
BUSINESS ON BOARD

Recommendations for Increasing
Employer Engagement in New Deal

New Deal Task Force
July 2001

BUSINESS ON BOARD

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BUSINESS ON BOARD

PREFACE

Following the General Election, the New Deal is now entering its second stage of development. Drawing on the lessons of the first three years, it will be an improved programme. It will have increased flexibility to respond to the diverse needs of local labour markets. It will provide greater assistance to the most disadvantaged and will place far greater attention on helping the economically inactive – lone parents and disabled individuals — move from dependence on benefits into work. It will give new weight to placing people in jobs that offer better pay and career progression. Importantly, it will place employers at the centre of the New Deal system -- as designers, key customers and end users.

The post election policy and institutional context is radically different from that in which the New Deal operated as recently as a year ago. The Green Paper, *Towards Full Employment in a Modern Society*, and the 2001-02 budget contain policies and resources that will intensify and extend labour market measures as part of the national commitment to welfare reform. New or strengthened organisations will become active partners with New Deal including the Regional Development Agencies (RDAs), Learning and Skills Councils (LSCs), and National Training Organisations (NTOs). And crucially, a new government department, the Department for Work and Pensions, will oversee the Employment Service and Benefits Agency which will merge to become Jobcentre Plus.¹

The transition to the next stage of New Deal affords an opportunity to think afresh about how the relationship with employers can be broadened and deepened, building on what we have learned so far. The merger of the Employment Service and Benefits Agency lends urgency to this exercise since one of the first and most formidable challenges of Jobcentre Plus will be keeping employment and employers at the heart of its operation.

The purpose of *Business on Board* is to stimulate this thinking –to set out some of the elements and issues which must be addressed if New Deal is to engage the employer expertise, resource and enthusiasm needed to open new career opportunities for jobless people. Its aim is to help policy makers, Jobcentre Plus staff, employers, partners and providers move towards a shared strategy for involving employers in the design and delivery of New Deal. *Business on Board* does not attempt to address the broader issues related to the relationship of employers and Jobcentre Plus although we recognise that there are many areas in which the policies and activities converge and may overlap.

This paper draws heavily on research originally conducted for the *Business on Board* project and on papers prepared by the New Deal Task Force. We hope that it contributes to the continuous improvement of New Deal as a critical element in the national workforce development strategy.

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¹ The merger of the Employment Service and Benefits Agency will not occur until autumn, 2001; however, for ease of reference, the title Jobcentre Plus is used in most places throughout this report.

OVERVIEW

In March 2001, the Government published its Green Paper, *Towards Full Employment in a Modern Society*, outlining its plans for the future development of New Deal. One of its central themes is the importance of engaging employer expertise and resource as a way of opening up new career opportunities for jobless people. We hope that *Business on Board* will contribute to this objective. It is designed as a blueprint to help policy makers and local practitioners increase employer participation in New Deal –as designers, key customers and end users.

We have set four key objectives for the *Business on Board* employer engagement strategy:

- to achieve higher placement and retention rates of New Deal participants, including the most disadvantaged, in entry level and medium skill jobs;
- to increase the number and diversity of participating employers, to maximise the quality and variety of jobs on offer;
- to engage industry expertise in the design and delivery of all local provision so that it produces individuals who meet the 'job readiness test'; and
- to build the capacity of Jobcentre Plus and local intermediaries to meet employer human resource requirements through effective job matching and high quality provision.

The strategy is based on the premise that to succeed, New Deal must become more demand-led – that improving service to employers is paramount to improving service to New Deal clients. Throughout *Business on Board*, we look at how this might be achieved by increasing sector activity; enhancing local employer relationships; and developing the capability of the New Deal delivery system.

One of the most effective ways of engaging business is through a sector approach. There are three distinct types of activity, each of which should play a complementary role within a new sector framework. These are:

- *Mainstream* sector initiatives which are substantial, high volume initiatives open to all Jobcentre Plus clients;
- *Ambition* sector initiatives which are designed to develop new markets and to enable New Deal participants to secure well paying jobs; and
- *Local* sector activities that are developed by Jobcentre Plus and its partners to meet demand in the local labour market.

We recommend that, during the next 12-18 months, the implementation of Mainstream and Ambition initiatives should be concentrated in large conurbations and selected Jobcentre Plus Pathfinder Districts. We also recommend that a Jobcentre Plus 'Consultancy Service' should be established to provide technical assistance to localities in the design and delivery of sector activity.

While the Mainstream and Ambition initiatives may start at the centre, they will all be *delivered locally*. We look initially at the importance of strategic planning and recommend that every Jobcentre Plus District should develop an Employer Engagement Strategy setting out local priorities, services and anticipated results. We also suggest that Districts should strengthen their arrangements for involving local firms in the design and performance assessment of New Deal programmes.

To shift New Deal towards a demand-led approach –to make it more responsive to the needs of both employers and individuals—we recommend strengthening three areas of the existing provision to produce:

- better initial assessment and guidance;
- a greater work focus, including the provision of sector-related basic and soft skills training; and
- more frequent aftercare services for employers and individuals to improve retention on the job.

The introduction of well trained local account managers will be pivotal to improving services to employers of all sizes. We suggest an approach that account managers might use to increase their effectiveness by segmenting the market and by matching each segment to the specific services that are available through New Deal. We strongly recommend that the Jobcentre Plus IT system should be developed so that it extends account management services to more companies and tracks transactions with participating firms.

The last section of *Business on Board* is concerned with improving the performance of the New Deal delivery system. We recommend a number of measures that might be undertaken to help Jobcentre Plus and provider staff to build more effective and durable relationships with employers. We also suggest ways in which the Innovation Fund might accelerate the development of a demand-led system.

Finally, we examine the crucial issue of performance measurement for the *Business on Board* strategy and recommend five practical actions that Jobcentre Plus should take to embed employer engagement in the culture and operations of the new organisation during the next year. These five are:

- delivering the Ambition sector initiatives to a high standard;
- requiring the development of an Employer Engagement Strategy for all Districts beginning with Jobcentre Plus pathfinders;
- investing in high quality training for all account managers, and recruiting some with commercial expertise;
- adding an employer tracking and account management element to the Jobcentre Plus IT system; and
- establishing a Jobcentre Plus ‘consultancy service’ that will provide technical advice to local sector projects.

BUSINESS ON BOARD

INTRODUCTION

Today, the New Deal provides basic employability skills to unemployed people and helps them to secure entry level jobs. The proposals contained in *Business on Board* build on this platform. The report recommends a new approach to employer engagement as a way to increase career opportunities for participants of all the New Deal programmes² while meeting the skill shortages that currently constrain the growth and productivity of many of our industries.

Effective employer involvement in a programme as large as New Deal is complex and time-consuming. It needs to be tackled from different angles: by sector, by area and by size. It can't be done by any one organisation or government department acting alone; it requires good co-operation and communication between publicly funded partners and the networks of employers and employer organisations. Realistically, it must be done incrementally, starting in a few places and then spreading good practice more widely as quickly as possible. And it depends on having a delivery system that can respond quickly and well to business needs.

Business on Board is a discussion paper. Our purpose is to stimulate fresh thinking about how employers –private, public and not-for-profit—can contribute to the increased performance of New Deal. Our proposals are not prescriptive. They build on the very considerable activity that has already taken place within the Employment Service at the national, regional and local levels. However, taken together, we hope that our ideas may provide New Deal with the blueprint for a more cohesive and comprehensive employer strategy.

While our proposals are directed specifically at New Deal, we believe that they have implications for the way in which Jobcentre Plus plans and delivers all of its services to employer customers. Indeed, to ensure that employer engagement is at the heart of the new Jobcentre Plus organisation, we recommend that some of our most important proposals are implemented first in the Jobcentre Plus Pathfinders.

Recognising that different programmes and institutional arrangements exist in Scotland, Wales and Northern Ireland, this report focuses on England. However, we believe that UK employers hold many perceptions and expectations of New Deal in common. We encourage Job Centre Plus and the Task Force to foster a close working relationship throughout the UK in the development of an employer engagement strategy.

Business on Board is organised in four parts. Part 1 outlines the objectives and context for a New Deal employer engagement strategy. Part 2 suggests ways of attracting sector participation. Part 3 examines issues related to local approaches to employer recruitment and to customer relations management. Part 4 focuses on the capacity of the New Deal delivery system to build a more effective and durable relationship with employers. Annex A contains the key recommendations of this report and their relative priority. Annex B includes the members of the *Business on Board* Steering Group and officials. Annex C sets out the existing services that ES currently provides employers. Annex D describes the design principles and pathway activities for the Ambition initiatives.

² *Business on Board* research focused primarily on New Deal for Young People, as this is where the majority of employer engagement activity has taken place. However, the report's recommendations should be applied to all the New Deal programmes.

PART 1: THE STARTING POINT

1.1 Objectives

We know from the *Business on Board* research that New Deal stakeholders have different expectations of New Deal:

- Employers want recruits who are job ready and likely to contribute to the productivity and profitability of their firm. They also expect good customer service, minimum bureaucracy and a single point of contact;
- New Deal clients want a 'proper' job that gives them decent pay, good career prospects, personal satisfaction and flexibility to manage family responsibilities; and
- Jobcentre Plus and its partners want a high performance programme that achieves ambitious standards for job placement and retention.

Therefore, if a New Deal employer strategy is to succeed, it must respond to and produce tangible benefits for each of these stakeholders. First, it must contribute to the productivity and competitiveness of participating firms. Second, it must increase the employment and economic self-sufficiency of disadvantaged and jobless people. Third, it must develop the quality and efficiency of the New Deal delivery system.

To achieve these end goals, there are a number of specific objectives which a successful employer strategy should secure. It should:

- *achieve higher placement and retention rates* of New Deal participants (including the most disadvantaged) in entry level and medium skill jobs;
- *increase the number and diversity* of participating employers to maximise the quality and variety of jobs on offer;
- *engage industry expertise* in the design and delivery of all local provision so that it produces people who meet the 'job readiness test'; and
- *build the capacity* of Jobcentre Plus and local intermediaries to meet employer human resource requirements through effective job matching and high quality provision.

The recommendations included in *Business on Board* are designed to meet these objectives. However, they are all based on one fundamental premise. This premise is that to succeed, New Deal must become more *demand-led* –that improving service to employers is paramount to improving service to New Deal clients.

1.2 A Demand-led Strategy

The concept of a demand-led strategy is simple. A demand-led approach engages employers in the design of training and work experience and *uses their hiring requirements to define programme content and the basic standard of job readiness*. By meeting exacting entry requirements, New Deal can improve the prospects of job seekers, satisfy employers and open up better jobs and new career opportunities for unemployed people.

Adopting a demand-led strategy does not mean any less concern for disadvantaged and long term unemployed clients. Rather, the approach is based on the assumption that the better the programme meets employer requirements, the better it will be at helping every individual to meet those requirements and to advance in a career. The length and intensity of the tailored work experience and training will depend on the individual's starting point, aptitude, motivation and career aspiration.

1.3 The Strategy in Context

An effective New Deal employer strategy must be developed within the context of Jobcentre Plus and build on what is already in place. A very substantial amount of work has been done by ES and its partners to engage firms nationally and throughout each of its Districts. Annex C describes some of the impressive achievements that have been made in developing a customer service strategy; in providing account management services; and in implementing innovative projects in collaboration with local firms.

In addition, there is an immense amount of information, expertise and activity beyond ES that can be drawn upon in developing a New Deal employer strategy. At the national level, these include:

- Department for Work and Pensions (DWP) which leads on employment and labour market policy;
- Department for Education and Skills' (DfES) Skills Unit which undertakes research and analysis of industry trends and sector education and training requirements;
- DTI Sector Divisions which promote research, development and support of most sectors;
- Learning and Skills Council (LSC) which has the lead role in setting a national workforce development strategy and implementing the National Skills Agenda; and
- National Training Organisations (NTOs) which provide regular labour market assessments and workforce development plans for their sectors.

Most employer engagement activity will take place at the local level and will need to be developed in the context of local economic and workforce development strategies. Key sources of labour market intelligence and relevant employer information at regional and local levels include:

- Regional Development Agencies (RDAs) which have responsibility for developing employment and skill strategies for their regions;
- Local Learning and Skills Councils which have strong employer representation and which must plan and oversee workforce development activities for their labour markets, in the context of the RDA strategy;
- Local authorities that have responsibility for economic regeneration, Strategic Partnerships and social exclusion activities;
- **learnirect** (the University for Industry) and its network of learning centres and employer networks;
- Centres of Vocational Excellence (COVEs) which will enable FE Colleges to specialise in technical sectors and occupations;
- Small Business Service which provides information and support to SMEs; and
- The Jobs Transition Service which offers specialised information and targeted assistance for redundant workers.

The existing work of the Employment Service and of these organisations provides a strong foundation on which to develop a more coherent employer engagement strategy for New Deal. The following sections of *Business on Board* look in more depth at ways of achieving our objectives through a combined sector and locally-based approach.

PART 2: ENGAGING THE SECTORS

2.1 Benefits of a Sector Approach

One of the most effective ways of engaging employers at national and local level is through a sector strategy which, by its nature, is demand-led. There are practical advantages of a sector approach:

- it gives *definition* to the broad concept of employer engagement and provides a *framework* within which national, regional and local employer recruitment activities can be organised, managed and measured;
- it introduces a degree of *specialisation* that is likely to improve customer service because Jobcentre Plus personal advisors, account management and job matching staff will have better information and increased understanding of the sectors for which they are responsible;
- it is likely to improve employer *marketing* and *communications*: firms, particularly SMEs, can be reached more effectively and efficiently through sector and trade association channels;
- it is the best way to *involve employer expertise* in the design and performance feedback of New Deal provision: it is easier to organise business participation by sectors, and firms are more attracted to developing education and training that is tailored to their specific industry's requirements; and
- by intervening on the demand side, Jobcentre Plus and its providers have the opportunity to identify artificial or *discriminatory barriers* to employment and to assist companies to improve their hiring, training and promotion practices.

2.2 Where We Are Today

During the past year, the Employment Service, the New Deal Task Force and the Employer Coalitions have begun tailoring the New Deal to the requirements of industry sectors and occupations. Increasingly, ES and its partners are customising the Gateway to prepare young people for the requirements of specific sectors and job categories in the local labour market. These include construction, hospitality, retail, transport, call centres and security. The Task Force is piloting work in the financial services sector and has developed Ambition:IT to prepare lone parents and unemployed individuals for technician jobs within the information and communication technology industry. More recently, ES and the Task Force launched Ambition:Retail to prepare New Deal clients better for career paths in retailing.

Promising though these developments are, New Deal is far from realising the full potential of a sector strategy. *Business on Board* research identified relatively few well developed sector pathways or Districts that have a complete system of customised Gateways reflecting all of the major industries and occupations of its local labour market. Relatively few New Deal partnerships have organised industry employer groups to advise on training or work experience and virtually all of the sector work that does exist has been limited to 18-24 provision. There are few intermediary organisations that are specifically geared to meeting the needs of a growth sector, or that have the expertise to prepare individuals for the better jobs in those industries. And there has been little attempt to intervene on the demand side in order to increase business productivity, analyse artificial or discriminatory barriers to employment, or change industry hiring and promotion practices.

In short, there is a good deal of discrete activity occurring throughout the country, but without a more unified approach it adds up to less than the sum of its parts. However, in recent months, Government has recognised the potential rewards of a sector focus for New Deal. Ministers have endorsed the roll-out of the Ambition initiative and £13 million has been allocated to develop sector activities over the next two years. It is important now to capitalise on this by developing the sector dimension as a central component of New Deal's employer strategy.

2.3 A New Sector Framework

There are three types of sector activity which are currently underway: Mainstream initiatives, Ambition initiatives and Local initiatives. Each is distinctive and should play an important and complementary role within a new sector framework.

Mainstream sector strands are substantial initiatives, designed at the centre for local delivery. They will be open to all Jobcentre Plus clients. Generally, two criteria will be applied for developing a Mainstream initiative:

- scale –the sector offers a large volume of jobs through growth, skill shortage or turnover; and
- suitability of occupations –within the sector there are a variety of jobs that can be filled by individuals with varying levels of aptitude and ability.

Ambition sector strands will serve as the market development aspect of the employer engagement strategy. They will be a premium product of Jobcentre Plus and will be used to open new sectors --or new occupations within Mainstream sectors-- to participants in all of the New Deal programmes. The basic criteria for undertaking the development of an Ambition sector should be where a sector has:

- quality of opportunity—the sector has good jobs (based on wages and career potential) that can be targeted for disadvantaged and unemployed people and are likely to result in better retention and progression; and
- value added –the targeted sector or occupation does not normally recruit jobless people.

Local sector strands are those sector activities which are designed by New Deal partners to meet demand in a local labour market.

This section of *Business on Board* focuses primarily on Mainstream and Ambition initiatives. Part 3 addresses local sector initiatives.

2.4 All Sectors are Different

There is no single approach that will be relevant to all sectors. A demand-led strategy depends on understanding the distinctive needs of an industry (and occupation) and of the employers within that industry.

The human resource requirements of a sector will be determined by the nature and productivity of the business, the economic conditions, the composition and culture of its employers, whether the industry is organised and/or regulated, and the degree to which it out-sources its work. In addition, the industry's needs are likely to vary from one geographic area to another depending upon its size and position in the local labour market; the availability and skills of the local workforce; and the quality and capacity of education and training providers. For example, the

size and composition of companies in the retail industry, where almost 50% of the workforce is employed by 1% of the firms, is radically different from the construction sector which is dominated by small enterprises.

Understanding these differences is essential to effective employer engagement. It is also important to determining the different tactics that might be used to penetrate each sector. Most industries experiencing significant labour or skill shortages will be enthusiastic about participating in a collaborative effort. They may be more open to implementing job restructuring, flexible work patterns and new employee benefits. For sectors that are under less pressure or that have traditionally recruited more qualified personnel, it may require more time and more intense customer service to demonstrate that New Deal can be a credible recruitment source.

2.5 Research and Analysis

Before committing to the development of a Mainstream or Ambition strand, substantial research must be conducted on the industry. This information will be used initially to confirm that there is a case for public spending to support pre-entry training in the sector, and to confirm that the industry meets the basic criteria for selection. This is particularly important before embarking on an Ambition strand which will entail entry to new markets. The research will also be used to develop industry (or national employer) framework agreements, design programme models and support local employer engagement strategies.

Drawing on information from the DfES Skills Unit, DTI sector experts, the NTO, industry publications and employers themselves, a sector profile should be developed including information on:

- the nature of the industry, economic and employment outlook, sub-sector and occupational trends;
- composite profile of sector employers by size, supply chain and sourcing relationships;
- occupational profile, skill requirements, career paths and traditional promotion patterns;
- wage structures and benefits;
- typical recruitment to hiring ratios and employee turnover trends;
- jobs suitable to New Deal participants: entry through technical/para professional levels and occupations that may be particularly attractive to specific target groups;
- potential barriers to entry and progression for New Deal participants;
- summary history of sector participation in the New Deal participation and map of notable Jobcentre Plus provision;
- 'demand map' indicating concentrations of sector employers/ occupations and names and locations of major employers; and
- trade union coverage and participation in employee development.

In such sectors as construction, hospitality, retail, and call centres, New Deal partners have already developed local customised Gateways and short courses. These should be visited to assess their quality and performance. The best can provide important design information and

can serve as 'beacons' for New Deal staff and providers to visit in order to gain a first hand understanding of their operation.

Business on Board Recommendations:

At the conclusion of the research and analysis phase for each proposed sector, a report with findings and recommendations should be submitted to the Jobcentre Plus executive and the New Deal Task Force for a decision to proceed.

The information collected during the research phase should be portrayed in a standard format that is easily accessible to Jobcentre Plus and provider staff throughout the delivery system. Once developed, it should be available on the New Deal website and through short, accessible reports to the field.

2.6 Sector Strand Development

Based on the information collected during the research phase, the next step for both Mainstream and Ambition strands will be to develop a *Framework Agreement* with leading employers from the sector (see Employer Participation: Strategy and Design, page 14). The Agreement should set out the strategic objectives, priorities and employment targets for the sector. It should also describe respective roles and responsibilities and a timetable for action.

For each Mainstream sector strand, a series of *Mainstream products* should be developed for use by the field. These should include:

- job readiness standards for each occupation agreed with industry employers;
- sector-related materials for use in the Gateway (or in initial assessment and guidance for non-JSA clients);
- guidance on standards for basic, employability and vocational skills to be used with New Deal contractors;
- a communications and marketing strategy to reach SMEs as well as major employers within the industry; and
- local contacts for participating national employers.

For each Ambition strand, a *pathway* design should be developed in collaboration with sector employers. The pathway should provide a picture of how New Deal activities can be tailored to prepare disadvantaged individuals for careers within the specific industry – extending from career guidance, assessment and work trials through to intensive training, work experience and post-placement support. The pathway design may serve as the basis for an Innovation Fund pilot (see page 29). It will also give Jobcentre Plus Districts a basis on which to consult with local industry employers since every Ambition pathway will need to be modified to reflect local conditions.

While at the local level, Ambition pathways will take different forms reflecting the differences in employers, clients and local provision, they will all be based on the design principles that are highlighted in the Green Paper, *Towards Full Employment in a Modern Society*. These principles and an illustrative list of activities that might be included in an Ambition pathway are included in Annex D.

Business on Board Recommendation:

A Framework Agreement should be developed for each Mainstream and Ambition sector initiative setting measurable performance targets for job placement and retention with clear milestones to assess progress.

2.7 Implementation Issues

During its first 12-18 months of operation, Jobcentre Plus' capacity to undertake new initiatives will be limited. The implementation of each Mainstream and Ambition sector strand will be resource intensive and require new skills and expertise. Jobcentre Plus management will decide the process and timing for implementing a sector strategy. Some of the options which might facilitate action at the local level during the next year include:

- develop Mainstream products as resource 'tool kits' and adopt a *bottom-up* approach, letting each District draw on those most relevant to their local labour market when they are ready to develop new sector programmes or to strengthen existing ones;
- select 8-10 areas which have 60-70% of the New Deal population and relatively strong demand in key sectors or occupations; *focus* Mainstream and Ambition initiatives in these areas with the aim of building an *infrastructure of sector pathways* within a community; and
- establish a Jobcentre Plus *consultancy service* (with internal and external experts) to assist local Districts and employers to design provision tailored to high demand sectors and occupations. The consultancy service should also be used to work with rural areas to test the feasibility of a sector approach in local economies which lack the scale of demand that exists in most cities.

Business on Board Recommendations:

Mainstream Sector 'tool kits' should be provided to all Districts to help them adopt a sector strategy as quickly as possible.

During the next 12-18 months, the available sector and account management funds, technical assistance and industry support should be focused on major conurbations and selected Jobcentre Plus Pathfinders; the objective should be to develop a series of high quality sector pathways within a locality, maximising career choice for the largest numbers of New Deal participants.

A Jobcentre Plus consultancy service should be established to provide technical assistance and training to localities undertaking sector pathways and related activities.

Priority should be accorded to ensuring that Ambition Strands are delivered to the highest standard.

2.8 Employer Participation: Strategy and Design

To succeed, Mainstream and Ambition sectors must be led by employers. This is particularly true for Ambition strands: the more that an Ambition initiative aims to break new ground –to get the most disadvantaged individuals into better jobs –the more important it is to have top industry executives at the forefront, leading the programme.

At the national level, each Ambition and most Mainstream strands should have an industry

Chair who is a member of the Task Force and an acknowledged leader in the sector. She or he will chair a *Steering Group* composed of senior executives from large and small firms that employ staff in the targeted occupations. Their responsibility will be to advise Ministers, the Jobcentre Plus executive and the Task Force on the national strategy; approve the Framework Agreement; assess performance against the plan; and serve as public champions of the initiative.

In addition to the Steering Group, sector strands should have an *Operations Group* composed of industry human resource, training, and marketing personnel. This group will advise on programme design, recommend a communications strategy, and monitor the implementation.

Business on Board Recommendation:

Individual employers should constitute the majority of the Steering and Operational Groups. Experts from relevant Government Departments, the LSC, and the NTO should be involved where appropriate. In addition, each group should include a provider with understanding of disadvantaged client needs.

2.9 Marketing and Communications

A marketing and communications strategy should be developed as part of each Mainstream and Ambition initiative. A general rule should be to delay marketing activity until the sector development is completed and the first New Deal participants are within several months of completing their preparation. This will help to raise awareness of and interest in the project while managing employer expectations about the numbers of participants and timing of delivery.

As part of the research conducted on each sector, the principal channels of communication to large and small employers will be identified. Working with Jobcentre Plus' communication specialists, a carefully targeted campaign to reach national and local industry firms will be designed to include:

- a coherent message that can be delivered consistently to all parts of the industry;
- articles for national, local and trade press;
- briefings for trade associations and major industry employers; and
- events and speeches by sector Steering Group members.

In addition, specially tailored materials should be developed to heighten clients' awareness of the career opportunities which will be provided through the new sector initiatives. These will be tailored to appeal to the different interests and aspirations of individuals in each of the New Deal programmes.

PART 3: ENGAGING LOCAL EMPLOYERS

Labour markets are essentially local. For the most part, employers think local. Their children go to local schools. They recruit local residents. They use local colleges and universities to develop their workforce. And they know that their firm's prosperity depends on the economic and social well being of the communities in which they operate. Even most national and multi-national companies have outlets, subsidiaries and supply chains whose competitiveness depends on the skill of local residents and the economic vitality of neighbourhoods.

While the Mainstream and Ambition initiatives described in Part 2 may start at the centre, they will all be *delivered* locally. They –and the enhanced New Deal –will depend upon greater employer involvement in planning and design. They will require more flexible and effective programmes. And they will demand a new level of customer service. This section of *Business on Board* looks at some of the key ingredients for attracting and sustaining employer participation at the local level.

3.1 Labour Market Intelligence and Strategic Planning

Effective employer engagement must be based on accurate and timely information about the local labour market. Beginning in 2001-02, each Regional Development Agency and local Learning and Skills Council will produce a local economic and workforce development strategy including a framework for employment and skills. This strategy will be based on a detailed appraisal of the skills base; an analysis of existing and projected demand by employers; and an assessment of the capacity of education and training providers. It will be backed by a labour market intelligence system that monitors international economic and industrial trends as well as forecasting emerging job opportunities and skill requirements.

This information, coupled with Jobcentre Plus' own data on vacancies, existing employer activities and provider performance, should give each District the basis for developing a practical *Employer Engagement Strategy* (EES). The Strategy should guide the planning, resource allocation and implementation of local New Deal employer-facing activities. It should set out:

- how Jobcentre Plus staff will segment their local employer market;
- the priority sectors, occupations and employers that will be targeted;
- the level of services which will be provided to each market segment;
- the implications for the purchase and contracting of education and training services;
- the key communication channels needed to reach local employers; and
- the measurable results that will be achieved as a result of the planned employer engagement activities.

The analysis and planning that underpins a good Employer Engagement Strategy will be critical to effective account management. It should be an important aid to setting our contract specifications for local New Deal providers. And it should provide the data by which local managers can begin to assess the return on their investment in business outreach and development.

The Employer Engagement Strategy should be developed from local information including:

- priority industries and occupations based on strength of demand and client interest as the basis for a 'demand map' (page 22);
- clusters of SMEs, ethnic minority firms, or special concentrations of businesses (high streets, shopping centres, industrial estates, regional transport centres) that might be targeted for New Deal participation;
- leading employers in each priority sector and business network and their prior track record with New Deal;
- education and training provider performance indicating organisations that are most likely (or could be developed) to meet employer standards in each of the targeted sectors and occupations;
- existing workforce development and economic regeneration activity that New Deal might build on to increase the District's links with employers; and
- employer and sector organisations, trade unions, business publications and 'multipliers' that are most likely to serve as effective communication channels for different segments of the local business community.

Business on Board Recommendation:

Beginning with Jobcentre Plus Pathfinders, each District should be required to produce a local Employer Engagement Strategy as an integral part of their annual planning process. The strategy should be reviewed by local employers. It should be approved by the Field Director to ensure that it:

- ***is consistent with national and regional objectives for employer relations;***
- ***improves service to local employers and New Deal participants;***
- ***provides the basis for effective communications with and marketing to local firms; and***
- ***complements the RDA and LSC strategic plans for the area.***

3.2 Employer Advisory Groups

At the outset of New Deal for Young People, each District established a partnership to advise on the direction and design of the local programme. One of the key objectives of the partnership was to ensure that employers, along with service providers, contributed their views on the needs of the local labour market.

During the course of the *Business on Board* research, 30 Districts were visited. District managers, providers and employers were interviewed about their involvement in the local partnership. The research revealed that few partnerships (or Steering Groups) had been able to maintain effective employer participation. Only half had local firms in membership. Of those that had active employers, there was considerable doubt amongst them about the degree to which they could influence the programme, or indeed, whether this was a forum in which they could contribute their knowledge and expertise.

The most common reasons cited by employers for their indifference to the partnerships was that they 1) lacked the authority to make decisions that mattered; 2) had lost their strategic position and become focused on detailed process issues; and 3) had become dominated by provider and supply-side interests. In retrospect, it is also clear that insufficient thought was given to the *purpose* of employer involvement.

There are two ways in which local employers can best contribute their expertise. The first is within groups which are clearly focused on *strategic* issues. These issues include:

- setting key programme objectives and priorities;
- targeting growth sectors, occupations and clusters of firms for the development of New Deal opportunities;
- assessing the performance and impact of the local programme; and
- ensuring that welfare to work is linked to local economic and workforce development activities.

The second is within *operational* groups that are specifically constituted to advise on the design of a sector or occupational programme. The tasks which such groups should undertake include:

- agreeing job readiness standards for each of the targeted occupations within the sector;
- advising on the design of the sector local pathway, linking with other non-New Deal provision;
- advising Jobcentre Plus and local contractors on the key competences that must be achieved in work experience, basic and soft skills, and occupational training provision; and
- monitoring the implementation process and performance against agreed placement, retention, equal opportunity and customer satisfaction (individual and employer) targets.

In most cases, the composition of the groups should be quite different. The membership of partnerships is likely to be at senior executive level with strong representation from the public, private and voluntary sectors. The membership of operational groups should consist of individuals with expertise in human resources, training and marketing. These groups should be dominated by employers from the relevant sector.

The most effective of the *Employer Coalitions* bridge these two groups. They are composed of senior business executives interested in New Deal strategic issues. At the same time, many of the members lead industry groups which focus on practical activities such as developing sector Gateways, supporting clusters of SMEs, or organising sector-specific bids for the Innovation Fund.

The new importance which the Government is placing on engaging employers in the design and delivery of the New Deal necessitates that Jobcentre Plus Districts assess whether they have groups which are fit for the purpose of maximising business participation. There are several options which might be considered:

- strengthening the existing partnership by appointing a business leader as chair, adding substantially more employers and giving it clearly defined responsibilities;
- establishing an all-employer group (similar to the Coalitions) to work alongside the partnership, with clear terms of reference covering all New Deal business engagement activity; or
- establishing sector advisory groups.

Business on Board recommendation:

Each Jobcentre Plus District should review its arrangements for eliciting employer advice with the aim of:

- ***strengthening business representation on local partnerships; and***
- ***establishing sector groups to assist in the design and performance assessment of each sector or occupational area in which there is significant New Deal investment.***

3.3 Enhancing the Local New Deal Design

During 2001, Jobcentre Plus Districts will be given increased flexibility and resource to ensure that New Deal is meeting the needs of individuals and employers. There are a number of changes which will improve participant job readiness and make the programme more attractive to employers. Many of these are contained in the Green Paper, *Towards Full Employment in a Modern Society*. Green Paper principles which are particularly relevant to the Ambition initiatives are set out in Annex D. There are three that are particularly *important to a demand-led system*.

First, as New Deal becomes more focused on specific occupations and sectors, the importance of *initial assessment and career guidance* will increase. Understanding individuals' interests, abilities and career aspirations is essential if personal advisors are to avoid steering them into the wrong pathway. And more accurate testing of aptitude and basic skills pays off by establishing a starting point from which personal advisors can both map the fastest route and measure the distance travelled toward the desired job.

Second, *work* should be built purposefully into every aspect of New Deal. The more that basic and soft skills can be related to an occupational area, the more relevance and interest it will have for New Deal participants. Training integrated with paid work experience or 'internships' will expose clients (many of whom have never worked) to the disciplines and expectations of the workplace. Subsidised employment can put disadvantaged young and long term unemployed people on the first step of their career ladder.

Third, emerging evidence indicates that *post-placement support* increases retention rates. For the individual, continued help from a personal advisor, mentor or job coach can smooth the transition to work, particularly during the most precarious initial 8-12 weeks. For the employer, having a trusted individual to call reduces the perceived risk of hiring a New Deal client and the supervisory time that might otherwise be spent in trying to solve child care, transport, housing or work-related problems.

Business on Board Recommendations:

The New Deal continuous improvement programme and the Innovation Fund should give priority to developing three activities that underpin a demand-led approach:

- ***more emphasis should be placed on initial assessment; alternative tests and interactive career guidance systems should be piloted to determine whether they result in better job matching, improved performance and cost savings.***
- ***sector-related basic and soft skills training should be developed and disseminated to Jobcentre Plus Districts.***
- ***an evaluation should be conducted to test the impact of well organised post-***

placement services for individuals and employers on retention rates.

3.4 Local Demand-led Strategies

Part 2 described the application of a demand-led strategy within the context of an industry sector. This approach is equally relevant in other situations at the local level. For example, a demand-led approach is likely to pay off for Jobcentre Plus Districts in:

- opening up new job opportunities that have been previously inaccessible to unemployed people and to ethnic minority groups;
- providing local employers who are facing skill shortages in better paying occupations with new sources of qualified employees;
- meeting the needs of SMEs with common occupations (see part 3.5 below); and
- improving placement and retention rates in local 'blue chip' companies whose views of New Deal will influence other employers.

In these cases, it is worth investing the extra resource to collect and analyse detailed information on business and human resource needs. The introduction of local account managers (see part 3.6 below) should allow Jobcentre Plus Districts to collect information on:

- existing and projected staffing needs for the targeted jobs;
- recruitment sources, outsourcing policies and practices, the workplace environment and corporate culture;
- cost/benefit ratios of recruitment to hiring and staff turnover;
- baseline measures and criteria for selection of job applicants;
- staff training and career progression patterns for each targeted job;
- the actual duties, processes and equipment used by job incumbents (as opposed to those that may appear in the job description); and
- training and orientation materials, employee handbooks, recruitment tests (psychometric, drug, maths, literacy, etc.)

This information is essential for developing a customised programme, integrating training and work experience, so that individuals meet the precise entry criteria specified by the business. It is the information which New Deal education and training contractors need to refine curricula and re-engineer their provision. The results of this investment should be higher placement and retention rates, better starting wages, and increased opportunities for career progression.

3.5 Small and Medium Sized Firms

In most sectors and localities, it is relatively easy to engage large firms. Reaching SMEs is more difficult and labour intensive but crucial if an employer engagement strategy is to succeed. To attract significant SME participation, New Deal must be easy to use, relatively risk free, and, most important, seen to contribute to the productivity and profitability of the firm.

In developing its Employer Engagement Strategy, each Jobcentre Plus District should segment the SME market by sector, size and geographic area. Choices must be made about the level of effort which can be expended on each segment. In most cases, communication to SMEs will be achieved using mass marketing. This may be through Employer Direct, through Chambers of Commerce and trade associations, or through other 'multiplier' channels. For a small proportion of firms—those with jobs of particular interest to New Deal participants—it may be possible to provide account management services (see part 3.6 below).

By identifying existing or forming new SME clusters, Jobcentre Plus Districts can begin to *aggregate demand* in a particular sector or area. This in turn will create sufficient critical mass to justify an account manager's time. For example, a network of 20 SMEs which share the need for IT technicians, retail sales or administrative staff can be supported by an account manager (or intermediary organisation) that will facilitate such activities as:

- helping SMEs to specify entry requirements and working with providers to ensure that basic skills, training and work experience meet those requirements;
- overseeing the recruitment, screening and employment process;
- managing the New Deal administrative work for the SME cluster;
- providing post-placement support for individuals and employers, and ensuring that New Deal clients have information on and access to career development opportunities;
- developing career progression paths within and between participating firms and facilitating the access to Individual Learning Accounts; and
- linking SMEs to the Small Business Service (SBS).

Increasingly, SME networks are being organised by DTI, RDAs, LSCs and the SBS to assist firms improve productivity and expand exporting. This inter-firm collaboration gives New Deal an excellent opportunity. By analysing job entry requirements and progression routes—both within and between cluster firms—account managers may be able to develop sector pathways that open up new job opportunities for clients while providing trained recruits for the SMEs within the network.

Business on Board Recommendations:

The New Deal Innovation Fund should be used to test alternative approaches to engaging SMEs through supply chains, preferred purchasing arrangements and local clusters.

All Mainstream and Ambition sector initiatives should include special efforts to meet the needs of SMEs.

3.6 Local Account Management Services

The Employment Service's Large Organisation Unit (LOU) is organised along sector lines and provides account management services to over 380 national employers with 800 subsidiaries. This service has been widely welcomed by employers who have a named contact to help manage their relationship with New Deal throughout the country. However, *Business on Board* research identified two difficulties related to local employer engagement which need to be addressed.

First, an important aim of the LOU is to develop agreements with companies that include employment targets for specific localities. Because many firms fail to cascade the nature of these agreements from corporate headquarters to frontline staff, effective arrangements on the ground are often hard to develop. Second, while the LOU has out-stationed staff in each of the regional offices to facilitate national account management and to handle regional blue chips, there remain a number of relatively large local firms employing substantial numbers of New Deal participants who do not have an account manager.

For the first time, the 2001-02 budget contains £5 million per year for two years to support account management and employer services at the local level. This funding affords Jobcentre Plus the opportunity to test alternative ways in which local account management can be extended to local firms.

With limited resources, careful thought should be given to the most cost effective way of organising local account management. First, there are choices about whether the available funds should be targeted on relatively few areas with large concentrations of employers, or spread evenly throughout the country. Clearly, the more diffuse the distribution, the less opportunity there will be to build teams of account managers whose members can specialise in priority sectors and occupations.

Second, within an area, there are different ways of segmenting the market that produce trade-offs between the *numbers* of firms which may be covered and the *quality and intensity* of customer service that is accorded each company. The information and analysis contained in the local Employer Engagement Strategy will help account managers to develop a clear basis for dividing their customer base and deciding the specific products that should be available to each group of employers.

Two principles should help account managers in this process. The first is that *employer loyalty* is essential. It is far less costly to retain satisfied customers than to gain new ones. Moreover, nothing attracts new employer customers faster than a good reference from another company that is pleased with the service. The second principle is that it is important to *balance customisation with standardisation*. Account Managers will need to tailor solutions to meet the needs of each employer and industry sector. However, to be cost-effective, they must also have a portfolio of standard offerings that are the core customer services.

In defining the level (and cost) of service, some of the factors which account managers should consider include:

- the previous track record of the company in hiring New Deal participants;
- the likely number and quality (wages and career progression) of jobs on offer over a year;
- the potential for future participation in New Deal;
- the nature of the workplace and availability of staff training and development;
- the ability of Jobcentre Plus to meet the employer's requirements; and
- the longer term value of the company to Jobcentre Plus' employer engagement strategy.

One approach will be for account managers to develop a 'demand map' which divides business prospects very roughly into four categories:

- *strategic accounts*: local firms that tend to have significant numbers of suitable vacancies on an on-going basis and/or which are likely to be opinion formers in the local business community. It is worth investing considerable effort in understanding each of these firms' business objectives, HR requirements and policies, and to build a relationship of trust. These blue ribbon companies will usually merit personal attention and individualised products and services.

- *cluster accounts*: medium-sized and smaller employers within a targeted sector or geographic area (industrial estate or commercial centre) which, taken together, make a notable contribution to New Deal. As described in the previous section, it is possible to provide cost effective account management by organising these companies into clusters and tailoring some services specifically to their needs.
- *special accounts*: employers which offer important opportunities for New Deal participants-- good jobs for ex-offenders, flexible working practices for lone parents, unusual career paths for disadvantaged young people etc. If the volume is sufficient, it may be worthwhile providing some personal contact and special services to these accounts since the jobs are important in enriching New Deal.
- *Basic accounts*: the vast majority of employers are likely to fall into this category: a standard service that is provided to all New Deal employers (vacancy taking and mailings) might be tailored to the larger sectors based on the introduction of an employer-facing IT system (see part 3.7 below.)

The Mainstream and Ambition sector strands (described in Part 2) will overlap with these four categories and provide another way of operating a cost-effective approach to local account management. In general, the more that account management staff specialise in a specific industry, the greater their credibility will be with those employers. Intimate knowledge of the sector will also give account managers the ability to translate business hiring requirements into more precise job matching and better contract specifications for New Deal basic education and training provision.

If the potential of an account management system is to be fully exploited, it is extremely important that the new staff (both national and local) are trained to a high standard and have clear objectives and performance targets. This issue is addressed in Part 4 (page 25)

Business on Board Recommendation:

The limited funds available for local account managers should be targeted at selected Jobcentre Plus Pathfinders and at the larger conurbations. A team of well trained account managers in these areas should:

- ***develop an Employer Engagement Strategy (as described on page 16), including a 'demand map' to organise the work of the local account management team;***
- ***support the implementation of Mainstream, Ambition and Local sector pathways;***
- ***assist New Deal education and training providers to design and deliver demand-led strategies;***
- ***ensure sector-based activity is linked to local workforce development and economic regeneration activities; and***
- ***ensure that New Deal products and services are responsive to employer needs.***

3.7 Account Management through IT

The *Business on Board* research revealed that one of the most important services which employers expected from New Deal was a single point of contact –an individual who understood their business and was aware of the previous transactions which had occurred between the firm and the programme. While personal relationships between employers and account managers will be central to engaging the large and medium sized firms, it must be underpinned with an effective information technology system. And an effective IT system is the only way to provide one-to-one customer service to the small firms which constitute such a large proportion of New Deal customers.

The fundamental building block for the system should be the 'corporate memory'. In the longer term, this should consolidate as much information as is practical about the company from all Jobcentre Plus sources. In the short term, it should build a profile based on each employer's contact with the New Deal. The objective should be to create a coherent picture of the customer which is constantly updated, providing a record of the transactions and events that have occurred with the company.

Analysis of the employer database that develops from the corporate memory will enhance customer relations management. It will also result in more efficient services. For example, by regularly and automatically tracking employer behaviour, Jobcentre Plus can begin to anticipate sector needs and position New Deal services accordingly. By using the IT system to segment the local employer market, it can contact New Deal employers with updates, event information and job training details that are customised to their industry, size and location. This kind of activity provides a degree of personal service while reaching mass markets.

The Modernising Employment Service (MES) programme will use new IT systems to revolutionise existing services. However, it is unclear how far it will go to achieve the changes needed for an efficient local account management system. Currently, the lack of a national employer database makes it difficult to identify which employers have hired New Deal clients. It is equally difficult to determine in any detail the sectors and occupations which participants have entered. With the exception of those firms managed by the Large Organisation Unit, there is no way of analysing individual employer transactions that may have implications for the future design and delivery of New Deal activities.

Business on Board Recommendations:

As a matter of urgency, a review should be undertaken to identify how well the Modernising Employment Service initiative will produce an IT system to support local employer engagement and account management.

Priority should be given to developing an employer data base for participating New Deal firms.

3.8 Improving Employer Human Resource Practices

While a demand-led approach will improve significantly the degree to which New Deal can meet employer requirements, it does not lessen the responsibility of firms to meet accepted standards of human resource practice. These include exercising fair recruitment and screening systems; providing good induction and job coaching; and investing in continued staff training and development.

Account managers who are operating on the demand side have a practical advantage. By working inside a company, Jobcentre Plus (or intermediary) staff can identify artificial or discriminatory barriers to employment and career development. They will then be able to work with the firm to improve its human resource practices, opening new opportunities for New Deal jobseekers.

Firms that are unwilling or unable to ensure fair hiring processes, good induction and support for continued on-the-job learning, should not be part of the New Deal employer pool.

PART 4: IMPLICATIONS FOR THE DELIVERY SYSTEM

The proposals contained in the Green Paper, *Towards Full Employment in a Modern Society*, have important implications for the New Deal and employer engagement activities. Shifting the entire delivery system towards a more demand-led approach is complex, time consuming and resource-intensive. It will only be achieved through a sustained effort over the next 4-5 years. This report attempts only to sketch out the challenge and some of the key elements which will be required to effect such a change. For practical purposes, it uses the Mainstream and Ambition sector strands as a focus for building the capacity of Jobcentre Plus and provider staff.

4.1 The Challenge

Experience in both the US and UK makes it clear how difficult it is for an organisation to move from being supply-driven (developing client skills without relating these activities to the local labour market) to demand-led (starting with employer requirements and working backwards to meet client needs). In most cases, it means re-engineering programmes so that the education, training and work experience meet specific employer and individual requirements; it means re-designing management and information systems and rethinking the way that the organisation works with and markets to local firms; and it means transforming the culture to achieve exacting standards for service, reliability, quality and cost.

Some organisations may have the ability to accomplish these changes on their own. Many will not. Relatively few public and voluntary sector organisations have developed effective employer relations. Even the best Further Education colleges are unable to adjust their programmes quickly enough to meet fast changing employer and labour market needs. Community organisations offer specialised services for disadvantaged participants but most are under-capitalised and have little management depth. There are only a handful of intermediaries that have the sector expertise of ASSA, the automotive sector intermediary.

While the Employment Service is highly experienced in taking vacancies from employers, it has only recently begun to work with sectors and individual companies to design customised Gateways and training programmes. Few staff are sufficiently expert in the development of demand-led strategies to provide the requisite technical assistance and training to the rest of the delivery system.

4.2 Levers for Change

In a market-based system, inefficient or poorly performing organisations are soon edged out of the business. However, in a publicly funded system there is less dynamism, less competition, and a higher tolerance for the status quo. This is particularly true where major capital investments in public facilities make large-scale re-allocation of funds more difficult, or where voluntary organisations have the principal interest in serving the most disadvantaged clients.

Since the Government cannot rely on the market to achieve the desired changes in provider performance, it must use a combination of carrots and sticks to shift the delivery system towards a more demand-led approach. During the past year, DWP and the Employment Service have moved positively to apply incentives and sanctions to strengthen New Deal's responsiveness to employers and clients and to secure improved performance:

- a more robust approach to *contract management* has been installed at the local level and all new provision will be required to demonstrate its relevance to the local labour market;
- an increase in *output-based funding* by which up to 30% of contract payments will be made on the basis of the numbers of participants who obtain jobs;
- *job retention* as a measure of customer satisfaction (individuals and employers) will become

- a key target for Jobcentre Plus' Annual Performance Agreement (APA); and
- the New Deal *Innovation Fund* has invested substantial resources in projects designed to demonstrate the higher performance results expected of a demand-led strategy.

These are all important measures and will certainly contribute to improved performance. However, without more active and managed intervention, it is unlikely that they will produce the desired step change in organisational capability – the capability that is required to achieve many of the proposals for increased employed participation contained in this report or in *Towards Full Employment in a Modern Society*.

4.3 A Framework for Building Capability

The New Deal delivery system is large and complex. Core management and personal advisor services are provided by Jobcentre Plus staff. The balance of provision is delivered through a decentralised system of highly diverse organisations. These New Deal contractors – public, non-profit and commercial organisations – have different needs and resources. However, very few have well established links with employers as loyal customers who use them as preferred sources of staff recruitment.

The scale and diversity of the New Deal delivery system precludes a single approach to organisational development. Any effort to build capability must be incremental. It must also be tightly focused on helping Jobcentre Plus and provider staff to develop the very specific skills that are needed to engage employers and to manage a demand-led strategy while maintaining quality services for individuals.

To develop a framework for future investment, three approaches might be used:

- assistance for New Deal providers;
- specific skills enhancement for providers and Jobcentre Plus staff developing Mainstream and Ambition sector pathways; and
- special training for a cadre of Jobcentre Plus staff to become expert train-the-trainers in demand-led strategies.

In all three areas, the effective use of the New Deal Innovation Fund will be essential.

4.4 New Deal Providers

A key objective should be to increase the ability of New Deal contractors to understand different employers' needs, and to use that understanding to improve their education, training and work experience provision, particularly for the most disadvantaged clients. At present, we have little information from the *providers themselves* on:

- their current levels of activity with employers and the principal barriers to increasing that activity;
- the functional areas in which they need the most help –e.g. marketing, initial employer engagement, client assessment, work-focused training, retention services, customer care etc;
- the information sources they use to develop knowledge and improve performance, and the degree to which these sources meet their needs; and
- their preferred methods of exchanging information and building skills.

This data should be collected from existing and a sample of potential New Deal contractors. Interviews and focus groups of the best providers should be conducted to identify key issues and recommend the most effective channels of assistance for different kinds of organisations. This information is critical to helping New Deal providers to implement a demand-led strategy in a way that is responsive to their information and skill needs.

Business on Board Recommendation:

A three year investment strategy should be developed, informed by a provider survey. The strategy should:

- ***have clear objectives for improving the capacity of New Deal providers to build effective employer relationships;***
- ***be linked to increased performance outcomes for disadvantaged clients;***
- ***focus initially on providers involved with sector pathways (see part 4.5 below.)***

4.5 Building Capacity in Sector Pathways

Part 2 of this report (page 10) recommended that the initial development of Mainstream and Ambition sector strands should be focused on a limited number of Jobcentre Plus Districts. By concentrating capacity building resources on these sectors and localities, it should be possible to achieve critical mass and higher impact. The specific objectives of such an approach would be to:

- work with local employers, Jobcentre Plus and New Deal providers to design sector pathways extending from initial client assessment through to post-placement provision;
- develop the 'consultancy service' to provide on-site training and technical assistance to providers and Jobcentre Plus staff involved in developing Mainstream and Ambition sector pathways;
- select some of these organisations to become 'Beacons' and serve as training grounds in employer engagement and demand-led techniques for other New Deal providers.

The development of sector pathways also provides an opportunity to *rationalise* local New Deal services. By mapping existing provision against industry demand, efficiencies can be achieved by reducing duplication. Quality can be enhanced by upgrading or eliminating training that does not help disadvantaged people to meet job readiness standards.

4.6 Jobcentre Plus Staff

Focusing on a limited number of areas will also facilitate Jobcentre Plus staff, particularly account managers, to develop their expertise in demand-led strategies. In each area, they might focus on four specific issues:

- learning the skills required to engage employers (sales, marketing, business analysis, customer service, etc.) along with the organisational change that contractors will need to meet business standards (re-engineering training systems, reallocating resources, achieving the cultural shift);
- developing a plan for transferring those skills to other Jobcentre Plus staff and local providers;
- analysing the implications of implementing a demand-led approach on other aspects of New Deal including client recruitment and referral processes, case management, contracting and

performance monitoring; and

- assessing the strategic implications for rationalising the local delivery system and enhancing its responsiveness to labour market needs.

Business on Board Recommendation:

Over the next two years, Jobcentre Plus should develop a cadre of staff who can train others in demand-led strategies and techniques. Ultimately, they should serve as the heart of the Jobcentre Plus Consultancy Service proposed in Part 2 (page 10). Until sufficient staff have the requisite expertise, a tender should be issued to employ organisations and individuals with experience in the skills and functions associated with implementing a demand-led approach.

4.7 Account Management Training

The ability to engage employers effectively should be enhanced very considerably by the introduction of local account managers. The *Business on Board* research underlined the importance of recruiting account managers with commercial expertise as well as appointing entrepreneurial Jobcentre Plus staff.

All account managers should undergo rigorous training before starting their assignments and regularly thereafter. The training should be developed in conjunction with employers. It should address four broad areas:

- *business essentials*: basic financial and management principles, the business planning cycle, and the link between corporate objectives and HR requirements;
- *account planning*: market research and strategic planning, sector and occupational priorities appropriate to New Deal, employer communication channels, company and cluster targets, and annual and quarterly objectives;
- *sector specialisation*: local profile of industry and key occupations, wage rates, hiring requirements, progression routes, workplace environment, and local education and training providers; and
- *demand-led strategies*: customer service principles and skills required to undertake a demand-led system and to assist local providers to implement demand-led training. This should include the following competences:
 - establishing contact with the employer;
 - analysing employer requirements;
 - recommending New Deal services and gaining employer commitment;
 - communicating employer expectations to Jobcentre Plus management and providers;
 - re-engineering training and work experience to business standards;
 - maintaining client flow and expanding the employer relationship; and
 - measuring customer satisfaction.

The training for account managers cannot be a one-off event. It must be a continuous process and closely linked to each individual's performance appraisal.

Business on Board Recommendation:

Jobcentre Plus should use some of the new funds available for account management to invest in staff training and a development programme for all of its account managers.

The training should be of the highest professional standards using professional organisations and experts to deliver relevant parts of the curriculum. All existing and new account managers should complete this training in the next calendar year.

4.8 Personal Advisor Training

Personal Advisors are fundamental to the effective delivery of the New Deal. Their knowledge of the local labour market, of sector characteristics, and of employer HR requirements, is central to good career guidance and job matching. However, *Business on Board* research indicated that most personal advisors have had limited experience with business and lacked confidence in initiating direct contact with local firms. They would benefit considerably by greater exposure to different industries and business environments.

Districts should make every effort to develop secondment and exchange programmes –both for Jobcentre Plus staff to spend time in targeted sectors and for key employers to shadow work within local offices.

Business on Board Recommendation:

Jobcentre Plus should undertake a staff exchange programme with each industry involved in a Mainstream or Ambition initiative. The exchange programme should be part of the Framework Agreement and should increase significantly the opportunities for work placements and short-term secondments. Priority should be given to developing the expertise of personal advisors and account managers specialising in the sector.

4.9 The Innovation Fund

The Innovation Fund provides the venture capital and serves as the R&D arm for the New Deal. It can play a central role in accelerating the shift to a demand-led approach and in developing the capacity of the delivery system. Over the next three years, the Fund will have some £15 million available, a significant amount of which may be used for demand-led projects. Key areas where the Innovation Fund can add particular value include:

- seed funding to *improve practice* in functional areas (client assessment, customised training, retention) that are critical to implementing demand-led strategies;
- funding for *employer-led projects* in sectors and occupations which offer particularly good prospects or which have been previously inaccessible to unemployed and inactive people;
- testing innovative approaches to reaching and engaging SMEs;
- support for *improving labour market performance* on the demand side by organising sector networks; eliminating artificial barriers to work; improving employer recruitment and induction practices; restructuring jobs and progression routes within firms;
- *build capacity* of Fund recipients by supporting ‘beacon’ providers and through on-site technical assistance and staff training to maximise a successful and durable return on the investment; and
- *accelerate learning* through the exchange of promising practice and cross-fertilisation of ideas through peer learning networks; improved access to website information; and twinning arrangements.

Business on Board Recommendation:

The Innovation Fund should be used creatively to test new ways of engaging employers in the design and delivery of New Deal with a clear focus on activities that have practical relevance to performance improvement throughout the system. Responsibility for knowledge development and dissemination of best practice should be clarified.

4.10 Managing Capacity Building

As the New Deal enters its second stage of development, priority will shift from devising policy to enhancing delivery. Many of the required performance gains will depend on improving the outcomes of New Deal providers. Specifically, contractors will be under greater pressure to place more participants into jobs and to help them keep and advance in those jobs. To achieve these results, providers will need to ensure that their provision is relevant to the needs of their labour market; that their education, training and work experience is high quality and sufficiently flexible to respond quickly to individual and employer demand; and that their marketing and customer service meets business standards. In short, providers will need to develop the attributes that characterise organisations that operate demand-led strategies.

Tougher contract management can produce some of these results. However, it is unrealistic to expect that the delivery system will achieve the desired objectives without some assistance. As recommended above, a strategic investment should be made in helping provider organisations to develop new systems and skills. This can only happen with dedicated resource and the expertise of a senior manager and support staff.

Business on Board Recommendation:

Jobcentre Plus should appoint a senior manager (internally or from business) with experience in organisational development to oversee the design and implementation of a three year investment in the New Deal delivery system. Additional funds should be sought in the 2002-03 budget to support staff development and training for contractors in all of the New Deal programmes.

4.11 Performance Measurement

The primary purpose of a New Deal employer engagement strategy is to help more people on benefit to get and keep jobs. During the next 3-4 years, it is important that Jobcentre Plus evaluates the impact of the overall strategy and monitors its component parts in achieving this objective. An evaluation to measure the longer term impact and performance of New Deal employer engagement should be commissioned using current activity as the baseline.

All Mainstream, Ambition and local sector strands should have measurable targets that are regularly assessed and reported. These should include the number and percent of clients who:

- are placed in jobs in the industry as a result of the sector initiative;
- are retained within the industry at 3 and 6 months;
- leave customised training and are placed in a training-related occupation within the industry; and
- are placed in good quality jobs (measured by salary level, subject to regional variations) in a different industry.

For the Ambition sector strands, every attempt should be made to collect data on entry wages and progression within the industry. Target entry wage levels should be set for each region, offering a benchmark for good entry wages in the area. Parity of job outcomes between ethnic

minority and white clients should also be measured.

The Employer Engagement Strategy (page 16) should contain clear targets to help measure the return on investment that each Jobcentre Plus District makes in developing its relationship with employers. Some of the measures should be quantitative objectives related to client outcomes, increased numbers of employers involved, new (and better) jobs on offer. Other aims will relate to improved customer service. Jobcentre Plus Districts should increasingly use employers to help analyse, assess and improve their New Deal employer-related processes from the perspective of business customers. This might include:

- changing customer service processes to better meet employer needs;
- identifying the actions and behaviours that employers most value and that will differentiate New Deal (and Jobcentre Plus) from other suppliers;
- involving employers in assessing services and delivery; and
- measuring staff performance against the achievement of employer requirements.

Business on Board Recommendations:

Jobcentre Plus should commission research to evaluate the impact and performance of New Deal employer engagement activities.

All sector strand activity should have clear, measurable objectives to track outcomes against job placement and retention objectives.

Jobcentre Plus Districts should involve employers in the development of the Employer Engagement Strategy, in setting the quantitative and qualitative measures for improved delivery and customer service, and in tracking the results.

CONCLUSION

In addition to setting clear targets and refining employer services, there are some practical actions that should be taken during the next year to embed employer engagement in the culture and operations of the new Jobcentre Plus organisation. These should take precedence over other *Business on Board* Recommendations:

Business on Board Priority Actions:

- ***delivering the Ambition sector initiatives to a high standard;***
- ***requiring the development of an Employer Engagement Strategy for Districts, beginning with Jobcentre Plus pathfinders;***
- ***investing in high quality training for account managers, and recruiting some with commercial expertise;***
- ***adding an employer tracking and account management element to the Jobcentre Plus IT system;***
- ***establishing a Jobcentre Plus ‘consultancy service’ that will provide technical advice to local sector projects.***

Engaging employers effectively in New Deal is a major endeavour. It depends on having a delivery system that is capable of preparing clients for new standards of job readiness. It requires processes and services that are fine tuned to business standards and expectations. It requires modern technology and information systems to deliver services quickly and efficiently.

The proposals contained in *Business on Board* will not happen overnight. They must be implemented incrementally over the next Parliament. However, the prize for gaining broad-based business loyalty to New Deal is great –for people on welfare, for Jobcentre Plus and for employers themselves. The better we understand and meet employer human resource requirements, the better we will help disadvantaged and jobless people to achieve personal satisfaction and economic self-sufficiency. And the greater the contribution that New Deal will make to the economic and social well being of communities and the nation.

BUSINESS ON BOARD RECOMMENDATIONS

RECOMMENDATIONS FOR SECTOR DEVELOPMENT

Recommendation	Priority	Impact	Resource implications	Timing
Research should be conducted on each sector before a decision by Jobcentre Plus and the New Deal Task Force is made to invest in its development (<i>page 13</i>).	Medium	Medium	Funds available for sector development	As each sector strand is proposed.
Information collected during the research phase should be made easily accessible to Jobcentre Plus and provider staff throughout the delivery system (<i>page 13</i>).	Medium	Medium	Budgeted	As research is completed on each sector
A Framework Agreement should be developed for each Mainstream and Ambition sector setting measurable performance targets for job placement and retention (<i>page 14</i>).	High	High	None	Before any sector strand is implemented
During next year, sector funds should be focused on a relatively few areas so that sector pathways can be developed for the largest numbers of New Deal clients (<i>page 14</i>).	High	High	Targeting funds within existing allocation	Summer 2001
A Jobcentre Plus 'Consultancy Service' should be established to provide technical assistance and training to localities (<i>page 14</i>).	Top	High	Start-up available from sector funds	Early 2002 start-up Autumn 2002 full capacity
Priority should be accorded to ensuring that Ambition strands are delivered to the highest standards (<i>page 14</i>).	Top	High	Medium	As implemented
An Employer Steering Group should be established for all major sector initiatives to give strategic guidance and ensure the provision is demand-led (<i>page 15</i>).	Medium	Medium	None	Before sector implementation

RECOMMENDATIONS FOR ENGAGING LOCAL EMPLOYERS

Recommendation	Priority	Impact	Resource implication	Timing
Each Jobcentre Plus District should be required to produce an Employer Engagement Strategy annually (<i>page 17</i>).	Top	High	Low	Autumn 2001 – Begin with Pathfinders
Jobcentre Plus should review its arrangements for securing employer advice through strengthening partnerships or establishing other advisory business groups (<i>page 19</i>).	Medium	Medium	Low	Early 2002
New Deal continuous improvement programme and Innovation Fund should give priority to developing three activities that underpin a demand-led approach (assessment, work focus, retention services) (<i>page 19</i>).	Medium	Medium	Unknown	2002-03
Use Innovation Fund to test alternative approaches to engaging SMEs through clusters and supply chains (<i>page 21</i>).	Medium	Medium	Budgeted	Autumn 2001-02
Ensure all Mainstream and Ambition sector initiatives include special efforts to meet SME needs (<i>page 21</i>).	Medium	Medium	None	As sector strands are designed/ implemented
Target Account Manager funds on major conurbations and on some Pathfinders (<i>page 23</i>).	High	High	Budgeted	Summer 2001
Account managers to segment market and to ensure that products and services matched to priority customers (<i>page 23</i>).	Medium	High	None	2002
Identify whether MES will support local employer engagement and account management and develop employer database for all participating New Deal firms (<i>page24</i>).	Top	High	Unknown	2001-02

RECOMMENDATIONS FOR THE DELIVERY SYSTEM

Recommendation	Priority	Impact	Resource implication	Timing
Develop investment strategy to increase New Deal provider capability to engage with employers (<i>page 27</i>).	Medium	High	Unknown	2002-04
Establish Jobcentre Plus 'consultancy service' to provide assistance to District and provider staff implementing sector initiatives (<i>page 28</i>).	High	High	Some funding available from sector budget	2001-2003
Recruit some account managers with commercial expertise and use employers and independent experts to provide account manager training (<i>page 28</i>).	Top	High	Low	Summer 2001-2002
Establish an exchange programme to increase work shadowing and short-term secondments for Jobcentre Plus and industry staff (<i>page 29</i>).	Medium	Medium	Low	2002-04
Use the Innovation Fund to test demand-led practices, particularly with SMEs, and to accelerate peer learning throughout the New Deal delivery system (<i>page 30</i>).	Medium	Medium	Budgeted	2001-02
Ensure all Mainstream and Ambition sector initiatives have measurable objectives for placement and retention (<i>page 31</i>).	High	High	None	As implemented
Include employers in setting and assessing quantitative and qualitative performance against plan (<i>page 31</i>).	High	Medium	None	2002/2004

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Existing Services to Employers.

The ES offers a comprehensive vacancy filling service to all employers throughout England, Scotland and Wales through a network of over 1000 Jobcentres.

- **The ES is Britain's largest recruitment organisation;**
- **It fills over 1.3 million vacancies a year;**
- **It receives 200,000 new vacancies every month; and**
- **Most employers are "very satisfied" with service received.**

In addition to this long standing service provision, the ES has undertaken a number of significant service delivery improvements over the last 4 years. These include:

- explicit Employer Service Commitment setting out minimum standards to be met every time it takes a vacancy;
- a means for measuring of employer service at national and regional level in support of the new Employer Service APA target;
- a more professional and consistent vacancy handling service and faster and better matching of vacancies with a larger pool of jobseekers through the Modernising ES IT programme (MES);
- access through the internet to all vacancies received - this service is already generating over 300,000 user sessions each month;
- a programme of improved knowledge of the labour market, employers' businesses and their needs;
- requirement for all managers to build effective relationships with employers as customers; and
- a sectoral approach at local level to deepen understanding of employers' business by Jobcentre staff and jobseekers.

In addition, the ES operates a specialist Large Organisation Unit (LOU), to manage the relationship with major UK employers:

- The LOU provides national multi-sited companies with a comprehensive and professional account management service for Government employment initiatives. Outstationed Account Managers facilitate effective communication with national companies operating in their area and liaise with, and support, Districts and Jobcentres in their dealings with large employers.
- The LOU also has a lead role, working with the New Deal Task Force and industry representatives, in developing sector based pathways - aimed at addressing industry wide barriers to employment. This approach has included the use of service level agreements (SLAs) with large employers - piloted with Asda and now being developed in other sectors, including Security and Business Services.

Upcoming Service Improvements

Jobcentre Plus:

The primary purpose of Jobcentre Plus is to improve the relationship between the Benefits Agency, Employment Service and all their customers, **including employers**. Employers will benefit from improved service standards and better filling of employers' vacancies.

The Green Paper, *Towards Full Employment in a Modern Society*:

ES are integrating the employer focus outlined in the Green Paper in the design and delivery of New Deal and will ensure that employer focused design principles are carried into the development of Jobcentre Plus business processes. Our objectives are to:

- improve the quality of New Deal services to employers by developing demand-led approaches more widely - building on the Ambition model;
- establish new Account Managers to provide a one stop service for employers at local level;
- set up arrangements, where appropriate, to enable New Deal clients to build up a reference checklist to act as a guide to employability; and
- ensure that a systematic employer consultation process is in place.

Jobcentre Plus Employer Forum:

A new group of senior employers has been established to act as a sounding board for developments and to explore ways of working more closely to deliver a better service to employers from the introduction of Jobcentre Plus Pathfinders.

Planned new services:

Underpinning the recommendations detailed in the Green Paper, the ES is launching a range of new services to its customers, supported by the Modernising ES programme. This represents a radical improvement to the way the ES does business. Those changes with a key impact for employers are:

- Employer Direct, providing a national single point of contact for all employers' vacancy filling needs through Customer Contact Centres, with a network of local vacancy filling managers to deliver the service on the ground;
- increased opening hours for Employer Direct Centres extending access by 60% for employers wishing to place vacancies;
- the provision of "touch-screen" Jobpoints in Jobcentre outlets, allowing clients direct access to all available opportunities, thus improving the "match" of client to vacancy through the tailored search facilities;
- the provision of "open file" vacancies, allowing for speedier direct contact between employer and client for suitable opportunities; and
- the provision of a Job Transitions Service, a fundamental change to the way that Government assists communities and employers prepare for, cope with and progress from mass redundancies.

ANNEX D

DESIGN PRINCIPLES FOR AMBITION PROGRAMMES

Each Ambition pathway should reflect the programme design principles that are highlighted in the Green Paper, *Towards Full Employment in a Modern Society*. This means that they should:

- be *demand-led* –by using employers to specify programme content and job readiness standards;
- be *flexible* –tailored to give each individual the help needed to reach the job readiness standard;
- give added weight to *retention and progression*;
- ensure that there are *access and ‘stepping off’ points* for individuals with diverse abilities, including the most disadvantaged and the most talented;
- provide *post-placement support* to individuals and employers and link with life-long learning opportunities; and
- focus on *performance outcomes* –not prescribed processes.

AMBITION PATHWAY ACTIVITIES

The following list includes the range of activities that might be included in an Ambition pathway:

- *assessment and testing* to match individuals’ interest, aptitude and basic skills with the demands of the sector and to map their starting point and fastest pathway to work;
- *customised gateway or initial orientation* that resembles the industry’s working environment, providing pre-vocational training, work trials and targeted job search assistance;
- *contextualised basic skills* to increase the relevance and interest of literacy and numeracy provision;
- competency based, occupational *skills training* –both short courses and longer ones that can be integrated with paid work experience;
- sector-oriented *transitional employment* –paid work experience with intensive personal support to prepare the most disadvantaged for further training, subsidised employment or direct placement in the industry;
- flexible use of *subsidised employment* including up-front, customised training;
- sector validated *employability checklist* for use by providers and *job readiness reference* documenting relevant skills and work experience for targeted occupation; and
- mentoring, *post-placement support* and job coaching.