



Understanding and tackling worklessness:
Lessons and policy implications

Evidence from the New Deal for Communities Programme



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1. Worklessness and neighbourhood renewal: introducing the New Deal for Communities Programme

- 1.1. The New Deal for Communities (NDC) Programme is one of the most important Area-Based Initiatives (ABIs) ever launched in England. Its primary purpose is to reduce the gaps between some 39 deprived NDC neighbourhoods and the rest of the country. In these areas, each on average accommodating about 9,800 people, NDC Partnerships are implementing approved 10 year Delivery Plans. The Programme is designed to improve outcomes in relation to:
- three 'place-based' issues: crime, the community, and housing and the physical environment
 - and three 'people-based' considerations: education, health, and worklessness.
- 1.2. The national evaluation team either has explored, or is addressing, each of these six outcome areas. These studies involve a synthesis of quantitative data, complemented by qualitative evidence drawn from detailed case-study work in six NDC areas. Two of these studies have been published on crime¹ and community engagement². During 2009 an overview of Housing and the Physical Environment will also be published. Work undertaken in 2009 on health and education will inform the evaluation's final reports to be published in 2010. The evaluation's methodology and final reports will be peer-reviewed prior to publication.
- 1.3. This report is designed to provide a synthesis of key messages emerging from the two reports which the evaluation team has produced on worklessness:
- one based on 'top-down' data which highlights change in relation to all 39 areas³: the 'change data' report
 - and one based on qualitative evidence emerging from six case-study NDC areas⁴ exploring the nature of local interventions: the 'case-study' report.

¹ CLG (2008a) *Delivering safer neighbourhoods: experiences from the NDC Programme*. www.communities.gov.uk/documents/communities/pdf/737976.pdf

² CLG (2008b) *Community Engagement: Some lessons from the NDC Programme*. http://extra.shu.ac.uk/ndc/downloads/general/community_engagement_NDC_programme.pdf

³ CLG (2009a) *Understanding and Tackling Worklessness Volume 1: Worklessness, employment and enterprise: patterns and change*

⁴ CLG (2009b). *Understanding and Tackling Worklessness Volume 2: Neighbourhood level; problems, interventions and outcomes: evidence from six case study NDC areas*.

- 1.4. This NDC evidence base is an important resource through which to inform debates surrounding the role which tackling worklessness is likely to play in future regeneration policy. This theme was first flagged up in the government's 2007 'Sub-national review'⁵, and in turn developed further within both Communities and Local Government's 'Transforming places; changing lives'⁶ and in the Houghton Committee's 'Tackling Worklessness Review'⁷. Emerging lessons from the NDC Programme are also timely given the government's White Paper⁸ focussing on delivering welfare reform.

What is worklessness?

- 1.5. In this evaluation the workless population is seen as comprising two benefit claimant groups. Administrative data sources provide information in relation to the numbers and characteristics of both working-age Jobseeker's Allowance (JSA) and also Incapacity Benefit and Severe Disablement Allowance (IB/SDA) benefit claimants living within NDC areas. Benefit claimant data provide a consistent source of evidence in relation to worklessness trends through time. Across these 39 neighbourhoods the ratio of IB/SDA claimants to JSA claimants was 2.2:1 in 2008. More than twice as many out of work residents are claiming incapacity benefits as are claiming unemployment benefits.
- 1.6. As part of the national evaluation, a household survey of residents aged 16 and over has been carried out in all NDC areas on a biennial basis by Ipsos MORI. The survey sample ranges from 500 face to face interviews in each NDC area in 2002 to 400 in 2006. Evidence from the household survey is a useful complement to administrative data in that it is based on residents' own assessments of their economic and employment status, their attitudes to employment, their work history, and so on. The survey thus picks up evidence in relation to those who regard themselves as 'unemployed' but who may have no formal relationship with the benefit system. The household survey has also been conducted in comparator areas: similarly deprived neighbourhoods in the same local authorities as the relevant NDC.
- 1.7. Evidence developed in this report is based on administrative data from 1999 to 2008 and household survey data for 2002 and 2006⁹, periods of sustained national economic and employment growth. One implication of the current recession is, that whatever progress NDC areas may have made in the period up to 2008, in the medium term at least, labour

⁵ HM Treasury, BERR, CLG (2007) *Review of sub-national economic development and regeneration*. www.berr.gov.uk/files/file45468.pdf

⁶ CLG (2008c) *Transforming places; changing lives; a framework for regeneration*. www.communities.gov.uk/publications/citiesandregions/transformingplaces

⁷ CLG (2009) *Tackling Worklessness: a Review of the contribution and role of English local authorities and partnerships*. www.communities.gov.uk/documents/communities/pdf/1078229.pdf

⁸ DWP (2008a) *Raising Expectations and Increasing Support: reforming welfare for the future*. www.dwp.gov.uk/welfarereform/raisingexpectations/

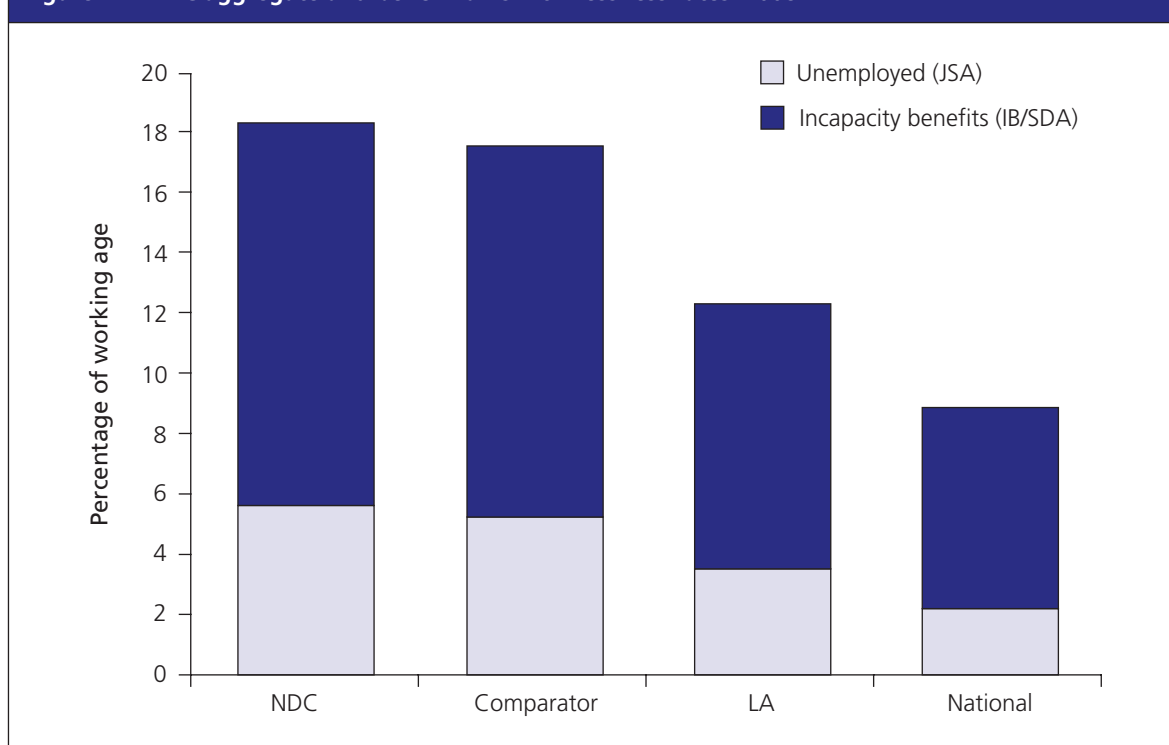
⁹ Following results of the 2008 survey aspects of this work are likely to be updated for inclusion within the Final Evaluation Report due to be published in 2010.

market trajectories in these areas are likely to be adversely affected by wider national economic trends.

What is the scale of the problem Partnerships face?

- 1.8. NDC Partnerships are having to address formidable neighbourhood-level problems in relation to worklessness. As of February 2008 the worklessness rate amongst working age residents across all 39 NDC areas was 18.4 per cent. In terms of total NDC claimants this equates to about 45,800 workless residents, of whom 14,100 are on JSA and 31,700 on IB/SDA. The NDC worklessness rate is substantially higher than the national (England) equivalent benchmark of 8.9 per cent. The extent of worklessness in NDC areas is broadly similar to the comparator areas, but 6.1 percentage points higher than a benchmark of the 38¹⁰ parent local authorities within which they are located (Figure 1.1).

Figure 1.1: NDC aggregate and benchmarks worklessness rates: 2008



Source: DWP, ONS, SDRC

- 1.9. Inevitably aggregate Programme-wide worklessness rates mask considerable variation at the NDC area level. Lambeth has the lowest rate at 10.8 per cent, whereas Sunderland's at 29.8 per cent, is almost three times greater. Of the 10 NDC areas with the highest worklessness rates,

¹⁰ Birmingham contains two NDCs: Aston and Kings Norton

seven are located in the North West, the North East or Yorkshire and the Humber. Six of the ten with the lowest rates are in London.

- 1.10. No NDC area has a lower rate of worklessness than its parent local authority, region or the national equivalent. Twenty-one NDC areas have a worklessness rate more than five percentage points higher than that for their parent local authority; for seven of these the difference is more than 10 percentage points.
- 1.11. In 2006:
- 21 per cent of NDC residents of working age, not currently in paid work, were looking for a job or training scheme
 - 78 per cent of those registered unemployed had been so for six months or more, an increase of six percentage points on 2002
 - a quarter of working-age residents not in work or full time education had never had a job, the national equivalent was 17 per cent.
- 1.12. These levels of worklessness come at a considerable direct cost: JSA and IB/SDA benefit payments in NDC areas are in the order of £3,448,000 per week or about £179,300,000 each year.

What are the key barriers to employment?

- 1.13. Evidence developed in the case-study report suggests that local stakeholders and project beneficiaries identify three major barriers limiting labour-market engagement:
- supply-side factors including lack of generic skills, inadequate English, poor childcare facilities, and limited job search patterns; there is little evidence to suggest that NDC residents are seeking wages likely to price themselves out of the labour market, or that immigration into the UK is accentuating labour market competition in NDC areas
 - demand-side factors notably the volume and type of jobs, recruitment practices of employers, and levels of entrepreneurship in the local economy; there are often employment opportunities in, or close to, many NDC areas; however local residents do not always have the formal and inter-personal skill levels demanded of employers
 - institutional factors such as the dynamics of the housing markets and the effects of the benefits system.

What characterises workless households?

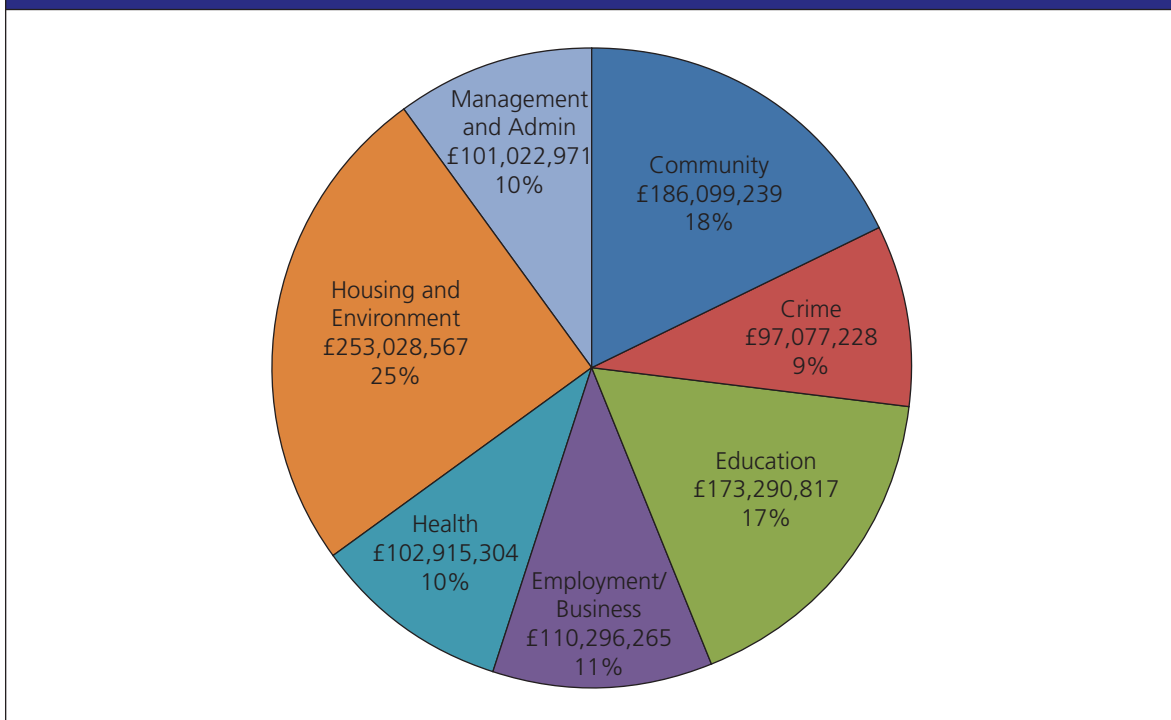
- 1.14. There are statistically significant relationships between a number of socio-demographic variables, on the one hand, with rates of worklessness and employment, on the other, including:
- age: older residents are less likely to be in work
 - health: those in poor health are less likely to be in work or to make a transition back into employment
 - tenure: rates of worklessness are higher amongst renters than owner-occupiers
 - qualifications: those with few if any qualifications have a much higher probability of being workless.
- 1.15. The problems facing Partnerships are accentuated because these NDC areas accommodate more of those likely to be unemployed:
- compared with national benchmarks, NDC areas have half the proportion of households living in owner-occupation and nearly three times the proportion of social rented households
 - there are more than twice the number of single parent households than is the case nationally
 - 31 per cent of working age NDC residents have no qualifications: the equivalent national figure is just 14 per cent
 - 25 per cent of NDC residents have a long-standing limiting illness compared with 19 per cent nationally.
- 1.16. In the light of the severity of these problems, what have NDC Partnerships done to tackle worklessness in their neighbourhoods?

2. Tackling worklessness at the neighbourhood level: the NDC experience

Worklessness: Programme-wide spend

- 2.1. At the Programme-wide level the employment/business theme, dominated by interventions designed to reduce worklessness, accounted for 11 per cent, or about £110m, of spend in the period up to the end of 2005–06 (Fig. 2.1).

Figure 2.1: Programme-wide NDC spend by theme: to 2005–06



Local strategies for tackling worklessness

- 2.2. As exemplars of how this resource has been spent, the six case study NDC Partnerships have adopted strategies based on:
- analysing needs to inform interventions and to act as a baseline against which to monitor progress

- setting strategic objectives such as reducing worklessness, increasing skill levels, reducing barriers to employment, and enhancing entrepreneurship
- targeting priority groups which vary depending on the buoyancy of the local labour market: Knowsley, on Merseyside, in an area with a traditionally weak economy has tended to major on those closest to the labour market notably JSA claimants; Lambeth and Newham located in London's more active labour market have targeted harder-to-reach groups
- adopting an iterative approach, revising interventions in the light of new evidence.

The nature of worklessness interventions

- 2.3. The six case study NDCs have supported three types of interventions. First, in relation to the supply side, Partnerships have instigated three types of interventions:
- combined job brokerage and Information Advice and Guidance (IAG) projects to help workless individuals access employment and training opportunities
 - recruitment and job matching services with local businesses, often facilitated through dedicated employment liaison officers
 - skills development projects, sometimes with a sector-specific focus.
- 2.4. Second, and on a more limited scale, NDCs have introduced projects on the demand side such as:
- Intermediate Labour Market (ILM) projects creating short-term jobs providing participants with the skills and experience to gain sustainable employment
 - initiatives seeking to create jobs for local people through section 106 agreements
 - business support projects to promote enterprise within the NDC area.
- 2.5. Third, benefits can arise from schemes designed to achieve change in other outcome areas. For example the physical development of NDC areas provides opportunities for training and employment in construction.

Working with partners

- 2.6. Partnership working lies at the heart of the NDC approach to tackle worklessness. NDCs generally maintain strong links with public sector organisations, notably Jobcentre Plus (JCP), in order to share expertise, enhance local delivery, and provide critical oversight of worklessness

strategies. Partnership working has not always runs smoothly. Key contacts in public agencies can move on. And there is a growing concern too that some partners are beginning to lose interest as NDC funding begins to dry up.

- 2.7. Partnership working with the private sector has proved relatively limited because of factors such as lack of commercial activity in some NDC areas, the supply-side focus of NDC strategies, a lack of suitable premises or vacant land for development, and employers lacking the time to get involved with what they can perceive as the bureaucracy surrounding NDCs.

Aligning interventions with wider strategies

- 2.8. NDCs have worked to align their worklessness programmes with other strategies and institutions operating within the wider local authority. For instance initiatives have included:

- integrating NDC interventions with other district-wide funding mechanisms, notably the Working Neighbourhoods Fund (WNF)
- seeking to align NDC policies with those adopted by district-wide institutions, notably Local Strategic Partnerships.

- 2.9. Difficulties have cropped up at the sub-regional level where some NDCs are involved in City Strategy partnerships designed to co-ordinate programmes to tackle worklessness across one or more local authorities. However, there are also examples of successful partnership working at this scale. In Newham, stakeholders comment on the value of the NDC's membership of the Department for Work and Pension's (DWP) East London City Strategy Pathfinder, one of 15 set up in 2007 to explore ways of improving employment rates through better inter-agency working.

Sustaining activity

- 2.10. As the Programme begins to run down, Partnerships are looking to sustain activity into a post-NDC world by:

- creating neighbourhood-based facilities to host worklessness projects once NDC funding ends
- developing a portfolio of physical assets, income from which that can be used to fund projects beyond the end of the Programme
- transforming projects into social enterprises
- inviting partner agencies into NDC funded facilities to deliver services using their core funding.

- 2.11. Nevertheless, local informants identify risks and uncertainties which could jeopardise succession strategies including:
- NDCs failing to find effective partners
 - loss of local provision if mainstream providers 'rationalise' services
 - short-term funding and targets imposed on mainstream agencies
 - the economic slowdown.
- 2.12. Working with partner agencies, NDC Partnerships have implemented a range of, especially supply-side, interventions designed to address worklessness in these 39 deprived localities. This depth of activity provides an ideal laboratory to address a critical question in relation to regeneration policy: what longer term outcomes arise from intensive, locality-based interventions designed to reduce worklessness in deprived neighbourhoods?

3. How successful have NDCs been in tackling worklessness?

Case-study evidence

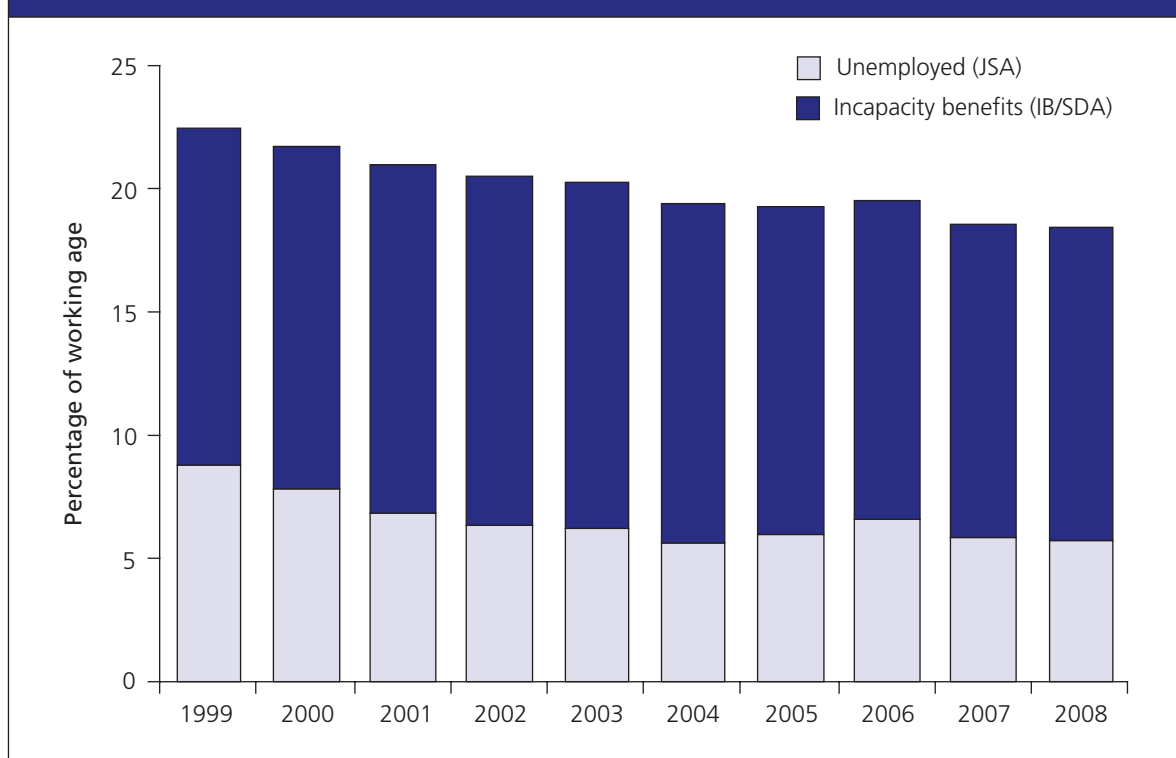
- 3.1. Evidence from the case-study NDCs is qualitative in nature arising from semi-structured interviews with:
 - local informants: notably NDC officers, stakeholders, and project managers
 - 68 project beneficiaries drawn from 15 projects.
- 3.2. Taking a broad overview, local informants tend to be positive about the effectiveness of interventions. Many consider they are delivering services which add value to existing mainstream provision. NDC funded interventions have a number of apparent advantages over the mainstream including the provision of personalised, neighbourhood-based services with the flexibility and resources to take clients through all stages of the job search process. However, it is also generally accepted that some projects struggle to engage groups most detached from the labour markets. This may be due in part to the voluntary nature of schemes which, whilst attractive to clients, also means that individuals cannot be compelled to participate.
- 3.3. Beneficiaries are even more positive than are local informants about the support they have received. NDC projects are seen to deliver friendly, accessible, personalised services which help them become more job-ready or which assist them secure work. There is a strong view amongst beneficiaries that tailored, flexible services delivered on a voluntary basis, at the neighbourhood level, can work in plugging apparent gaps in mainstream provision.
- 3.4. And there is other evidence to suggest that these positive individual-level perspectives are not without foundation. Using evidence from the 2004 household survey, the national evaluation team has identified outcome change for about 250 participants of 17 worklessness projects¹¹. Results indicate that, on average, these employment-project beneficiaries were more likely (significant at the 0.01 level) than were non-beneficiaries of such projects, to make a transition from not being in employment in 2002, to being in employment by 2004. Projects apparently do lead to positive outcomes for individuals.

¹¹ CLG (2009c) *Four years of Change? Understanding the experiences of the 2002-2006 New Deal for Communities Panel*.

Programme-wide change in worklessness: JSA and IB/SDA claimants

- 3.5. In the light of the positive nature of comments from local observers and project beneficiaries, it might have been assumed that Programme-wide change data would show considerable and consistent change across the 39 areas. And there are indeed positive signs. The NDC Programme-wide worklessness rate, which combines both JSA and IB/SDA claimants, has in the main fallen year on year (Fig. 3.1). Over the period 1999–2008 the worklessness rate fell by four percentage points from 22 to 18 per cent. There were 6,000 fewer workless residents in NDC areas in 2008 compared with 1999.

Figure 3.1: NDC aggregate worklessness rate: change 1999–2008



Source: DWP, ONS, SDRC
Rates are as of August in each year; except for February 2008

- 3.6. But of course what is also important here is not just absolute change, but rather the degree to which NDC areas changed against other benchmarks. Here there is rather more of a mixed picture. The fall in the rate of worklessness in NDC areas was more rapid than that occurring nationally or in parent authorities. To some extent however that would be expected: NDC areas had simply more headroom for change because they accommodated more workless individuals. In times of economic growth there was more opportunity for those closest to the labour market in NDC areas to find jobs. However, the decrease in worklessness in NDC areas was actually very marginally less than that occurring within similarly deprived comparator areas in the same local authorities. There is no

evidence as yet to indicate that NDC areas were seeing more in the way of improvements to worklessness than were similar neighbourhoods in the same local authority.

Reconciling 'top-down' with 'bottom-up' evidence

- 3.7. At first glance it may appear surprising that the scale of activity evident in the six case study areas, and this would generally be replicated across other Partnerships, does not as yet appear to have been associated with any apparent improvement in the relative position of NDC areas against similarly deprived neighbourhoods. But two reasons help explain this apparent anomaly.
- 3.8. First, although compared with previous initiatives this is a well funded ABI, total spend on the worklessness outcome as a whole amounts to about £380 per workless individual per year. It is not plausible to imagine that this resource will, of itself, generate large changes in relation to aggregate worklessness figures.
- 3.9. Second, specific interventions may well help achieve individual-level success by moving people closer to employment. However, aggregate Programme-wide change data reflect a large number of individual-level changes as people move into, and out of, employment, change jobs, leave, or move into, NDC areas and so on. To give a sense of this churn, if national trends are applied to all 39 areas, about 60,000 people each year claim and a similar number go off, JSA and IB/SDA. 'Top down' Programme-wide figures provide a 'gross' overview of that myriad of individual-level changes and choices. Specific interventions may well lead to a relatively small number of individual-level gains but these will be swamped by changes occurring across wider NDC areas.
- 3.10. There is a wider lesson here about measuring success in relation to ABI policy as a whole. With this scale of churn across the Programme it is unrealistic to imagine that neighbourhood-based interventions designed to move individuals closer to the labour market can ever result in measurable changes likely to be picked up by top-down data collection exercises. Small scale projects may well generate gains for individual beneficiaries: they are unlikely ever to culminate in discernable Programme-wide outcome change.

4. The emerging evidence: key policy considerations

- 4.1. Evidence does not as yet suggest that interventions supported by NDCs have collectively culminated in identifiable relative change for these 39 areas. It is not possible to use Programme-wide data to support any suggestion that intensive neighbourhood-level regeneration alone is likely to achieve the economic development and worklessness objectives proposed in 'Transforming Places'. Nevertheless, it is possible to use the NDC experience to inform wider policy debate.

Is the neighbourhood the right spatial scale?

- 4.2. There is a debate about the degree to which the neighbourhood is an appropriate context within which to tackle worklessness. It can be argued that it makes sense to target resources on the worst affected areas: *'many problems are of a more local nature, and can only be tackled at the level where concentrations of worklessness occur: the very local level'*¹². But, as is also generally recognised *'tackling neighbourhood deprivation requires recognising the connections between neighbourhood and a wider economy and understanding the factors that constrain people in disadvantaged areas from taking advantage of opportunities in the wider labour market'*¹³. NDCs, as neighbourhood-level institutions, have not always been in a position fully to appreciate the dynamics of the wider labour markets. There must be doubts as to whether any such organisation would ever fully understand the best 'fit' between programmes designed to upskill workless residents in deprived areas and the demands of employers in the wider labour market. There is an argument that such analyses need to be undertaken at the scale of the local authority or sub region. In that context the proposed duty on local authorities to undertake a Local Economic Assessment provides an opportunity for ensuring that neighbourhood-level worklessness strategies are better informed than hitherto. There is logic in setting a local authority, or sub-regional, strategy, using this as appropriate to inform neighbourhood level interventions designed to equip local residents with skills to meet demands in the wider economy.

¹² HM Treasury and DWP (2003): HM Treasury and DWP (2003) Full employment in every region. London: TSO. p46.

¹³ CLG (2008) Why Place Matters and Implications for the Role of Central, Regional and Local Government - Economics Paper 2 p41. www.communities.gov.uk/documents/citiesandregions/pdf/20.doc.pdf

What are the lessons for neighbourhood level interventions?

- 4.3. Once embedded with this wider strategy, evidence from this ABI provides a number of pointers as to what might best be done at the neighbourhood level.
- 4.4. Strategically, the most important function of NDCs has probably been in their ability to plug gaps in mainstream service provision through delivering or commissioning local, flexible schemes to support workless individuals back into employment. In developing their strategies, NDCs have placed an emphasis on understanding the local context; auditing the scale of existing services delivered by mainstream providers; and looking to exploit potential links between worklessness and other outcome areas such as crime, health and housing.
- 4.5. The decision of NDCs to focus largely on supply-side interventions to raise the employability of clients appears sensible. Such interventions are more likely to reap benefits for individuals living in NDC areas and may help in engaging those most distant from the labour market. The strategic decision not to focus significant resources on attempting to stimulate job creation seems appropriate. The cost of demand-side measures and the risk of 'leakage' renders them problematic. However, supply-side initiatives need to be implemented in conjunction with complementary demand-side interventions: *'in future, regeneration will need to be aligned with economic activities that strengthen the wider economy, to create places where people want to live and help residents into jobs'*¹⁴. Raising employment rates in deprived areas depends not just on overcoming personal barriers to work, but also on the availability of appropriate employment opportunities.
- 4.6. A number of lessons emerge regarding the most appropriate delivery models for providing neighbourhood level services to tackle worklessness:
 - the importance of an holistic approach, wherein a range of services is provided to tackle different individual-level barriers to employment
 - advantages appear to arise from a 'drop-in', one-stop, local facility
 - local, accessible facilities can help increase the take-up by individuals reluctant, or unable, to travel to more distant services
 - projects may need to differentiate themselves from mainstream providers; JCP has a relatively poor image when compared with NDC projects because of the widely-held perception that its advisers are unwilling, or unable, to help clients meet their employment goals
 - individuals may respond better to voluntary services tailored to their needs; but, on the other hand, they are more likely to attend compulsory sessions

¹⁴ CLG (2008e): p34.

- there is little evidence as yet that NDCs have made inroads into reducing worklessness among residents with health problems; spatially-targeted initiatives to reduce worklessness need to identify this group as a priority; making links through the Pathways to Work programme may be one way forward here.

4.7. The effectiveness of local services depends on the nature of relationships advisers develop with clients. Evidence from this ABI suggests effective advisers:

- are receptive to the employment aspirations of clients
- play a role in helping clients understand the benefits of returning to work: financial rewards, as well as possible non-monetary benefits such as health improvements, increased self-esteem and greater quality of life
- manage expectations in terms of potential wages, the ease of finding work, and the distance clients may have to travel to find work
- provide in-work support after clients have found employment.

4.8. Lessons can also be learnt from NDC projects which have been successful in reaching more marginalised groups in that they:

- place more emphasis on outreach work
- recruit through non-traditional channels such as sports and leisure activities or simply through 'hanging out' on streets
- place a strong emphasis on mentoring
- are run by charismatic and well-respected individuals with roots in the local community
- are often based in well-established community facilities
- are voluntary
- accept that engagement work will be costly, time-consuming and resource intensive.

4.9. Local observers are overwhelmingly of the view that good partnership working is essential in tackling worklessness in NDC areas. But there are issues:

- working with mainstream providers jointly to support specific interventions can create problems because more disengaged individuals often retain residual suspicions of mainstream agencies, particularly JCP
- there is a sense that mainstream agencies are not always delivering enough for clients in NDC areas; local informants point to an apparent shortage of training opportunities at colleges and apprenticeships in some NDC areas
- the private sector is not always a committed partner, especially if local employers are of the view that few direct gains will be made by

working with NDCs; some business consider that NDC-funded supply-side initiatives do not prepare participants adequately to meet labour-market needs.

4.10. NDCs are attempting to sustain activity into a 'post-NDC' world. WNF projects and other neighbourhood-based worklessness schemes may be faced with similar issues in the future. The lessons arising from the NDC experience points to the importance of:

- putting in place an effective exit strategy as early as possible
- securing links with other strategies and programmes to ensure that deprived areas continue to benefit from interventions to tackle worklessness after ABI funding ceases
- gains can be achieved by working with agencies to 'bend mainstream' funding to help support or, directly deliver, employment services into deprived areas
- acquiring physical assets in order to generate longer-term returns to sustain local initiatives after programme funding runs out.

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