

**NEW DEAL FOR COMMUNITIES; NATIONAL EVALUATION  
SCOPING PHASE**

**Department of Transport, Local Government and the Regions**

**PROFESSOR MIKE CAMPBELL  
POLICY RESEARCH INSTITUTE  
LEEDS METROPOLITAN UNIVERSITY  
BRONTE HALL  
LEEDS LS6 3QS**

**TEL: (00) 44 (0)113 283 1747**

**FAX: (00) 44 (0)113 283 1748**

**EMAIL: [M.CAMPBELL@LMU.AC.UK](mailto:M.CAMPBELL@LMU.AC.UK)**

**WEBSITE: [HTTP://WWW.LMU.AC.UK/LBS/PRI](http://WWW.LMU.AC.UK/LBS/PRI)**

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## **EXECUTIVE SUMMARY**

The worklessness evidence review has 5 main components:

- A consideration of the meaning of worklessness and its key dimensions
- An examination of the causes of worklessness
- An assessment of ‘what works’ in tackling worklessness drawing on national evaluation evidence
- An assessment of ‘what works’ in tackling worklessness drawing on local evaluation evidence
- An identification of the key lessons from the review/evidence for NDC partnerships and for the evaluation itself

There are a number of key findings from the evidence which should enable local partnerships to pursue actions which are consistent with what is known about previous actions, at the national and local level, to tackle worklessness and in this way, both inform the nature of the interventions that will be pursued and maximise the likelihood of positive outcomes:

- First, it is important to accurately characterise the dimensions and nature of the worklessness problem in any given locality. The focus of activity should not only be on the long term ‘registered’ unemployment but also on others amongst the ILO unemployed irrespective of their current benefit status, as well as those amongst the economically inactive who are potentially capable of obtaining employment. Raising employment rates and activity rates are as important as reducing the number of the claimant unemployed.
- Second, it is important for local action to seek to address the specific causes of worklessness in the locality. A failure to connect local actions to the real barriers that stand between the workless and employment opportunities will lead to ineffective interventions. Thus, an assessment of the reasons for local worklessness is a necessary underpinning to long term success. There are two main sets of causes:

First, worklessness may in part result from an overall shortage of job opportunities associated with the weakness of the locality's (not just the neighbourhood's) economy. This will require action to stimulate local job generation and to bring more jobs into the locality. However, 'economic' development and 'employment' development are not umbilically linked. The 'employment intensity' of developments differ and there is no guarantee that new jobs will be accessed by local residents or by those who are workless. Stimulating employment is not a sufficient condition for tackling worklessness. It is also important to acknowledge that available job opportunities can encompass both opportunities elsewhere in the locality outside the NDC area and replacement job slots arising from the process of labour turnover.

Second, worklessness may in part result from a weak connection between the job opportunities that are available and the ability of workless people to access these opportunities. The reasons for this lack of connection include weak job search: a mismatch between the location of new job opportunities and those of workless residents; a mismatch of skills between those required in the available jobs and those that workless residents currently possess; limited incentives to moving from worklessness in to paid employment; the scarring effects of long periods of worklessness; and discrimination by employers and others against those who are workless per se, or against certain groups who are disproportionately concentrated amongst the workless.

- Third, it is important to recognise that whilst the evidence from the literature with regard to 'what works, why and for whom is not wholly comprehensive there is an overall 'weight' of evidence on a range of actions to tackle worklessness.

These can be grouped into issues of policy, programme design and delivery.

## Policy

- ‘direct’ employment through targeted measures/programme do not generally seem to be effective in moving participants into employment.
- job search activity is relatively inexpensive, though views differ as to its effectiveness. However, developing informal networks and engaging in outreach activity, especially if combined with clear employment ‘linkage’ activity, is important.
- subsidies to employers, despite some evidence of low (employer) ‘take up’ appear to be very effective in securing (and sustaining) employment for those that access them.
- counselling, advice and guidance are important especially if the quality is high and trust engendered.
- acquiring skills, appropriate to employer needs, is essential. Employability and generic skills are of particular importance, especially if linked to specific employers’ recruitment needs.
- easing the transition from welfare to work is important in terms of ensuring that there is a demonstrable financial gain and that short term transition costs are dealt with. Creating a financial incentive for the individual is key.
- prevention measures, as well as reintegration of the already long term workless, may be valuable. Early intervention, for example following profiling to identify those most at risk, can diminish the likelihood of long term labour market detachment as well as the dead-weight effects of early intervention.
- follow through from the ‘programme’ into employment, with post-employment support, can be helpful in sustaining employment outcomes
- there is value in an approach which connects training and work experience closely to ‘real’ labour market conditions
- there is an important role for personal advisers and ‘gateway’ type assessment and activities.

- packages of support, individually tailored and flexibility delivered, tend to work better than individual measures
- actions to 'sustain' employment (maintaining stable or enhanced longer term employment trajectories) will be important through a range of pre/post employment services including, counselling, financial assistance, transitional support, in work services and employer guidance.

### Programme Design

- a 'targeted' approach, focusing on key groups at a disadvantage would encourage complementarity and additionality to mainstream programmes
- the development of measures to establish contact with, and connection to, the most 'hard to reach' groups, emphasising outreach work and co-ordination with other agencies to encourage cross referral, is valuable.
- a client centred approach is desirable to address the specific needs of individuals in a holistic way and to enable the development of a tailored package of assistance across the full range of appropriate agencies.
- it is important to ensure that employers are engaged in the design of interventions, that their needs are addressed and that incentives are available to make their employing of disadvantaged individuals 'worth their while'.
- A strategic approach to local action is important, both in terms of the approach to worklessness itself and its connection to wider actions to develop the neighbourhood. This involves devising action consistent with the nature of the problem; setting clear baselines and measurable objectives; and building effective monitoring, review and evaluation systems. The approach also needs to be 'vertically' integrated, co-ordinating the different levels of policy action – European, national, regional/sub regional; local; and neighbourhood. It also needs to be 'functionally' integrated in terms of taking action: to stimulate/sustain labour demand, particularly focused on the needs of the workless; to

develop the ‘employability’ of the workless; to build the ‘bridges’ between them and the range of available employment opportunities; and to support these processes with complementary measures to address the broader personal problems faced by some of the workless.

### Effective implementation and Delivery

- How services are delivered may be as important as the services themselves. The organisation and management of local actions can enhance the effectiveness of the actions taken.
- It is important to build close relations with local employers – as partners as well as clients – to identify their recruitment needs and ‘connect’ them to the workless.
- The know how and capacity of local staff are important in the delivery effective actions. Their recruitment, training and support is vital if they are to be able to deal sympathetically with clients, understand and relate to employers' needs and provide a high quality service to both.
- Finally, evaluation activity should be thought of as a key means through which ‘continuous improvement’ can be achieved. Evaluation results should inform the development of local action on worklessness.

## **1. INTRODUCTION**

This paper provides a review of the evidence with regard to 'what works' in tackling worklessness. After this introduction it begins (in section 2) by explaining what is meant by 'worklessness' and setting out its key characteristics and dimensions. In section 3 we review the causes of worklessness. This is an important issue because a misunderstanding of its causes may well lead to inappropriate and ineffective policies, programmes and actions being developed to tackle it. We distinguish, in particular, between the two sets of determinants of worklessness: overall levels of employment and a range of 'access' reasons why the workless are often not able to 'connect' to the employment opportunities, before examining the relationship between employment and worklessness..

Sections 4 and 5 form the heart of the review. Here we ask 'what works' in tackling joblessness? First, (in section 4) we examine what is known from national or programme evaluations. This is important primarily because considerably more evaluation studies have been undertaken at this level and because the results from such studies can be used to inform local action. A lack of knowledge about such studies is, in itself, a major barrier to developing effective local action to tackle worklessness. In examining the evaluation results we develop and make use of a typology, or intervention framework, which is consistent with the approach we adopt in our review of the causes of worklessness in section 3, and which provides a sound basis for understanding the range of potential local interventions.

In section 5 we review the evidence on what is known about 'what works' at the local level. Generally, such studies tend to complement the national evaluations by focusing less on policy issues and more on process, design and management. There are more qualitative studies and assessments which involve the views of participants and the reflections of local practitioners, including on what they consider to be good practice. In our view, combining the lessons of both approaches enables us to develop a more rounded knowledge of the issues that should assist in the development of effective local action.



Section 6 draws on previous sections of the paper to identify the key lessons from the evidence for the New Deal for Communities partnerships, while section 7 outlines the lessons for the evaluation of the worklessness domain of the New Deal for Communities programme.

Before proceeding it is important to note that there have been significant developments in policy relevant to the worklessness domain in recent years. It is beyond the scope of this paper to review these policies but their existence needs to be recognised, as some or all will be 'in operation' in the NDC areas.

At the European level the structural funds [the Regional Development Fund (RDF) and the European Social Fund (ESF)] are in operation in Objective 1 and Objective 2 areas whilst the Objective 3 (ESF) programme operates in all (non objective 1) areas. The Community Initiatives (e.g. Equal) may also be in operation in some areas.

At the national level, the various New Deal programmes, for young people, adults and lone parents, inter alia, operate in all communities.

At the local level, the single regeneration budget operates in several areas as do Employment Zones and Job Action Teams.

In terms of evaluation, therefore, it will be necessary to be cognisant of, and perhaps collaborate with, evaluations of these policies, most particularly in respect of Employment Zones and Job Action Teams.

Moreover, it should be noted that the worklessness domain is 'connected' to the other domains in various ways:

- education: Activities which seek to tackle worklessness often have a 'skills' component in terms of education, training and/or the development of 'employability' skills. Moreover action to enhance education participation and achievement are likely to affect worklessness
- housing: worklessness is heavily concentrated in social housing estates

- health: worklessness is particularly high amongst those people who have a disability
- crime: on the one hand, ex-offenders are at particular risk of worklessness and, on the other, reduced worklessness may have an impact on crime.

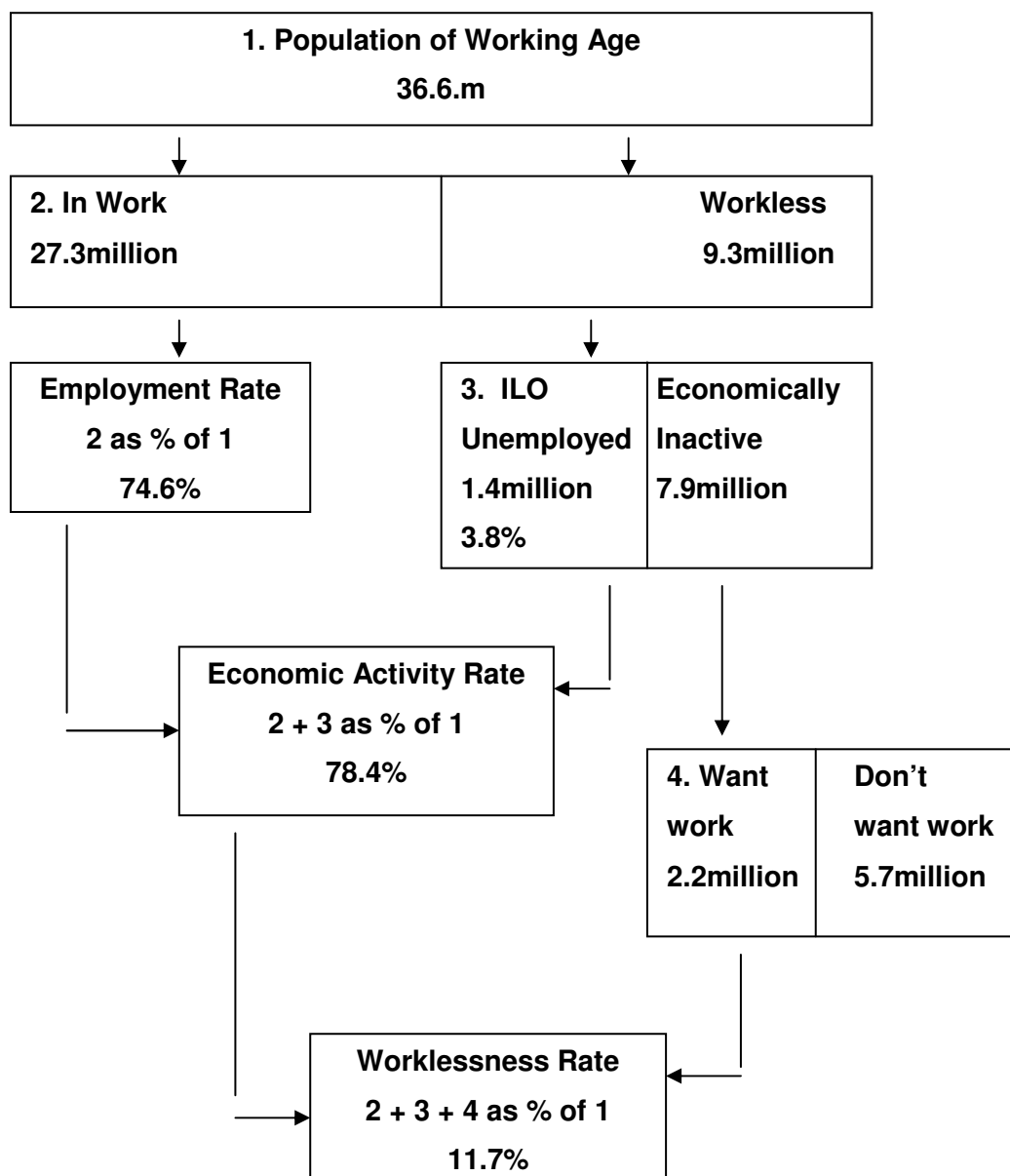
This paper, however, concentrates on identifying and assessing the available evidence on 'what works' in tackling worklessness. This should help inform the NDC evaluation work programme (see section 7) as well as being of some assistance to the partnerships themselves in developing their activities in the worklessness domain (see section 6).

## **2. THE DIMENSIONS AND CHARACTERISTICS OF WORKLESSNESS**

It is essential to articulate the nature of the worklessness problem so that actions to tackle it are appropriate and designed to maximise their probability of success. In fact, worklessness is conceptually elastic.

It is necessary here to distinguish between the various labour market 'positions' that people can hold. The labour market position of those of working age (males 16-64 and females 16-59) may be classified and set out in table 1 below and provides a framework to characterise worklessness.

**Table 1 Worklessness in the UK Labour Market**



*Source: Adapted from LFS Quarterly Supplement (August 2001)*

74.6% of the population of working age (27.3 million out of 36.6 million) are in work. This employment rate (and its mirror, the non employment rate) is now a key policy variable. The Public Service Agreement floor targets with regard to employment utilise the employment rate as the indicator of labour market ‘success’:

- over the 3 years to 2004, taking into account the economic cycle, increase the employment rates of the 30 local authority districts with the poorest initial

labour market position and reduce the differential between their employment rates and the overall rate.

- over the 3 years to 2004, taking into account the economic cycle, increase the employment rates of people with disabilities, lone parents, ethnic minorities and over 50s, and narrow the gap between these rates and the overall rate.

The employment rate has increased to its current level of 74.6% from less than 72% in May 1997 and 70% in May 1993. It varies across local authority districts from a high of more than 88% to a low of just less than 60%. The employment rate and the non-employment rate effectively divides those of working age into those in work and those who are not – the ‘workless’.

However, not all those without work actually want to work. Hence the workless can be subdivided into: (a) those who are unemployed – as defined by the ILO unemployment rate (in terms of those without a job but who are able to start work in the next 2 weeks and who have either looked for work in the 4 weeks prior or were waiting to start a job they had already obtained). This amounts to around 1.4 million people or 4.8% of the economically active. This level is down from 7.2% in May 1997 and 10.4% in May 1993. Adding these to those in employment gives an economic activity rate of 78.4%. Up to 1997 the preferred measure of unemployment was the (narrower) ‘claimant’ count, based on the numbers claiming unemployment/job seeker benefit. This figure currently stands at around 980,000 (or 3.2%) and excludes all those job seekers who are not eligible for receipt of the Job Seekers Allowance, though it includes those who are so eligible but who may not be deemed as active job seekers under the ILO definition (b) those who are ‘economically inactive’. These constitute around 7.9 million people of working age, or 21.6%. It may be thought that this group, while workless, are not a legitimate target for policy. However, some of the economically inactive (2.2 million) do in fact want to work even though they do not meet the criteria for ILO unemployment status. If we add these to the ILO unemployed, we can come to a total ‘worklessness rate’ of 11.7%.

Thus we can see that there are a range of ‘boundaries’ of worklessness – the registered unemployed, the ILO unemployed and the workless who want work.

**Table 2 The Characteristics of the Workless**  
**(as % of those of working age in the UK<sup>1</sup>)**

|                          | Economically Active | Of which In Employment | ILO Unemployed | Economically Inactive |
|--------------------------|---------------------|------------------------|----------------|-----------------------|
| All                      | 78.4                | 74.6                   | 3.8            | 21.6                  |
| Male                     | 83.8                | 79.3                   | 4.4            | 16.2                  |
| Female                   | 72.4                | 69.3                   | 3.1            | 27.6                  |
| Age: 16-24               | 68.2                | 61.1                   | 7.1            | 31.8                  |
| 25-34                    | 84.3                | 80.4                   | 3.9            | 15.7                  |
| 35-44                    | 85.3                | 82.0                   | 3.3            | 14.7                  |
| 45-54                    | 81.9                | 79.5                   | 2.5            | 18.1                  |
| 55-64                    | 62.2                | 60.0                   | 2.2            | 37.8                  |
| Ethnicity: White         | 79.3                | 75.9                   | 3.5            | 20.7                  |
| Asian                    | 61.5                | 55.0                   | 6.5            | 38.5                  |
| Black                    | 71.1                | 61.9                   | 9.2            | 28.9                  |
| Qualifications:          | 91.9                | 90.1                   | 1.8            | 8.1                   |
| NVQ5                     |                     |                        |                |                       |
| NVQ4                     | 89.2                | 87.1                   | 2.1            | 10.8                  |
| NVQ 3                    | 81.5                | 78.6                   | 2.9            | 18.5                  |
| NVQ 2                    | 80.1                | 75.6                   | 4.5            | 19.9                  |
| NVQ 1                    | 77.0                | 71.9                   | 5.3            | 23.0                  |
| No Quals                 | 56.3                | 50.9                   | 5.4            | 43.7                  |
| Disability :             | 51.2                | 46.9                   | 4.2            | 48.8                  |
| Disabled                 |                     |                        |                |                       |
| Non                      | 84.6                | 80.9                   | 3.7            | 15.4                  |
| Disabled                 |                     |                        |                |                       |
| Lone Parent <sup>2</sup> | 21.4                | 9.3                    | 12.0           | 78.6                  |

**Source: Labour Force Survey - Spring 2001**

**Notes: 1. Includes students. 2 as % of those claiming income support**

Table 2 now sets the chief characteristics of the workless, in terms of the ILO unemployed and economically inactive, as well as those in work, for comparative purposes. So, for example, just about three quarters of those of working age are in employment, one fifth are economically inactive and one in 25 are workless – on the ILO unemployment measure. Rates of worklessness on this ILO measure are highest amongst men, young people (though the proportions who are long term unemployed are highest amongst the older age groups), ethnic minorities, those with low/no qualifications, those with a disability and lone parents. However the variations in unemployment rates are much less than the variations in economic activity and in activity rates. Economic inactivity rates are highest amongst women, older workers, ethnic minorities, those with no qualifications, the disabled and lone parents. Over one third of those aged over 55, and of those of Asian origin, are economically inactive. Getting on for half of those without qualifications are economically inactive - almost double the proportion of those with just NVQ level 1 qualifications. Almost half of those with disabilities are inactive and over three quarters of lone parents (on income support) are inactive.

While the UK currently has its lowest unemployment rate for over 20 years and while more than 1 million (net) new jobs have been created since 1997, worklessness remains a problem and is concentrated geographically, as we will see below. It is also however, concentrated amongst certain categories of individuals, households and social groups.

Unemployment as measured by the ILO unemployment rate, is higher for men than women, for young people than other age groups, for the poorly qualified than the well qualified and for some ethnic minorities rather than white people (see table 2 above). Half of all days of unemployment are accounted for by just 19% of the unemployed (Dickens, Gregg and Wadsworth 2001). The probability of leaving unemployment falls the longer one is unemployed. More people are not becoming unemployed (inflows into unemployment are much lower than 20 years ago) but the duration of unemployment spells has doubled i.e. outflows or exit rates have declined. Furthermore there is a high and increasing incidence of repeated spells of unemployment - those becoming unemployed often have a history of past unemployment, especially amongst prime age men.

There are now 2.3 million men of working age (excluding students) who are economically inactive - double the number that are registered as being unemployed. The rise in economic inactivity, has contributed greatly to the geographical and group concentrations of worklessness. The concentrations are greatest amongst older, less skilled men, those living in social housing and in areas with the highest unemployment rates. And Beatty and Fothergill (1999) have shown that just about half (49%) of economically inactive males would like a full time job.

Male inactivity has risen across all age groups but especially amongst the over 50s - 28% of whom (1.3 million) are now economically inactive compared to a third of that level in, for example, 1977 (see Disney and Hawkes 2000; Cabinet Office 2000). Amongst men resident in social housing 30% are economically inactive. Inactivity is also associated with low skills levels. 31% of all men with no qualifications are inactive compared to 5% in 1979. This also compares, for example, to just 8% of graduates being inactive today. Nor do these activity rates appear to increase under strong labour market conditions. Between 1993-99, when employment the numbers employed increased in every year, the activity rates for males in general and for those with low qualifications in particular, have continued to decline. This inability of jobs growth to halt declining male economic activity suggests that the overall demand for labour is only a part of the problem. However inactivity is associated with local labour market conditions. It is concentrated in localities with the highest unemployment, and lowest employment, rates (Dickens, Gregg and Wadsworth 2001).

A further feature of worklessness is its increasing concentration within households. 60% of the economically inactive now live in workless households (double that in 1979), though in many cases such households consist of single adults.

There has been a substantial increase in the number/proportion of workless households so that now around 1 in 6 (17%) of households - containing 4 million adults and 2.6 million children - have no one in them working. In 60% of these households, no adult has worked at all in the last 3 years. 48% of social housing households are workless compared to just 8% of owner occupied households and in

68% of social housing households the head of household is not in paid work (Rahman et al 2000). One child in five grows up in a workless household.

Almost one half (45%) of all lone parents households do not have paid work. This compares to 19% of households where there are no dependent children and 5% where there are couples with children.

Nearly 7% of the working age population are from ethnic minorities and they are likely to account for around half of the growth of the workforce over the next decade (Twomey 2001; Owen and Green 2000). Economic activity rates are very low for some groups. For example, that amongst Black Africans is 68% and amongst Pakistani/Bangladeshi it is 53% compared to 80% for whites.

The ILO unemployment rate by ethnic group shows that it is Black, Bangladeshi and Pakistani people who experience the highest rates, with the unemployment rate for men in each of these three groups being double that for white men. The highest rates within these groups are for Black African men and women; black Caribbean men and Pakistani/Bangladeshi men and women (Twomey 2001). The rates are also much more cyclically sensitive (Rahman et al 2000) and, over time, increasing relative to white rates. The ratio of ethnic minority unemployment to that of whites was 2.4 in 2000 compared to 1.7 in 1988 (Twomey 2001). Leslie (2001) also draws attention to this widening gap and shows that around half the difference in rates is attributable to differences in qualifications, location and age.

As far as young people aged 16/17 are concerned, the numbers (ILO) unemployed have hardly changed since 1993 with between 18% and 20% unemployed, though the numbers of 16-18 year olds who are not in education, training or work has declined between 1998-2000 from 180,000, to 150,000 – still however this represents 9% of the age group (Rahman et al 2000). However in respect of 18-24 year olds, the (ILO) unemployment rate has fallen sharply from 18% in 1993 to 13% in 1997 and to 10% in the spring of 2001.(ONS 2001, table C1, page 538).

One of the most noticeable characteristics of the workless is that they are generally poorly qualified compared to the employed workforce. Whilst 11% of those in



employment have no qualifications, 22% of the ILO unemployed have no qualifications and 31% of the economically inactive have no qualifications. Over 40% of the former, and 46% of the latter, are qualified only to a level below NVQ2 or equivalent (Campbell et al 2001).

Furthermore, the occupational background of the unemployed is skewed towards manual occupations. For example, 36% of the long term unemployed previously worked in non-craft manual occupations and a further 19% in craft manual occupations - proportions which are well in excess of the proportions of employment accounted for by these occupations - 15% and 11% respectively (Campbell et al 2001).

Local action in the field of worklessness is important in at least four respects. First, joblessness is often seen as 'lying at the root of many social problems in disadvantaged neighbourhoods' (Forest and Kearns 1999). The National Strategy for Neighbourhood Renewal (NSNR), for example, recognises that the main driver of 'neighbourhood decay' has often been economic with 'mass unemployment' and the closure of particular industries 'devastating' communities with new jobs requiring higher level skills and not enough help being available for people to adjust to the changing jobs market. Poverty and unemployment are also seen as exacerbating a whole range of social problems including ill health, youth disaffection, crime and family breakdown (SEU 2000). Thus the NSNR gives 'pole position' to its 'reviving economies' theme and within this there is a strong orientation to skills development, access to employment opportunities and business development. And, of course, worklessness is one of the 4 domains of activity in the New Deal for Communities programme.

Second, local approaches are increasingly seen as a more effective approach to the design and implementation of employment policies. Action at the local level can add value to national policies in a range of ways (OECD 1998; Campbell, Sanderson and Walton 1998). It enables the adaptation of policy and practice to local conditions; it stimulates the involvement of a wide group of stakeholders, including employers and the local community; it makes intelligent use of local resources in terms of local accumulated knowledge and the 'social capital' of trust relations, proximity and

communications, and team work, and it enables a 'joined up' partnership based approach to employment issues.

Third, 'actually existing policy' in relation to employment, and in its role in regeneration, is decentralising and localising. For example, the SRB programme involves a substantial local design, element with local partnerships being responsible for developing their own strategies; the New Deal for Communities initiative involves local partnerships developing a flexible delivery plan utilising a 'bloc' grant available through Government Offices; and both Employment Zones and the Action Teams for Jobs have substantial local discretion in designing 'what works' at the local level.

Finally, and this is the issue to which we now turn, there is substantial local differentiation in labour market conditions across the country.

Worklessness is highly geographically concentrated and many localities experience high levels of worklessness. For example (Campbell and Meadows 2001):

- 15 local authority districts have employment rates more than 10% points below the national average
- 65 local authority districts have a claimant unemployment rate which is more than double the national average
- 37% of the long term unemployed live in just 10% of local authority districts
- unemployment rates in the 100 'worst' wards in the country are over 15% points above the national average

Table 3 ranks the most 'employment deprived' wards in England. The employment 'scores' refer to the proportion of the ward's population who suffer employment deprivation on the basis of combining the 5 employment indicators in the Index of Multiple Deprivation. In each case around one third or more of the community can be described as employment deprived.

**Table 3      The 100 Most Employment Deprived Wards in England**

| <b>Ward</b>         | <b>Local Authority</b> | <b>Employment<br/>Domain Score</b> | <b>Rank of<br/>Employment<br/>Domain</b> |
|---------------------|------------------------|------------------------------------|--|
| Everton             | Liverpool              | 50.90                              | 1  |
| Longview            | Knowsley               | 48.02                              | 2  |
| Vauxhall            | Liverpool              | 46.74                              | 3  |
| Princess            | Knowsley               | 46.36                              | 4  |
| Granby              | Liverpool              | 43.44                              | 5  |
| Northwood           | Knowsley               | 41.88                              | 6  |
| Deneside            | Easington              | 41.69                              | 7  |
| Breckfield          | Liverpool              | 41.25                              | 8  |
| St. Hilda's         | Middlesbrough          | 41.24                              | 9  |
| Bidston             | Wirral                 | 40.28                              | 10                                       |
| Thorntree           | Middlesbrough          | 39.25                              | 11                                       |
| Pier                | Thanet                 | 39.12                              | 12                                       |
| Cherryfield         | Knowsley               | 38.88                              | 13                                       |
| Birkenhead          | Wirral                 | 37.49                              | 14                                       |
| Portrack and Tilery | Stockton-on-Tees       | 37.24                              | 15                                       |
| Eden Hill           | Easington              | 37.23                              | 16                                       |
| Sandwith            | Copeland               | 37.03                              | 17                                       |
| Rampton             | Bassetlaw              | 37.01                              | 18                                       |
| Linacre             | Sefton                 | 36.89                              | 19                                       |
| Melrose             | Liverpool              | 36.69                              | 20                                       |
| Ardwick             | Manchester             | 36.57                              | 21                                       |
| Harpurhey           | Manchester             | 36.56                              | 22                                       |
| Pirrie              | Liverpool              | 36.43                              | 23                                       |
| Kirkby Central      | Knowsley               | 36.26                              | 24                                       |
| Speke               | Liverpool              | 36.20                              | 25                                       |
| Shotton             | Easington              | 36.15                              | 26                                       |
| Stranton            | Hartlepool             | 35.81                              | 27                                       |
| West City           | Newcastle upon Tyne    | 35.64                              | 28                                       |
| Rekandyke           | South Tyneside         | 35.63                              | 29                                       |

|                      |                                |       |    |
|----------------------|--------------------------------|-------|----|
| Grangetown           | Redcar and Cleveland           | 35.53 | 30 |
| Pallister            | Middlesbrough                  | 35.46 | 31 |
| Sparkbrook           | Birmingham                     | 35.37 | 32 |
| Regent               | Great Yarmouth                 | 35.34 | 33 |
| South Bank           | Redcar and Cleveland           | 35.14 | 34 |
| Central St. Leonards | Hastings                       | 35.08 | 35 |
| Dovecot              | Liverpool                      | 35.04 | 36 |
| Bradford             | Manchester                     | 35.03 | 37 |
| Myton                | Kingston upon Hull, City<br>of | 34.89 | 38 |
| Clubmoor             | Liverpool                      | 34.75 | 39 |
| Dearne Thurnscoe     | Barnsley                       | 34.63 | 40 |
| St. Gabriels         | Knowsley                       | 34.51 | 41 |
| Benchill             | Manchester                     | 34.38 | 42 |
| Central              | Manchester                     | 33.96 | 43 |
| Burngreave           | Sheffield                      | 33.93 | 44 |
| Elswick              | Newcastle upon Tyne            | 33.86 | 45 |
| Moorside             | Newcastle upon Tyne            | 33.57 | 46 |
| Horden North         | Easington                      | 33.56 | 47 |
| Kensington           | Liverpool                      | 33.56 | 48 |
| Shirebrook North     | Bolsover                       | 33.40 | 49 |
| Central and Falinge  | Rochdale                       | 33.35 | 50 |
| Owton                | Hartlepool                     | 33.34 | 51 |
| Thorney Close        | Sunderland                     | 33.32 | 52 |
| Shirebrook<br>West   | North- Bolsover                | 33.30 | 53 |
| Netherley            | Liverpool                      | 33.19 | 54 |
| Cantril Farm         | Knowsley                       | 33.13 | 55 |
| Chirton              | North Tyneside                 | 33.09 | 56 |
| Tranmere             | Wirral                         | 33.07 | 57 |
| Castle               | Hastings                       | 32.94 | 58 |
| Beckfield            | Middlesbrough                  | 32.80 | 59 |
| Smithdown            | Liverpool                      | 32.79 | 60 |

|                     |                                |       |    |
|---------------------|--------------------------------|-------|----|
| Horden South        | Easington                      | 32.77 | 61 |
| Castlefields        | Halton                         | 32.75 | 62 |
| Woodhouse Close     | Wear Valley                    | 32.72 | 63 |
| St. Michaels        | Knowsley                       | 32.67 | 64 |
| Walker              | Newcastle upon Tyne            | 32.63 | 65 |
| Aston               | Birmingham                     | 32.61 | 66 |
| Beswick and Clayton | Manchester                     | 32.58 | 67 |
| Spitalfields        | Tower Hamlets                  | 32.57 | 68 |
| Mirehouse West      | Copeland                       | 32.54 | 69 |
| Queensbridge        | Hackney                        | 32.42 | 70 |
| Hindpool            | Barrow-in-Furness              | 32.38 | 71 |
| Park End            | Middlesbrough                  | 32.35 | 72 |
| Byker               | Newcastle upon Tyne            | 32.27 | 73 |
| Parr and Hardshaw   | St. Helens                     | 32.17 | 74 |
| Monkchester         | Newcastle upon Tyne            | 32.08 | 75 |
| Wheatley Hill       | Easington                      | 32.07 | 76 |
| Southwick           | Sunderland                     | 31.90 | 77 |
| Ordnance            | Newham                         | 31.83 | 78 |
| St. Hilda           | Hartlepool                     | 31.57 | 79 |
| Salterbeck          | Allerdale                      | 31.55 | 80 |
| Nelson              | Great Yarmouth                 | 31.47 | 81 |
| Dyke House          | Hartlepool                     | 31.42 | 82 |
| Weavers             | Tower Hamlets                  | 31.30 | 83 |
| Newton Heath        | Manchester                     | 31.29 | 84 |
| Orchard Park        | Kingston upon Hull, City<br>of | 31.13 | 85 |
| Abercromby          | Liverpool                      | 31.11 | 86 |
| Halewood South      | Knowsley                       | 31.11 | 87 |
| Ewanrigg            | Allerdale                      | 31.09 | 88 |
| Beechwood           | Middlesbrough                  | 31.09 | 89 |
| Brus                | Hartlepool                     | 31.05 | 90 |
| Moss Side           | Manchester                     | 31.05 | 91 |
| Easington Colliery  | Easington                      | 30.95 | 92 |

|             |                      |       |     |
|-------------|----------------------|-------|-----|
| Central     | Barrow-in-Furness    | 30.94 | 93  |
| Hirst       | Wansbeck             | 30.83 | 94  |
| Tanhouse    | West Lancashire      | 30.80 | 95  |
| County      | Liverpool            | 30.80 | 96  |
| St. Mary's  | Liverpool            | 30.74 | 97  |
| St. Pancras | Camden               | 30.72 | 98  |
| Coatham     | Redcar and Cleveland | 30.65 | 99  |
| Felling     | Gateshead            | 30.58 | 100 |

Source: Index of Multiple Deprivation, DTLR (2001)

On the other hand the 100 least employment deprived wards have scores ranging between almost zero and 2.4. i.e., Almost no one in these communities are employment deprived. Most are located in the South East region.

Fothergill (2001) shows that differences in regional unemployment are severely underestimated by using claimant unemployed data. The chief response, he argues, to a decline in jobs has been 'withdrawal' from the labour market and a move from claiming JSA to claiming sickness benefits. He shows that between 1981-99 the numbers of working age adults claiming incapacity benefit for more than 6 months increased from 500,000 to 2,000,000. The growth is particularly concentrated in areas of previous manufacturing and coal industry decline. He estimates the resulting hidden unemployment to be around 4.9% of working age males or 860,000.

Local variations in worklessness are however much greater than at the regional level. For example, the proportion of working age men not in work varies between 13% and 26% across the UK regions but it varies between 8% and 31% at the county level, with differences in local authority rates being even wider and between neighbourhoods wider still.

Furthermore, differences in economic inactivity between areas are greater than differences in unemployment, especially in inner city and former mining/industrial areas (Glynn and Erdem 1999; Green and Owen 1998) and the growth in inactivity is also greatest where its initial incidence is highest: inner cities and on social housing estates.

### **3 THE CAUSES OF WORKLESSNESS**

In this section we outline the main reasons for the existence of worklessness. Understanding the causes can help provide us with insight into the types of policies and actions that are most likely to work in reducing worklessness. A lack of alignment between policy and action on the one hand and the configuration of worklessness on the other, would be serious indeed.

#### Demand Matters

In aggregate terms worklessness in the form of unemployment, will exist when the supply of labour exceeds the demand for labour. This will arise when the growth of the economy is insufficient to employ all members of the labour force. In classical terms such unemployment would be a temporary situation, as the 'blades' of the supply and demand scissors (businesses and workers) react by adjusting their behaviour, so reducing wages and expanding employment. In practice, however, wages may be inflexible downwards. Attempts to reduce unemployment by expansionary policies to raise aggregate demand may risk generating inflation. Furthermore, in a continually changing economy there will always be people moving jobs and joining the labour market as well as companies opening, closing, expanding and contracting. Unless markets work instantaneously, the existence of some unemployment is an inevitable consequence of a dynamic economy.

In practice, therefore, there is an 'equilibrium' or baseline level of unemployment in a labour market which corresponds to stable inflation levels (sometimes referred to as the NAIRU rate - the non accelerating inflation rate of unemployment). This rate of unemployment will be higher or lower in different economies, labour markets and at different points in time, depending on the actual operation of the labour market in question - the institutional structures, the policies and the behaviour of employers and workers.

The overall macroeconomic management of the economy through monetary policy, fiscal policy and exchange rate management, when combined with appropriate

microeconomic measures, may succeed in securing high levels of employment/low levels of unemployment. But there is no guarantee, even if economic management is sound, of permanently low levels of unemployment because of the interdependency of national economies and the possibility of external 'shocks' to the economy. It is possible for there to be periods when there are insufficient jobs available for all those that want them. However, the UK, in recent years, has witnessed a long period of rising employment and falling unemployment which has led some to imply that there is 'full' employment: defined as a situation where the total level of unemployment roughly corresponding to the total number of vacancies - implying that there are sufficient jobs for all those who seek them (HM Treasury 2000). However there are actually considerable differences across localities in demand conditions, with considerable differences in the growth of employment in different localities. Whilst 50 LADs experienced increases in employment of more than 25% in the 1990s (between 1991-98), more than 50 experienced a net loss of jobs (Campbell 2000e). The largest increases tended to be in small towns, rural areas and occurred largely in the south. The declines tended to be concentrated in cities, larger towns and the North. By and large jobs growth was concentrated in already 'job rich' areas and job losses occurred largely in 'job poor' areas.

Turok and Edge (1999) draw attention to the widening geographical disparities in labour market conditions in their examination of employment trends in 20 cities. These cities actually lost jobs between 1981-1996, whilst the rest of the country experienced a growth of 1.7 million jobs. They point out that services have grown less slowly in the cities but that it is declining manufacturing employment (of some ½ million jobs) that is largely responsible for the job loss, especially amongst full time, male, manual workers. They argue that the 'jobs gap' in these cities (i.e. the, growing, imbalance between the supply and demand for, labour) is essentially caused by a lack of job opportunities, an inadequate demand for labour. However there is substantial geographical unevenness as to the experience of different cities, conurbations and free standing cities. Like Green and Owen (1998) they find that much of the growth in joblessness takes the form of 'hidden' unemployment, declining economic activity and out-migration, thus masking the extent of the problem. The rises in recorded unemployment in the cities have been relatively small.

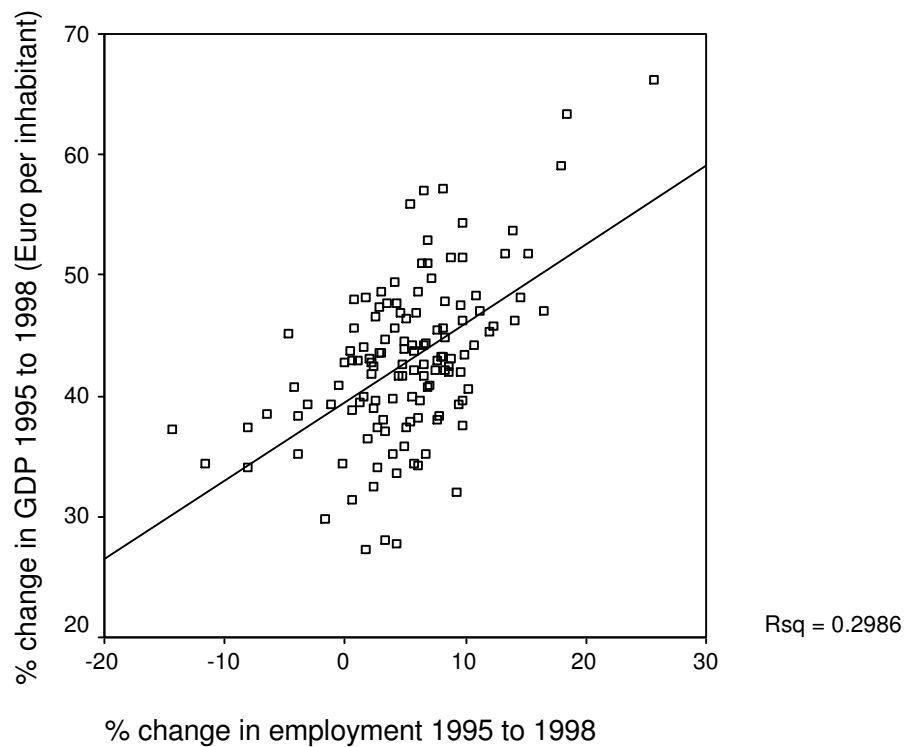


Webster (1999a, 1999b, 2000) similarly draws attention to the significant variations in labour market performance across localities in terms of employment, unemployment and inactivity. He notes that whilst there has been some convergence in unemployment rates the reverse has occurred in respect of activity rates. He finds no correlation between areas of jobs growth and levels of unemployment (on which further see below) but that employment change has had a large effect on activity rates, especially with regard to manual job loss. Indeed it is this weak adjustment to the loss of manual, manufacturing jobs through commuting and migration that largely explains local concentrations of worklessness (Bailey and Turok 2000). Webster concludes, therefore, that the 'unemployment problem lies mainly on the demand side' (Webster 2000, Page 125). Glynn and Erdem (1999) develop a similar argument at the regional level - that it is overall employment levels, caused by declining traditional industries, that are the cause of job gaps. Moreover, Martin et al (2000) examine geographical variations in the impact of New Deal and find that, amongst other things, geography does make a difference, especially in the inner cities. They argue that it is crucial to tackle the inequalities in opportunities for participants to enter the labour market by integrating active labour market policies with measures to stimulate job generation. They do recognise, however, that the composition of jobs growth also needs to be appropriate to the needs of those entering the labour market.

It should be noted, however, that a deficiency of job opportunities may not be wholly due to a deficiency of demand. It may, in part, be associated with the transmission mechanism between the expansion of output and the expansion of jobs. The 'employment intensity' of growth is a function of the structure and composition of the growth and thus of the jobs created. For example, the same rate of growth in chemical output as in clothing output, or in construction as in retailing does not produce similar levels of jobs openings. Technology and productivity mediate the relation between growth and jobs. Furthermore the overhead costs of hiring (and firing) workers may also constrain the employment effects of growth.

An analysis, conducted by the author (Campbell 2000d), of the relationship between rates of economic growth and rates of employment growth across 120 localities in Great Britain in the mid/late 1990's does show a relationship between economic growth and jobs but the relationship varies considerably from locality to locality with

a wide range of employment outcomes being associated with a given rate of economic growth (see figure 1).



**Figure 1: The Relationship between Economic and Employment Growth**

For example North Nottinghamshire and Brighton secured, respectively, twice and three times the job outcomes as Sheffield with broadly the same rate of economic growth.

Moreover, the characteristics of employers and their recruitment practices are also an important factor (Adams, Greig and McQuaid 2000) in 'locking out' the workless from evolving employment opportunities. It is also important to recognise that job openings arise even when total levels of employment are stable or falling. Job openings arise continuously in a dynamic economy as workers leave their current job or retire from the workforce. Many need to be replaced and this pattern of normal labour turnover creates for more job openings than employment 'growth'. Taking account only of openings caused by occupational mobility and retirement, it is

estimated that around 5½ to 6½ times as many jobs are being 'replaced' compared to the numbers of 'new' jobs being created (Wilson 2001).

### Connecting the Workless

There is, in reality, much more to the causes of worklessness than a deficiency of aggregate employment opportunities. The existence of worklessness, particularly in geographically defined communities, does not necessarily imply the existence of a lack of jobs, indeed, nor does a lack of jobs necessarily imply worklessness. There are a range of reasons why the workless may not access employment opportunities. We consider each in turn here, remembering that the appropriate delineation of the causes of worklessness is required, in order to ensure a correct specification of the actions required to 'reconnect' them to such opportunities (See Campbell et al 1998; Campbell 2000c; Meager and Evans 1998; Martin 2000):

- Search - the workless and employers may use different search channels in their respective job search and recruitment processes and the workless may in particular not search widely for job opportunities. There may be imperfect information in the local labour market. Inadequate information on job availability may lead to 'search' unemployment, which increases as labour market turbulence grows with its associated information lags and weak labour market intelligence (Shackleton, 1997). In addition, asymmetric information between employers and job seekers may lead to weak job matching with employers recruiting and workers searching, via different channels.

Moreover search intensity declines with the duration of unemployment. Adams, Greig and McQuaid (2000) show how search channels differ between individuals and, different types of, employer and how the efficiency of job matching agencies, public and private, can affect outcomes.

- Location: the job opportunities may be in the 'wrong' places with the locations of jobs and the unemployed being geographically separated. Brennan et al (2000) draw attention to this problem and when combined with poor public transport

availability, low car ownership and a possible unwillingness amongst some to travel longer distances to work than they previously used to (especially at lower wages), this constrains the range of geographical search for such opportunities.

- **Skills mismatch:** the job openings that are available may be unsuitable in that the skills required by employers do not match those that the workless possess. Changes in the pattern of labour demand (by occupation, skill/qualifications or employment status) may take place more rapidly than labour supply is capable of responding, thus generating 'structural' unemployment. Skills mismatches develop between labour sought and labour available. There is extensive evidence of such structural shifts and lags in the adjustment process particularly in relation to skills deficits on the part of the long term unemployed (Campbell et al 2001; Balls and Gregg, 1994). High levels of worklessness amongst the low skilled is the result (Gregory 2000). Many workless people feel that they lack the skills sought by employers (Shaw et al 1996).

Moreover the UK has experienced a particularly significant increase in the excess demand for skilled labour and excess supply of skilled labour over the last 20 years, as international comparisons show (Nickell and Layard 1998). These changes may have contributed around one fifth to the overall rise in equilibrium unemployment from the late 1960s to late 1980s (Nickell and Bell 1995). In a study of OECD countries over the period 1970-94 (Manacorda and Petrongolo 1999) skill mismatch was found to be an important explanation of rising unemployment in the UK, and to a greater degree than in any other country. The impact of the demand shift against unskilled labour was found to explain more than 50% of the increase in unemployment amongst the low skilled and 45% of the total increase in unemployment.

Furthermore, as we have seen, unemployment levels increase as educational attainment declines (especially for men). Perhaps the defining feature of worklessness is the more than quadrupling in the non employment rates of prime age (25-54) males who have no qualifications over the 1980s and 1990s. This has occurred even in the face of strong labour market demand conditions: in the period since 1993 overall prime age male unemployment actually fell by a half (Nickell

and van Ours 2000; Nickell and Quintini 2001). In 1979 the inactivity rate of males without qualifications was 4%. It is now 30% (Nickell and Quintini 2001, Page 20).

- **Employability:** the workless may not be 'work ready', suffering from a range of problems which make obtaining a job an unrealistic expectation. Domestic circumstances may prevent some people from full participation in the labour market, constraining the range of effective choices open to them. A lack of access to, or unavailability of, appropriate transport; insufficient or expensive local child care facilities; and poor health, are important factors here. For example, DSS research (Shaw et al., 1996) demonstrates that, for lone parents, child care issues are the main impediment to employment, whilst 45% of those on Income Support report a disability of health problem; 23% of new jobseekers report a limiting illness or disability (Green et al 2000) as do 35% of lone parents (Marshall et al 2001).

Squirrell (2001) shows how the characteristics of rough sleepers mean that they could not respond to measures to move into employment until they were settled in accommodation or had drug and alcohol misuse issues under control. Improving their health and control over day to day life were more important priorities. More generally, Meadows (2001) points to the combination of personal, social, health and educational disadvantages that some young men face which make it difficult for them to adapt to the world of work (e.g. a history of offending or substance abuse).

- **Net Worker Benefit:** the job openings that are available may not be considered as 'opportunities' because the wage and working conditions associated with them are insufficiently attractive relative to their current, non employed, income and living conditions. This limited incentive to work may arise because of a high 'reservation' wage, where potential workers are unwilling to work for a wage beneath a certain level - a situation often conditioned by earnings in their previous employment. Or it may be due to the existence of a 'low' replacement ratio (available wages divided by current benefits) which may be due to 'high' benefits,

'low' wages, or a combination of the two. This situation may be particularly problematic in terms of the availability of housing benefit and/or receipt of invalidity benefits. Moreover in many deprived communities wage levels are relatively low, compared to national averages, but as many benefits are nationally determined, this narrows the gap between the two still further.

Moreover, long durations of entitlement to benefit have also been shown to increase long term unemployed (Boeri and Layard 2000; OECD 1994; Nickell 1997). There is evidence of a systematic relationship between benefits levels and levels of unemployment across OECD countries (Pissardies 1999). These factors have been shown in the UK to have some impact (White, 1994) though this varies by occupation, gender and, especially, age. Nickell and van Ours (2000) have examined the role of the disability system in respect of the dramatic increase in prime age men with low levels of education who are not in employment (see above). Among prime age men the numbers who report themselves to be inactive because of sickness, ill health or disability has increased three fold since 1979. There are now as many non-workers inactive because of these reasons as there are registered unemployed. And amongst prime age males without qualifications, 18% are inactive because of sickness and disability - a 6 fold increase since 1979, and a doubling since 1992. Disability benefits are higher in the long run (though they are slightly lower in the first 6 months) and more secure than unemployment benefits (JSA). They also, unlike JSA, do not involve having to sign on every 2 weeks.

- Detachment: employers may prefer to employ workers other than the workless. The workless themselves, may overtime, become detached from the labour market because of the scarring effects of worklessness.

One contributory factor would be if labour market institutions, policy makers, employers or unions seek to ensure that real wages do not reflect the existence of an excess supply of labour, so preventing wages performing an equilibrating function. Real wage rigidity may arise because employers and existing employees bargain to set an 'efficiency wage', i.e. one which exceeds the supply price of labour. They may do so as an aid to labour retention or recruitment (Layard et al.,

1994). It is in the interests of 'insiders' (employers and those already in jobs) in the labour market to set wage and employment levels which reflect their own interests rather than those of 'outsiders' (the unemployed) who become disenfranchised (Lindbeck and Snower, 1994). Hiring and firing (employment) protection costs, together with high labour overhead costs, can then become hurdles impeding the entry of outsiders to employment (and the exit of insiders from employment) and this will impact on hiring and retention decisions reducing the number of the former and enhancing the latter. As people's reemployment possibilities depend positively on hiring rates and negatively on retention rates the unemployed may be effectively locked out. There is extensive empirical evidence for this position and its negative impact on levels of long term unemployment (Nickell 1997; OECD 1994).

- **Discrimination:** employers may consciously or unconsciously discriminate against some of the workless on grounds of a range of personal characteristics: ethnicity, age, postcode or other non relevant characteristics. And, to the extent that these characteristics are disproportionately present among the unemployed, this will contribute to their long term unemployment discouraging them from labour market participation. Most notably, racial discrimination is one reason by ethnic minority unemployment rates exceed those for Whites (SEU 1999). Recent analyses of the 'performance' of ethnic minorities in the labour force shows a pattern of clear 'underachievement' (Cabinet Office 2001), though much is associated with labour market dynamics rather than discrimination per se.

In addition, discrimination may operate through screening mechanisms which 'label' the unemployed as 'inferior' to those with more recent employment experience (Atkinson and Meager, 1996). Certainly, whites have by far the lowest unemployment rates; unemployment rates vary with disability; and unemployment remains acute in particular communities.

All these factors mean that jobs growth in localities is not a sufficient condition for tackling concentrations of worklessness. Jobs growth does not necessarily 'trickle down' to those without jobs. Indeed job 'rich' areas, where jobs have been growing quickly, do not necessarily perform any better than job 'poor' areas,

where jobs have been growing slowly or even declining, in terms of getting the long term unemployed into work (Campbell and Sanderson 2000).

Table 4 presents the results from an analysis of the relations between jobs growth, unemployment, long term unemployment and inactivity across the 366 local authority districts in England for the period 1991-1997 - capturing periods of both recession and growth.

**Table 4: Jobs Growth, Unemployment and Economic Inactivity**

| Correlations                             |                     |  |                                  |  |                            |
|--|---------------------|--|----------------------------------|--|----------------------------|
|  |                     | % Change in Full-time Employment 91-97 | % Change in Unemployment 91 - 97 | % Change in long term Unemployment 91-97 | % Change in Inactive 92-97 |
| % Change in Full-time Employment 91-97   | Pearson Correlation | 1.000                                  | -.339**                          | .161**                                   | -.038                      |
|  | Sig. (2-tailed)     | .                                      | .000                             | .002                                     | .585                       |
|  | N                   | 367                                    | 367                              | 367                                      | 207                        |
| % Change in Unemployment 91 - 97         | Pearson Correlation | -.339**                                | 1.000                            | .423**                                   | .059                       |
|  | Sig. (2-tailed)     | .000                                   | .                                | .000                                     | .401                       |
|  | N                   | 367                                    | 367                              | 367                                      | 207                        |
| % Change in long term Unemployment 91-97 | Pearson Correlation | .161**                                 | .423**                           | 1.000                                    | -.118                      |
|  | Sig. (2-tailed)     | .002                                   | .000                             | .  | .091                       |
|  | N                   | 367                                    | 367                              | 367                                      | 207                        |
| % Change in Inactive 92-97               | Pearson Correlation | -.038                                  | .059                             | -.118                                    | 1.000                      |
|  | Sig. (2-tailed)     | .585                                   | .401                             | .091                                     | .                          |
|  | N                   | 207                                    | 207                              | 207                                      | 207                        |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

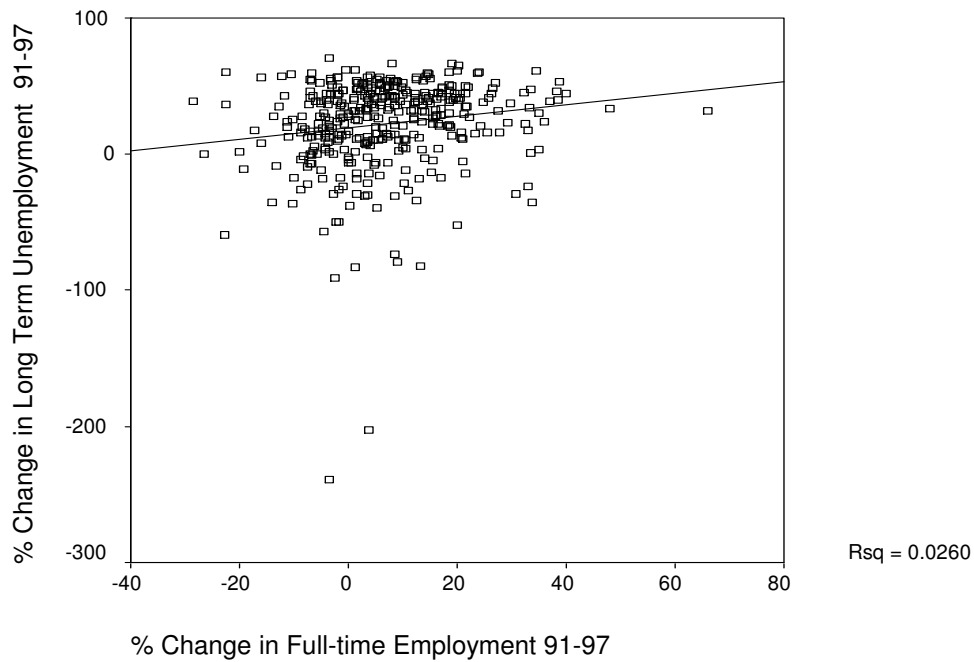
There is a clear positive relationship between jobs growth and falling unemployment (a correlation coefficient of .339 and statistically significant) though a given level of employment growth in different areas is still associated with widely different changes in unemployment. However, under conditions where 50% of those who join the unemployment register leave it within 3 months, short term unemployment is rarely considered a serious problem. The key problem is long term unemployment - persistent unemployment - and economic inactivity.

Jobs growth is, overall, not associated with the ability to reduce long term unemployment (see figure 2). Some areas do experience the 'expected' relationships of (a) job loss being associated with increasing long term unemployment (e.g. Dover, Newham, Bath, Carlisle and Plymouth) and (b) jobs growth being associated with falling long term unemployment (e.g. Salford, Chaster, Preston and Sunderland). But most localities experience either jobs growth together with increases in long term

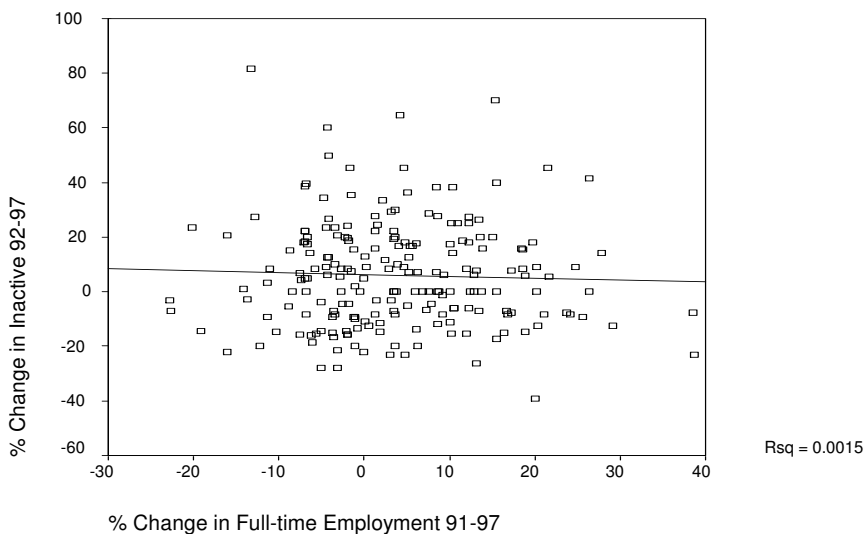


unemployment (e.g. Watford, Solihull, Dudley, Wandsworth, Cambridge and Southampton) or, even, a combination of job loss and reduced long term unemployment (e.g. Liverpool, Manchester, Blackpool and Middlesboro). Figure 3 (as well as table 4) shows that jobs growth and changes in economic (in) activity are similarly not closely related.

**Figure 2. Percentage Change in Full-Time Employment by Percentage Change in Long-Term Unemployment (1 year +) 1991-1997**



**Figure 3. Percentage Change in Full-Time Employment by Percentage Change in Economic Inactivity**



This analysis provides three significant results. First, jobs growth does appear to be associated with reducing claimant unemployment but not with reduced long-term unemployment or inactivity. This suggests that it succeeds in producing job opportunities for the short-term unemployed - those who are least 'detached' from the labour market and best able to secure work with relatively little assistance. Second, jobs growth does not 'trickle down' to the long term unemployed and the inactive. This is suggestive of the need for action to build bridges between the long term unemployed and economically inactive to job opportunities irrespective of the buoyancy of local labour market conditions. Third, there is no inevitability of worklessness even in localities which experience low, or no, jobs growth. Reconnecting the workless is possible under various local labour market conditions.

However, it does need to be said that, eventually, jobs growth will reduce long term unemployment as labour markets tighten in a prolonged expansionary phase. For example, between 1997 and 2001, nearly every (654 out of 659) parliamentary constituency experienced reductions in registered long term unemployment greater than the fall in total unemployment. Demand does matter.

Overall these results corroborate the findings of the Audit Commission (1999) who pointed to a weak link between job generation and falling unemployment at the local level. They are also consistent with the investigations of the Jobs Policy Action Team (SEU 1999) who found that access to employment was the key determinant of the unemployed's success in securing jobs. Robson (2001) has also shown in his study of regional variations in employment outflows, that variations in vacancy flows and new hires play only a minor role in accounting for variations in outflows from unemployment - of far greater significance is the variation in the proportion of new hires captured by the unemployed.

At the neighbourhood level Brennan, Rhodes and Tyler (2000) have examined labour market exclusion issues through a large scale household survey (4200 face to face interviews) of 7 deprived housing estates. They find that a high proportion of households suffer from most or all aspects of deprivation and exclusion. But, the relationship between unemployment and inactivity on the individual estates and that in their wider labour markets varies considerably. They found 'no close

and clear association between the weakness of the local labour market and the degree of exclusion from the workforce in the deprived neighbourhood' (P141). They argue that the geographical pattern of job losses (e.g. older manufacturing plants) and job gains (e.g. service sector activities) are different, with the former being largely located in urban areas and the latter on greenfield sites on the edges of larger cities and a small towns, and that this has reduced the accessibility of employment opportunities to those living in deprived inner city, neighbourhoods. Additional mechanisms leading to concentrations of worklessness include the provision of (often low quality) low cost housing to which poor individuals/families gravitate encouraged by allocation systems prioritising the deprived.

HM Treasury (2000) also draw attention to the fact that many deprived communities with high levels of worklessness are located next to areas of low unemployment, high employment rates and high levels of vacancies (Page 7). Employment 'hotspots' particularly in metropolitan areas like Manchester, Leeds and London are often located cheek by jowl to workless communities (SEU 1999; Forrest and Kearns 1999).

#### **4 WHAT WORKS IN TACKLING WORKLESSNESS? THE NATIONAL EVIDENCE**

The causes of worklessness are, as we have seen above, multiple and complex. It is therefore important that its particular character at any one time in any one locality, needs to be identified in order to devise appropriate actions. It is essential that actions are relevant to the causes identified for that action to be effective.

Building on the typologies developed by Meager and Morris (1996), amongst others, we now identify a framework within which the range of interventions available to tackle worklessness can be assessed. Such a framework is also consistent with our identification of the causes of worklessness considered above. Having established this framework, we then go to set out the main results of the

evaluations that have been undertaken in the UK, using this 'intervention framework'. Table 5 sets out the framework and its relation to the causes of worklessness discussed above. A review of the evaluation evidence for European countries can be found White (2000) and for both the USA and Europe in relation to young people, in Auspos, Riccio and White (1999).

**Table 5 Worklessness: An Intervention Framework**

| <b>Intervention</b>  | <b>Cause</b>        |
|--|---------------------|
| Strengthen <u>Demand</u> -create jobs  | Insufficient Jobs   |
| Job <u>Matching</u> -improve job search                                      | Search and Location |
| <u>Skills</u> - enhance skill levels and employability                       | Skills Mismatch     |
| <u>Activation</u> - incentives to make work worthwhile                       | Net Worker Benefit  |
| <u>Prevention</u> - seek to ensure long duration unemployment does not occur | Detachment          |
| <u>Anti Discrimination</u>   | Discrimination      |

There are broadly 2 types of evaluation material available. The first, and most important from the point of view of this review, relates to the impact of participation in labour market programmes on people's employment and/or earnings. This approach is most appropriate when interventions are aimed at individuals and where they seek to enhance employability and access to employment opportunity. The second type of material, relates to that which seeks to estimate the 'net programme' effect on employment/unemployment, providing estimates of the number of jobs created/safe guarded, the cost per jobs, gross and net of deadweight and so on. These are usually conducted in the assessment of programmes which are designed to stimulate employment or in estimating the employment effects of a programme. They provide information on what works but not on why.

We now go on to examine the evaluation results of each of the 6 types of interventions in turn before turning to a brief summary with regard to New Deal. This is considered separately as it combines a range of the above measures.

## **Demand**

Here we examine 'targeted' job generation actions, in particular direct employment and the use of subsidies. Most assessments of direct targeted employment provision for the long term unemployed indicate both a limited effect on participants and significant displacement, both of private sector and public sector activities. Such measures have 'been of little success in helping unemployed people get permanent jobs in the open labour market' (Martin 2000). However they can be used, it is suggested, as an availability for work test and as a means of remaining in contact with the labour market when vacancies are scarce.

Evaluations of the Community Programme (Disney et al., 1992) show no significant impact on unemployment outflows, especially for older participants, and extensive deadweight and substitution (though limited displacement) effects. An assessment of Employment Action (Payne et al., 1996) showed an increased probability of getting a job of just 4% points after three years. However Meager, (1997b), argues that 'success' for such programmes will depend on how close such programmes' work activities are to those found on the open labour market and the extent to which other measures are integrated with them. These considerations are especially important in examining so called 'intermediate labour market' actions (see below).

There is currently considerable interest in subsidies to employers to recruit the long term unemployed in the context of New Deal. Studies in the Netherlands (DeKoning, 1993, 1995) show low levels of deadweight with respect to one programme for the three years plus long term unemployed. Two-thirds of those who obtained jobs through it would not otherwise have done so. However substitution effects are higher. A similar subsidy for young people who were unemployed for two years or more, on the other hand, displayed high levels of deadweight combined with high substitution effects. Interestingly, analysis at the

local level suggested that differences in local implementation arrangements had 'a significant impact on programme outcomes'. The OECD review (Martin 2000) argues that most studies reveal large deadweight and displacement effects. However, the effect of the wage subsidy under New Deal for young people appears substantial (Van Reenan 2001) though it is taken up by only 20% of those on the options. Bonjour et al (2001) found that, 18 months after entering New Deal, the employer option had the best outcomes in terms of getting people into work. Indeed the impact of New Deal overall suggests that the young unemployed are 20% more likely to find jobs each month with an increase in 'steady state' youth unemployment of over 17,000. They also found that effect of the Gateway period was positive.

An evaluation of the ESF Objective 3 programme showed that a wage subsidy (as well as job search activity) were the most successful components in helping participants into work (Allen et al 1999). An evaluation of the Training and Employment Grant (TEG) scheme in Scotland provided evidence of low deadweight and additionally of 27% (NERA 1995).

Atkinson and Meager (1994) have assessed the effect of the Work Start pilots. They found that the deadweight effect was 53% with 17% of the jobs being created 'net', the remainder being jobs that would have ultimately been created but which were 'brought forward'. They also found that the programme influenced employer selection in favour of the long term unemployed in 46% of cases. Importantly it also had a positive impact on employer attitudes to the long term unemployed more generally in 40% of cases.

Short term placements with employers can also be considered under this heading. Such placements are designed to provide opportunities with no commitment by, and little cost to, employers. For example, Work Trials, as they were called in the UK, lasted for three weeks during which time the individual remained on benefit. Should the trial prove successful the individual could be taken onto a permanent employment contract. They have been shown to be highly successful (White et al., 1997). The difference in subsequent employment rates of participants compared to those (matched) who did not participate was 34% for women and

40% for men. Deadweight was only around one-third and the overall estimate of additionality was between 44-62%. Overall, Meager and Evans (1998) conclude that targeted employment creation schemes seem to show small long term employment or earnings benefits as well as relatively high displacement effects. They identify the following key issues from the evaluation studies:

- The closer the work activity is, in content and conditions, to work in the regular labour market, the more effective it is likely to be
- Schemes providing other support alongside work experience (e.g. training, dealing with personal problems and job search) are likely to be more effective
- Targeting the most disadvantaged is important so as to minimise deadweight

They conclude with regard to subsidies:

- They are relatively high cost per net job created
- They can have relatively high deadweight and displacement effects
- Some schemes report high substitution effects - though this need not be a problem: it may be an objective of the scheme to 'redistribute' job opportunities toward the target group

## **Matching**

Considerable attention has been given to assessing the role of job search, placement and guidance in tackling long term unemployment. Most UK studies focus on job search and the impact of Restart and Job Clubs in enhancing job search has been extensively examined (White and Lakey, 1992; Atkinson, 1994; Dolton and O'Neill, 1996; and White et al., 1997). The results are not as persuasive as the OECD's endorsement of such measures suggests (Martin 2000). The earlier studies of Restart show a small positive effect equivalent to a 5% reduction in claimant unemployment. Duration of unemployment is reduced (perhaps by around one month) and participants do spend more time in jobs. However the later studies (e.g. Dolton and O'Neill 1996) show that the long term effects are weaker (though still positive) than the above short term effects and that

participants are no more likely to go into stable jobs than the control groups. In relation to Job Clubs, after adjusting for deadweight, there remains a significant positive effect for women but none for men in general. There is however a positive effect for men who do not have vocational qualifications (White et al., 1997). These results show the importance of, where possible, tracking the effects of programmes through time and disaggregating their effects on different groups (e.g. women) and on those with different characteristics (e.g. those without qualifications).

Atkinson's study (1994) examined the job search element in Training for Work and found a positive effect. In one-third of cases it increased job search intensity and nearly 60% of participants felt that it made them more confident. However multivariate analysis suggests that the effect is small compared to the 'institutional' effect of local scheme managers and the effect of personal characteristics, in particular people's previous unemployment duration.

White et al., (1997), also examined the job interview guarantee (JIG) scheme and found a significant benefit for women but only for those men without vocational qualifications. Studies of individual groups on particular projects, however, show much bigger effects.

It is also likely that job search and placement activity is more likely to be successful in buoyant, rather than depressed, labour market conditions yet few studies appear to take account of market conditions. However, informal networks are also a crucial source of information on job opportunities and these are not easily or equally available to all unemployed people.

More recently, the trend to more individualised and tailor made approaches; the increasing activations of clients; and the use of programmes with a range of choice (e.g. New Deal), has led to the development of personal advisers, providing, often extensive, counselling, advice and support. The effect of the Gateway in New Deal has been found to be positive (Van Reenan 2000) and qualitative assessments are very positive (on which see below, Hasluck 2000).



## **Skills acquisition**

Training programmes are a potentially valuable measure in getting the long term unemployed 'back to work' and have been extensively utilised in the UK (for a summary see Lourie, 1997). If either low skill levels amongst the unemployed or skills mismatch, are key determinants of long term unemployment, it may be expected that programmes designed to raise skill levels are likely to be effective. Several writers (e.g. Shackleton, 1995; Robinson, 1995) are critical. Shackleton concludes that 'skill discrepancies are not a major factor in unemployment' and that therefore 'training may not need to play a great part in reducing unemployment', whilst Robinson concludes that convincing evidence is very limited especially for programmes that are not tightly targeted. However, as Meager and Evans (1998) argue, the pay off from training is likely to be medium to long term and may not be picked up in 'early' evaluation studies. The few longer term studies (for example, Payne et al (1996), on which see below, suggest higher levels of long term than short term benefit. Moreover the 'customisation' of the training to employer needs is important as is as obtaining qualifications.

Two studies in the UK on major training programmes demonstrate a large positive impact (Payne et al., 1996, on Employment Training (ET); and Payne, 1990, on the Training Opportunities Programme (TOPS)). For ET, the probability of obtaining a job increases by 3% points after one year 15% points after 2 years and 22% points after three years, most of this attributable to the gaining of formal qualifications and work placements. However analysis of Youth Training (Dolton et al., 1994) shows positive effects for women but negative effects for men.

The evaluation of the Training for Work programme (Payne et al 1999) showed that unemployed people did improve their chances of getting a job by participating in the programme and, over the subsequent 18 months there was no sign of any falling off in the advantage attributable to participation. The authors estimate that over a three year period, 49% of participants would obtain a job whereas if they had not gone on Training for Work, only 37% would have done so. Their estimate of deadweight was 67%. It is important to note that those on employer placements had a much better chance of getting a job - the other elements of

Training for Work, for example qualifications obtained, had only a modest effect on job chances.

Martin (2000) signals that tight targeting is important to success as is having a strong 'on the job' component to the programme, thereby establishing strong links with employers.

### **Activation**

Making the transition from unemployment to work may involve costs to the individuals concerned and programmes exist to defray some of these, for example in relation to travel and interviews. The job finders grant (a one-off expenses payment of between £100-200) has been shown to be particularly effective and inexpensive (Gardiner, 1997). It has been replaced now with various measures to extend transitional assistance to a wider range of beneficiaries in the form of Job Grant and Income Support and Housing Benefit 'run on'. Subsidies can also be paid to provide an incentive to take up low paid or part-time work as in Job Match where individuals who take up part-time employment (of more than 16 hours per week) were eligible for a top up of £50 per week for six months and a £300 training voucher. More generally the workless are not well informed about the financial implications of work and there is a strong need for the 'better off' calculations and advice provided by Employment Service advisors.

Such attempts to 'activate' the long term unemployed are growing in importance (Meager, 1997a, 1997b). New Deal could in part be considered a sophisticated activation programme, offering a range of positive options (including training and work experience) but associated with a strong 'push' from welfare. It is important however that such measures do not push the unemployed into unstable employment (White and Forth, 1998). They show that three in four of jobs taken by the long term unemployed are 'unstable'.

## **Prevention**

Most measures to reduce worklessness tend to focus on those who are already excluded from the labour market in terms of the long duration of their unemployment. However, it maybe possible to prevent people from actually becoming long term unemployed in the first place, by identifying those most 'at risk', on their entry to unemployment. Clearly, at this point individuals will be cheaper, and easier to help (if there is an unemployment duration dependency effect). However, unless they can be so identified, early action is likely to involve significant deadweight. This raises the important question of the 'optimal' timing of interventions: at what duration do the benefits of intervention outweigh the potential cost of deadweight? In practice, low cost interventions are utilised in early stages of unemployment with intensity (and cost) of interventions increasing with duration.

However, if individuals are at risk of long duration unemployment because of their characteristics, rather than as a result of duration dependence, it may be better to target interventions on those groups - irrespective of duration. This might apply, for example, in relation to some ethnic minorities, some with disabilities or some single parents. The actual balance between 'duration dependence' and 'heterogeneity' (i.e. individuals' characteristics) is therefore important for policy, through research as to their relative importance is limited (Meager and Evans 1998).

One form of prevention is to identify those people most at risk of long term unemployment once they first become unemployed (see Hasluck et al., 1997). The OECD (Martin 2000) proposes that the profiling of new benefit claimants can be used to identify those most at risk so that they can be targeted for assistance. A recent study of the transition of young people (aged 17-24) across 9 EU member states showed that overall, and in particular in the UK, there was indeed a strong duration dependency effect - the longer people were unemployed the more difficult it was is for them to obtain employment (see also Machin and Manning 1999). Attempts to develop a means of predicting risk in the UK, thus enabling

the targeting of action on relevant individuals, have not been very successful (Gibbins, 1996).

In practice however many 'early' actions do arise through targeting groups of unemployed who tend to (or are perceived to) have a higher probability of becoming long term unemployed, e.g. ethnic minorities, people with disabilities, single parents, or ex-offenders. All these groups, for example, are eligible for New Deal and for Structural Fund assistance through ESF Objective 3 immediately on becoming unemployed, whilst others have to wait six months or up to two years depending on the programme. Such approaches may well involve an over simplistic identification of those at risk, excluding many who are as much or more at risk, as well therefore as high deadweight.

### **Anti Discrimination**

Action to reduce labour market discrimination against ethnic minorities could have 3 main components (SEU 1999).

First, equal opportunities need to be promoted by seeking to persuade businesses of the benefits of ethnic diversity providing encouragement and practical assistance to businesses to implement racial equality policies, build standards for fair recruitment and put racial equality on the agenda when assistance and procurement contracts are considered. Second, active labour market policies designed to help the workless compete effectively for jobs should themselves deliver equal outcomes. This means monitoring the outcomes of action by ethnic origin, stipulating equality as a key condition of contracts to deliver programmes at local level, following up and establishing the reasons for unequal outcomes where they arise and being prepared to transfer responsibility for delivering labour market programmes to other organisations where unequal outcomes persist.

Third, the support provided to people from ethnic minority backgrounds needs to be sensitive to their backgrounds and aspirations, with more use of role models and advisers from similar backgrounds.

## **New Deal Programmes**

We now provide a brief overview of the what is currently known about the effectiveness of New Deal. It is considered here separately because the programme combines a range of the above measures in pursuit of tackling worklessness amongst certain groups.

The operation of the various New Deal programmes over the period since 1998 is being evaluated through an extensive range of evaluation studies. Because the New Deals incorporate a range of interventions it is useful to review here the evaluations that have taken place so far.

We have already referred, above, to the positive impact of the New Deal for Young People's job subsidy and gateway (van Reenan 2000). In terms of the macroeconomic effects of NDYP it appears to have reduced youth unemployment in Great Britain by 30,000 relative to what it would have been without the existence of the programme, equivalent to a reduction in long term youth unemployment of 40% (Anderton et al 1999).

A recent assessment has drawn together the results of over 20 evaluation studies to analyse the experience so far (Millar 2000). In terms of the effects on people's movement into work, around 50% of those who have been through NDYP have found jobs, 73% of which were sustained for at least 13 weeks. The proportions are somewhat lower for women and ethnic minorities. Deadweight is estimated at around 50% i.e. the proportion of those moving into work who would have done so anyway.

In respect of NDLTU around 16% have found employment with about 84% of these being sustained for more than 13 weeks. As far as NDLP is concerned, 39% have entered employment with half of these continuing to receive personal adviser support whilst in employment. Deadweight is estimated at just 20% (in the stage 1 prototypes).

The most important aspect of the positive way people perceived the programmes was the personal adviser, largely because they felt that they were being dealt with individually but also because accurate information and support are important elements of helping people into work. Woodfield et al (1999) also found the quality of relationship support and referral to be critical. The quality of the relationship with the personal adviser had strong effects on participants' programme experience. Their role was also important for employers. There is however a tension between the advisory role of personal advisers and their 'control' role, when programme participation is compulsory.

Another important issue is the way in which there is a clear hierarchy in views of the options 'down' from the employment option through education and training, to the voluntary and environment options. Overall, New Deal has been more effective with those who need less assistance - it will have to work harder to meet the needs of those facing multiple disadvantages.

Hasluck (2001) has also helpfully drawn together the evidence from a wide range of New Deal evaluations, many of which he has conducted himself. There are perhaps, 6 key results. First, the diversity of the client group means that the form and frequency of the interventions needs to vary. Flexibility is crucial so that support can be matched to client needs. Second, the personal advisers' role is pivotal - their interpersonal skills and continuity of the relationship between adviser and client are important. Third, it is important not to take a 'work first' approach but to build an effective package of interventions. Those exiting from the Gateway into employment fare subsequently much less well than those who leave from the options. Completing post Gateway activities e.g. training or placements are critical to later outcomes with their sustainability of employment being greater than that for Gateway leavers. Fourth, all of the evidence (at least with respect to New Deal for Young People) 'points to subsidised employment having been a very effective means of moving clients into employment'. There are high levels of retention at the end of the subsidy. Ensuring a broader sectoral/occupational range of placements will thus be important. Fifth, follow through is crucial i.e. from the programme into employment, but it is highly

variable. Sixth, the scale and complexity of the barriers facing some participants makes them a 'very long way' from being able to enter employment.

### **Target Group Evaluations**

A small number of studies have sought to approach evaluations of labour market action from a different orientation, where they seek to systematically compare the effects of a range of measures addressed at a particular target group. This has the advantage of enabling us to assess the relative effects of measures. For a review of the results of evaluation studies elsewhere in Europe, see White (2000), Meager and Evans (1998) and Meager and Morris (1996).

An important study in Ireland however (O'Connell and McGinnity, 1997) seeks to compare the effectiveness of training measures (divided into general and specific), employment subsidies and direct employment. They hypothesize that programmes with a strong orientation to the open labour market are more likely to positively influence employment prospects.

Their typology is reproduced as Table 6 below. Strong market orientation is provided on the supply side by skills training which is specific and relevant to employer needs and on the demand side through employment subsidies which finance real jobs and work experience in the market place.

**Table 6: A typology of active labour market policies**

|  |                   |                      |
|--|-------------------|----------------------|
| Labour Market Leverage<br>Labour<br>Market Orientation | Weak              | Strong               |
| Supply   | General Training  | Specific Skills      |
| Demand   | Direct Employment | Employment Subsidies |

**Source: O'Connell and McGinnity (1997) Table 2.2, Page 19.**

Those programmes with a weak orientation (general training and direct employment), it is argued, are less likely to improve the employment prospects of participants. They do indeed find wide variations in outcomes between programmes (in gross terms between 20% and 60% of the target group in employment 18 months after leaving the programme) and that this is indeed a function of labour market orientation: specific skills and employment subsidy programmes work best. This applies not only to employment outcomes but also to employment duration (sustainability), employment stability and earnings. Moreover the effects are found to work for all groups irrespective of age, gender, previous labour market status or qualifications. They also conclude that whilst all programmes (including those with 'weak' market orientation) are found to improve short term employment chances, only the market oriented ones maintain that 'advantage' in the long term. This distinction is particularly crucial as it was found that aggregating programmes together actually shows the same proportion in employment between programme and non-programme participants.

These findings should not be interpreted to suggest that programmes with weak market linkages are of no value and should be discontinued. For many of the most disadvantaged amongst the unemployed, their educational qualifications or skills may be so inadequate that participation in general training, or in temporary work experience, offers the only hope of eventual re-integration into the labour market. (Meager and Morris 1998).



The findings do suggest, however, that general training or direct employment schemes are of themselves unlikely to significantly improve the job prospects of participants unless they are followed by progression to more advanced schemes which have better linkages with the open labour market. This suggests the need for re-integration paths designed to allow the long-term unemployed and socially excluded to progress through a series of programmes tailored to their particular needs with the ultimate objective of securing sustainable employment (O'Connell and McGinnity (1997), pp. 140-141; Campbell and Meadows 2001).

A second study (White et al 1997) has compared the effectiveness of three measures designed to reintegrate the long term workless - work trials (a subsidised work placement scheme); job clubs (job search and support) and the job interview guarantee scheme (based on matching and screening). The results of the study show strong short term employment effects for all 3 measures, net of deadweight. However work trials had the largest impact (35-40% point increase in employment rate relative to a control group). The Job club and JIG measures had positive effects for women and for unqualified men. There were no significant earnings impacts - except that job clubs appear to have a negative earnings impact for males. Again, this is evidence of the benefits of market orientation.

A third study evaluated the ESF Objective 3 programme. It appears that projects which provide integrated packages of support deliver better outcomes than those which provide, say, training alone. However, they are more expensive and tend to work better for some groups (single parents, long term unemployed, those aged over 50 and disabled) rather than others (Allen et al 1999).

A fourth study (Gardiner 1997) assess the 'value for money' of around 40 current measures and seeks to compare them using a common framework. She finds overall that 'welfare to work schemes appear to have a significant impact in assisting people to move from benefit to paid employment'. On the basis of an assessment in terms of their additionality and value for money (net cost per person into work) she finds that 5 'types' of assistance, which could be compared in these terms, had the effects as below:

|                                   | <b>Additionality</b> | <b>Value for Money</b> |
|-----------------------------------|----------------------|------------------------|
| Education and Training            | 3%                   | > £40,000              |
| Job Search                        | 2-4%                 | < £10,000              |
| Incentives                        | 17%                  | < £10,000              |
| In Work Benefits                  | 28%                  | < £6,000               |
| Transitional Financial Assistance | 8%                   | < £3,000               |
|                                   |                      |                        |

Thus overall:

- The training measures have the highest unit costs and these are not compensated by (short-term) employment effects.
- The job-search measures have the lowest unit costs, but smaller than average net employment effects (average 3% points)
- The employer subsidies have a low take up, and high dead-weight, which results in high net costs per job
- In-work benefits have some impact on the unemployment trap, but do not provide a route to higher paid employment
- Subsidies to individuals in finding/taking work have the lowest cost per job but these are hard to compare with broader eligibility schemes since payment is triggered only at interview or on obtaining a job

There are, however, a number of limitations to the type of evaluations and assessments we have reviewed here, which tends to restrict their usefulness in acting as the sole guide for local action on worklessness (Campbell, Sanderson and Walton 1998). First, there is a need to examine interventions less as separate, stand alone actions and more as 'packages' so we are able to identify which package of measures offers the most effective routes into employment. There is a 'need for more work and evaluation research which instead of looking at the effectiveness of single measures, evaluates different packages and combinations of measures' (Meager and Morris, 1996, p.148).

Second, the meaning and measurement of 'success' is not always ideal. For many long term workless people, a successful outcome could be moving them not necessarily into employment such is their 'distance' from the labour market but several 'steps along the pathway' to employment. Third, most studies do not examine the quality and duration of jobs nor subsequent longer-term effects on individuals' labour market opportunities. Fourth, they are unable to identify why things work or do not work, generally focusing only on whether they do so or not. Moreover, the studies are often not directly comparable in terms of methodology and labour market conditions at the time of the interventions. They also usually treat interventions as a 'blackbox' where the specific content, nature, resourcing, staffing and quality of provision are not considered as variables. Crucially, they also do not recognise the differential nature of design or implementation conditions at the local level.

This, we need to complement such assessments with local studies which are able to examine why certain types of action are likely to be effective. Evaluating the ESF Objective 3 programme allows us to examine the effects of an integrated package of support. They appear to deliver better results than projects providing, say training, alone. However they are more expensive and work better for some groups (single parents, long term unemployed, over 50s and disabled people) than others. (Allen et al 1999).

## **5. WHAT WORKS IN TACKLING WORKLESSNESS? THE LOCAL EVIDENCE**

'National programme wide evaluations tend not to focus on outcomes nor to say anything about what is happening on the ground nor provide much by way of transferable lessons to practitioners during the programmes lifetime' (Dabinett, Lawless, Rhodes and Tyler 2001).

Assessments of local actions generally tend to focus more on process oriented issues and on qualitative studies of effectiveness where case studies, the actual views of participants, the reflections of project managers and the identification by practitioners of what constitutes good practice, provide the evidence of what works rather than large scale quantitative evaluations. It is our view that only by combining the lessons of both approaches, both levels and both foci, can we maximise our chances of

developing effective local policies to tackle worklessness, by designing and implementing actions which are most likely to work.

As White points out (White 2001) local labour market initiatives have rarely been rigorously evaluated in a manner similar to that of national evaluations but that, in principle, evidence from such evaluations can provide very useful results. In his review he focuses in particular on the evidence from area based 'demonstration' projects in the USA and concludes that:

- the way a programme is locally tailored and delivered is at least as important as the design of the programme itself
- the variations in outcomes at the local level are often very large
- the impact of job search and placement interventions can be substantial
- the impact of education/training interventions is more long run than that of job search/placement
- the effectiveness of interventions tends to be more effective for adults than for young people (see also Freidander and Greenberg 1997)
- programme completion is an important factor in determining an individual's subsequent labour market success
- the organisation and governance of local programmes can make a difference to outcomes

Here we draw together a range of local evidence. We begin by summarising the main conclusions from two long running European action research programmes (LEDA and ERGO). Next we turn to the reviews undertaken for the Joseph Rowntree Foundation of the effectiveness of local action based on the extensive range of research projects which they have commissioned over the last 4 years. Finally we draw attention to the work of the Jobs Policy Action Team, the assessment of the pilot Employment Zones and a small number of other contributions.

## **The LEDA programme**

The European Commission's LEDA programme was an 'action research' programme, undertaken over nine years (from 1987-96) involving, in all, 34 local areas in 14 Member States. Its methodology was characterised by a learning approach with the aim of stimulating more effective local actions. This involved identifying good practice, which was subsequently disseminated through a wide range of means. The key lessons of the LEDA programme have been summarised by Martinos (1996) and Greffe (1996).

The key insights relate to the process of local action in tackling long term unemployment, i.e. 'how' actions are initiated, developed and implemented, and the difference that these make to successful outcomes. Three key lessons can be drawn. First, a strategic approach to tackling long term unemployment is required. A comprehensive, coherent, integrated and holistic approach to the issue which also connects to a wider local labour market and economic development strategy (Campbell and Meadows 2001; Campbell, 1992) is more likely to draw the strands of action together in a way that makes sense to the individuals in the target group. It is also more likely to align policies and measures across different fields and to ensure that projects are designed to contribute effectively to clear objectives.

Second, this strategic approach, necessarily involves multi-agency working and, when combined with the need for a 'bottom up' approach which involves the local actors themselves, requires the development of effective partnerships. In many ways the development and operation of partnerships is the cornerstone of local actions to combat long term unemployment (Geddes, 1997; Hutchinson and Campbell, 1998). Effective collaboration is required between levels (national, regional and local), between sectors (private, public, voluntary/community) and between the social partners. Moreover the involvement of excluded groups and communities themselves is important if their labour market exclusion is not reinforced by exclusion from the decision making process (Geddes, 1997).

Third, management skills are vital to the efficient delivery of programmes and measures. Leadership, initiative, networking and interpersonal skills as well as strong

project management are important to achieving effective outcomes. More generally capacity-building measures to enhance the expertise and ability of organisations, individuals and the community in effectively discharging their responsibilities, and to enhance their ability to contribute to partnerships, are often required in localities (Judge et al., 1999). Training, support, advice, external experts, 'know how' transfer from other areas through network participation, and a range of materials, can all contribute to building this capacity over time. In this process, the LEDA programme found that 'know how' transfer is particularly effective means of building capacity involving learning from the concrete experiences of localities.

### **The ERGO programme**

The ERGO programme operated across the EU from 1989-1996, involved the participation of more than 1,700 projects in all Member States and an in-depth analysis of 166 projects using a case study evaluation approach designed to provide 'evidence of the relative effectiveness of a wide range of measures and approaches to combating long term unemployment' (Ergo, 1992; and Cambridge Policy Consultants, 1996). The case study outcomes stress the need for 'a well planned strategy for the reintegration of the unemployed, bedded in a quality, independent, counselling service linked to local measures for economic development and informed by labour market intelligence (Ergo, 1992).

Whilst they stress that there is no universal prescription for 'what works', because of the specificity of the client groups in different localities and the different local needs and conditions, they do focus on three important issues in the content of local actions. First, they regard effective counselling as the key to success. This should include guidance on the measures most appropriate to client needs, information on training and labour market opportunities, assistance in making job applications and, critically, follow up support on their settling into employment. It should also include advice on personal problems, and a wider identification of their individual needs that would provide the foundation for the development of their 'itinerary' of their route back to employment. They argue that such counselling, valuable in its own right, also improves the effectiveness of the other measures taken and reduces the hiring costs and risks for employers too.

Second, they regard training as pivotal to success. But such training needs to correspond as closely as possible to vacancies that actually exist in the locality. 'Pretraining' increases its effectiveness as does job search and relevant work experience. In all cases it is important to link training to specifically available job prospects and connect them to each other, for example, through customising training, job interview guarantees and compacts with individual employers.

Third, such work experience may take place not in the 'open' labour market but in the 'social economy' or 'not for profit' sector. Subsidies which may be offered to private employers should also be paid in this sector. Such programmes, they argue, are expensive and need close targeting in order to avoid dead-weight. They should operate in ways as closely as possible to the open market and may have special salience to the most hard to place groups. Such organisations also are more likely to be close to the target groups. This effectively involves either the setting up of an intermediate labour market via existing social economy organisations or the establishment of new reintegration enterprises whose specific purpose is to integrate the long term unemployed (Campbell, 1999b).

The ERGO programme's assessment is that in all cases it is necessary to offer a package of measures which are closely linked and that the effectiveness of individual measures, applied separately, is considerably less than one that combines the measures together in an integrated package according to individual needs. In their 1996 report (ERGO, 1996) they add to the integration measures outlined above the need to ensure that two other components of a comprehensive local approach to long term unemployment are also in place. First, prevention measures are required to identify those most at risk and provide guidance, counselling and assessment at an early stage of unemployment. Second, recovery measures are also required to compensate for the decay of skills, habits and motivation due to the 'scarring' effects of long durations of unemployment as well as to tackle the specific disadvantages which some long term unemployed people face disproportionately, irrespective of their unemployment duration, for example, physical and mental disabilities, a history of drug or alcohol abuse, or homelessness.

## **Joseph Rowntree Foundation Research Programme on Work and Opportunity**

One of the main themes of the Joseph Rowntree Foundation Work and Opportunity research programme which was undertaken over the period 1997-2001, has been the evaluation of the effectiveness of local projects that have as one of their objectives helping people to get jobs. Here we examine the 10 key themes that have emerged from this extensive research programme (for more detail see Campbell and Meadows 2001).

### Being locally grounded

An important message emerging from the research is the value of the development of locally based actions rather than locally based implementation of national programmes. Allowing local discretion in national programmes is not enough. Action needs to be rooted in the circumstances of their localities, because needs vary by location and local knowledge and experience are important variables in effectively meeting local needs. The evidence suggests that ‘bottom up’ approaches rooted in the local community encourage commitment and generate a clearer understanding of the needs of potential participants. Local rather than national agencies are also more likely to engage the commitment of local communities. Moreover, it is easier to develop effective multi-agency partnership working at the local level, and this is essential for the success of initiatives (Campbell et al., 1998; Hall and Mawson, 199; McGregor et al., 1997; Robinson et al., 1998; Russell, 1998; Sanderson et al., 1999; Simons, 1998).

It is also important to recognise that implementation conditions vary between areas. A model that works successfully in one area may not do so elsewhere. Projects need to take into account local resources, links with local employers, effective partnership arrangements and the capacity of local organisations.

### Learning lessons

Learning from the experience of others can be helpful, as there is a tendency for projects to ‘reinvent the wheel’ on aspects of design and delivery when what really



matters is to learn from successful models and adapt them to particular local circumstances. For example, some successful employment projects for disabled people attribute their success to identifying problems which are common to different groups such as disabled people, older people and women returners, and using this wider experience to inform project design and implementation (Barnes et al., 1998). Moreover, there is a growing body of evidence on approaches that have consistently failed and there are obvious advantages in encouraging new projects to avoid these (Campbell et al., 1998; Fletcher et al., 1998; McGregor et al., 1997; Robinson et al., 1998; Sanderson et al., 1999; Simons, 1998).

### Engaging the local community

The research consistently finds that people living in deprived communities feel that too many initiatives are being directed ‘to’ them, ‘for’ them or ‘at’ them. They acknowledge that the motives of those involved in designing and delivering the programmes are positive, but consultation, where it happens at all, often takes place after the design stage. It is not unusual for there to be no consultation with local people, being simply informed about what is going to happen. The opportunity to bring local knowledge to bear is thus lost. Many communities have been subject to a stream of initiatives since the launch of the Urban Programme in the late 1960s. A common feature is that the projects are designed by professionals from outside the immediate area, and there is the risk that this results in a one-size fits-all approach. These risks are greatest with central initiatives that are delivered at a local level.

Perhaps more surprisingly, it is also relatively rare for local residents to be actively involved in the implementation or management of projects, even where the project is providing services for them. Evaluation studies consistently show that a sense of ownership and influence by the local community is normally associated with more successful projects (Fletcher et al., 1998; Green and Owen 1998; McGregor et al., 1997; Plummer and Zipfel, 1998; Robinson et al., 1998; Russell, 1998; Taner et al., 1997).

A positive sense of ownership is likely to encourage more people to take part and to generate greater enthusiasm and commitment among participants. The importance of

word of mouth as a recruitment method means that the reputation of a project can make or break it, and that reputation is likely to be affected by the relationship between the project and the local community (Plummer and Zipfel, 1998; Taner et al., 1997).

Public agencies also often have much more experience in developing relationships with central government, with the European Commission or with businesses rather than with the local community. Initiatives tend to be led by professionals with no accountability to the community, and who do not necessarily have the skills to engage with them. TECs have now been succeeded by local Learning and Skills Councils, but during the formers lifetime few had experience of addressing poverty, social exclusion and community empowerment in innovative ways. The emphasis of their work tended to be the skill requirements of local businesses. While it is important that these requirements are not neglected (see section on ‘the role of employers’ below), in many cases the needs of the local population were accorded a lower priority (Hall and Mawson, 1999; Plummer and Zipfel, 1998). Successful projects are likely to ensure that their partnership arrangements include organisations or individuals that are both well established in and well respected by local communities. Such organisations will vary from area to area. They may include tenants’ associations, parent-teacher organisations and faith groups, as well as those whose interests more directly relate to the world of work.

### The role of outreach

Many people in communities of economic decline have come to believe that there are no jobs and do not realise that the wider labour market has improved markedly over the last seven or eight years. Many have lost touch with the Employment Service and do not monitor other sources of vacancies. Low levels of basic skills combined with low self-esteem make it difficult for people in poor neighbourhoods to access standard education and training provision.

In these circumstances, outreach work, where those responsible for delivering employment and training programmes become actively engaged with the community on the community’s own terms in order to gain and build their confidence, has a vital

role to play. In the absence of outreach work to provide encouragement, many people who could benefit from help to get back to work would be unlikely to come forward and take it up. However, outreach work will not be successful if it is seen to be patronising. Mere presence is not enough. It is essential that outreach work engages with the various parts of the community and their concerns (Fletcher et al., 1998; McGregor et al., 1997; Plummer and Zipfel, 1998; Robinson et al., 1998; Russell, 1998; Taner et al., 1997).

Many training projects have found that they need to build confidence and motivation in order to enable people to be ready to engage in further skills-based training, and outreach work was found to be an important means of doing this. For example, each year, around 100,000 people leave prison, 90 per cent of who enter unemployment. They have little trust of public agencies and lack motivation. Outreach is therefore of particular importance if they are to be reintegrated into the community (Fletcher et al., 1998; Taner et al., 1997).

The research found that middle-aged men and members of some ethnic minority groups were particularly difficult to attract into training and work experience opportunities by conventional means, and were often under-represented without special efforts being made to engage their commitment. In the case of some ethnic minority communities, word-of-mouth recommendation from known members of the community was essential in gaining confidence in the value of projects (Taner et al., 1997).

### Inter-agency partnership

Activities that have the promotion of employment as one of their objectives take a variety of forms, with a number of possible public agency sponsors. The agencies involved in the development of the projects have different roles and interests, but at the level at which projects are implemented these differences are not necessarily either apparent or significant to the community itself.

Each of the agencies has different responsibilities, lines of accountability and audit requirements. Unless the different agencies come together in a genuine partnership

with shared ownership of projects and a willingness to share responsibility and resources, the projects concerned will not be able to meet the needs of local people effectively (Campbell and Hutchinson 1998; Campbell et al 1999b; Campbell and Percy-Smith 2000, Carley et al 2000). It is important that issues of conflicting accountability are resolved and that management structures for joint working are clear.

Moreover, there is also the potential problem that national agencies are not used to treating local agencies as full and equal partners, and there is a history of some development agencies not engaging effectively with the local authorities in their areas. This problem may be becoming more acute with the government's preference for local delivery of national priorities. This is putting pressure on the capacity of local areas to bring together effective partnerships for the full range of activities concerned, since each partnership is initiative specific (Hall and Mawson, 1999).

#### Eligibility of potential participants

Areas with concentrations of high rates of unemployment also experience high levels of other forms of worklessness including early retirement, long-term sickness and disability, generating high levels of inactivity which is concentrated among those with few or no qualifications: one-third of men of working age with no qualifications are economically inactive compared with around one in ten of those who have GCSE or higher qualifications. Areas with high levels of worklessness suffer both from depressed local demand and from the effect on individuals of long periods without work both discouraging their labour market participation and 'scarring' them in terms of their skills (Campbell et al., 1998; Green and Owen, 1998; Gregg and Wadsworth, 1988; Turok and Edge, 1999).

The social security benefit system divides people into categories depending on which benefits they are eligible to receive. Yet in terms of access to employment opportunities the issue of the type of benefit one is on – Jobseekers Allowance, Incapacity Benefit or Income Support – is not relevant. The important thing is that they would potentially gain from forms of assistance that would help them to get a job. The boundary between being defined as unemployed rather than economically

inactive is not clear cut, and people slip from one side of the boundary to the other, depending on how recently they have looked for work. Research has found that half of all movements from non-employment into work involved people previously classified as economically inactive. Many groups of people defined as being ‘outside’ the labour market are at least as likely to get jobs as those who are classified as unemployed (Gregg and Wadsworth, 1998).

However, many programmes, until very recently, were wholly or mainly restricted to those in receipt of Jobseekers Allowance – often for a given period of time. Even where other groups are eligible for programmes, they may in practice be underrepresented among programme participants. Researchers found that projects funded under the Single Regeneration Budget tended to under-represent men aged 16-19 and those over 50 compared with the proportions in the eligible populations (Sanderson et al., 1999). Programme rules that restrict access to people in particular benefit categories are not able to fully address the problem of non-employment, nor are they addressing the needs of all groups of potential workers. Recent policy developments by the present government have recognised this, and there is now increased emphasis on providing labour market assistance for groups that have traditionally been excluded from government-funded programmes. There are two particularly important groups that should be considered: men who have withdrawn from the labour market, particularly those who have health problems or are disabled, and lone parents.

Lone mothers, and mothers whose partner is not working have had stable inactivity rates over the past 15 years or so, while mothers whose partners have jobs have had sharply falling inactivity rates. This has been particularly true for those with children under school age (Sanderson et al., 1999). One problem confronting non-employed lone mothers is that they are unlikely to have work-related qualifications. Over half of all lone mothers (and well over half of lone mothers dependent on Income Support) have no qualifications at all (Bryson et al 1997; Noble et al 1998).

Evidence suggests that those who have only recently become lone mothers and who have recent labour market experience are likely to leave Income Support within the first year of making a claim. A study of lone mothers from a town in North West

England found that only one in five of lone mothers on Income Support had drawn it continuously for four years or more. The least likely to leave Income Support were older lone mothers, who had been claiming benefits for some time, particularly those who had never worked, and those without qualifications (Nobel et al., 1998). This is the group which has effectively lost touch with the world of work, and who are most likely to benefit from help to integrate them back into the labour market.

So, programmes which offer help in integrating people into the labour market should be available to all those who are not working, irrespective of their current benefit status. Moreover, the greatest detachment from the labour market tends to occur among those who have been out of work for the longest periods.

### Meeting individual needs

Successful projects are based on an assessment of the individual needs of participants. They then ensure that the kind of work offered helps to build on and develop existing capabilities (Barnes et al., 1998; Fletcher et al., 1998; Russell, 1998). Projects which also developed methods of providing help (either by referral to other agencies or directly) on other issues such as debt management, drug counselling, or accommodation difficulties, were more successful than those which only supported employment in isolation. It is not just skills, qualifications and work experience that determine whether or not people get jobs. Personal habits such as drug or alcohol abuse or family circumstances such as childcare needs are equally important. Moreover, many people who are out of touch with the labour market will need guidance and confidence building as well, often before they are able to take up more formal aspects of any programme (Fletcher et al., 1998; Robinson et al., 1998; Sanderson et al., 1999; Simons, 1998).

Projects do not always take account of the particular needs of potential participants from ethnic minorities, and they had a tendency to be under-represented both among participants and among those with the most successful outcomes. Taking account of multiple disadvantages is important for projects even where their main focus is one particular dimension. For example, ex-offenders might be from an ethnic minority or have a disability (Fletcher et al., 1998; Simons, 1998; Taner et al., 1997).

Training on its own rarely improves the job prospects of disadvantaged people. In particular, if training is not focused on the immediate requirements of local employers and is not accompanied by appropriate careers advice it does not seem to confer benefits to participants. It could even be counter-productive if it raises expectations and motivation only to have them dashed. Training schemes which do not lead to real sustainable jobs at reasonable market wages can be demotivating. As a result, they may be worse than doing nothing (Barnes et al., 1998; Sanderson et al., 1999; Russell, 1998; Taner et al., 1997).

Successful projects tend to have a mixture of skills development, guidance and help in job search or job placement. Research consistently suggests that the most successful forms of assistance are those that provide practical active assistance to improve job readiness and access the vacancies that are available. In projects funded by the Single Regeneration Budget, those who had help with job applications, interview preparation, careers advice and guidance, and work were more likely to have obtained work than those who received other forms of assistance (Sanderson et al., 1999). Monitoring of the progress of individuals is important as well. The measurement of outcomes for groups of people with complex disadvantages needs to concentrate on the progress made by the individual rather than a set of standard milestones (Fletcher et al., 1998).

### The role of employers

One key finding is that the closer measures are to the open labour market the more likely they are to be successful. It is not enough to concentrate solely on the needs of individuals. Unless projects address local labour market circumstances, they do not succeed in securing employment for programme participants (McGregor et al., 1999; Russell, 1998).

Engaging the commitment of employers is not straightforward, and they may be resistant to activity that is time consuming and does not have clear outcomes. Bringing employers in is essentially a form of outreach work: it is intensive and requires high levels of interpersonal skills as well as a good organisation to back it up. Employers must be involved as early as possible, and the process must be simple and

streamlined. It can be useful to make use of existing employer networks and build on existing corporate responsibility activity. The key lesson is that it is better to have strong links with a few genuinely committed employers than weak links with many (Barnes et al., 1998; McGregor et al., 1999).

Training and work experience offered to participants should be focused on the immediate needs of local employers. This may require projects to offer flexible provision geared specifically to the needs of individual employers who are offering assistance. Projects that do not maintain vacancy information either via the Employment Service or by monitoring other sources, will ultimately fail their participants. Research has found that the most successful projects operate a computerised job-matching service with support from local employers (some of whom may agree to change their standard recruitment procedures to accommodate scheme participants) and the Employment Service (McGregor et al., 1999; Sanderson et al., 1999).

Pinto (2001) has also drawn attention to the importance of employer ('demand') led programmes like customer training for particular employers and /or a comprehensive service programme to employers, based on research into around 40 such programmes largely in the USA.

### Project management

Project staff and practical management arrangements have an important role to play in securing successful project outcomes. The range of skills required can be underestimated and their availability taken for granted when in reality they are in short supply. One of the difficulties of spreading good practice in this area is that there are few established mechanisms for ensuring that potential project leaders have access to information from other projects about what works and what does not. The capabilities of the provider and appropriate management and financial systems which can respond to changing circumstances and sources of funding have been found to be a key indicator of success or failure (Fletcher et al., 1998; Russell, 1998).



## Creaming

Projects need to avoid concentrating on those who are most likely to be successful. This is a particular temptation when funding and/or performance targets are based on simple outcomes rather than on progress made by individuals. TEC programmes especially tended to suffer from this. Many targets and funding regimes tend to ignore the additional investment that is needed to address the problems facing very long-term unemployed or otherwise severely disadvantaged people. As a result, there is a temptation for those responsible for delivery at a local level to concentrate on groups that are easier to help. Those with complex problems or multiple disadvantages, such as ex-offenders, those with health or substance abuse problems or those with learning difficulties, are then more likely to fall through the net. Targets that reflect individual progress or value added rather than the achievement of a particular outcome are more likely to encourage more disadvantaged participants to join projects (Fletcher et al., 1998; McGregor et al., 1997; Plummer and Zipfel, 1998; Sanderson et al., 1999; Simons, 1998).

## **Joseph Rowntree Foundation : Research Programme on Area Regeneration**

Here we deal with the results of those research projects in the programme that examine aspects of (un)employment only. For a view of the wider lessons for local action see Carley et al (2000). One particularly important and relevant study was undertaken by Sanderson et al (1999). This finds that, overall, the 5 local SRB programmes in Nottingham, Liverpool, Leeds, Huddersfield, Halifax and London, which were studied played a key role in obtaining employment for between a fifth and a quarter of their clients. However, they did not appear to change fundamentally the overall employment prospects for their client group. Two aspects of the findings are especially important. Which ‘packages’ of support are most effective and which groups are most likely to benefit?

3 ‘packages’ of support were identified from the 9 forms of assistance that were used across the schemes, each representing different ‘levels’ of intervention. The results of examining the relationship between each of these packages and the job outcomes for participants shows that the more comprehensive the scheme – in terms of range of

measures deployed – the more effective the job outcomes. The results are especially significant for males and for those with greater experience of unemployment.

The groups most likely to be successful in terms of job outcomes were women, those who were better qualified (to NVQ2 or above), and those with fewer spells of unemployment and those who were married, especially those with working partners. Moreover, these groups also displayed a greater likelihood of being in higher quality jobs and are more sustainable jobs. The least successful were those already most vulnerable – poorly qualified men, single parents with young children, and those with a history of previous unemployment. Those aged 16-19 and those over 50 also generally received less attention, in terms of the degree of intervention as measured by the ‘packages’ accessed, than their circumstances merit. This perhaps is indicative of the existence of a degree of ‘creaming’.

Macfarlane’s (1998) assessment of the potential for using Planning Agreements (the commitment by a developer to the Planning Authority in a legally binding form) to link new developments to local employment opportunities, provides a potential basis for action to link the growth of employment with access to those opportunities for local and/or disadvantaged groups. His work covers 4 case studies whose Agreements have included employment-related clauses with seemingly strong positive effects in 3: Southampton, Greenwich and Aberdeenshire. The work raises the issue that planning and development control activity can be used for more than land use as tools to address local employment priorities through ‘targeted’ recruitment. All new developments need approval, and local authorities are able to consider whether such an Agreement is appropriate. Currently only 1 in 8 use relevant clauses in them, covering about 90 developments. Macfarlane estimates this covers only 1 to 2% of the number of Agreements in any one year, though their use is more extensive in the London boroughs because planning officers do not consider development control powers as an instrument of local employment policy or because there is some uncertainty about the legal position and possibly because they perceive them as a barrier to potential inward investors.

He suggests that success in the use of Agreements is most likely when they are used to provide a basis for ongoing co-operation with developers; when the local authority

makes clear its intentions in local plans and development briefs; when it focuses on the issue at an early stage in discussions with developers; and where there is joint working between development control and economic development staff.

Oc's work (1997) draws attention to the crucial issue of how ethnic minorities fare in relation to employment and related issues in the regeneration process. We should be aware, however, that the issues confronting different ethnic minority groups are to some extent different. He and his colleagues examine ethnic minorities' access to training and business support in all 31 City Challenge areas that operated, under its 2 rounds of bids, from 1992-1997. They reviewed all the action plans and undertook 6 case studies interviewing providers and 600 clients. They found that recognition of the additional disadvantages that ethnic minorities face was patchy across the 31 areas with, in some cases, such recognition being 'marginal'. The issue was not emphasised in the then DfEE guidance. For example, of the 23 core outputs, there were no specific ones relating to ethnic minorities.

They also found that effective delivery of training and business support was critically dependent on the relations of the City Challenge partnership to the local authority and local TEC and on the capacity of the Voluntary/Community sector on the area. In themselves, they argue, higher skill levels and business support is insufficient to gain access to employment – other barriers need to be tackled. They demonstrate that the outcomes, for example, of training were not dissimilar as between whites and the ethnic minorities. They propose that greater dialogue is necessary between agencies and the ethnic minority communities and that given the additional barriers they face, additional resources are required to achieve similar outcomes to other groups.

The intermediate labour market (ILM) model combines waged employment in temporary jobs with training, personal development and job search activities, with the production of goods/services of benefit to the local community. Marshall and Macfarlane (2000) have examined over 60 of these ILM programmes to assess their effectiveness. They seek to maximise insertion into the mainstream labour market through focusing on a comprehensive 're-engagement' package over a reasonable time period (typically 6-9 months) so as to explicitly seek to ensure more sustainable employment outcomes. But they also, in localities where there is a shortage of suitable employment opportunities, contribute to job generation and assist the local

regeneration process through undertaking work that would not otherwise have been done. These programmes currently provide around 9,000 jobs per year at an average gross cost per place of £14,000 per year – expensive compared to most programmes. From this needs to be deducted the value of products/services provided. When this is done VFM is enhanced, because the job outcomes appear to be superior to other programmes. There is a ‘drop out rate’ from programmes of around 20% with between 49% and 55% of participants who complete the programmes, on average, leaving to enter a job.

The most significant achievement however is the sustainability of employment with over 90% still in work after 6 months (compared to around 40% in other programmes). Moreover the longer-term earnings of participants are around £1,500 per year greater than the earnings of leavers from comparable programmes.

The main ‘critical success factors’ for the operation of a successful ILM include: clarity of objectives; local specificity of design to meet the needs of the target group; keeping as close as possible to mainstream employment conditions and disciplines; voluntary participation; a focus on transferable skills; paying wages related to local market rates as an aid to retention, motivation and progression; and making job search an integral part of the process. On the other hand it is important to ensure that such programmes do not ‘displace’ private sector activity.

### Employment Zones

The Government established, in 1997, 5 prototype ‘employment zones’ to design innovative local actions to tackle long term unemployment : ‘individual solutions to meet individual needs’. A recently published study has reviewed the lessons from the experience of these prototypes (Simmonds et al., 2000). Overall a long term unemployed person doubles their chances of finding a job by joining a (voluntary) zone even though they dealt with some of the most long term unemployed –most participants had been unemployed for more than two years and 20% had been unemployed for more than five years. 50% of participants go into employment. The authors identify five critical success factors in explaining the relatively high job outcomes:

- *A focus on the individual.* Providing an individual solution for each unemployed person leads to a better chance of success in the labour market. Individual solutions motivate and empower participants and positively change their view of government programmes. Key to success here is the flexibility to be able to meet individuals' needs through for example, the use of discretionary funds and skilled personal advisers.
- *Active policies to reach those in greatest need.* Reaching the most disadvantaged in the labour market requires active outreach and an offer which will meet diverse and sometimes extensive needs. Substantially improving employability is a success, even if no job outcome has been achieved in the short term – it is part of a process which will lead to employment. However, there remain significant disincentives for some people to move from welfare to work because of the operation of the benefits system.
- *Local flexibility.* The balance between local flexibility and the national framework is critical for delivering individual solutions and securing commitment and ownership by partners and providers. Local partnership does work is sufficient investment is made locally and there is strategic clarity from government.
- *Involving employers.* Effective employer involvement is when employers recruit long term unemployed people. The measure of success is therefore the number of Employment Zones' participants securing jobs.
- *Adequately and appropriately resourcing people's needs.* 'Personal Job Accounts' overcome the complexity of separate funding streams by focusing them in one flexible resource to enable the delivery of individual solutions for welfare to work.

### The Jobs Policy Action Team

In 1999 the Jobs Policy Action Team produced a substantial report on getting the workless back into employment (SEU 1999). It identified the structural barriers preventing markets adapting to the changes going on in the economy, in particular the changes in skills and locations required as labour market opportunities evolved. The report argued that jobless people in deprived areas face a set of distinct disadvantages

which local action needs to address : skills and aptitudes; discrimination vis a vis ethnic minorities; weak networks; transitional costs of moving into employment; and the existence of current policies/actions not always being accessible to the most vulnerable. Based on field visits and background research they made a number of recommendations for local action to be effective of which the following 4 are of most direct relevance to this review : (a) supporting jobless people through reaching out to the most vulnerable through labour market advice, use of personal advisers (irrespective of whether they are claiming benefit) and (piloting) access to the most intensive support available in New Deal to all jobless people in deprived areas (b) tackling racial discrimination and developing actions to increase racial equality (c) build relations with employers, in particular through ensuring that job broking agencies are “on employers’ wavelength”, (d) make work pay including through the provision of information on the financial implications of taking a job.

As far as costs per job created are concerned the best available estimates come from the SRB evaluations (Tyler et al 1998), Enterprise Zone evaluations (1995) and the City Challenge evaluation (KPMG 2000).

The SRB estimates are that £20,000 of exchequer funds generates 0.5 additional jobs, with additionality amounting to about 50-60% of gross outputs. The EZ evaluations, provide a cost per job of £12,000 (at 1990/1 prices) or £1200 per year (at 1994/5 prices) assuming a 10-year job life (after dead-weight and displacement). The proportion of jobs that went to people in the area varied from relatively few in managerial/professional occupations to 90% in many other occupations through results are not available to indicate the proportion who were previously unemployed.

The City Challenge evaluation estimates that the gross cost per job varied from £3,300 per job generated through business support to £12,000 per job generated through development. After allowing for leakages from the area, dead-weight displacement and multiplier effects, the costs per job rise to £31,000 and £7,400 respectively.

However, local evidence is also deficient in a range of ways – there is little clear evidence of who benefits from the various interventions and why the outcomes are

what they are (Dabinett, Lawless, Rhodes and Tyler 2001). It will be important in the future to have systematic baselines; to examine processes that affect outcomes; to trace the effects of interventions on individuals over time; to assess the counterfactual and to 'contextualise' research findings in relation to wider local labour market conditions (Martin et al 2000). 'The current evidence base [in relation to area based initiatives] is strongest in providing measures of physical and investment and housing outcomes..... there is less evidence about other outcomes including employment' (Dabinett, Lawless, Rhodes and Tyler 2001).

## **6. LESSONS FOR NDC PARTNERSHIPS**

There are a range of potential lessons that can be learnt from this review of the evidence base on worklessness and interventions to tackle it, which could help inform NDC practice and thus potentially enhance the likelihood of local success.

### Understanding the Target Group

- It is important to accurately characterise the concrete dimensions and nature of the worklessness problem in a given locality. The focus of activity should not solely be on the 'registered' unemployment but on both the ILO unemployed (those who want work irrespective of their current benefit status) as well as those amongst the economically inactive who are potentially capable of obtaining employment. The numbers and rate of registered unemployed will substantially underestimate the scale of the problem and bias its nature, as the characteristics and circumstances of the non registered workless are likely to be different in many ways from those registered as unemployed. Raising activity/employment rates and reducing the scale of the 'detached' workforce are as important as reducing the number of the claimant unemployed.

It is likely that in many localities key target groups may well include many or all of the following: workless households; those experiencing 'repeat' spells of unemployment; males with low/no qualifications; former manual workers in manufacturing; some ethnic minority groups, in particular the Black

African/Caribbean and Pakistani/Bangladeshi communities; lone parents and those experiencing 'multiple' disadvantages e.g. ex offenders, homeless people and substance abusers.

### Specifying and Tackling the Causes of Worklessness

- It is important for local policies, programmes and projects to seek to address the specific causes of worklessness in a locality. A failure to connect local actions to the real barriers that stand between the workless and employment opportunities will lead to ineffective interventions. Thus, a thorough assessment of the reasons for worklessness, and if possible their relative weight, is a necessary underpinning to long term success. There are two main sets of causes:
- an overall shortage of job opportunities associated with the weakness of the locality's (not just the neighbourhood's) economy. This will require action to stimulate local job generation and to bring more jobs into the locality. However, 'economic' development and 'employment' development are not umbilically linked. The 'employment intensity' of different developments will differ (because of productivity, technology and more generally the capital/labour ratios of different economic sectors, plants and types of activity). Moreover, there is no guarantee that new jobs will necessarily be accessed by local residents let alone by those who are currently workless. Stimulating employment is thus not a sufficient condition for tackling worklessness. It is also important to acknowledge that available job opportunities should encompass: (1) opportunities elsewhere in the locality outside the NDC area and (2) replacement job slots arising from the process of labour turnover (e.g. retirements and voluntary quits).
- a weak connection between the job opportunities that are available and the ability of workless people to access these opportunities. There are several reasons for this lack of connection. It is crucial that local actions reflect the specific local configuration of these barriers to employment in order to 'link' or 'reconnect' the workless with evolving job opportunities.



- weak job search: limited information on vacancies associated with poor informal networks or access to public/private agencies, and poorly aligned employer recruitment activity/practices in the locality
- a mismatch between the location of new job opportunities and those of workless residents, putting the former 'out of reach' of the latter due to job search (see above) or poor transport links/availability, amongst other reasons.
- a mismatch of skills between those required in the available jobs and those that workless residents currently possess. This relates not only to qualifications but to work experience(s), generic skills and 'employability' skills, where in some cases residents may not be 'work ready'.
- limited incentives to moving from worklessness to paid employment. These may relate to benefit levels and availability, including housing and disability benefits, as well as wage levels in available jobs and/or domestic circumstances associated with childcare/care of the elderly or sick.
- the scarring effects of long periods of worklessness can include a weakening of attachment to the labour market, deterioration of skills, diminished aspirations and expectations and a loss of confidence. This necessitates early, preventative action amongst those at risk of such detachment, especially in recessionary conditions where actions to reduce the flow into long duration worklessness will become more important relative to reducing the stock of those already experiencing long term worklessness. This may alter the balance between 'preventative' and 'reintegration' actions.
- discrimination by employers and others against those who are workless per se, or against certain groups who are disproportionately concentrated amongst the workless: certain

ethnic minority groups; those living in certain areas/postcodes/addresses; those living atypical lifestyles and so on.

### Developing knowledge of what works

- whilst the evidence from the literature with regard to ‘what works, why and for who’ is not wholly comprehensive but there is a strong degree of consensus and an overall ‘weight’ of evidence on a range of aspects of actions to tackle worklessness that could inform action in the NDC areas. It is important that action is taken to disseminate this know how and that the NDC partnerships have access to it, in order to inform the development of their actions. Learning the lessons of the past, including those from national programmes, can help inform local strategy and its implementation.

### What Works...and What Doesn't

- ‘direct’ employment of the workless through targeted measures/programme do not generally seem to be effective in moving participants into employment.
- job search activity is relatively inexpensive though views differ as to its effectiveness. However, developing informal networks and engaging in outreach activity, on the supply side, especially if combined with clear employment ‘linkage’ activity, is important.
- subsidies to employers, despite some evidence of low (employer) ‘take up’ appear to be very effective in securing (and sustaining) employment for those that access them.
- counselling, advice and guidance are important especially if the quality is high and trust engendered. A system of personal advisers is important.
- acquiring skills, appropriate to employer needs, is essential. Employability and generic skills are of particular importance, especially if linked to specific employers’ recruitment needs.

- easing the transition from welfare to work is important in terms of ensuring that there is a demonstrable financial gain and that short term transition costs are dealt with; creating a financial incentive for the individual is key.
- prevention measures, as well as reintegration of the already long term workless, may be valuable. Early intervention, for example following profiling to identify those most at risk, can diminish the likelihood of long term labour market detachment as well as the dead-weight effects of early intervention.
- follow through from the 'programme' into employment, with post-employment support, can be helpful in sustaining employment outcomes
- there is value in an approach which connects training and work experience closely to 'real' labour market conditions
- there is an important role for personal advisers and 'gateway' type. assessment and activities.
- packages of support, individually tailored and flexibility delivered, tend to work better than individual measures
- actions to 'sustain' employment (maintaining stable or enhanced longer term employment trajectories) will be important through a range of pre/post employment services including, counselling, financial assistance, transitional support, in work services and employer guidance.

### Programme Design

- a 'targeted' approach, focusing on key groups at a disadvantage would encourage complementarity and additionality to mainstream programmes
- the development of measures to establish contact with, and connection to, the most 'hard to reach' groups, emphasising outreach work and co-ordination with other agencies to encourage cross referral, is valuable.
- a client centred approach is desirable to address the specific needs of individuals in a holistic way and to enable the development of a tailored package of assistance across the full range of appropriate agencies.

- it is important to ensure that employers are engaged in the design of interventions, that their needs are addressed and that incentives are available to make their employing of disadvantaged individuals ‘worth their while’.
- A strategic approach to local action is important, both in terms of the approach to worklessness itself and its connection to wider actions to develop the neighbourhood (Campbell and Meadows 2001). The approach needs to be ‘vertically’ integrated, co-ordinating the different levels of policy action – European, national, regional/sub regional; local; and neighbourhood. It also needs to be ‘functionally’ integrated in terms of taking action: to stimulate/sustain labour demand, particularly focused on the needs of the workless; to develop the ‘employability’ of the workless; to build the ‘bridges’ between them and the range of available employment opportunities; and to support these processes with complementary measures to address the broader personal problems faced by some of the workless.

#### Effective implementation and Delivery

- How services are delivered may be as important as the services themselves. The organisation and management of local actions can enhance the effectiveness of the actions taken. It will be important to secure the involvement of key stakeholders and to encourage effective, operational joint working.
- It is also important to build close relations with local employers – as partners as well as clients – to identify their recruitment needs and ‘connect’ them to the workless. These linkages need to be strengthened so that employers’ recruitment activity moves to the centre of local action.
- The know how and capacity of local staff are important in the delivery of effective actions. Their recruitment, training and support is vital if they are to be able to deal sympathetically with clients, understand and relate to employers’ needs and provide a high quality service to both.

- Finally, evaluation activity should be thought of as a key means through which ‘continuous improvement’ can be achieved. Evaluation results should inform the development of local action on worklessness.

## **7. LESSONS FOR THE EVALUATION OF NDC**

The relevant evaluation and related literature on what works, for whom and in what circumstances, currently provides a range of insights. However it is difficult to reach firm conclusions in many cases because of differences in objectives, methodology, data and time-frames across the studies. The evaluation of NDC offers an opportunity to undertake a sustained and systematic study which could take forward the evidence base to a higher level of comparability and consistency.

The key lessons from this review of the evidence for undertaking the evaluation of NDC in terms of the worklessness domain are as follows.

### What Works?

- It will be desirable to examine the impact of worklessness domain activity overall, in terms of a range of objectives measures of success. This will necessarily involve the ‘tracking’ of participants’ overtime.
- It will be necessary to assess the ‘Value for Money’ (VFM) associated with the impact of worklessness domain activity overall – gross and net costs; additionality/dead-weight – and substitution effects.
- It will be valuable to examine the effectiveness of different approaches/packages of support as well as that of the range of measures employed. This could be undertaken in relation to the different measures of impact as well as in relation to VFM (as above).
  - A number of key issues need to be investigated:

- are demand or supply side measures most effective?
- how far are (local) labour market conditions a key influence on successful interventions?
- what insights can be obtained into the issue of the ‘optional’ timing of interventions?

### For Whom Does it Work?

- The effectiveness of domain activity overall, as well as of different packages/measures, needs to be investigated in terms of its impact on different target groups – the (long term) unemployed (as variously defined), ethnic minorities, single parents, young people, men and women and so on.
- The effectiveness of overall domain activity and that of different packages/measures should be investigated in terms of its differential impact across the different geographical communities.

### Why Does it Work?

Investigation needs to take place in terms of the local ‘institutional arrangements’ and how these correlate with local ‘success’:

- the relation between success and measures of partnerships ‘strength’.
- the relation between success and the range of delivery arrangements employed.
- the relation between success and the nature of community (local community and employer) involvement.

- the relation between success and the technical capacity of the partners, as indicated by quality of delivery plans, management, staffing resources/levels, training and so on.

Investigation of this overall issue will also need to involve the perspectives of stakeholders. Moreover it will need to examine a number of technical aspects of activity in the worklessness domain:

- to what extent have the partnerships correctly specified the character/dimensions of worklessness locally?
- to what extent have they understood the causes/mechanisms of worklessness in their locality?
- how far do the measures/interventions connect effectively to these characteristics/causes?
- how far are the objectives set appropriate to tackling worklessness beyond the 'simple' one of getting into work?

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