sustained growth.

Tackling long-term unemployment has been the objective of successive governments particularly the New Labour Governments of Tony Blair and Gordon Brown; and now of the Conservative-Liberal Democrat Coalition. The policy framework for the Government's ambitious Work Programme has been set and the prime contractors announced.

Interestingly and surprisingly, given the early expectation, the vast majority of these prime contractors are for profit businesses and even their supply chains seemingly will include fewer third sector organisations than was previously forecast. Given the drive for innovation and diversity of provision this is disappointing and may prove short-sighted.

As this report demonstrates, the Work Programme as envisaged and contracted faces many challenges – nobody can place people into sustainable employment if there are insufficient jobs for them, especially at a time of rising unemployment. People who have more recently been in employment are much more likely

to be re-employed than those who have been out of work or who have never experienced it and there is a growing crisis of youth unemployment. There are a substantial number of people whom the Work Programme may be too 'work orientated' – these are people who require structured adjustment to the disciplines of going to work or similar activities at certain times, as well as personal skills training and confidence building.

This is not to argue that they should not be encouraged and where necessary supported to go into long-term employment. Indeed the opposite is true, that some people will need more creative, longer term and personalised services in order to achieve that goal.

Many of the challenges experienced by long-term unemployed people require holistic solutions involving a range of local services such as family support, education, training, health, housing and counselling. This is why traditionally local authorities as community leaders have been able to work in partnership with the wider public sector, businesses and the third sector to co-ordinate local options that meet local needs.

The commercial imperatives for the Work Programme providers could add to the problems and challenges facing the most marginalised groups within

our contemporary society.

The report makes the case for local innovative projects to complement the Work Programme, funded either by Government directly or prime contractors. These would often work in partnerships with local authorities and third sector bodies and draw on national and local experience of what has been successful. It is unlikely that the overriding objectives for the Work Programme will be achieved without such innovation and the opportunity for local experiments.

Tomorrow's People's new initiative, the "Community 35" programme has the potential to address the specific needs of some those who may otherwise be "parked", to use the industry term, and so denied support through the Work Programme. "Community 35" provides an opportunity for unemployed people to be active all the "working week" to develop skills, grow their confidence, undertake community activities and prepare for formal employment. It could play a key role and I would recommend that local authorities, Government and Work Programme prime providers consider how they could support the development of "Community 35" or similar schemes.

Long term unemployment will still be around for many years. It will continue to challenge governments, employers, welfare providers – and more importantly wider society and those who are themselves unemployed for long periods of time. Tackling worklessness requires bold action underpinned by innovation, appropriate funding models, realism and greater personalisation.

### John Tizard

Director - Centre for Public Service Partnerships and Member of the Praxis Advisory Board

June 2011

The report makes the case for local innovative projects to complement the Work Programme, funded either by Government directly or prime contractors.

## Summary of the report

There are few more intractable problems than long-term unemployment. In 2011 we face the reality that more people have been unemployed for longer periods than for decades, and in particular more young people are unemployed than ever before, with high economic and social costs for individuals, families and wider society. In February 2011 there were 2.49 million unemployed people, of whom nearly a third had been unemployed over a year. A further 2.5 million economically inactive people of working age received incapacity benefits. Current economic circumstances mean it is more urgent than ever to understand and build on what we know works in tackling the underlying supply and demand issues.

This report is timely, as the Government launches the Single Work Programme, aimed at helping more of the long-term unemployed and those on incapacity benefit to get and stay in work. The £3-5bn seven year programme will be delivered by private sector contractors and their partners (third, public and private sector suppliers) paid through the benefit savings made as a result of people they help getting back to work. There is wide but not universal support for the underlying principles, though not necessarily for the detail.

There are both opportunities and risks in the approach. One risk is that most other national and local programmes are ending. There is scope for the Work Programme to be accompanied by some focused initiatives to support those who are likely to need more time to reskill and who live in areas with jobs deficits and slower economic growth. The Work Programme will be successful if it helps support and re-skill people to meet the needs of employers – and if employers can offer enough jobs. Unless it links to skills, regeneration and growth strategies which lead to job creation, the Work Programme is unlikely to be sufficiently successful.

As unemployment rises, the increased competition for jobs favours those with skills, qualifications, a positive track record of employment and those most motivated to re-join the workforce. Current and future cuts in public sector jobs will add more experienced and motivated workers to the labour market, further displacing those with less to offer employers. Many people who have been out of work for over a year face many challenges: often including minimal skills, low confidence, language issues, disability, challenging physical and mental health and other disadvantages which reinforce their distance from the job market.

Improving the employability of individuals who are unemployed is vital to tackling the supply side but attention is also needed on the demand side - the creation of jobs and enterprise through economic growth. Rebalancing the economy will be fundamental to tackling long-term unemployment. Many of the long-term workless live in former industrial areas, and seek lower skilled work, whereas new jobs are most likely to be in the south east of England, and in service industries and customer care.

The evidence of the slow economic recovery and regional variations in growth and labour markets suggests that there are already large jobs deficits, particularly for those with no qualifications or low skills in former industrial areas and in London. This will continue to be a major barrier to increasing employment until economic growth picks up. Nationally, at least five people chase each vacancy, with up to 35 seeking each vacancy for low skilled elementary level jobs in depressed labour markets such as the West Midlands.

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The volume of unemployed in London is greater than any other region. Nationally, more people than ever before are working part-time, but not all by choice. Many want to increase their hours and will do so as business improves, so delaying and limiting the extent that growth leads to new hirings. This adds to fears of a 'jobless recovery'.

In the context of both the supply and demand pressures, and geographic variations, it is important to consider how the Work Programme can flex its innovative potential to find sustained work for the long-term unemployed, including those currently receiving incapacity benefits (IB and ESA) who are being reassessed as able to re-enter the labour market.

Prior to the Work Programme, there was evidence that many local schemes, led by local authorities or third sector organisations, were successful in helping people develop skills and make progress towards work through developing and maintaining the soft and hard skills employers want. The new arrangements place this learning at risk.

The Work Programme's success will be partly judged on how it promotes innovative long-term engagement strategies with individuals and communities who are furthest from the labour market, which lead to a greater number of this target group entering sustained employment. At its launch, Minister for Work and Pensions Chris Grayling stated that he expected it to work with 1 million people in the first two years. This is more people in such a period than in any previous welfare to work initiative. However, this target is less than the number of potential beneficiaries who could work if there were jobs. This still indicates that the workless may need support from other initiatives alongside the Work Programme.

There is a need to link improving the employability of individuals with focused support for local enterprise and tackling the effects of area deprivation. Many unemployed people want to contribute meaningful activity to their community and have experience of regular work alongside colleagues. It must not appear that some individuals or communities miss out on support, due to slow economic growth. Some workless people require some soft development opportunities – social skills, the discipline of having "to get up and go to work", or addressing issues such as literacy and numeracy requirements. Delivering this may require a focus on the whole household or family, which could build on the current Community Budget initiative.

The Government should consider allowing and providing funding to enable specialist organisations to develop and experiment with schemes that would complement the Work Programme, allowing individual unemployed people to select to join and help design such schemes.

The long-term unemployed need to be helped to be job-ready once their local economy improves. They need to be skilled, motivated, confident and mentally prepared, however long they have been out of work. In areas with weak labour markets and slow recovery, this could require substantial long-term transitional

support, possibly beyond the 104 weeks shown in early plans from the Work Programme Prime Contractors .

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The Department for Work and Pensions (DWP) will need to review the experience of implementation to ensure the right balance between positive outcomes and commercial practicality. It is important to ensure that the new contractual

arrangements do incentivise prime contractors and sub-contractors to act in a way that is socially responsible and in the best interests of the long-term unemployed; and avoid any perverse incentives and unintended consequences.

As the welfare to work market matures, and competition between providers develops, it will be important for the Government to agree and maintain a common approach to cost-benefit analysis. This should build on developments such as current work on shaping models to measure social return on investment across government and the private and third sectors. Ideally, a common approach should be created jointly, agreed and shared by government, commissioners, providers and the public. It should involve the unemployed in rating provision; and give value to longer term social impacts. This will help all prime and sub-contractors to prove the value, impact and cost-effectiveness of their activity. It would also enable others to experiment with innovative models of provision and to demonstrate their impact against a set of commonly agreed benchmarks.

It is important that the Government reinforces evaluation and sharing experience to avoid the risk of competition between contractors diminishing innovation and limiting the scope for shared learning, as has been reported in the Australian experience of a similar Work Programme . There should be access to validated examples of approaches to accelerate innovation and the replication of proven methods.

The scale of investment in the Work Programme requires a strong evidence base that demonstrates the long-term value of interventions and their practical and financial benefits. Also, the 2011-13 round of European Social Funding will focus on families and workless households. In the longer term a robust evidence base will reduce waste and encourage more successful activities to enable more of the long-term unemployed to find work and remain economically active. Whilst this is a challenge, it is an opportunity that should not be missed.

The challenges facing government, employers, Work Programme providers and the unemployed are different but all are significant, given current economic realities and the historic inheritance. There is a need for radical and innovative solutions, as well as resolve, to make the current and future Welfare to Work Programmes a success. This success will take a long time, however, and it is too early to predict what will happen.

## Proposals for Government, Welfare to Work Providers and others

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### **Drawing on the research, there are a number of proposals for consideration by policy makers and practitioners:**

1. The Government should consider establishing an innovation scheme to complement the Work Programme. This would fund and evaluate innovative, locally focussed projects with a view to sharing learning and quick adoption of approaches that succeed in helping long-term unemployed people find work, sustain work or achieve measurable progress in becoming “work-ready.” Such schemes would be co-ordinated by local authorities working with local stakeholders; and should be open to those long-term unemployed people who choose to join them for a specified time with agreed goals.
2. Such an innovation scheme should encourage projects tackling worklessness to link with support for workless families and deprived communities organised by local authorities, such as the Community Budget pilots that integrate public services and pool budgets for families with complex needs through joint working between health, police, probation, education, Jobcentre Plus and third sector organisations. Many of these families include adults who are workless.
3. Government, commissioners, providers and suppliers need an agreed framework for cost-benefit analysis, and measuring the social rate of return. This should draw on existing models and link to a mechanism for validating and sharing projects and approaches that improve employability and enterprise.
4. The Government should consider providing more incentives to stimulate weak labour markets, such as incentives for small and micro businesses to grow their workforce. There should be more support across sectors for employers to provide employment, work experience or job-shadowing for people moving from benefits, and to provide positive routes for young people to prevent them becoming NEET (not in employment, education or training).
5. More incentives and support are needed to increase the number of long-term unemployed, especially the young, moving into sustainable self-employment.
6. The long-term unemployed should be involved in helping design services and support which helps them move into sustained employment.
7. The Government should closely monitor the implementation of the Work Programme to ensure it delivers the benefits intended, by assessing and assuring:
  - a. how innovative ideas are tested and learning shared between providers
  - b. that flexibility is sufficient to help all those who need support to become both job-ready and move into work
  - c. that contractual incentives for Prime Contractors are sufficient for them to pay for the long-term support needed by the most disadvantaged individuals such as those with very low skills, disability, mental and physical health conditions and those with caring and other responsibilities
  - d. an understanding of what is best to meet the specific needs of the growing number of young unemployed, including NEETS who have no work experience
  - e. that Prime Contractors ensure that frontline advisers gain local knowledge and labour market intelligence and are linked to the core public services that many workless households need
  - f. there are enough new jobs for the contract funding and incentive model to be effective
  - g. geographic, economic and labour market disparities are being addressed
  - h. the funding model and other contractual mechanisms enable the effective involvement and continued viability of small providers including third sector organisations to provide innovative services as sub-contractors. High quality supply chain management will be crucial and the Merlin standard and its operation should be constantly reviewed to ensure it actively promotes this
  - i. Prime Contractors are active in helping identify and create jobs for people to access from benefits by engaging with enterprise set-ups, economic development, employers, local authorities and Local Enterprise Partnerships. Prime Contractors should also support effective transitional projects to help those furthest away from the employment market to maintain or develop skills which will enable them to progress into work when the economy improves

## Key Issues arising from the research:

### Key Issue 1:

#### Unemployment is rising, with greater competition for jobs - particularly for the long-term unemployed, low skilled and those with ill-health

The slow economic recovery and increasing unemployment means that the long-term unemployed and those lacking skills face more challenges to get and sustain jobs. The overall growth in unemployment over the past two years has now offset the reduction over the previous decade, whereas the number of incapacity claimants has remained broadly unchanged. Public expenditure cuts have not yet significantly fed through to the labour market.

The Government expects the economy to rebalance with more private sector jobs. In March 2011, the independent Office for Budget Responsibility forecast that employment will be largely flat between 2010 and 2011, before picking up steadily from 2012. Between 2010 and 2015 the OBR expects total employment to increase by around 900,000. Clearly, even if all these new jobs went to those currently unemployed, it would not be enough. This raises fundamental issues for policy and practice; and for the Work Programme.

Jobseekers face challenges from the changing structure of the economy and more flexible labour markets across different geographic areas (see Figure 1 on the next page). Despite the successes of public investment in skills, local training and enterprise support in assisting people return to work, there are big regional variations in worklessness, reflecting historic patterns. Almost twice as many working-age people in the North East and Wales are recipients of out-of-work benefits as in the South East. National economic growth has hardly touched the poorest 10% of the population and many live in areas which have had double the national level of unemployment for most of the last decade.

Unemployment is growing faster for those under 25, for women, people from black and minority ethnic groups and those with low skills. New jobs are mainly being taken by men, by those over 50 and to an extent, by those from outside the UK who bring flexibility and skills that parts of the labour market lack.

Through the 1980s, the former industrial areas and coastal towns experienced disproportionately high increases in unemployment and even higher rises in incapacity benefit claims. After thirty years this varied pattern of locally depressed labour markets and higher incapacity continues. The proportion of working age people claiming benefits ranges from 2% in Hart District, Hampshire, to 16% in Merthyr Tydfil in south Wales. In 2009, in over a third of households in Liverpool, Nottingham and Glasgow City, there was no adult in work. In the north east of England a quarter of households are workless, and there are similar concentrations even in parts of the south east such as Hastings and Margate.

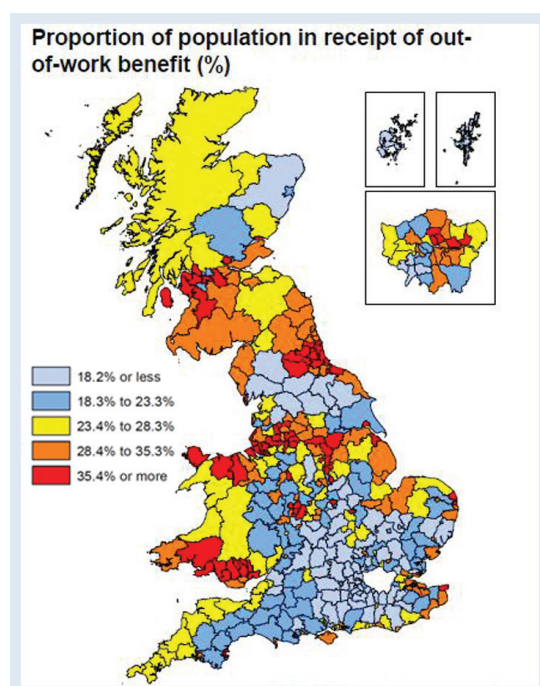


Figure 1

The places with the current highest levels of unemployment would need hundreds of thousands of new jobs even to reach the current national average level of unemployment. Jobseekers need to believe there are jobs, so they can see a realistic transition for themselves from benefits to work. For instance, in February 2011, in Hastings there were 3,085 Jobseekers but only 315 vacancies - one available job for every 9.8 unemployed people. Another 5,840 people claimed incapacity benefits. 19.6% of the working age population receive key out-of-work benefits compared to 8.7% across the south east. Adults have low levels of basic literacy and numeracy and average weekly wages are lower than the south east average.

### What Works – Jobseekers need to believe there are jobs

*“I want to work again but I can’t see any jobs. The fishing is cut back and there are no big employers. The care homes only have some shifts available.*

*I had twenty years in the building trade. I’ve got my construction certificates but now lots of people go for every labouring job –so employers can choose. They can get experienced brickies for low pay.*

*Lots of jobs want computer skills or report writing. Some jobs are short, even just for a month and it’s too much hassle to sign off and on for that. Sometimes it takes three months to get all the benefits back on, and then I can’t pay my rent.”*

**Job seeker client of Tomorrow’s People, Hastings**

During economic growth, from June 1983 to June 2010, average UK employment increased by 17%. But regionally this ranged from 22 % across Southern England, 14% across the Midlands and Wales, and just 7% across Northern England and Scotland. The experience of local employment resulting from regeneration initiatives has been mixed. For example the London Olympics site development, in an area of high unemployment has around 12,000 workers. But overall only 20% of all jobs have gone to local residents, and half of those were skilled workers who took the jobs and then settled locally from other parts of the UK or abroad. 1,268 people previously unemployed were employed on the site and 400 apprentices from 2008-10. The need for experienced workers able to deliver to tight timescales, did not allow enough time to develop and train local long-term unemployed.

Many of the long-term unemployed live in social housing which is rationed and allocated according to disadvantage, thus reinforcing the area-based concentrations of worklessness. The impact on families is stark. Around 1.9 million children live in households without an adult who is employed - this is 17% of all children, with the proportion rising to nearly a third of children in inner London. The volume of unemployed in London is greater than any other region. In March 2011, the number of unemployed in London rose to 392,000, the highest level since 1997. London unemployment averaged 9.4%, but rose to 12.4% in the worst areas of east London, above the UK average of 7.8% and the south-east region rate of 6.1%. Yet London also has the most new jobs, the most proportionately in the private sector; the highest paid employees, the highest cost of living and the highest numbers of workers from abroad. There is a paradox here.

Since the 1980s there has been a large rise in the number of incapacity benefit claimants, staying level at over 2.5 million for the last decade. The growth and geographical distribution do not reflect patterns of disability and ill-health but economic deprivation. Many live in areas which gained few new jobs, and those were mainly in the public sector and are now being cut back.

Incapacity claimants are concentrated in the former industrial areas of the north and some coastal towns. This group includes many women and young people who never worked in heavy industry, indeed some who have never worked at all, yet follow a local pattern set from the 1980s of not seeking work due to incapacity. In 2009, 12% of all incapacity claimants were in ex-coalfields areas. In 2004 indicators showed the ex-coalfield areas suffered disproportionately high levels of deprivation in respect to income, employment and education deprivation. The most common disorders are mental or behaviour disorders – claimed by two-fifths of all claimants of out-of-work disability benefits, more than twice the number of the next largest group, those with musculo-skeletal disorders.

In areas with high levels of incapacity claimants, local residents see fewer opportunities, far more competition in the labour market and they lack belief that they can overcome their disability or illness, low skills, lack of experience and will be able to find work. They feel that the system is against them and that they will not get a job. This geographical distribution of incapacity masks unemployment and highlights the broader problem of worklessness, and dependency on benefits which is concentrated in certain communities and is intergenerational in some families.

This contrasts with areas of relative economic growth and prosperity, and high employment where incapacity claims are a third of the level of the most deprived areas, and those with illness or disability are able to find and adapt jobs. A new Government programme of reassessing those on incapacity benefit to test their fitness to work, including with modifications is underway. It is likely to lead to increasing numbers being referred to the Work Programme. The details of the assessment process are under review.

### Key Issue 2:

#### Worklessness has high economic and social costs

Areas of high unemployment and post-industrial decline are not only economically deprived areas but have higher rates of ill health and poverty than other parts of the UK. People who lose their job are three times more likely to develop a mental health problem than those in work, and face greater probability of marriage and relationship breakdown.

Young men not in education, employment or training (NEET) are three times more likely to suffer from depression, and five times more likely to have a criminal record, than their peers. These factors have implications for a range of public services and their funding. Having a job, colleagues and purposeful activity helps improve people's quality of life, even if is part time or low paid work that is financially boosted by in-work benefits and tax credits.

The total financial cost of benefits is high, and cost-benefit analysis has demonstrated that the further loss to the economy of consumer spending and tax income is almost double the cost of the benefits. A model of the impact on GDP estimated a 10% drop in the number of workless households could represent a 3% increase in the number of working households. Even if they initially were only half as productive as average, this could add around 1% to GDP.

More detailed analysis of the social return on investment would quantify outcomes for each stakeholder; use a financial proxy to monetise each outcome; determine a benefit period and drop off; and project value into the future. For instance SROI would include the lifetime benefits to the children of those who are helped into work – the value of cutting the cycle of intergenerational worklessness.

Most importantly, SROI helps determine impact. Such analysis can calibrate the gains and help make the case for one agency to invest in services that provide long term financial benefits that accrue to a different agency, and so encourage long-term joint approaches to entrenched problems. It includes analysis to account for displacement, deadweight and attribution, to account for what would have happened anyway. This is a crucial rigour to prove the value of employment support – that it has made positive impact and helped individuals into sustained employment who would not otherwise have gained jobs.

### Key Issue 3:

#### Most people can be helped into work but the long-term unemployed face additional challenges

Most jobseekers find work within a year. Of the 2.2 million annual claims for Jobseekers Allowance (JSA), 60% are for only 13 weeks, with just 10% continuing after a year. Long-term unemployed people typically face many personal and other barriers before they can find and sustain a job. They may need to develop or build skills and personal confidence.

The DWP has reported that people remaining on JSA after 12 months are likely to have serious and multiple challenges which will need to be overcome before they can move into work. This does not include those people coming off Incapacity Benefit, who may have similar or more complex challenges affecting their employability. The more disadvantages an individual has, the lower the likelihood of them being in employment and combinations of disadvantage present particular problems (see Figure 2 over page).

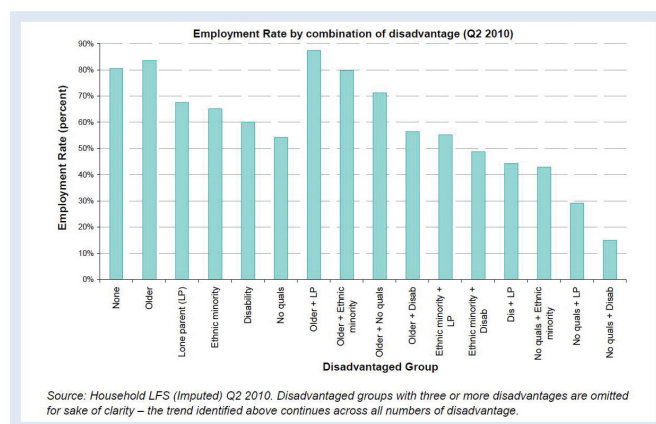


Figure 2

Individuals need a tailored plan, facilitated by a good personal adviser who understands and empathises with them, to create an environment of trust and an active bridge to wider services to help overcome their individual barriers, and to move into active job-seeking.

**What Works – An effective Personal Adviser**

*“I believe the reason I found a job at your place was the positive and constant encouragement by the staff.*

*I cannot stress too strongly how strongly supportive my adviser has been to me. I wish I had met him 20 years ago. He has literally helped me change my outlook to life. He undid 48 years of negative messages to my new found positive outlook.”*

**Client of Tomorrow’s People, East London**

**Key Issue 4:****Personalised, holistic and local approaches are successful**

Many of those who have been out of the labour market for over a year have multiple barriers to overcome, beyond a focus on their skills. This can include dealing with disability, physical and mental health conditions, addictions, severe debt, childcare, housing, transport and tackling personal behaviour and relationships. These can be barriers to being effective employees, co-workers or being in close regular contact with customers and the public. Advisers in welfare-to-work schemes have learnt that individuals need tailored advice and personal coaching to develop a plan to move towards employment.

Success in addressing their needs has often come from local solutions to local labour market and population challenges – often driven by local authorities working in partnerships with the third sector; and in projects designed and delivered by local communities. Third sector organisations have often been involved in welfare to work programmes because they are regarded as closer to communities and more responsive and credible with individuals. Successful projects have also involved the unemployed themselves in the design of projects and effectively integrated local support, co-ordinated by local authorities drawing together the services that individuals and families need to make a transition from not working to being employed, to going to work regularly every day. However, for some, this is not a quick journey. Now support has been cut, with the highest cuts in local government services tending to be in areas of highest unemployment. Experience gained may be lost as schemes end, along with the move to the Work Programme which has largely replaced the development of local unemployment and welfare programmes including those begun under the Total Place initiative and the Working Neighbourhoods Fund.

**What Works – individual personalised plans**

*“How do we help people? We listen and offer encouragement so clients get to trust us and become more committed to their individual plan and believe they will achieve a job.”*

*“It isn’t easy. The one to one sessions are essential to build trust, assess what support they will need, provide challenge and mentoring to keep them on track. We advise and help with CVs, applications, how to fill out forms, fix up work experience and interviews and often walk with them to the interview.”*

*“People need confidence and communication skills and sometimes even more basic advice, about personal hygiene, how they should dress for interviews and work. Some people have lacked not just work, but the social contacts to understand what is expected. We arrange groups so there is peer support and comradeship.*

*It helps if we can get people into a work placement. In some programmes we have a 62% placement to actual job rate.”*

**Tomorrow’s People Operations Manager, Brixton**

The positive impact of someone getting back to work can also transform the lives of family members and influence attitude change in the wider community. This helps break the cycle of unemployment and dependency. There is a continuing need for locally based programmes for the long-term workless that offer a structured and personalised combination of training, a support plan, job search and meaningful work experience or community activity. These help people to develop and apply the hard and soft skills that employers want.

**What works – helping people cope with working life**

*“Clients need to realise what going to work means every day, understand the deal - how to talk to managers and co-workers and the public, what is acceptable and what is expected.*

*They need to know about breaks, lunchtimes, taking phone calls, understanding what their job description really means. If they haven't been in a work place for years it needs decoding or it could go wrong.”*

**Tomorrow's People Operations Manager, Brixton**

Many long-term unemployed people need experience to prepare for work. They need to build up their timekeeping and travel planning and plan a work-life balance. They need to develop key 'soft skills' such as communication, team working, motivation and self-confidence. This is in addition to a mix of basic skills and vocational training to support for job-search and build job-readiness. Individual plans can be flexible to enable carers and lone parents to meet their other responsibilities. It is possible to plan this range of experience through practical activity in the community, by volunteering or experience in a social enterprise that enables people to see how their activity contributes directly to their community.

The overall success of the Work Programme will be dependent on it supporting and incorporating such long-term initiatives and in linking up with core local services. Worklessness is about people and place and it will be important to link with local authorities, especially those co-ordinating Community Budgets which integrate local services for families with complex needs, who are often workless; across health, housing, education, probation, police, and Jobcentre Plus, and involving local community organisations. This is effective in the long-term in removing barriers, breaking dependency, helping people into and sustaining work and improving independence and resilience. Family oriented provision for people in high dependency families and workless households will also be the focus of the next round of European Social Funding directed to tackling worklessness, to be procured shortly by DWP.

Ultimately, innovative schemes could link individual support to community activity and social enterprise. It would also build up social cohesion and strengthen local community networks. National research shows a negative relationship between the proportion of respondents involved in voluntary work and the proportion of the population in receipt of a means-tested state benefit, though some deprived areas have built stronger civic links. This is good for individual and wider society and an example of a social benefit that ought to be included in cost-benefit analysis of the effectiveness of projects.

This may be seen as a 'Big Society' approach bringing together a range of partners, including third sector organisations; local authorities; and local and national employers, to share the task of getting the local labour market working efficiently. But this has the potential to help unemployed people invest in their own future, have experience of work and benefit the community. This type of approach should be funded, at least in part, through the Work Programme or the European Social Fund. Local authorities may be interested in co-designing specific proposals to suit their particular local circumstances and those with funding could lead these initiatives.

**What works – why people leave jobs in the first few weeks**

*“We did a survey of why people leave jobs in the first few weeks. Mainly it was because of a minor query - like changing hours to take time off for the dentist, or to explain being late- but they panicked, got it out of proportion, felt a failure and over-reacted. It felt easier to just walk out and not turn up than have an awkward conversation.”*

*“We help them manage a job as well as having other things in their lives. If that's new, it needs working at. We help people prepare and warn employers too. Then it may work out.”*

**Tomorrow's People Operations Manager, Hastings**

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## Key Issue 5:

### Youth unemployment has risen steadily since 2004

Youth unemployment of 16-24 year olds reached 963,000 at the end of February 2011, the highest level since 1992. It has risen since 2004 and seems certain to go over a million during 2011. Reversing this trend is a substantial challenge, to prevent school leavers becoming “detached” from the labour market and falling permanently into unemployment, as many did after previous recessions, blighting their lives at high public cost. It will require co-ordinated action starting in school to build up qualifications and vocational skills in preparation for work.

Young people aged 16-18 are ineligible to claim Jobseekers Allowance, hence many start to claim it at 18 having already missed out on experiencing work, routine or focused support, with negative impact on their future prospects. The number of young people not in education, employment or training (NEET) has risen despite national and local initiatives. The lower a person's qualifications, the more likely they are to be unemployed or in low-paid work. Young people need work experience in real jobs, job shadowing, mentoring, apprenticeships volunteering or other ‘intermediate labour market’ opportunities to build up both hard and soft skills, such as the routine and habits of work that will equip them for permanent work when it is available. The Future Jobs Fund provided this, but despite some early positive evaluation it was cut, mainly due to cost, by the current Government as part of its budget reductions

A larger proportion of the low-skilled young are out of work than in either of the past two recessions. The employment market for the young began to weaken rapidly in 2004. Youth unemployment figures would have been higher without the Future Jobs Fund which guaranteed work experience for at least six months, sometimes longer; and the increase in apprenticeships. The rapid increase in youth unemployment means the UK has a much higher youth jobless rate than many other European countries, including Germany, Denmark, Austria, Norway and the Netherlands.

More apprenticeships are now available to employers, but these tend to be taken up by larger organisations in the private and public sector; whereas some of the areas suffering greatest concentrations of worklessness are marked by the absence of large private sector employers and a high proportion of micro-employers (between 1-5 staff). These are the employers who need more support and incentives to provide jobs for the long-term unemployed, or work experience. Social enterprise and self-employment are important potential routes into work for both young people and the long-term unemployed but this requires expertise in building up entrepreneurial skills. Budget and staffing cuts could reduce the number of apprenticeships taken up in the public sector.

More positively, more young people are gaining more qualifications by age 16 and increasing this by the age of 21. The ending of Education Maintenance Allowances and its more limited replacement for 16-19 year olds from the poorest households may have an effect on skills levels. Graduate unemployment is at its highest level for 17 years, with nearly one in 11 graduates unemployed six months after leaving university. In 2010, one in three call centre staff was a graduate, as university-educated workers struggled to find what previously would have been graduate employment.

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## Key Issue 6:

### What works to help the low skilled workless

The long-term unemployed and those lacking skills face huge challenges to get and sustain jobs. Employers want people who are reliable, motivated, flexible and have the basic skills needed for the post.

Employers want to work with employment training providers who understand their needs, whose judgement they trust to supply them with candidates who have been well prepared.

### **What works – Building literacy and basic and vocational skills**

*“People come in who have worked for up to 20 years for the same employer, but can barely read or write, have never used computers, and never had contact with the public. There are few physical labour or repetitive jobs left. Most of the basic, entry-level jobs are low paid and part-time or shifts supporting service industries that work 24/7.*

*We run vocational qualifications courses for people to get certificates for entry-level jobs in cleaning, care, health, security guards, construction sites, retail, fork lift truck driving, food preparation.*

*Then we help be really ready for an interview, and finally for them to sustain the job successfully for a year.”*

**Tomorrow’s People Operations Manager, Bow, East London**

Effective welfare to work providers have employer liaison advisors who can match individuals to posts, offering a free service to employers. Increasingly these advisors plan and provide training for the basic vocational certificates needed by the specialist companies that employ staff to work on contracts for basic level jobs such as cleaning, social care, security guards, food preparation for fast food/sandwich bars. Increasingly basic level jobs are secured through these intermediary bodies and agencies rather than individuals applying directly.

### **What works – Employers’ responses to Tomorrow’s People**

*“I work regularly with the Employer Liaison Advisor. She understands what our job specification is for care workers and pre-screens candidates. As a result, we are getting the candidates we need and everyone who has been put through for interview has been successful”.*

**Recruitment Coordinator, Care UK**

### **What works – Employers’ responses to Tomorrow’s People**

*“The candidates Tomorrow’s People send to us have a hunger for work and are making a real contribution to the growth of our cleaning business. In the first year of our partnership alone, we trained 300 candidates and took on 100 people into permanent jobs”.*

**Commercial Director, Lancaster Cleaning and Support Services, Bow, London**

## **Key Issue 7:**

### **Effective local authority co-ordination is crucial**

Worklessness is the root of both individual and area deprivation. It is a key concern to local authorities wanting to improve life for all who live in their area. Many have provided work experience and Future Jobs Fund placements and apprenticeships. The commissioning role of local authorities in economic development and support for employment has been reduced through cuts in public funding and the end of the Working Neighbourhoods Fund in the 65 areas with lowest employment rates. This limits the scope for locally designed projects involving the third sector unless developed with new Work Programme Prime Contractors or other sources of funding. Some local authority initiatives may continue in a sub-contracting relationship in the Work Programme.

Work Programme contract areas each cover 10- 20 different local authorities and it is important that the Work Programme Prime Contractors work with local authorities to complement their activities. They will gain maximum benefit for local people and value for money when additional support to the long-term unemployed integrates with the core local public services that are crucial to help people progress into and sustain work. Concerns over their children, health, housing and transport are key reasons people fail to obtain or sustain work. These require local co-ordinated responses, which local authorities are well placed

to lead. A criticism of previous welfare to work schemes was fragmentation and duplication of services and support which did not help individuals seeking work – it will be crucial to avoid that arising in new untested arrangements. Prime Contractors should consider funding local authority and local third sector projects that complement their programmes.

Many local authorities have thirty years' experience working with partners across the community and private sectors and other public agencies to tackle the different components of worklessness in individuals and in places. The outcomes of this activity have been mixed, with some areas continuing to have high levels of unemployed or incapacity claimants, since some of the structural barriers were not tackled. Demand-side projects attempted to tackle the lack of availability of jobs for residents in deprived areas and aimed to stimulate enterprise to help areas to attract and retain new businesses.

Other barriers to people entering the workforce or to employers finding labour with the skills they need are more structural. These require changes to transport, education, the housing market, and the benefits and tax system. The most successful welfare to work provision provides holistic integrated interventions for the workless - rather than only looking at work. They have a local partnership focus to address housing, health, education, skills, transport, childcare and substance use issues. Total Place pilots in 2009 and the continuing local Community Budgets which focus on families with complex and high needs have demonstrated that effective solutions are often local and combine support for disadvantaged people and places. Effective solutions are long-term, and integrate public services alongside organisations in the third and private sector; chosen for the added value they demonstrate.

## Key Issue 8:

### Previous welfare to work programmes had mixed effectiveness

The challenge to all those involved in the new Work Programme is that hundreds of thousands of long-term unemployed have already been involved in many different programmes but have not moved into sustained employment. Previous projects had some elements of payment by results and focus on securing employment, but many also focused on the stages in building skills and job-readiness and confidence. Where previous schemes aimed to achieve job outcomes, the sustainability threshold was lower; usually just six months, and they did not focus on the same groups being targeted by the Work Programme. The Work Programme payments are for sustained employment, with no reward to providers for helping clients achieve successful progression along the way; overcoming personal problems, building new skills; or undertaking work experience, positive volunteering or community work. This may need to be reviewed in the light of experience.

#### **What Works – Moving people out of dependency**

*“We see people who have been through years of short programmes and unhelpful placements. Some have become dependent on others for most aspects of their life, not just financial benefits.*

*Dependency is like an addiction. People need to break out of the damaging mind-set. And the more upsets and false starts they experience, the harder it will be to achieve success for them – and of course achieve the outcome payment the new system is reliant on.”*

**Tomorrow's People Operations Managers in discussion**

Reports from the National Audit Office and Work and Pensions Select Committee, as well as by numerous think tanks and pressure groups have highlighted the shortcomings in the design and/or implementation of previous government initiatives such as Pathways to Work and the Flexible New Deal. The NAO found Pathways to Work had a limited impact in helping people leave incapacity benefits and move into work and provided poor value for money. Contractors often underperformed against targets, the Department for Work and Pensions had to renegotiate contractual concessions to support the continuation of businesses and services. A third of contracts were making a financial loss, which questions a programme's sustainability.

Previous programmes such as New Deal for Communities and the Working Neighbourhoods Fund focused government spending of over £5bn into areas of high worklessness and deprivation over the past decade. These were led by local authorities and aimed to make places better to live, increase skills and help people in their transition from inactivity to seeking work. They included innovative local projects. But research shows there was no substantial reduction of worklessness. The best impacts were where there

was a relatively buoyant sub-regional economy with growth in job vacancies and where there mixed community in terms of housing tenure and skills, not concentrations of low skills and social housing.

The Work Programme will have to be flexible and actively managed to overcome these supply and demand issues. The sad fact is that after over a decade of public initiatives, including the New Deals, Employment Zones and disability employment services, the UK still has about five million people on out-of-work benefits, with two or three generations of families trapped in the benefits system. Not enough long-term unemployed people have been moved from unemployment into sustainable work.

### **What Works – a long-term relationship for success**

*“The great attraction of the Work Programme will be having time to develop a proper relationship. But will the Prime Contractors really pay for as long as it takes?”*

*Past programmes were only giving six weeks, nothing for someone who has years of problems to unpick.*

*Supporting job sustainability is a new challenge, particularly for people leaving Incapacity Benefit after years. We will have to do more in-work support to help people keep a job for a year or more - and we may need to work more with the employers as well.*

**Tomorrow's People delivery manager, Brixton**

## **Key Issue 9:**

### **The Work Programme aims are ambitious**

The Work Programme launched in April 2011 will cost up to £5bn and target over a million people over seven years, tailoring support to individuals for up to two years to ensure they secure and sustain work. There is some cross party and public support for its aims - to make work 'pay', bring more individuals and families out of worklessness into sustained work, and reduce the benefits bill. It links to planned changes to simplify and integrate welfare benefits to remove penalties that 'trap' individuals and families on benefits.

The concerns and risks flagged up here relate to structural detail, implementation and the funding model.

It will be delivered by private contractors and concerns have been raised about the contractual incentives and the commercial viability of the programme. Questions include how much opportunity there will be for the third sector and small specialist providers to play a role; the opportunity for innovation and the limited scope for local authorities to play key leadership and co-ordination roles. An even greater concern is whether there will be sufficient jobs on offer, with the right skills mix in the right areas to meet the Programme's objectives. The performance challenge for Prime Contractors is significant. The minimum standard required is the highest the New Deal programme ever achieved over 12 years, in a context of economic growth.

There will be 18 Prime Contractors delivering the programme across 40 contracts, who will be paid on results in terms of moving the long-term unemployed from benefits and into sustainable work. They will bear the risk and in the first year are expected to make a total net investment of £580m, with licence to deliver what they think will work best: the 'black box' approach. They will sub-contract elements of contracts to other providers – nearly 300 third sector organisations were included in the approved bids, though the proportion was less than had been anticipated.

The referrals will come from Jobcentre Plus, without any guaranteed flow of numbers. There are differential tariffs to incentivise working with those furthest away from the labour market. The largest payments will be made once people are in work beyond six months or a year, and as they keep those jobs for a further year, to discourage a rush into mismatched placements likely to fail. The highest potential unit 'reward' is £14,000, for helping someone move from incapacity benefit into sustained work.

In future years, those contractors with the best performance will be referred more clients. Therefore, in theory, projects which combine support for individuals with tackling area deprivation should be supported by Prime Contractors as they could help secure long-term outcomes and high rewards. The costs of such programmes have been high in the past, though the value and long-term benefits in social and economic terms has not always been fully analysed.

The Work Programme also builds on international experience, particularly from Australia, where there have been good aggregate outcomes. Emerging evidence from Australia is more mixed over time, suggesting an increased focus on compliance and a reduction in the extent of personalisation and dealing with complex client needs. Though competition may have spurred some of the successes, it was reducing the extent of desirable collaboration, innovation and sharing good practice. Australia is also a smaller economy than the UK, with different labour market and federal structures.

### **What works – building realism is key**

*“We build up clients’ confidence and help them understand their skills. But sometimes we have to be tough. Some expectations are too high and unrealistic compared to the job market.*

*We aim to get a prepared person in front of an employer that we have also prepped - then it will match up. It doesn’t work to push people into the first vacancy. We see people who have been scarred by lots of failed experiences.*

*We work hard to understand what employers want and then send people to them so they trust us and bring vacancies to us.”*

**Tomorrow’s People Managers, Brixton**

## **Key Issue 10:**

### **Work Programme risks must be managed by Government**

In order to ensure that the Work Programme is successful, the Department for Work and Pensions will have pro-actively to manage the market, monitor and regulate supply chains and share learning. There will be a need to review contract terms to ensure that they are aligned with the programme’s objectives and sustain commercial viability. The risk of companies failing has been mitigated by the capitalisation requirements and spread of contracts, though three Prime Contractors will run a third of the contracts themselves. However, there remain some important concerns:

#### **a. Will all clients receive support?**

This is not a user-led programme, although each Contractor has committed to a minimum service delivery. DWP will make the referrals to contractors. The contracts are designed through financial incentives to drive the outcome of moving large numbers of long term unemployed from benefits to achieve sustainable work. Contractors must manage and balance the cost of long-term engagement with clients with the potential payments for success. However, it could take years of support for some people to progress to secure employment. Individual assessment will be vital. The differentiated payment groupings use a proxy - the previous benefit the client received, with the highest payments for those coming off long-term Incapacity Benefit. However, it is possible that someone on Jobseekers Allowance for six months after twenty years manual work, but who cannot read and write; will be harder to help than someone currently on Incapacity Benefit, whose barriers to working can be overcome, through technology or a flexibilities agreed with an employer.

Potentially the differentials may not be high enough, or interaction with the flow could create perverse unintended consequences. DWP must monitor closely to be sure the incentives are as effective as intended. This will deal with concerns the Work Programme could be deemed ‘successful’ yet mainly help into work the more recently unemployed and those with a work record - so called ‘creaming’, or that the funding model could work even if some of the hardest to place receive no support and are left ‘parked’.

#### **b. Is long-term support sufficiently incentivised and rewarded?**

The Work Programme funding model does not financially reward the separate stages along the journey to gaining and keeping work. Therefore, the contract and programme design could mean Prime Contractors fail to invest enough in longer-term support. The contractors could fail to recognise the importance of an individual gaining skills, overcoming illness, undertaking work experience, or achieving big steps on their personal journey into work through voluntary or community work.

**c. Can third sector sub-contractors thrive under the funding model?**

Third sector sub-contracting organisations need to be commercially viable whilst being true to their mission. Most need to be paid as they work or get help to build working capital. Some could be squeezed out of the process altogether. Many, especially the smaller ones, fear inflexible contracts, bureaucracy and end-loaded payments. In 2011 the Prime Contractors will be paid a small 'attachment fee' as each client is referred. This could be passed to the supply chain, but will not be enough to finance the type of engagement needed. Some sub-contractors will be able to secure social investment to fund these arrangements and others are forming provider consortia to strengthen their position. Some have concerns that they may have been used as 'bid candy' by Prime Contractors who may in future reduce the funding package, making participation in the Work Programme unviable. This will be an issue for DWP to review along with the operation of the new Merlin standard which aims to guarantee a fair and effective supply chain.

**d. Will support reduce through start-up and disrupt local partnerships?**

The Work Programme replaces most other publicly funded welfare-to-work national and local programmes. There will be substantial movements of client referrals and also of frontline employment advisers with expertise, as new programmes and projects start up. Some local knowledge and relationships will be lost. The implementation of the Work Programme was the focus of a Work and Pensions Select Committee Inquiry a few months before the launch. The DWP quickly agreed to the Committee's letter recommending more support for transition in 2011 from previous programmes.

The two or three contractors in each contract package area will be in competition on their performance which could impede local partnership working with other local services which is needed to tackle local worklessness. As each contract covers so many local authorities there will be a diminished focus on specific areas and possibly on people from different minority community groups. This could limit the key co-ordinating role of local authorities.

**e. Unknown factors in supporting individuals reassessed and leaving incapacity benefits**

The Work Programme has set challenging targets for helping individuals to get work who could need personalised support for years to overcome the barriers facing them. In particular the programme has ambitious aims to support those previously claiming incapacity benefits who the new 'work capability assessments' suggest are capable of working with appropriate job adjustments and personal support. Many individuals have successfully appealed against their reassessment and experts and interest groups have expressed doubts as to whether the tests adequately recognise mental illness in terms of realistic capacity to sustain work. The Government is reviewing the process to ensure it is robust, personal and sympathetic – but aims for at least 7000 reassessments to be undertaken each week. As this has never been attempted on this scale, there is little evidence to show around how such high numbers can be supported to move into sustained employment, especially in areas where the labour market is fragile and there are few vacancies.

**f. Impact of operation of conditionality and sanctions and loss of voluntary referral**

Some of those who successfully found employment through previous programmes had attended support and training programmes voluntarily and were seeking work, but not claiming or eligible for benefits, such as 16-18 year olds or partners of people in work. Most involvement in the Work Programme will be mandatory, with limited scope to support those not on benefits, or self-referring. This may change the nature of some of the relationships, as will the Government proposal to introduce powers to allow those delivering the Work Programme to mandate claimants to participate in training. This policy should be revisited to ensure it does not limit specialist programmes. There will be penalties for non-compliance, including the loss of benefits. This reflects the wider context of a stronger conditionality and sanctioning regime across the skills and employment system.

**g. The slow and delayed economic recovery may not provide enough jobs**

Economic growth is vital to the success of the Work Programme. The biggest concern is that there is already a 'jobs deficit' and it is unrealistic to expect a large and sustained shift in the numbers of long-term unemployed people gaining and sustaining work. The jobs deficit is already greater in some geographical areas and for the lowest skill groups, and is projected to increase in the short term. Many jobs in the early stages of previous recoveries have been part time or temporary. Therefore long-term 'parking' could be a result of lack of jobs as much as failure to get the unemployed 'job-ready'. The experience from previous economic recoveries suggests a risk that growth will create new jobs requiring high skilled and specialist labour which could prove a challenge to the long-term unemployed – and to the Work Programme.

## Key Issue 11:

### Evaluation and validation of the costs and benefits of interventions are vital

The Work Programme is designed to stimulate innovation and a range of activity. There should be transparent evaluation of the different interventions and approaches designed to help improve employability, enterprise and co-ordinate services. The results should be freely available to help those commissioning support to minimise waste of resources, and maximise opportunities.

This would build on the guidance in the Treasury Green Book for central Government which sets out a framework for the appraisal and evaluation of all policies, programmes and projects. The DWP has begun to co-ordinate a specific approach to cost benefit analysis which could be the basis, taking in consideration of techniques such as measuring the social return on investment.

Progress has been made in other sectors in applying these techniques, such as Children's Services to calculate the long-term benefits of early years and intervention programmes. These approaches were influenced by the US Washington State Institute model of rigorous definition and testing of approaches before validating them for use. In the UK a similar approach has been used to create a public database of tested and validated parenting programmes used in family intervention and partnership work to support families with complex needs, with benefits to the families and reduction in public spending. These encourage agencies to jointly plan and invest knowing this will benefit families – and there will be longer term savings and benefits, shared between the agencies .

Without such processes and evidence, decisions are more arbitrary and innovative proposals may find it hard to receive support. The Welfare to Work sector could also undertake collaborative work between local authorities, government and others to develop something similar to the Family Savings Calculator tool. This helps local authorities who are managing intensive support services for families with multiple problems, to quantify the cost benefits saved by services and agencies from a family at risk undergoing and successfully completing an intensive intervention. The Total Place programme also demonstrated the benefits of cross agency investment in preventative programmes such as getting long-term unemployed people into work.

A proven evidence base has practical and financial benefits. Demonstrating the long-term value of interventions paves a way for government to be more confident in providing funding, and for projects to attract new forms of private investment such as Social Impact Bonds. These will enable local authorities and third sector organisations to develop sustainable and holistic programmes that can be funded from the longer term savings to public services, and this is being trialled in a project aimed at cutting reoffending.

The government is committed to extending payments by results across public services but should be careful to ensure that contracts do not have perverse incentives and lead to unintended consequences. Results need to include the social benefits of good third sector work – being close to individuals and communities and often more credible and successful than public or private sector interventions, particularly in changing behaviours. This will require new tools in order that innovative projects can be developed and funded to tackle unemployment and pervasive worklessness.

The Work Programme is a great opportunity. But alone it will not be enough to tackle structural issues and to help all those people who are long-term unemployed. At a time of slow economic recovery and jobs deficit it is vital other complementary and transitional approaches should be supported and evaluated.

#### **What works – helping people into work**

*“People can be helped to get into work. They need to see a realistic route for them, and build up their experience, skills and confidence so they can be positive and motivated to apply for work with a good chance of success. Advisers need to offer realism and advice about jobs and employers.*

*We have energy and passion - we get a buzz out of getting people into work.”*

**Tomorrow's People Operations Manager Bow, London**

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<b>Steve Swann</b>	Welfare to Work Director

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- designs, develops and helps to establish new models of working across and between sectors.