

# A New Deal For All

Report of the  
National Employment Panel's  
Working Group on  
New Deal 25 plus

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Chair

January 2004

# A New Deal For All

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# A New Deal For All

## Chair's Foreword

In 1999, I chaired a project to examine how well the New Deal was meeting the needs of disadvantaged young people. The National Employment Panel asked me to lead a second study to look at the situation for long term unemployed adults. In the intervening years, the New Deal has matured and achieved much. Thousands of people have left benefit for work and satisfying new careers. But, as this report shows, the programme has yet to solve the persistent problem of helping those at greatest disadvantage in the labour market. Indeed, while the numbers of long-term unemployed are declining, those who remain are getting harder to serve.

The Working Group has expressed significant concern about the performance of New Deal 25 plus particularly with respect to those people who are most at-risk. The national odds of a participant getting a sustained, unsubsidised job are about one in four. They are less good in some deprived areas and it is safe to assume that the odds are even longer for seriously disadvantaged people. In our view, it is time that Government undertake a major review of this programme.

Our report, ***A New Deal for All***, recommends a range of measures which we believe, taken together, will provide substantially greater opportunities for those most at risk. It will require the development of a national strategy which makes service to disadvantaged people a priority, not an afterthought. It will require an important shift in programme design – from one that is process-driven to one that is customer-led. It will require a serious investment in training for Jobcentre Plus Personal Advisors; in information systems to tell us what works; and in strengthening the capability of suppliers whose performance is pivotal to improving bottom line results.

While our focus has been on New Deal 25 plus, we believe that many of our findings are applicable to disadvantaged people across all of the New Deal programmes. I very much hope that our recommendations will inform future policy development by the Department for Work and Pensions. I also hope that Jobcentre Plus will take the immediate step of appointing a Board Director to champion effective services for its most disadvantaged clients.

I want to thank my fellow Working Group members who have given so generously of their time and expertise. I also want to thank Cay Stratton and her team for capturing our ideas and keeping us on track throughout this review.

Victor (Lord) Adebawale of Thornes CBE  
January 2004

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## Executive Summary

In late 2002, the National Employment Panel convened an expert Working Group, chaired by Lord Adebowale, to examine ways of increasing job opportunities for disadvantaged, long-term unemployed adults. Composed of employers, academics, practitioners and officials, the Group met nine times, conducted six site visits and talked to over 150 clients, Jobcentre Plus staff, providers and employers. We were uniformly impressed with the commitment of frontline staff and with their understanding of what was needed to assist more disadvantaged people to compete in the job market.

While the focus of this report is on New Deal 25 plus, the Working Group is clear that many of our findings, particularly for those facing multiple barriers to employment, apply to all of the New Deals. A complete list of our recommendations is included in Annex B.

We began our review with an analysis of New Deal 25 plus performance. We were concerned with what we found. *Only 25% of participants move from benefit into sustained, unsubsidised jobs.* Almost half (46%) of those who leave the programme end up back on welfare. While Government does not collect data on outcomes for the most disadvantaged clients, it is fair to assume that the odds of these men and women finding jobs are longer than their fellow New Deal 25 plus participants. In our view, improving this performance – not just for the most disadvantaged but for all unemployed adults – should be an important priority for the Department for Work and Pensions (DWP).

The Working Group's next task was to be clearer about what we meant by 'most disadvantaged', in the absence of an official definition. Without this understanding it is difficult to determine the scale of the issue; the type of assistance that is needed to address the problem; or the progress that is made in improving performance. Our work led us to the

## Performance and People

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conclusion that there are nine 'markers for disadvantage' which, in combination with extended periods of unemployment, place people at significant risk in the labour market.

We could not determine the precise number of severely disadvantaged clients in New Deal 25 plus. However, it is clear that the trend is on the increase with Government estimates rising from 9% in 1999 to 20% in 2002. So, *while the number of long-term unemployed are getting smaller, those that remain are getting harder to serve.*

This underlines the importance the Working Group has attached to developing a *national strategy and delivery plan* for helping the most disadvantaged individuals get and keep work. We believe it is equally important that, within this national framework, Jobcentre Plus Districts produce annual plans for serving at risk people in their area.

A national strategy must be underpinned with *clear objectives and an effective measurement system*. The Working Group recognises that this is a complex issue. We found that, under the current system, the relentless pressure to meet job entry targets understandably forces Jobcentre Plus and contractor staff to focus their efforts on people who are most job-ready.

In our view, a new target and measurement system should do two things. First, it should provide incentives to *counteract 'creaming'* the most job-ready participants. We doubt that awarding more points to very disadvantaged clients will be sufficient to achieve this objective. We think, instead, that each Jobcentre Plus District should be allocated a small number of slots which would not be subject to the target regime and would attract extra funding for those most at-risk.

Second, a new measurement system should recognise and *reward progression towards work ('distance travelled')* without diluting focus on the ultimate objective – job placement. From our research, the Working Group believes that there are sufficient models in the UK, US and Europe from which to draw. We think that the time is right for

## A National Strategy

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DWP to design and test such a system that could be linked to contractor payments.

We next turned our attention to the design of New Deal 25 plus. Structured as a sequence of time-limited activity blocks, we found the programme inflexible and unresponsive to the needs of those facing multiple barriers to employment. Instead, we believe that the *programme should be based on a menu of activities and services which Personal Advisors may use to meet the specific needs of disadvantaged clients at different points in their employability development.*

In our view, this approach should be augmented with a more effective 'early entry' policy; a better assessment and testing system to identify an individual's starting point; and provision that is considerably more work-focused.

We are also concerned that little attention appears to have been given to *engaging employers* in the programme. With the exception of the StepUp programme, we saw no concerted effort to ensure that employers were involved in the design of training and work preparation by providers. Nor did we see much use of subsidised employment, self-employment, or the social enterprise sector to create additional work placement and job opportunities for participants.

We spoke with a number of Personal Advisors and were impressed with their commitment and enthusiasm. They cited three main obstacles to their work: the target regime and excessive paper work leaves little time for clients who need special help; the programme is too inflexible; the quality and accessibility of providers is poor. We were impressed with the use of 'jobmates' in Portsmouth and specialist advisors in the *progress2work* programme and would like to see both tested in other areas.

Despite their commitment, few of the Advisors we met have the expertise to provide in-depth guidance and support to *people facing multiple barriers to work*. In our view, *Jobcentre Plus should clarify immediately its expectations of the Advisor role*. It

A Flexible, Work-Focused Programme

Trained Personal Advisors

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should either train specialist staff, contract with expert individuals and organisations, or develop a mixed approach – one that acknowledges the sophisticated skills that are required to work with at risk people.

The Working Group endorses the use of sanctions as a key element within the New Deal's rights and responsibilities framework. However, we believe that to be effective, sanctions must be applied fairly. They must be seen as a tool not simply to stop abuse but to engage clients – to challenge inappropriate behaviour, to motivate, to change patterns of dependency.

We saw little consistent application of sanctions in the sites we visited. In large part, this is because the process is so cumbersome and time consuming. As a result, they are either not used or the penalty is applied long after the transgression has occurred. We recommend that the current sanctioning system is streamlined to become much faster but also to include an effective client appeals process.

Throughout our review, Jobcentre Plus' *procurement and contracting* system came under consistent criticism by both staff and providers. The issue has particular relevance since in order to meet the needs of disadvantaged clients, Jobcentre Plus must develop close and durable relationships with specialist providers. Many of these are small, community-based organisations with limited capacity to manage the demanding requirements of the existing contracting process.

We believe that a new purchaser/provider relationship must be developed which balances the goals of increased performance and public accountability, with shared risks and an investment partnership. On a practical level, we also think that Personal Advisors should be given the authority, within agreed limits, to purchase training and specialist services for disadvantaged clients.

A key priority for all members of the Working Group is the need to increase the knowledge and understanding of what works and why as a basis for performance improvement. We would like to see an

Supporting  
Systems

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*active and systematic exchange of best practice* within the delivery system.

As well as knowledge development, we are particularly concerned about the lack of investment in *capacity building for providers*. As Jobcentre Plus targets greater resources on harder-to-help clients, it will become more, rather than less, reliant on specialist organisations. At the same time, there is compelling evidence that the performance of the New Deal 25 plus provider network must be improved. We urge Jobcentre Plus to develop and implement an investment strategy to strengthen the capability of its suppliers - similar to the 'Success for All' approach used by the Department for Education and Skills to upgrade the post 16 education and training system.

In the final section of our report we draw upon our recommendations to describe the key elements of a re-engineered New Deal programme that we believe will improve service for all jobless people. However, our principal concern is for those who are at most risk in the labour market.

For these individuals, the Working Group recommends that special assistance should be provided through a 'virtual strand' within New Deal. This strand should have its own performance regime and funding stream. It should include:

- early entry;
- in-depth assessment and testing;
- specialist Personal Advisors recruited from all sectors;
- specialist contracted provision;
- removal of participants from the target regime;
- distance travelled measures alongside job entry outcomes;
- a ring-fenced budget.

Throughout our review, the Working Group has been most impressed by the keen desire of staff within Jobcentre Plus and provider organisations to meet the needs of the most disadvantaged jobseekers and by their understanding of what changes to the system would enable them to do this

## Our Conclusions

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job. The recommendations in this report are heavily based on that understanding. We are confident that, if they are implemented, we can deliver a New Deal that works for all its customers.



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## **SECTION I: Introduction and Approach**

A critical measure of a nation's welfare to work system is the degree to which it helps those at greatest disadvantage find productive and fulfilling employment. It is for this reason that the National Employment Panel and its predecessor the New Deal Task Force have advocated consistently that the New Deal must focus on individuals at the margins of the labour market.

Helping every person who wants to work and who can work to find the right job is the surest way out of poverty. It is the surest way to build healthy communities and to help enterprises thrive. The alternative is not only morally wrong, it will result in unacceptably high social and economic costs.

In 1998, the New Deal Task Force published a report, *Meeting the Needs of Disadvantaged Young People*, which recommended a range of measures to improve service to young people facing multiple barriers to employment. As a follow-up, the Panel asked Lord Adebawale to chair a Working Group to examine ways of increasing job opportunities for disadvantaged, long-term unemployed adults.

### **Introduction**

This review is principally about New Deal 25 plus. However, as our work progressed, it became increasingly clear that many of our findings and recommendations apply to *all* of the New Deals. The lack of basic and interpersonal skills combined with such barriers as mental and physical illness, criminal records, substance abuse, discrimination and long periods of inactivity, are as relevant to some lone parents and individuals on Incapacity Benefit as to those on New Deal 25 plus. Put another way, our ability to reach and develop the potential of disadvantaged people depends on a well conceived strategy, responsive provision and effective delivery irrespective of the benefit status of the individual.

### **Approach**

The Working Group was composed of academics, expert practitioners, employers and officials; Annex A provides a list of members. Our review consisted of three strands of activity:

- analysis of available evaluation and research documents;
- presentations and papers from organisations serving the most disadvantaged;
- visits to six areas to assess the operation of New Deal 25 plus provision in Newham, Liverpool, Portsmouth and the Rhondda Valley, and of StepUp in London and Sandwell; over 150 clients, staff, providers and employers were interviewed during these visits.

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During the course of the review, we met nine times; our key findings and recommendations were endorsed formally by the National Employment Panel at its July 2003 meeting.

Our report is neither an academic evaluation of New Deal 25 plus nor an exhaustive survey of existing practice. Rather, it is 'action research' which draws extensively on the views of individuals who are highly experienced in working with disadvantaged people. We know that both the Department for Work and Pensions (DWP) and Jobcentre Plus are currently engaged in a number of policy and operational reviews designed to enhance various aspects of the New Deal. While we have not costed our proposals, we are clear that the severity of need amongst those at greatest risk in the labour market is likely to require some additional investment of public funds.

## **Structure of report**

This report is organised in five sections. Section 2 summarises the design and performance of New Deal 25 plus, as well as the characteristics of disadvantaged people and the barriers to employment which many face. Section 3 looks at issues related to the programme's strategy and performance measurement systems. Section 4 outlines our principal findings and recommendations. Section 5 discusses the implications of our proposals for the overall design of New Deal. Annex A contains a list of Working Group members. Annex B provides a complete list of the report's recommendations.

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## **SECTION 2: People and Performance**

In this section, we briefly describe the basic design of New Deal 25 plus; the characteristics of those on the national programme; and New Deal 25 plus performance. We then turn our attention to what we mean by 'most disadvantaged' and the implications for future programme design and development.

### **New Deal 25 plus**

Launched in June 1998 as part of the Government's broader welfare to work strategy, New Deal 25 plus was intended to assist long-term unemployed adults back into work. However, with few services on offer, it suffered from lacklustre performance and, in April 2000, a number of pilots were implemented providing enhanced services to participants. In April 2001, a re-engineered New Deal 25 plus was introduced nationally.

The programme has two major objectives:

- to help long term unemployed people into jobs and to improve their prospects of staying and progressing in work;
- to increase the employability of long term unemployed people.

The current programme is mandatory for individuals 25 years or over who have been unemployed and claiming Jobseeker's Allowance (JSA) for 18 months or more. Almost a quarter (23%) of participants facing specific barriers to work are given 'Early Entry'. Three stages then follow:

- a 'Gateway' of up to four months, mixing job search, advice, training or other specialist help;
- an 'Intensive Activity Period' (IAP) of 13 weeks (which may be extended to 26 weeks) of training, work placement and job search;
- a 'Follow-through' period of six weeks (which may be extended to 13 weeks) of continuing advice and support for those who have not found work at the end of the IAP.

The Intensive Activity Period is mandatory for clients aged 25-49 but voluntary for those aged 50 and over.

Since New Deal 25 plus was launched in 1998, nearly 600,000 people have joined the programme, 237,000 of whom started since it was re-engineered in April 2001. At any one time, roughly 60,000 people are registered on the programme – equating to 100,000 joiners per year. At the end of March 2003, 62,700 people were participating on New Deal 25 plus; of these 63% were on the Gateway Stage, 20% were in the IAP, 3% were in subsidised employment and 13% were in 'Follow-through'.

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## Client Characteristics

New Deal 25 plus is overwhelmingly male: of those who have joined between April 2001 and March 2003<sup>1</sup>, 82% are men and only 18% women. A comparatively high number of participants (28%) have declared themselves disabled as compared to New Deal for Young People (12%) and New Deal for Lone Parents (4%). The proportion of minority ethnic clients is 13% which is broadly consistent with the claimant population and other New Deal programmes. Approximately 40% of New Deal 25 plus clients have no or low qualifications.

While participants in the four sites we visited (Liverpool, Newham, Portsmouth and the Rhondda Valley), shared characteristics with the national profile of New Deal 25 plus clients, there were also some notable differences<sup>2</sup>:

- on average, 23% of New Deal 25 plus participants are over 50, except in Newham where the number falls to 15%;
- 56% of participants in Newham are from ethnic minorities, against a figure of 5% in Portsmouth;
- 41% assess themselves as disabled in Portsmouth, 29% in Rhondda, 26% in Liverpool and 18% in Newham;
- in Liverpool, 55% of New Deal 25 plus participants have been on benefit for more than 18 months against 52% in Newham, 47% in Portsmouth and 44% in the Rhondda Valley;
- the comparative unemployment rates (defined as JSA claimants as a proportion of working age population) are 5.7% for Liverpool, 5.5% for Newham, 1.4% for Portsmouth and 2.6% in Rhondda; this compares to a national rate of 2.6%.<sup>3</sup>

## Performance of New Deal 25 plus

Of the 237,000 people who have joined New Deal 25 plus between the programme re-launch in April 2001 and March 2003, 174,000 have left and 63,000 are current participants<sup>4</sup>. Of those who have left, 32% *have moved into unsubsidised work and 25% have moved into unsubsidised and sustained employment. A third of clients who join the programme have been through it at least once before.*

Of those who leave New Deal 25 plus, 28% return to Jobseeker's Allowance within a month and may wait another 18 months to receive intensive support; a further 18% transfer to other benefits such as Incapacity Benefit. Some 19%

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<sup>1</sup> Source: New Deal 25 plus Statistical First Release data as of March 2003.

<sup>2</sup> Figures cited are for period June 2001 to August 2002 and have been compiled from LFS, JSA, and IB Working Age Statistical Database and New Deal 25 plus administrative data.

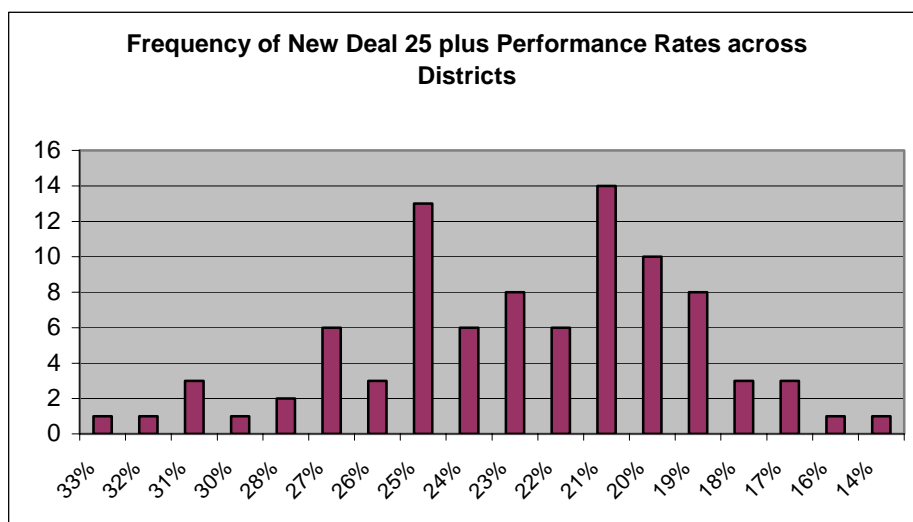
<sup>3</sup> Source: NOMIS as of July 2003.

<sup>4</sup> Source: New Deal 25 plus Statistical First Release data as of March 2003.

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leave the programme for unknown destinations and 10% for another known destination.

The national odds of gaining sustained employment as a result of New Deal 25 plus are 1 in 4. The odds are best, at almost 1 in 3, in South Humberside, East Lancashire, Wiltshire, Dorset and Grampian. They are much worse in Doncaster at 1 in 7 and in Newcastle, the East and Central London Districts, Inverness and the Welsh Eastern Valleys at 1 in 6.



Source: Jobcentre Plus New Deal 25 plus Key Indicators database.

The chart above shows the performance variation among the 90 Jobcentre Plus districts. The x-axis shows the proportion of New Deal 25 plus leavers who found sustained employment as a proportion of all New Deal 25 plus leavers. The best performing district was South Humberside at 33%; the poorest performing district was Doncaster with just under 14% of New Deal 25 plus leavers finding sustained employment.

The y-axis shows the distribution of performance rates among districts. The national average is 25% with performance clustering a couple of points above or below that mean. The median is a performance rate of 22% which means that more districts are achieving performance of less than 25% than are achieving more.

As the table below shows, with the exception of the Southwest, regional performance is clustered together:

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Proportion of New Deal 25 plus Leavers into Sustained Employment as a Proportion of Total Leavers			
	Leavers	Sustained	Prop
Scotland Region	25667	5477	21%
North East Region	17085	3718	22%
North West Region	25606	5705	22%
Yorkshire & Humberside Region	23497	4996	21%
Wales Region	10218	2226	22%
West Midlands Region	23165	5241	23%
East Midlands Region	13673	2989	22%
East Region	12542	3030	24%
South East Region	13808	3364	24%
London Region	39776	8010	20%
South West Region	11646	3098	27%

Source: Jobcentre Plus New Deal 25 plus Key Indicators Database.

Information is not collected on the outcomes for the most disadvantaged clients. However, our interviews with Jobcentre Plus and provider staff made clear that the pronounced emphasis on meeting targets results, not surprisingly, in priority being given to those who are most job ready. We believe that *it is a fair assumption that disadvantaged clients experience even longer odds of finding work than their fellow New Deal 25 plus participants.*

The Working Group believes that New Deal 25 plus performance should be improved - not just for the most disadvantaged but for all unemployed adults who enter the programme expecting to get jobs as a result of their participation. On current numbers, 70% will fail to do so. *Furthermore, almost half of those who leave the programme (46%) will end up back on welfare.* While recognising that New Deal 25 plus has effectively helped large numbers of jobseekers into work, we believe that changes to programme design and delivery are need to steadily drive up performance.

## Defining the Disadvantaged

One of the Working Group's first tasks was to be clearer about the characteristics of the people who we were describing as 'most disadvantaged.' Without this understanding it is difficult to determine the scale of the issue; the type of assistance which is needed to address the problem; or the progress that is made in improving performance.

Our task was not easy given that individuals do not fit into neat categories and much of the required information on client characteristics is not collected routinely. Moreover, within the broad definition of long-term, adult unemployed, some individuals are seriously looking for work and are reasonably job ready. Some are disadvantaged in that they are jobless, poor and low skilled but with

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the proper assistance can get and keep full time jobs. Some are unemployed and facing formidable barriers to work; without considerable support, tailored to the specific needs of each person, it is unlikely that these individuals will succeed in a competitive labour market.

This latter 'most disadvantaged' group is composed of individuals with quite different backgrounds and characteristics. To assist us in our work, we asked Professor Alan Marsh of the Policy Studies Institute to help us better define the principal categories and related issues that we encountered in our visits. We have drawn heavily on his work<sup>5</sup> in describing the key 'markers for disadvantage' that we found.

*Ex-offenders:* The extent to which a criminal record is seen as an additional barrier to work varied from place to place: more in Newham, less in Liverpool, with Portsmouth having a special problem of recently released paedophiles. Unless offending is closely related to a substance dependency, offenders are themselves not necessarily labelled 'bad workers', just untrustworthy ones. As one interviewee noted, some are pretty able people and might be seen as 'undercapitalised entrepreneurs'. However, many ex-offenders face significant employer discrimination and are banned from working in some sectors.

*Drug dependency:* These individuals may be divided into three groups:

- those with a history and/or conviction of dealing;
- those who are continuing to misuse drugs regularly;
- those who are recovering, perhaps with a substitute prescription.

Individuals still immersed in drug use and dealing are not appropriate participants for New Deal 25 plus. It is true that many employed people use drugs recreationally and some are 'stable addicts' who, for a while at least, cope with work and drugs. However, this is not the case for most substance abusers on New Deal 25 plus. For them, the first step must be rehabilitation followed by intensive support and employability development.

*Alcohol dependency:* Personal Advisors indicated that these New Deal 25 plus clients were more common than those on drugs (especially in Liverpool and Rhondda). As with drug dependents, they might once have been alcoholics holding down a job but are long since past the point where this is possible unless they stop drinking. Advisors use intuition to judge whether a client's drink problem is a serious barrier to work requiring rehabilitation which can be hard to distinguish from those who drink too much because they are fed up with being out of work for so long.

*Mental illness:* Most of these individuals were recovering depressives since those with a current clinical diagnosis have been referred to Incapacity Benefit.

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<sup>5</sup> 'New Deal 25 plus Report Draft' prepared for the National Employment Panel, Alan Marsh, Policy Studies Institute, May 2003.

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In some cases, mental illness is linked to a history of drug and alcohol misuse. Personal Advisors indicated that the work-readiness of this group is hard to judge. There is a smaller group of mild psychotics and people with personality disorders which make it hard for them to relate to employers or colleagues in a rational or compliant manner.

*Physical illness:* There appears to be a group of people in New Deal 25 plus, the numbers of whom are difficult to quantify, who are not sick enough to claim Incapacity Benefit but who do not feel well enough to work.

*Homelessness:* These individuals are without a family, a partner or a place to live. Frequently they will have unstable or chaotic lifestyles and, without a proper address, many employers are reluctant to hire them.

*Learning difficulties:* These are perhaps the easiest disadvantaged clients for Personal Advisors to identify and help. The difficulty is that, by the time they get onto New Deal 25 plus, they have probably been round the course at least once and associate basic skills with failure and frustration. Some Advisors can mobilise effective provision to help clients with learning difficulties but our visits revealed that much of it was substandard or difficult to access.

*Discrimination:* There was little doubt that we met clients who were experiencing employer discrimination, particularly refugees and asylum seekers who struggle with English. (In Portsmouth, Kurdish clients were even jeered by fellow claimants.) People over 50 – and some over 35 – complained of age discrimination; in Newham, some faced a combination of ethnic and age discrimination.

*The very long-term unemployed:* We met clients who had been unemployed ten years and more; one for 23 years. Within the broad category of long-term unemployed, three specific groups emerged in our visits:

- *Ex-carers:* Many of the women on New Deal 25 plus have spent years looking after relatives who then die or are institutionalised, leaving them looking for work. On JSA in their late 40s and 50s, they are ill-equipped to enter and compete successfully in the labour market.
- *The over 50s:* Many people over 50 years old who are still unemployed after 18 months of seeking work are likely to be facing age discrimination compounded by deteriorating health; an unwillingness to take lower paying jobs; and/or a reluctance to undertake the skills training required for a career change.
- *Dissemblers:* These are people who have been out of work for years but do not appear to face one of the barriers described above. A few might simply be victims of economic geography and have strong reasons not to move, as in the Rhondda Valley. Others are members of families in which multi-

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generational poverty and unemployment are ingrained within the culture. But the largest numbers of this group are simply dissembling in the sense that they are long-term JSA claimants who prefer not to enter employment and may pick up work on the side or engage in the grey economy. For this group, a more effective sanctions regime is probably the best option.

These descriptive markers, often *appearing in combination*, helped us to understand more about the nature of our target group. We then looked at the characteristics that DWP uses to screen New Deal 25 plus for early entry and which might serve as a working definition for the most disadvantaged. These are:

- ex-offenders who have served a custodial sentence;
- people recovering from substance addiction;
- people with disabilities;
- *progress2work* participants;
- homeless people;
- refugees.

However, we were most influenced by Richard Berthoud's study<sup>6</sup> on the importance of multiple barriers as a predictor of joblessness. In his research on the employment prospects of more than half a million men and women, Berthoud found that the cumulative impact of six specific disadvantages places some individuals at very high risk of being unemployed. The disadvantage markers indicating high risk among 17 to 59 year olds are:

- men and women without partners (especially lone parents);
- disabled people;
- those with low qualifications and skills;
- those in their 50s;
- people living in areas of high unemployment;
- members of certain minority ethnic groups.

Our site visits also emphasised the importance that *local conditions and client perceptions play as additional barriers* within a specific area. For example, in the Rhondda and Liverpool, poor and costly transport presented additional hurdles to re-entering the job market. In Newham, high housing costs meant that clients were reluctant to leave JSA for fear of losing housing benefit. In the Rhondda, there were limited job opportunities and many were too discouraged to seek work. In all of the sites, clients expressed concern that they would be worse off working.<sup>7</sup>

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<sup>6</sup> 'Multiple disadvantage in employment: A quantitative analysis' by Richard Berthoud. Joseph Rowntree Foundation, March 2003.

<sup>7</sup> Joyce and Pettigrew report similar findings of clients fearing being worse or losing benefit in London and the South East and a lack of public transport being a barrier in both Swansea and North Wales. (Department for Work and Pensions Research and Development Report WAE139)

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Taking this information together, the Working Group concluded that, in addition to length of unemployment, there is a combination of factors that place people at particular risk and that can be used to define 'most disadvantaged'. Building on Richard Berthoud's core attributes, these factors include:

- people without partners;
- sick and disabled people;
- those with no or low skills;
- people over 50 years;
- residents of areas with high unemployment;
- ethnic minorities and refugees;
- ex-offenders;
- substance abusers;
- homeless people.

***We recommend that the Department for Work and Pensions (DWP) develop a working definition of 'most disadvantaged' that combines length of unemployment with three or more of these barriers to work but that gives some discretion to Personal Advisors.***

Without an agreed definition of 'most disadvantaged' and an information system that tracks the key data, it is impossible to determine accurately the numbers who are enrolled in New Deal 25 plus. DWP estimates that in April 2002, the number exceeded 20% of those on the programme. Frontline staff in the four sites we visited argued that, in areas of deprivation, the figure is considerably higher.

Whatever the precise number, the trend appears to be on the increase: in April 1999, the Government estimate for most disadvantaged was 9%; in April 2001 it had grown to 12%; one year later it had increased to 20%. So, while the numbers of long-term unemployed are getting smaller, those that remain are getting harder to serve.

## **Implications for New Deal 25 plus**

Our analysis of the characteristics of New Deal 25 plus participants was reinforced by our visits. We met many who were unemployed but who, with the right assistance and support, had a decent chance of getting a job. However, we also met a number of jobless people who faced multiple barriers and who were unlikely to be taken seriously as prospective workers by employers. Given the increasingly large percentage of participants who fall into this latter category, we believe it is essential that the programme is re-engineered to respond to their needs. The following two sections address the strategic and operational changes that the Working Group believe are required.

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## SECTION 3: Strategy and Targets

Throughout the course of our research and visits, perhaps the single most striking finding has been *the lack of a clear and comprehensive strategy for serving the most disadvantaged*. While this fact emerged from our examination of New Deal 25 plus, the Working Group recognised quickly that it applied to service to at risk groups in all of the New Deal programmes and should be addressed as a cross-cutting issue. In this section we discuss the importance of a strategic framework along with the performance targets and measurement systems that will be needed to underpin it.

### Background

During the past several years, there has been a growing recognition that certain groups of JSA clients require more intensive and specialised help. Generally, these are people who fail to get a job after completion of New Deal or who face very specific barriers to employment. In response, DWP and Jobcentre Plus have designed and implemented a number of special programmes to operate alongside of New Deal. The key initiatives are:

- *Action Teams for jobs*: Designed for areas of concentrated poverty and unemployment, Action Teams provide highly flexible employment services to local residents including outreach, transport, basic skills, job search and personal support. As of January 2003, the 63 Action Teams had engaged with over 141,000 individuals and helped 63,000 (45%) into work. Operating throughout Great Britain, £122 million has been allocated for funding to March 2004.
- *StepUp*: Based on the intermediate labour market model (ILM), the program provides transitional jobs for up to 50 weeks for those who have been unsuccessful in finding employment after taking part in New Deal. StepUp was launched in April 2002 and is currently being piloted in 20 locations. As of August 2003, 1,100 participants had begun StepUp employment.
- *progress2work*: This project offers special employment assistance for substance users who have completed (or been stabilised by) drug treatment. In addition to providing direct services, the programme increases significantly collaboration between Jobcentre Plus and drug-related agencies and provides training for front-line staff on assessment and referral techniques. As of March 2003, 2,125 people had started in the 27 Jobcentre Plus Districts which currently provide *progress2work* services.
- *progress2work LinkUp*: Initiated in autumn 2002, LinkUp is now testing the *progress2work* approach with people facing other barriers: alcohol misuse, homelessness, criminal records. The existing nine pilots will be expanded to another six sites in summer 2003.

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- *Minority Ethnic Outreach Service*: Operated through community-based organisations, this programme supports minority ethnic jobless people to make the transition into work. Currently, there are 52 contracts delivering services within five large conurbations which have significant minority populations. By mid-December 2002, 1,358 had been involved in the initiative of whom 387 registered to use Jobcentre Plus mainstream services.

In addition to these DWP funded programmes, the European Social Fund, the Single Regeneration Budget (SRB), New Deal for Communities and local authority programmes support employment-related services for unemployed and socially excluded people. These funds allow Jobcentre Plus and local partnerships to enrich and elongate programmes in ways that make them more responsive to the needs of severely disadvantaged individuals.

## **The Local Picture**

While most of these programmes are still in early stages of operation and it is too early to assess their effectiveness, the Working Group was impressed with their objectives and general design. Our concern is that *they have been developed piecemeal and not implemented as part of an overall strategy or framework* for addressing the needs of disadvantaged people. The result of this was seen clearly in our site visits.

With the exception of Portsmouth, we found no area in which Jobcentre Plus managers or Personal Advisors could articulate a coherent approach to serving the most disadvantaged. Indeed, in Newham and Liverpool Advisors indicated that they sometimes had to go well beyond their remit to assist individuals with serious barriers to employment.

Frontline staff in all areas indicated that much of the specialist support and basic skills provision was fragmented, poor quality and/or non-existent. The lack of consistent services across Districts resulted in what was perceived by clients as a postcode lottery.

Staff welcomed the introduction of specialised programmes such as StepUp and *progress2work* but in none of the sites were they seen as part of an integrated delivery strategy for the disadvantaged.

In all areas, managers and staff agreed that the pressure to achieve job entry targets was the principal deterrent to providing the level of service required by many disadvantaged clients.

Portsmouth and Havant was the one area in which staff set out a clear approach to serving people with difficult barriers to work. This consisted of active use of early entry; the appointment of two 'Jobmates' to provide personal guidance and counselling to clients and back-up support to Personal Advisors;

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a specialist Jobcentre to serve refugees and asylum seekers; and a stronger network of specialist providers.

## **A National Strategy**

During the past year, DWP has undertaken an ambitious programme of research and analysis in order to produce a strategy for helping each client group move from benefit into work. Each of these strategies has a companion delivery plan setting out the required action, resources, timetable, monitoring and evaluation arrangements.

The Working Group believes that these client-based strategies are exceptionally important as a way of understanding and addressing the needs of key target groups. *However, we believe it is equally important to segment the working age population in a different way – to look at those furthest from the labour market across all groups and all the New Deals.* Most of these individuals experience multiple barriers to employment and each requires a different mix and level of service.

***We recommend that DWP produce a national strategy and delivery plan for helping the most disadvantaged move from benefit into work.*** The strategy should include:

- an agreed definition for 'most disadvantaged';
- a shared view of the kind of services and activities that will be most effective in making the transition from benefit into work;
- a plan for proactively engaging employers in work-focused activities;
- the targets and measurement system that will be used to assess performance (see below);
- the level of resources to be invested;
- the respective roles and responsibilities between DWP/Jobcentre Plus and other Government departments.

***We also recommend that within this national framework, each Jobcentre Plus District Office should develop a local strategy for serving the most disadvantaged clients in its area.*** The local strategy, updated annually, should include:

- an assessment of the size and characteristics of the most disadvantaged group;
- an analysis of relevant labour market opportunities in the public, private and social enterprise sectors;
- measurable objectives and priorities;
- the services and activities which will be purchased to ensure that individuals have access to specialised help;
- identification of providers equipped to meet the special needs of disadvantaged clients;

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- the resources that will be available to plan, manage and deliver the strategy (including those provided by the Learning and Skills Council, ESF and other external sources);
- plans for monitoring the quality and outcomes of local provision.

In addition, ***we recommend that a Jobcentre Plus Board Director is designated as champion for disadvantaged clients*** – as there is one for employers.

## Targets and Measurement Systems

Performance targets drive the welfare to work delivery system and determine the nature and quality of its services. As a 'work-first' (rather than a human capital) programme, New Deal's targets are based largely on job entry outcomes. This has important implications for disadvantaged people.

New Deal outcomes are part of the Performance and Resources Agreement (PRA) between DWP and Jobcentre Plus. The PRA specifies five main target areas for Jobcentre Plus, one of which is moving people into work.

Within the past two years, the system has been refined so that Jobcentre Plus now has a points target for job entries that is weighted to give priority to specific disadvantaged groups. Currently, the points structure is:

Jobless lone parents and those on sickness/disability	12 points
JSA New Deals, long term JSA and disabled (not included above)	8 points
Short term JSA	4 points
Jobless people not receiving benefit	2 points
Employed job changers	1 point

An additional point is awarded for jobless entries in disadvantaged wards (50% of original award) and for JSA claimants remaining in work for four weeks.

The existing point system appears to be highly effective in steering the system and producing better results for some priority target groups. However, our site visits and discussions with frontline staff highlighted three key issues.

First, the *pressure to meet job entry targets means that Jobcentre Plus and provider staff focus their efforts on those clients who are most job ready within each points category*. Since there is considerable variation in levels of employability and skill within each priority group, it is possible to 'cream' and still achieve local targets. As one Employment Zone manager said of hard to place clients, 'without better incentives, our Advisors don't want to hear about them.'

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Second, the *pressure for job placements can result in inappropriate referrals, particularly to job search activities*. The work-first approach is effective for many disadvantaged clients. However, it can be counter-productive for those at greatest risk who require more intensive employability development and personal support before attempting to navigate the market.

Third, while the target system awards points to a Jobcentre Plus office for individuals who are placed in jobs by its contractors, the credit does not extend to individual staff members. As a result, *some Personal Advisors are reluctant to refer disadvantaged clients to specialist providers* and thereby jeopardise their own performance numbers.

The Working Group recognises that this is an exceedingly difficult issue to get right. Without great care, it is easy to design a target system that produces the wrong outcomes. Essentially, we are seeking two things: 1) incentives that will counteract 'creaming' and 2) measurement systems that will credit progression towards work without being woolly.

In the case of the first of these, ***we recommend that the Department explore three possibilities:***

- ***allocating 12 points or more to individuals who meet the agreed definition for 'most disadvantaged';***
- ***allotting each District Office a limited number of slots for the most disadvantaged that would not be subject to the target regime and would attract extra funding;***
- ***adjusting the system to ensure that Personal Advisors receive credit once clients have been placed in jobs by providers.***

Creating a credible system to measure progression or 'distance travelled' may be more difficult, particularly since it is important not to distort or dilute the focus on the ultimate objective, job placement. However, there is now a broad consensus that *soft targets to mark employability development are critical to underpin any system that is designed to assist severely disadvantaged people*. While in most cases it is too early to assess their effectiveness, there are a number of examples that may prove fruitful for further development and application within New Deal.

In the US, a number of providers are using the 'Incremental Ladder to Economic Independence' system developed by Project Match in Chicago. This approach establishes discrete, incremental benchmarks to measure progress and arrange activities so that they are progressively more demanding. The top rung is an unsubsidised, well-paying job with benefits. The bottom rungs include supported work, educational/training and self-improvement activities, internships, voluntary work, and personal responsibility goals. It is backed by a

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case management system which includes monthly case conferences and tracking client status changes over several years.

The US Workforce Investment Act<sup>8</sup> uses pre and post programme testing to track performance for young people. It measures the 'attainment of basic skills and, as appropriate, work readiness and occupational skills', usually using the standardised Test of Adult Basic Education (TABE). Test results are used along with work related indicators including job placement and six month retention rates, earnings gains and customer satisfaction.

Closer to home, the 'Rickter Scale' used by Scottish Enterprise's New Futures Fund is designed to help measure 'distance travelled' for its some of its disadvantaged clients. Essentially a self-assessment tool, the Scale helps clients to benchmark themselves against such key factors as health, employment, alcohol, drugs, accommodation and money. It then serves as a blueprint for next steps and a practical way to measure progress.

The Institute for Employment Studies report "Measuring Soft Outcomes and Distance Travelled – A Review of Current Practice"<sup>9</sup> recognises the importance of including 'soft' targets in programmes serving socially excluded or seriously disadvantaged people. It cites four key areas to be assessed: key skills, attitudinal skills, personal skills and practical skills. The study recommends that the European Social Fund develop a consistent set of soft outcomes that can be used to help monitor its projects.

The development of 'distance travelled' measures will help solve one problem in paying providers that are serving the most disadvantaged. However, it will not necessarily prevent creaming. For this reason, we were particularly interested in two approaches that are currently being developed to address this issue. The first is contained in recent research conducted for DWP by Anne Corden and Patricia Thornton.<sup>10</sup> Their report describes an approach used in Australia and Oklahoma which appears to address both the creaming and measurement issues through the contractor payment system.

Under this system, clients are assessed and assigned to funding levels designed to reflect severity of need. Providers receive payments linked to the achievement of measurable benchmarks or milestones in the individual's path towards the agreed outcome. Benchmarks can be weighted "to reflect the risk involved at each stage which requires further investment, and makes the overall financial risk more manageable by the providers."

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<sup>8</sup> Workforce Investment Act of 1998, Section 136 Performance Accountability System.

<sup>9</sup> Measuring Soft Outcomes and Distance Travelled. DfEE Research Report RR219 August 2000.

<sup>10</sup> "Results-based Funded Supported Employment: Avoiding Disincentives to Serving People with the Greatest Need", Ann Corden and Patricia Thornton, Jobcentre Plus Research Report W 160, March 2003.

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A second concept, being developed in Holland, is based on a hierarchy of payments designed to reward providers which serve disadvantaged clients. In this hypothetical model, the first 30% of a cohort referred might be reimbursed at the rate of £200/job; for the next 20% it might be £300/job; between 50-70% at £500/job; for over 70% at £1000/job.

***The Working Group believes that there is now considerable experience upon which to build a sufficiently robust measurement system to assess progression towards work for the most disadvantaged clients – a system which can be linked to contractor payments. We recommend that DWP invest in its design and testing in selected locations, starting with New Deal 25 plus but for eventual application in all New Deal programmes.***

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## SECTION 4: Programme Design

In considering ways in which New Deal 25 plus might be enhanced to meet the needs of the most disadvantaged, the Working Group's starting point is that most (although not all) of these clients want to work. Our second point is that, on current performance, the programme is not succeeding to move nearly enough of them into sustained employment.

During our work, a number of issues emerged which, when combined with the lack of incentives and appropriate measurement systems, serve to undermine the effectiveness of the programme. These difficulties are described below.

### Early Entry

In order to qualify for New Deal 25 plus, most participants must have spent 18 of the past 21 months on JSA. However, some early entrants are permitted if they volunteer and are judged as being disadvantaged and likely to benefit from the programme.

Over the past two years, the proportion of early entrants has risen sharply from 10% to 23% of all New Deal 25 plus participants. *During our research we were unable to discern a consistent approach to the application of this system as a means of reaching the most disadvantaged.* Currently, statistics indicate that early entry to the programme is used more in areas of low unemployment (28% of all participants) than in those with high rates of joblessness (17%) where the disadvantaged are concentrated.

While more research is required, it appears to the Working Group that early entry may be being used as a recruitment tool in buoyant labour markets and, if so, is likely to attract volunteers who will tend to be more job ready. Conversely, it may not be being operated sufficiently as a tool to reach those with multiple barriers who should be engaged as early in the process as possible.

***We recommend that the early entry criteria is limited to those who meet an agreed definition of most disadvantaged with Personal Advisors having the discretion to enrol additional clients based on their knowledge of those who may not meet the criteria but are least job ready.***

### Assessment and guidance

Working Group members expressed considerable misgivings at the *lack of a detailed assessment and testing system to better identify an individual's starting point* in terms of aptitude, experience, skills and job objectives along with specific barriers to employment. In our view this should serve as the basis for a 'road map' for pre and post employment services that is agreed with the client. In addition, the agreed milestones might provide a basis for measuring

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'distance travelled' and for staged payments to contractors. In most cases, we would see this specialised assessment and guidance provided by individuals or organisations with expertise in the field.

***We recommend that DWP and Jobcentre Plus implement an in-depth, formal assessment and testing process for clients who meet the definition of most disadvantaged or who Personal Advisors judge as meriting special attention.***

## **Programme Structure**

Our discussions with voluntary organisations<sup>11</sup> and Jobcentre Plus staff revealed widespread concern about the inflexibility of New Deal 25 plus. The three-part format (Gateway, Intensive Activity Period, Follow-through) is seen as overly rigid and unresponsive to the needs of most disadvantaged people. Put another way, *New Deal 25 plus is process-driven rather than customer-led.*

Instead of a sequence of time-limited activity blocks, we believe that the *programme should be based on a menu of activities and services which Personal Advisors may draw on to meet the specific needs* of disadvantaged clients at different points in their employability development.

Importantly, we believe that *provision should be more work-focused* than we saw in the sites we visited. Most disadvantaged clients want work more than training and the goal of a specific job can serve as a powerful motivator. Provision should be designed as incremental steps in which basic and skills training, employability development and supported work/work experience are understood by the individual to be a directly relevant part of the journey towards a clear job objective. And while we do not believe that *programme participation should be based on an arbitrary time limit*, we strongly endorse the need to give real pace and purpose to provision.

We are equally concerned that people with multiple barriers – particularly those with chaotic lifestyles – *require a more supportive environment* than is generally possible within the New Deal 25 plus regime. They require regular personal contact and reinforcement, reward and recognition for achievements, and a sense of physical and social security. In short, they require more staff-intensive support for a longer period of time at a higher cost than more job ready clients.

***The Working Group strongly recommends that the prescriptive format of New Deal 25 plus is replaced with one that is based on clear objectives and specified outcomes with maximum flexibility given to Personal Advisors in determining the provision that each individual requires (see Section 5 for more detail.)***

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<sup>11</sup> These included Rathbone, NACRO, Aspire, Shaw Trust, TSP, Scottish New Futures Fund and Turning Point.

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## Employer Engagement

*To achieve a work-focused programme for disadvantaged people requires a proactive effort, over and above the existing work of Jobcentre Plus' Employer Services Directorate, to engage sympathetic employers and to identify suitable work placements and job opportunities. We found little evidence of this in any of our site visits or discussions with Jobcentre Plus or provider staff.*

First, the subsidised employment option in the New Deal 25 plus programme, which is intended to act as an incentive to encourage employers to recruit long-term unemployed participants, is little used. By March 2003 only 9,000 of the 174,000 leavers from the programme since April 2001 had been through this option<sup>12</sup>. Data collected by the Department on the New Deal 25 plus programme is patchy as many participants do not report their final destination. However, anecdotal evidence indicates that most unrecorded leavers (47% for the same period) find unsubsidised employment in addition to the 11% who are formally known to have found sustained unsubsidised employment. On this basis, the subsidised employment option would seem to achieve a successful outcome for approximately 50% of participants against the 25% outcome for those who do not take this option. *The Department of Work and Pensions and Jobcentre Plus should investigate why this option, which seems to be successful, is so little used.*

Second, there appeared to be little attempt to identify and work with social enterprise organisations, Development Trusts, co-operatives, community businesses or voluntary organisations that have social as well as economic objectives. *We saw no concerted effort to ensure that employers were involved in the design of training and work preparation by providers or to link with local regeneration activity. Only in Portsmouth did we find self-employment used as an effective option for clients, such as ex-offenders, for whom employer discrimination is a common barrier.*

A notable exception to this was the StepUp programme where we saw much more consistent employer engagement. While it is too early to evaluate the performance of StepUp, it has some key attributes, in common with other Intermediate Labour Market programmes (ILMs), which are particularly attractive to disadvantaged people. It provides real work and pays wages so clients view their posts as 'proper jobs.' There is close supervision and personal support. And in the best models, there are incremental steps that move individuals progressively toward permanent jobs and self-sufficiency. In contrast, in at least one site we visited, the host organisation appeared to be more a conventional job creation subsidy than a purposeful job transition experience.

***We recommend that, as part of a strategy for disadvantaged clients, each Jobcentre Plus District implements a plan for increasing the number of***

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<sup>12</sup> New Deal 25 plus Statistical First Release Database April 2001 – March 2003.

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***suitable work placement and employment opportunities. This should include the social enterprise sector, the use of local ILMs, self-employment and, where appropriate, labour shortage occupations.***

***We also recommend that eligibility for StepUp is extended to all severely disadvantaged clients – not simply to those who have failed in their first round of New Deal 25 plus.***

## **Personal Advisors**

Personal Advisors are the backbone of New Deal. As case managers, they are the connecting thread from an individual's entry through to job placement. They are crucial to Jobcentre Plus's ability to effectively assess disadvantaged clients, to organise the most appropriate personal and employability development services, and to guide individuals in their transition to work.

*The Working Group was consistently impressed with the commitment and enthusiasm of the Personal Advisors whom we met and with the regard in which they were held by New Deal 25 plus clients. We were particularly struck by the examples of some Advisors who worked well beyond their remit and with difficult constraints in order to meet the needs of very disadvantaged clients.*

Personal Advisors cited *three main obstacles in their work with at risk people:*

- the target regime, combined with excessive paperwork, results in inadequate time and attention for the client;
- the New Deal 25 plus programme is too inflexible to respond to people who need longer time or a different mix of services;
- the quality and/or accessibility of local providers is poor.

This appeared to be less of a problem in Portsmouth where two 'Jobmates' provide specialist support to Personal Advisors. These individuals are trained counsellors with 30-40 active clients (out of a total caseload of 130) who have been referred by Portsmouth Advisors; they are allotted 60 hours/client as compared to the two hours normally allocated New Deal 25 plus clients.

The value of this kind of specialist is also apparent in Jobcentre Plus' *progress2work* co-ordinators. The best of these staff are highly experienced (frequently from the voluntary sector) and seem to operate as a combination of technical expert on the disadvantaged; link person with providers and strategic bodies (health, criminal justice, DAT etc.); deal-doer and bureaucratic buccaneer, operating outside the box to solve problems, find funding, bend rules, and serve as a passionate advocate for those most at risk.

***We are strongly attracted to the concept of Jobmate/progress2work coordinators. We recommend that Jobcentre Plus test the proposition in***

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***selected cities; we would like to see some of these co-ordinators recruited from the voluntary sector.***

Our principal question about Personal Advisors relates to whether they should be expected to provide assessment, guidance and support to severely disadvantaged people. Few have the expertise or training to do so now. In our view, *Jobcentre Plus should clarify immediately its expectations of the Advisor role.* It should either train specialist staff, contract with expert individuals and organisations, or develop a mixed approach – one that acknowledges the sophisticated skills that are required to work with at-risk people.

If Jobcentre Plus decides to provide specialist services through Personal Advisors, it will need to develop an intensive training system, a clearer career ladder and a pay structure for an expert Advisor post. We understand *Jobcentre Plus is undertaking a comprehensive review of the role of Personal Advisors and will look forward to learning its results.*

## **The Use of Sanctions**

The use of sanctions is a key element within the New Deal's rights and responsibilities framework. However, to be effective, sanctions must be applied fairly. They must be seen as a tool not simply to stop abuse but to engage clients. They should be used - along with incentives - to challenge inappropriate behaviour, to motivate, to change patterns of dependency.

*We found no consistent or effective application of sanctions in any of the sites that we visited.* Our perception is that in some cases they are used with the wrong people, including the most vulnerable, who have not intended to break the rules. In other cases, they are not applied to individuals whose behaviour has clearly warranted stronger action or only to those who are classified as 'serial offenders'.

A common problem in all sites seemed to be with providers who notify Jobcentre Plus of 'no shows' but take no further action either to retrieve the client or to activate the sanctioning process. This is particularly troubling since, for many of the most disadvantaged, non-participation is likely to signal personal problems that should be addressed quickly.

Jobcentre Plus staff held a wide range of views regarding the effectiveness of sanctions with New Deal 25 plus clients. However, all agreed that the cumbersome and time-consuming process entailed, deters Advisors from using sanctions as a constructive element in managing client relationships. The onerous process also means that sanctions are applied long after the transgression has occurred so that the vital connection between cause and effect is lost.

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In formulating our recommendations for improving the use of sanctions, the Working Group has drawn on some of the suggestions made in a recent paper by Jason Perkins-Cohen<sup>13</sup>. These include:

- ***streamlining the sanctioning process so that it is fast and immediate but balancing this efficiency with a robust appeal process for clients;***
- ***targeting sanctioned clients for immediate and enhanced support;***
- ***changing the funding and contracting system to require providers to follow-up and re-engage individuals with irregular attendance;***
- ***allowing providers to use cash payments to reward good attendance and individual achievements.***

## **Contracting for Services**

One of the most challenging subjects for the Working Group was the complex bundle of issues associated with the nature of provision required by disadvantaged people; the quality, cost and accessibility of that provision; the standards by which it is measured and monitored; and the way in which it is purchased. Our discussions with Jobcentre Plus staff, provider organisations and clients, revealed a number of themes and several questions on which there were conflicting views.

While recognising the importance of specialist organisations to people with specific barriers to employment, many Jobcentre Plus staff (and a number of clients with whom we spoke) questioned the quality of New Deal 25 plus contracted provision. It was difficult to ascertain how much of this was a result of the Jobcentre Plus purchasing system and how much was simply substandard training. For example, the eight week basic skills course in Liverpool was judged too short for some disadvantaged people; the 13 week forklift training in Portsmouth was much longer than necessary. It was hard to discern whether these arbitrary timeframes should be attributed to an inflexible contract or an inflexible provider.

We received a number of complaints about the lack of ESOL provision and good occupational training that was linked to jobs. In several of the sites that we visited, the availability of work placements was exceedingly limited; in one area the choice was either 'stacking supermarket shelves or working with the RSPCA.' Personal Advisors commented on how cumbersome it was to enrol an individual in any specialised course; several argued strongly for a training fund similar to the Advisor Discretionary Fund (ADF). Clients echoed this in

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<sup>13</sup> Jason Perkins-Cohen "What to do When the Clients Don't Show: 10 Ideas to Improve Participation in Welfare to Work Programs", Atlantic Fellowships in Public Policy, Foreign and Commonwealth Office, London 2001.

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their complaints about the lack of choice which they had in their Intensive Activity Period.

If Jobcentre staff were sceptical about the capacity of providers, New Deal 25 plus organisations were highly critical of Jobcentre Plus' contracting process. Specific comments included:

- bidding processes are complicated and expensive;
- some bid criteria (e.g. relating to financial stability) favour larger organisations;
- contracts are too short;
- processes are rigid and bureaucratic;
- prices are too low and/or based on marginal cost with no investment funding;
- payments are based too much on outcomes (with not enough paid up front) and do not share risks with Government;
- contracting is underpinned by a purchaser/provider relationship focused on provider outcomes, rather than a genuine partnership (or joint venture) with shared outcomes.

It is clear to us that in order to meet the needs of disadvantaged clients, Jobcentre Plus must develop close and durable relationships with specialist providers, many of whom are small, community-based organisations with limited capacity to manage the demanding requirements of the existing procurement and contracting process. ***A new purchaser/provider relationship must be designed which balances the goals of increased performance and public accountability, on the one hand, with shared risks and an investment partnership, on the other.***

We were attracted to Scottish Enterprise's New Futures Fund as a good example of how such a partnership can operate in practice. The Fund acts as a prime contractor on behalf of Scottish Enterprise and exercises full discretion in entering into contracts with a range of small specialist organisations for services to disadvantaged clients. Contracts are based on joint ownership of a project proposal, which sets out what each project will achieve and includes the appropriate timescales and funding arrangements. Open and frequent communication enables performance to be monitored effectively; both parties can agree contract amendments as they are needed for the successful delivery of the project.

We believe that two other changes would be particularly helpful. ***We recommend that Jobcentre Plus explore the feasibility of:***

- ***giving Personal Advisors the authority (within agreed guidelines and financial limits) to purchase training and specialist services for disadvantaged clients;***

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- ***using 'distance travelled' milestones as payment points in some contracts for disadvantaged clients - along the lines recommended in this report's section on targets and performance payments.***

We understand that Jobcentre Plus has undertaken a major review of its procurement and contracting systems. We welcome this review and will look forward with interest to its recommendations and to assessing progress in implementing change at national and local levels.

## **Information and Capacity Building**

Since the outset of New Deal, the Department has invested heavily in the research and analysis of different disadvantaged client groups. We know a great deal more now about their size, characteristics and specific barriers to work. We know somewhat less, however, about what works and why. This knowledge is immensely important to frontline staff and providers as well as to policy-makers.

An increase in (or shift to) 'know-how' research should be accompanied by greater attention to *active and systematic exchange of best or promising practice within the delivery system*. We saw little evidence of a formal system designed to collect and disseminate information to Jobcentre Plus and contractor staff as part of the performance improvement process. In addition, a number of providers commented on the need to increase communication between their organisations and District Offices to develop a shared view of client needs and an effective service strategy.

As well as knowledge development, we are particularly concerned about the lack of investment in capacity building for providers. As Jobcentre Plus targets more resources at harder-to-help clients, it will become more, rather than less, reliant on specialist organisations. At the same time, there is compelling evidence that the performance of the New Deal 25 plus provider network must be improved.

The range of potential development needs is very wide. On the basis of our experience and visits, the Working Group suggests that key areas should include:

- employer engagement (market research, sales, marketing, account management, customising services to meet employer requirements);
- performance and quality management (MI, client tracking and caseload management, quality systems and standards);
- contracting (understanding and managing contracting processes, handling multiple funding streams, meeting audit requirements);
- IT (underpinning all of the above);
- adviser skills and specialist expertise;

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- effective measures for engaging clients and accelerating the transition to work.

Types of support might include some or all of the following:

- on-site technical assistance delivered by a bank of expert consultants;
- development of a cadre of Jobcentre Plus staff to deliver similar services;
- peer learning networks, offering seminars and meetings at which providers and Jobcentre Plus staff could share effective practice;
- a website and e-learning network;
- development and delivery of training products;
- small grants paid directly to providers to finance specific investments in capacity.

***The Working Group recommends that Jobcentre Plus:***

- ***implement an effective system for disseminating best practice to operational staff which is backed up by on-site training and technical assistance as part of its performance improvement process;***
- ***develop and implement an investment strategy to strengthen the capability of its suppliers – similar to the ‘Success for All’ approach used by the Department for Education and Skills to upgrade the post 16 education and training system.***

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## SECTION 5: Conclusions

In this report, the Working Group has described its findings about the degree to which New Deal 25 plus meets the needs of disadvantaged people. We have set out some practical recommendations of ways in which we believe client services will be improved and more individuals will move from welfare into work.

Taken together, our recommendations describe a system that is based on:

*A national strategy for serving at-risk people backed by local service delivery plans. The strategy sets out clear objectives and a broad framework for activity. Eligibility is based on an agreed definition of what we mean by 'most disadvantaged' but there is leeway at the local level for Personal Advisors to include others who they judge face serious barriers to employment.*

*Disadvantaged clients are allowed early entry. Services are highly flexible and client-centred. They are based on an in-depth assessment and agreed 'road map'. The road map has clear job-related objectives with milestones to mark the individual's progress.*

*Provision includes a wide range of training and employability development activity which has been designed with both the individual and employers in mind. There are many and diverse opportunities for work experience. Personal Advisors are highly experienced and receive on-going training and technical assistance; they are drawn from a variety of backgrounds in the public, private and voluntary sector.*

*Personal Advisors have funds with which to purchase the provision that is necessary for their clients. This provision is procured through an efficient system which allows contractors to be paid on the basis of client progression as well as job outcomes. A major and continuing investment is made in staff and organisational development for Jobcentre Plus and its suppliers. Quality and performance standards are high; at least 50% of all clients get jobs or are participating in some unsubsidised activity at the end of their participation.*

In formulating our recommendations, the Working Group has been divided on two questions:

- whether our recommendations for serving the most disadvantaged should be limited to New Deal 25 plus or whether they should apply across all of the New Deals;
- whether a separate strand should be developed to concentrate resource and attention on those facing the highest barriers or whether our recommendations should be used to drive reform of the mainstream New

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Deal 25 plus programme - on the theory that if change improves service for one group it can improve it for all.

We have concluded first that, while our focus has been on New Deal 25 plus, the *need for improved service applies to all New Deal participants facing multiple barriers to work*. We see no rationale for limiting appropriate support for unemployed adults when disadvantaged lone parents, sick and disabled people, and at risk youth can benefit equally.

On the second question, we have been guided by several considerations. The current New Deal 25 plus programme is not working for seriously disadvantaged people. We are sceptical that modifying the performance system (by awarding 12 or more points for job entry, for example) will be enough to effect the requisite changes. We believe that *a distinctive approach is needed if we are to provide effective help for individuals at the margins of the labour market* – an approach that will provide wrap-around support, is likely to be longer, and will almost certainly cost more.

Since few people want to be tagged as ‘disadvantaged’ and segregated into separate provision and since we are very wary of further fragmenting New Deal, ***we recommend, that this special assistance is provided through a ‘virtual strand’ within the New Deal.*** This strand would have its own performance regime and funding stream. It would include:

- early entry;
- in-depth assessment and testing;
- specialist Personal Advisors recruited from all sectors;
- specialist contracted provision;
- removal of participants from the target regime;
- distance travelled measures alongside job entry outcomes;
- a ring-fenced budget.

However, while some of our recommendations are relevant to a distinctive strand of services, we believe that many should be used to improve services across New Deal 25 plus.

Throughout this review, the Group has been most impressed by the keen desire of staff within Jobcentre Plus and provider organisations to meet the needs of the most disadvantaged jobseekers, and by their understanding of what changes to the system would enable them to do this job. The recommendations in this report are heavily based on that understanding. We are confident that, if they are implemented, we can deliver a New Deal that works for all its customers.

# A New Deal For All

## Annex A

### Membership of the Working Group

Lord Victor Adebawale	Chief Executive, Turning Point Member, National Employment Panel
Jeremy Crook	Director, Black Training & Enterprise Group
Richard Exell	Senior Policy Officer, TUC
Dan Finn	School of Social and Historical Studies Portsmouth University
Patricia Hess	Development Manager, Royal Bank of Scotland
John Hollis-Davies	Chief Executive, The Social Partnership
Richard Martin	Chief Executive, ADECCO
John Nightingale	Director, Policy and Operations, National Employment Panel
Trish Newton	Head, Disadvantaged Groups, Jobcentre Plus
Andrew Robinson	Head of Community Development Banking, NatWest
Cay Stratton	Director, National Employment Panel
Howard Williamson	School for Social Sciences, Cardiff University

### National Employment Panel Staff

Helen Scothern  
Keri Torney  
Catherine McNair

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## Annex B

### **SUMMARY OF RECOMMENDATIONS**

This list of recommendations is presented in the order in which they appear (in greater detail) within each section of the report.

### **SECTION 2: PEOPLE AND PERFORMANCE**

#### **Defining the Most Disadvantaged**

*The Department for Work and Pensions (DWP) should develop a working definition of ‘most disadvantaged’ that combines length of unemployment with three or more barriers to work (cited in the report) but that gives some discretion to Personal Advisors.*

### **SECTION 3: STRATEGY AND TARGETS**

#### **Strategy for the Disadvantaged**

*DWP should produce a national strategy and delivery plan for helping the most disadvantaged move from benefit into work.*

*Jobcentre Plus District Office should develop a local strategy for serving the most disadvantaged clients in its area.*

*A Jobcentre Plus Board Director should be designated as champion for disadvantaged clients – as there is one for employers.*

#### **Targets**

The Department should explore:

- *allocating 12 points or more to individuals who meet the agreed definition for ‘most disadvantaged’;*
- *allotting each District Office a limited number of slots for the most disadvantaged that would not be subject to the target regime and would attract extra funding;*
- *adjusting the system to ensure that Personal Advisors receive credit once clients have been placed in jobs by providers;*

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*DWP should invest in developing and testing a system to measure progression towards work ('distance travelled') for the most disadvantaged which can be linked to contractor payments.*

## **SECTION 4: PROGRAMME DESIGN**

### **Early entry**

*Early entry to the programme is limited to those who meet an agreed definition of most disadvantaged with Personal Advisors having the discretion to enrol additional clients based on their knowledge of those who may not meet the criteria but are least job ready.*

### **Assessment and guidance**

*DWP and Jobcentre Plus should design and implement an in-depth, formal assessment and testing process for clients who meet the definition of most disadvantaged or who Personal Advisors judge as meriting special attention.*

### **Programme Structure**

*The prescriptive format of New Deal 25 plus should be replaced with one that is based on clear objectives and specified outcomes with maximum flexibility given to Personal Advisors in determining the provision that each individual requires.*

### **Employer Engagement**

*Jobcentre Plus Districts should develop a specific plan for increasing the number of suitable employment opportunities. This should include the social enterprise sector, the use of local ILMs and self-employment and, where appropriate, labour shortage occupations.*

*Eligibility for StepUp should be extended to all severely disadvantaged clients – not simply to those who have failed in their first round of New Deal 25 plus.*

### **Personal Advisors**

*Jobcentre Plus should test the proposition of Jobmate/progress2work co-ordinators in selected cities; some of these co-ordinators should be recruited from the voluntary sector.*

*Jobcentre Plus's current review should clarify the role and expectations of Personal Advisors in serving the most disadvantaged clients.*

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## **Sanctions**

*Jobcentre Plus should streamline the sanctioning process so that it is fast and immediate and balances this efficiency with a robust appeal process for clients.*

*Sanctioned clients should be targeted for immediate and enhanced support.*

*The funding and contracting system should be changed to require providers to follow-up and re-engage individuals with irregular attendance.*

*Providers should be allowed to use cash payments to reward good attendance and individual achievements.*

## **Contracting for Services**

*A new purchaser/provider relationship must be designed which balances the goals of increased performance and public accountability with shared risks and an investment partnership.*

*Personal Advisors should be given the authority (within agreed guidelines and financial limits) to purchase training and specialist services for disadvantaged clients;*

*'Distance travelled' milestones should be used as payment points in some contracts for disadvantaged clients.*

## **Information and Capacity Building**

*Jobcentre Plus should implement an effective system for disseminating best practice to operational staff which is backed up by on-site training and technical assistance as part of its performance improvement process.*

*Jobcentre Plus should develop and implement an investment strategy to strengthen the capability of its suppliers - similar to the 'Success for All' approach used by the Department for Education and Skills to upgrade the post 16 education and training system.*

## **SECTION 5: CONCLUSIONS**

*The recommendations for improved service for disadvantaged people should apply across all of the New Deal programmes, not simply to New Deal 25 plus.*

*The special assistance for the disadvantaged (outlined in Section 5) should be provided through a 'virtual strand' within the New Deal.*