

TOUCH
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EXTRA

Equitable Full Employment

Delivering a jobs recovery for all



by Tony Wilson & Paul Bivand

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Executive summary

While the employment record of the UK between the end of the 1990s downturn and the onset of the 2008 Great Recession is generally considered to have been a success, even before the recession began there were significant causes for concern. Real wages had been stagnant since 2003. Employment growth for some groups appeared to have stopped and for others gaps remained very wide. The most disadvantaged areas also still faced significantly greater challenges than elsewhere. As a consequence, the UK entered the recession with as many people on out-of-work benefits as had been the case at the start of the 1990s recession, and nearly half as many again as at the start of the 1980s recession.

Today, after the slowest recovery in decades, output is returning to its 2008 level but six years' lost ground has still to be made up. However both the level of employment and the total hours worked have recovered to their pre-recessionary levels. This has led to a 'productivity puzzle': how can a smaller economy sustain more people working longer? The answer, inevitably, is by paying lower wages – with real wages down by nearly 10 per cent since 2008.

The increase in employment has been driven mainly by fewer people leaving jobs – with new job starts still far below pre-recessionary levels. Specifically, the hiring rates of both the unemployed and those economically inactive remain around 20 per cent below 2008.

Differences between areas

The regional picture

The first decade of the previous Labour government saw a very considerable improvement in employment in areas which had previously been left behind – in particular Scotland, Wales, Northern Ireland and the northern regions. Overall, the difference in employment rates between the best and worst performing regions fell from 11.4 to 9.2 points.

During the Great Recession, the gap in employment rates actually closed further – from 9.2 to 8.3 points. Many regions that saw larger gains in the previous decade also saw larger falls in the recession – Scotland, Wales, Yorkshire and Humber, the East Midlands. However Southern England (excluding London) also fell further than other regions, causing the gap between the highest and the lowest to reduce.

Since the present government took office, the devolved nations (and Wales in particular) have done relatively well, but otherwise the growth in employment has been strongest in London, the East of England and, to a lesser extent, the South East.

Overall, much of the gain in employment rates since 1997 has been lost. However underneath this, many regions with lower employment have substantially increased their employment rates compared with 1997 – in particular the devolved nations, the North East, Yorkshire and Humberside and London. Regions with weaker labour markets that have done less well are the North West – which is back to 1997 employment rates – and the Midlands – which did not benefit during the first decade of Labour, were hit hard by the recession, and have not fared well since.

The local picture – differences within regions

Differences between local authorities within regions are often larger than those between regions: even in prosperous areas some places do very badly, while within less prosperous regions we find towns, villages or neighbourhoods that do very well.

Despite overall falls in claimant unemployment after the 1990s recession there remained very wide differences between unemployment rates across local authorities as late as 1997. Between 1997 and the start of the Great Recession, differences between local authorities were substantially reduced. Nine out of ten authorities entered the recession with a claimant rate within 1.5 percentage points of the national average – which had itself halved – while those areas with the highest unemployment saw the greatest improvements. Nonetheless, a number of areas remained some way above the average: the Welsh Valleys, parts of the North East and North West, Birmingham and the Black Country and a number of deprived coastal towns. With the Great Recession, gaps between authorities have widened, but without reaching anything close to the situation before 1997.

Job starts and hiring in regions and sub-regions

London has seen the smallest falls in job starts since the start of recession, with the South East also doing relatively well. Beyond these, metropolitan areas substantially outperform their surrounding regions in job creation – with Tyne and Wear, Greater Manchester and South Yorkshire all far closer to pre-recessionary levels of job creation than their surrounding areas (with Strathclyde the one exception, doing substantially worse than the rest of Scotland). City regions are improving their position relative to surrounding areas. However job starts overall remain well below pre-recession levels in all areas except inner London.

These overall lower job starts also translate into lower 'hiring rates' for the unemployed, which have shown little sign of recovery. The exceptions to this are Wales and some northern cities including Tyne and Wear – where rates have recovered – and London, where rates never really fell (but remain substantially below the rest of the south of England). Northern metropolitan areas have generally done better than their regions. This is positive, but the corollary is that the remaining parts of those regions have done worse, and have often under-performed compared to the country as a whole. The North West outside Greater Manchester, the North East outside Tyne and Wear, Strathclyde and the Midlands all stand out as causes for concern – with sharp falls in both job creation and hiring rates since the recession.

Differences between groups

Under Labour, successive Public Service Agreements targeted a reduction in the employment gaps for various groups – in particular older people, disabled people, lone parents, those with the lowest qualifications, and those from black and minority ethnic backgrounds.

Employment gaps did indeed narrow substantially for a number of groups – for lone parents the gap has fallen by nearly 15 percentage points in 15 years, for disabled people by around 10 points, for older people by eight points. Remarkably, these gaps have also not widened for these groups during the recession – and in the case of older people and lone parents they have continued to narrow. However despite these gains, the differences between employment rates remain significant – with fewer than half of disabled people in work, and around 60 per cent of lone parents and people from black and ethnic minority backgrounds.

Young people not in education and the lowest qualified have seen sharply declining fortunes – with young people moving from being four percentage points more likely to be in work to nearly five percentage points less likely, and the lowest qualified seeing similar falls (around 10 percentage points over 10 years).

These changes will reflect both policy choices and wider economic and labour market factors. However it is important to recognise that successive waves of reforms to lone parent benefits have led to increases in the numbers of lone parents looking for and finding work, while reforms to support individuals to extend their working lives may also have played a part in the growth of employment among older people (along with the declining value of many workers' pension pots).

Trends in job starts and hiring rates

Unsurprisingly, the hiring rate for unemployed people who are longer term unemployed is very much lower than that for short-term unemployed. However while hiring rates have got worse overall since the onset of recession, hiring rates for those unemployed for between one and two years are now marginally above their (albeit low) pre-recession hiring rates. Similarly for those unemployed for between three months and one year, the drop in hiring rates is smaller than it has been for the shortest term unemployed. This may in part be explained by active labour market policies targeted at these groups – for example through Labour's Six Month Offer, Future Jobs Fund and Flexible New Deal, and possibly the government's Work Programme. However, hiring rates for the longer-term unemployed remain far below those for shorter-term jobseekers, and hiring rates have fallen significantly for the very longest unemployed (more than two years).

Before the recession, unemployed women were slightly more likely to get jobs than men. Since the recession this has reversed, with the drop in hiring rates larger for women than for men. This switch is entirely explained by trends since the bottom of the recession in late 2011: the hiring rate for unemployed men has improved while that for women has not.

Hiring rates of unemployed people of different ages have followed broadly similar trends since the recession began – with hiring rates still highest for young people and lowest for older people. However the gap has closed somewhat – with hiring rates for over-55s recovering faster than for other age groups. Hiring rates from inactivity show interesting trends – with rates now higher than pre-recession levels for over-50s, which may be in response to financial need, and for those in their mid to late 20s, which may reflect more people delaying their exit from education.

Hiring rates for disabled people are far below those for people without a disability, although the drop since the recession has been substantially less for disabled people. For the unemployed, the difference between hiring rates has fallen by around one third since 2007. This is a welcome finding – it does not appear that unemployed disabled people have fared worse in seeking to return to work.

Hiring rates for black and minority ethnic unemployed people fell less than they did for unemployed white people, and have recovered more sharply since the depths of recession. The hiring rate for 'Black or Black British' people is 99 per cent of the pre-recession level, while that for unemployed white people is 84 per cent. However while this is promising, it is important to note that the overall hiring rate for black and minority ethnic unemployed people remains substantially below that for white people, at 21 per cent compared with 25 per cent.

Overall, fears that a deep recession would lead to the most disadvantaged falling further behind have largely not been realised. For most disadvantages and disadvantaged groups, the chances of finding work have dropped back less far than for others. The main exceptions to this have been young people outside education and the lowest qualified – who have seen their positions get substantially worse. Nonetheless because the most disadvantaged are more likely to be out of work, remain less likely to be hired, and the numbers out of work have grown, it follows that disadvantaged groups have felt many of the largest impacts of the recession.

Changes in the work that people do

Hiring for different occupational groups

Looking at broad occupational groups, the last 20 years has seen a polarisation in hiring rates: from an economy where job starts were broadly spread to one where they are concentrated at the top and bottom of the labour market. Compared with 1996–97, the professional/associate professional and elementary groups are the only ones that have seen an increase in total job starts. Sales and customer services job starts are one quarter below 1996–97 levels, while for other groups job starts are half or less than half of what they were.

These trends continued with the recession – with job starts falling for all groups – and they have not slowed with the emerging recovery.

Hiring by qualification levels

Before the recession began, the largest groups of job starters were people with GCSEs at A*-C (1.31 million) and those with A levels (1.29 million) - both some way ahead of those with degrees at 1.06 million. In 2012-13, these positions reversed. There were 1.3 million job starts for graduates, 21 per cent above the 2006-07 level, while starts for those with A levels fell by one fifth and for those with GCSEs by around a quarter.

At the same time, the number of job starts for those with no qualifications has declined substantially and now stands at well under 200,000 a year. There are now 4.6 times as many job starts in elementary occupations (where no qualification is required) than there are job starts by people with no qualification. In 1996-97 these figures were almost the same.

Some of these patterns follow from changes in the overall pattern of qualifications (particularly since 1996-97). However, analysis of hiring rates for unemployed people shows that each successive qualification level has a lower hiring rate, from 33 per cent for the highest qualified down to 13 per cent for those with no qualifications. With the recession, hiring rates have fallen overall - but with a smaller drop for the highest qualified (18 per cent) than for those with intermediate qualifications (20 to 24 per cent) and no qualifications (over 30 per cent). And on the most recent data, the position for those with qualifications below Level 2 and those with no qualifications is going from bad to worse.

Hiring to temporary jobs

While starts in permanent jobs have fallen by 25 per cent since 2006-07, starts in temporary jobs have fallen by only 10 per cent. Since the bottom of the recession, all forms of non-permanent job starts have grown. The main growth areas have been in agency, casual work and those whose jobs are 'not permanent in some other way', which will likely include zero-hour contracts. This suggests that the labour market has become more casualised since the onset of recession, and is more casualised than it has been since at least the late 1990s.

Self-employment

In 2006-07, seven per cent of all job starts were in self-employment. This has risen to 10 per cent of job starts, to mid-2013. More recent data shows the proportion of jobs (rather than job starts) climbing to 15 per cent. While employee job starts are still over 20 per cent below pre-recession levels, self-employed job starts are above 2006-07 levels. Some of this growth will be 'distress' self-employment, including those doing consultancy as part of severance packages. Others will have been persuaded by the New Enterprise Allowance and other support that self-employment offers an alternative to unemployment, or are using the more generous Working Tax Credit treatment of the self-employed than of employees to try working for themselves.

Full-time and part-time jobs

Full-time job starts remain 22 per cent below pre-recession levels, while part-time job starts are only half as far below pre-recession levels, at 10 per cent. Since the bottom of the recession, there has actually been faster growth in full-time job starts - but this has not been enough to compensate for earlier falls. Part-time job starts now account for 39

per cent of job starts (2012–13) compared with 35 per cent before the recession. Many of these job starts have been by people who wanted but could not find full-time jobs, so the improvement in full-time job starts may allow some of these involuntary part-timers to move into full-time work.

Recent trends in earnings and employment for occupational groups

Looking in more detail at changes over the last two years (the emerging recovery), employment overall has risen strongly but earnings have continued to fall in real terms – with median annual earnings rising by 3.8 per cent from 2011 to 2013 compared with increases in the Consumer Prices Index of 5.5 per cent and in the Retail Prices Index of 6.4 per cent.

Only two occupational groups have seen both above-average wage growth and rising employment: corporate managers and directors; and associate professionals. All other occupations with above average earnings growth saw employment fall, while earnings increased by less than average (and therefore fell even further in real terms) for most occupational groups, including much of the public sector.

The evidence suggests that a return to growth may not be accompanied by the strong growth in secure and stable employment that we have witnessed in previous recoveries, and there are signs that even underneath the emerging recovery we are seeing the same long-running structural challenges – with a booming labour market at the top, growth at the bottom (but with wages held down), and a mixed picture of slow growth, stagnation or decline – including of job quality – elsewhere.

Implications for the future

In 2005, the Labour government effectively set its own definition of full employment by aiming at an employment rate of 80 per cent. In the event, the employment rate did not increase from its peak of 74.9 per cent.¹ However this in itself represented a historic high.

Achieving 80 per cent in a straightforward employment rate target is unlikely to be realistic: it would be equivalent to 3.3 million more people in work.² An alternative approach, excluding full-time students under 25, would still represent a further 1.7 million adults in work.

Based on the analysis in this report, a framework for policies to support full employment could have four key focuses:

- first, policies to support job creation and increase hiring
- second, following on from this, area-based interventions – both on the supply and the demand side
- third, policies to support the most disadvantaged groups
- last, policies to support good-quality, sustainable employment with progression.

¹ Employment rates calculated as proportion of men 16–64 and women 16–59, as was normal in 2005.

² Using the current (16–64) definition of working age.

1 Introduction

This is the latest in a series of papers commissioned by the TUC exploring what full employment should mean and how we can work to achieve it. In this pamphlet, we seek to understand three related issues:

- Which areas and groups benefited most from the UK's period of prolonged growth before the recession?
- What have been the impacts, for different areas and groups, both of the recession and the (tentative) recovery?
- What steps can we take to ensure that growth in employment can be shared equitably in the future?

We do this first by analysing data from the Labour Force Survey (LFS), Annual Population Survey and the benefits system, and then by reviewing a range of evidence on approaches to supporting those out of work to move into work.

As well as looking at standard measures of performance in terms of jobs and wages growth, we also use the Labour Force Survey data to explore labour market dynamics for different groups and areas – by looking at changes in the experiences of people surveyed during their year in the LFS panel. This enables us to give a more nuanced story of the differences in opportunities to move into work, and the likelihood of leaving it.

Before the Great Recession

The employment record of the UK between the end of the 1990s downturn and the onset of the 2008 Great Recession is generally considered to have been a success. The employment rate fell below 69 per cent³ in the aftermath of the 1990s recession, with unemployment – and particularly long-term unemployment – approaching record levels. By 2008 employment had recovered to close to 73 per cent on the same measure, unemployment was consistently below a million and economic inactivity was flat or falling. Real earnings also rose – by nearly a quarter between 1997 and 2008⁴.

Behind this, the difference between the overall employment rate and the rate for a range of disadvantaged groups – ethnic minorities, disabled people, lone parents, the over-50s and those living in the most disadvantaged areas – also fell, with only those with no qualifications seeing their employment 'gap' widen.⁵

3 Source: Labour Force Survey

4 Source: Annual Survey on Hours and Earnings

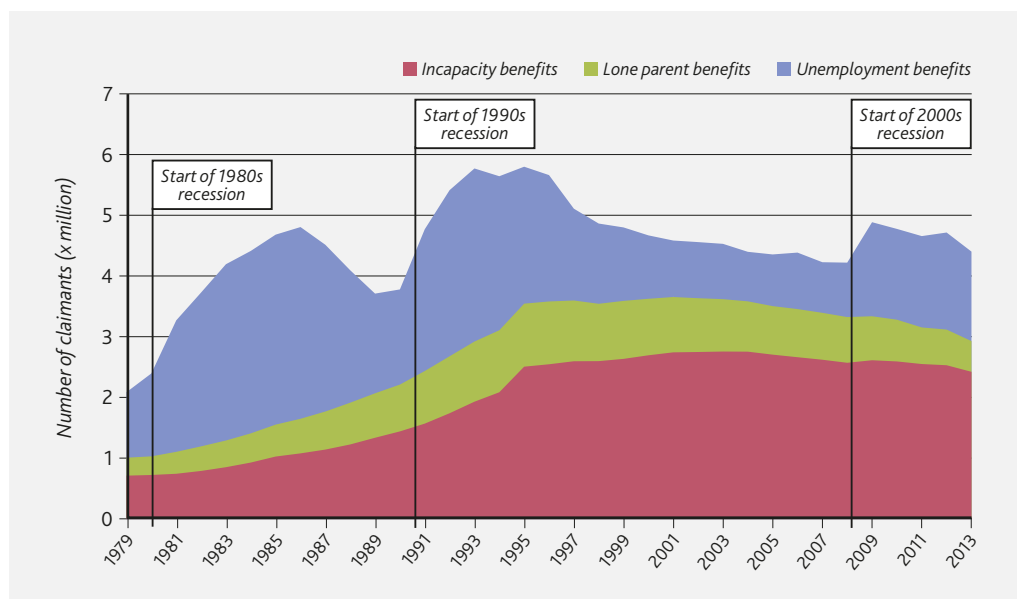
5 Source: Labour Force Survey/Annual Population Survey

This strong performance was driven by a number of factors: in particular a long period of macroeconomic stability and consistent growth, effective 'active labour market' policies, and gradual improvements in the skills of the workforce. However, even before the recession began there were significant causes for concern. Real wages were stagnant between 2003 and 2008. Employment growth for some groups – particularly lone parents and long-term disabled people – appeared to have stopped. The lowest qualified and some ethnic minority groups (particularly those of Pakistani and Bangladeshi origin) remained far less likely to be in employment than others. And the most disadvantaged areas still faced significantly greater challenges than elsewhere. For example nearly one in 10 of the working population in areas that were receiving support from the Working Neighbourhoods Fund were claiming incapacity benefits compared to just one in 20 in the rest of the country, while in those same areas there were nine unemployed people for every vacancy, compared with five elsewhere.⁶

There was a substantial improvement over the Labour years in the employment rate for lone parents, and consequently a reduction in benefit claims. On the other hand, the major rise in Incapacity Benefit claimants in the 1980s was not reversed. A period of experimentation produced some improvement in employment rates, but this was marginal.

As a consequence of these factors, the UK entered the recession with as many people on out-of-work benefits⁷ as had been the case at the start of the 1990s recession, and nearly half as many again as at the start of the 1980s recession.⁸ This is illustrated in Figure 1.1 below. As this shows, underneath the headline figures is a clear shift in the benefits being claimed: from predominantly unemployment benefits in the early 1980s, to an even split between unemployment and incapacity benefits in the early 1990s, to largely incapacity benefits by the late 2000s (as a result of both falls in unemployment and growth in claims for incapacity benefits).

Figure 1.1: Numbers on main working age benefits, 1979–2013



Source: DWP and NOMIS data, Inclusion calculations

6 Houghton, S, Dove, C. and Wahab, I. (2009) *Tackling Worklessness: A Review of the contribution and role of English local authorities and partnerships*, Final report to Department for Communities and Local Government

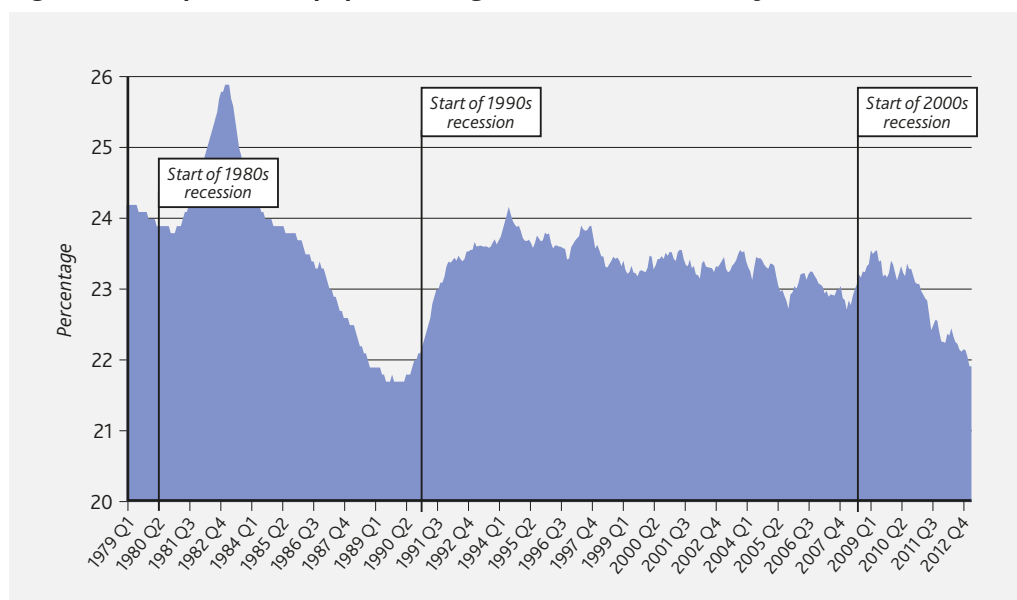
7 Defined as Unemployment Benefit/Jobseeker's Allowance, Income Support for lone parents, and incapacity benefits/Employment and Support Allowance

8 2.9 million in 1980, 4.3 million in 1990 and 4.2 million in 2008. As shares of the working age population, the figures are 7.2 per cent, 10.9 per cent and 11.2 per cent respectively. Source: DWP and NOMIS

From recession to (emerging) recovery

Since 2008, the UK has endured its deepest recession in a lifetime and a prolonged period of low growth. However while the economy remains two per cent smaller than it was in early 2008, the employment rate has fallen by only half as much as it did after the 1990s recession – and both the level of employment and the total hours worked have recovered to their pre-recessionary levels. At the same time, unemployment has risen by less than in previous recessions and there has been no increase in economic inactivity. In other words, participation in the labour market – either being in work or looking for work – has held up. This is in stark contrast to the 1980s and 1990s recessions, where inactivity rose markedly as people withdrew entirely from the labour market (as Figure 1.2 below illustrates).

Figure 1.2: Proportion of population aged 16–64 economically inactive, 1979–2013



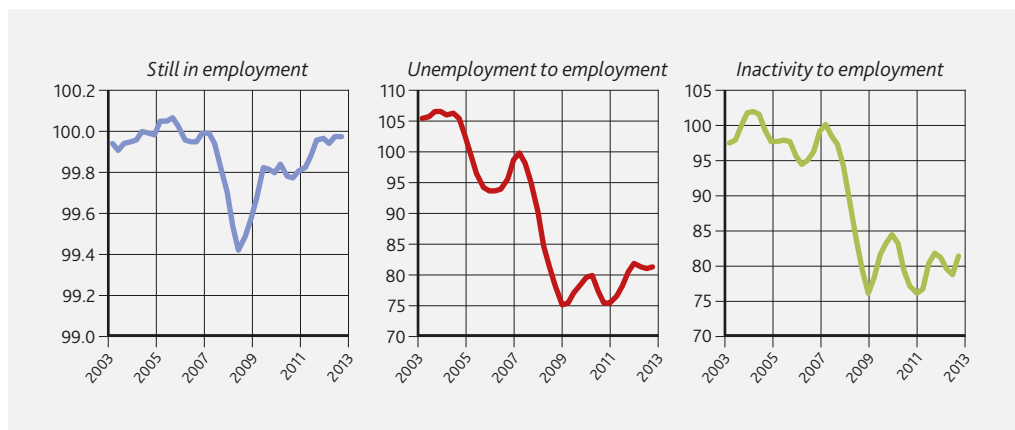
Source: Labour Force Survey

Lower output, combined with higher employment and longer hours worked, has led to a 'productivity puzzle': how can a smaller economy sustain more people working longer? The answer, inevitably, is by paying lower wages – with real wages down by nearly 10 per cent since 2008.

Looking underneath these headline figures, analysis of the flows into and out of employment, unemployment and inactivity show us that the headline increase in employment has been driven mainly by falls in exits from jobs. These 'outflows' to unemployment and inactivity have returned to the levels before the recession, with flows to inactivity now at their lowest level on record. Meanwhile, there has been a smaller increase in hiring of both the unemployed and inactive. (Overall, total job starts – including job changers – averaged around four million a year between 2009 and 2013, compared with five million in 2006–07 and nearly six million in the recovery from the 1990s recession).

These trends are illustrated in Figure 1.3 below – those retaining employment have returned to close to pre-recession levels, while the hiring rates of both the unemployed and those economically inactive (that is, the proportion who move into employment between one quarter and the next) remain around 20 per cent below pre-recession levels.

Figure 1.3: Retention in work and flows into employment: flows compared to previous quarter, Oct-Dec 2007=100, 2003–13



Source: Labour Force Survey and Inclusion analysis

This paper

Many of these general trends and challenges are at least partly understood within the current discourse on growth, employment and living standards. However, most research has tended to tell this national or general story, rather than to focus in on the issues and challenges for specific groups and areas.

This pamphlet seeks to explore in more depth the experiences, challenges and opportunities for those further from work – and to ask what it would take to move towards full employment.

Chapter 2 starts by looking at changes in employment and unemployment in different regions and local areas. Employment ‘gaps’ had narrowed substantially before the recession, but there remained a large number of areas where employment and unemployment remained a long way behind the country as a whole. With the recession, gaps have widened – but not to the same extent as in previous downturns.

In Chapter 3 we explore the experiences of specific disadvantaged groups - where again the situation had improved before the recession began and in some cases has continued to improve or at least not get worse. However employment opportunities remain far more limited for those facing disadvantages in the labour market.

Chapter 4 then sets out how the jobs market has changed, with different patterns of hiring to occupations, different qualification levels of recruits, increasingly insecure work and disparities in pay.

Chapter 5 draws these challenges together and sets out the implications for achieving equitable full employment in the future.

Chapter 6 considers how policies could respond to address some of these challenges.

2 Differences between areas

The regional picture

The first decade of the previous Labour government saw a very considerable improvement in employment in areas which had previously been left behind.

Looking at employment rates by region, between 1997 and 2007, Scotland, Wales, Northern Ireland and the northern regions all saw employment increase by substantially more than the average, with the South East and London lagging behind. However both Midlands regions saw their employment rates fall, despite a decade of consistent growth and rising employment. This is set out in Table 2.1 below.

Table 2.1: Changes in employment rates by region

	1997–2007	2007–2010	2010–2014
West Midlands	-0.1	-1.8	0.5
East Midlands	-0.3	-2.3	1.4
South East	0.9	-2.4	1.5
South West	1.9	-2.8	1.6
North West	2.4	-1.8	0.7
East of England	1.9	-2.4	2.4
Yorkshire and the Humber	2.5	-2.9	2.3
Northern Ireland	2.4	-1.5	1.5
London	0.3	-1.1	3.3
North East	4.7	-1.6	1.0
Wales	2.5	-2.5	4.2
Scotland	5.7	-3.5	2.7
United Kingdom	1.8	-2.2	1.9

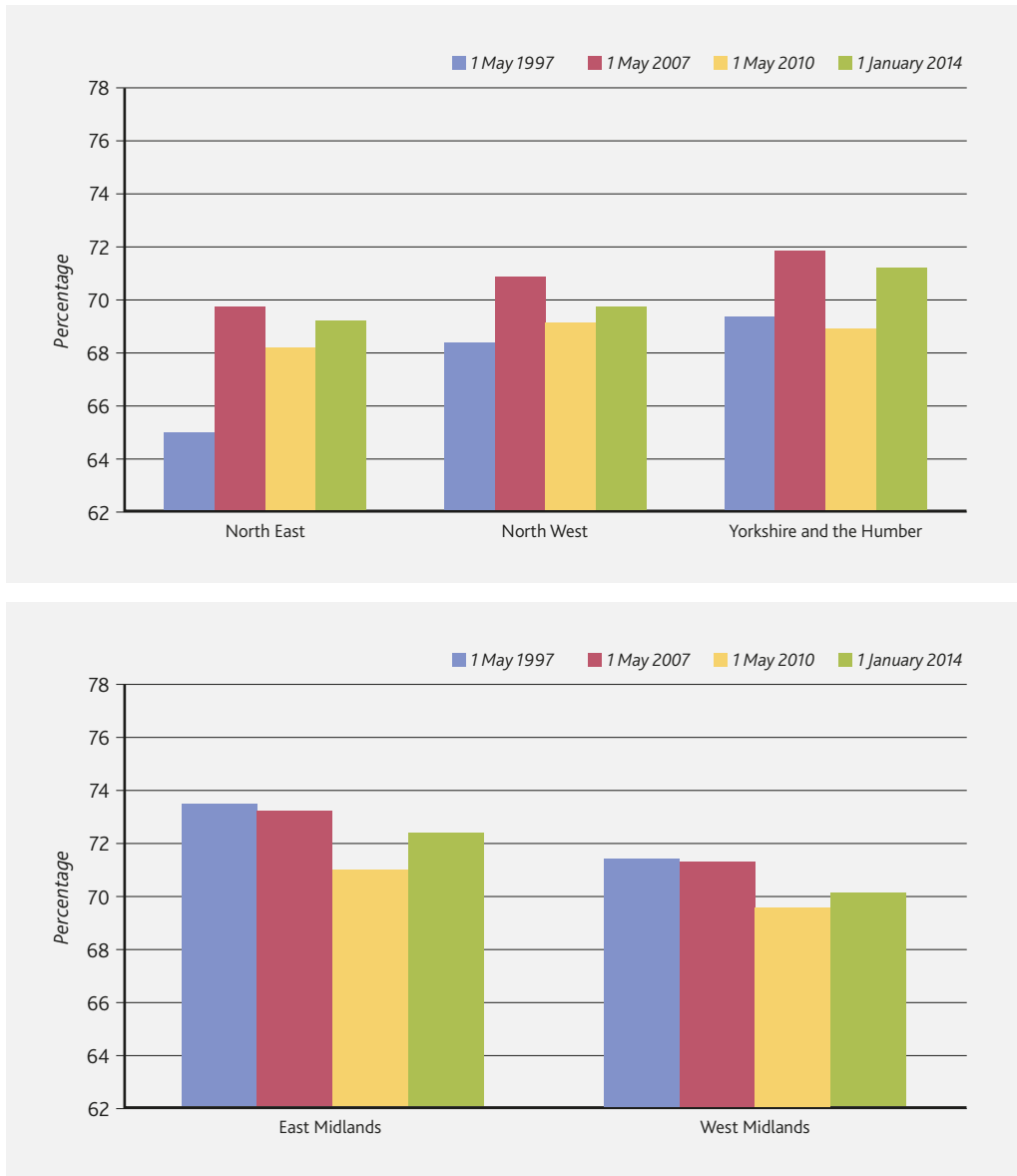
Source: Labour Force Survey and Inclusion calculations

During the Great Recession, Scotland (which had shown the largest employment rate growth in the previous decade) had the biggest fall – but remained well above the 1997 position. Once again the North East and North West fared better than most regions, as did Northern Ireland. However other disadvantaged areas have done less well – Wales, Yorkshire and the Humber and the East Midlands. Southern England (excluding London) also saw larger falls than other regions, further closing the gap in employment rates.

Since the present government took office, the devolved nations (and Wales in particular) have done relatively well, but otherwise the growth in employment has been strongest in London, the East of England and, to a lesser extent, the South East. The South West has done badly since the start of the recession, having historically had some of the higher employment rates.

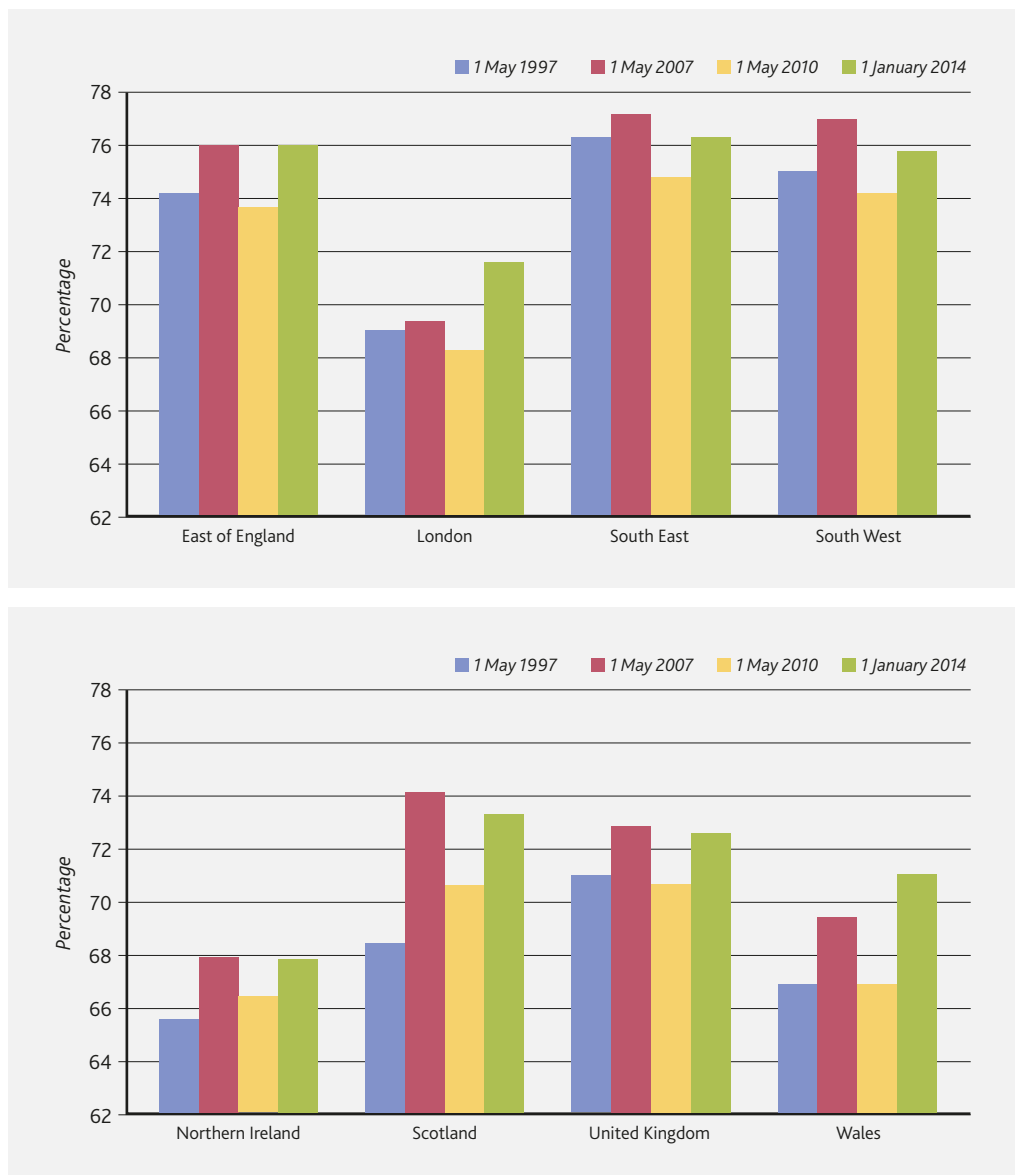
Figure 2.1 below shows how employment rates have changed over these three periods – the first ten years of Labour, the Great Recession, and the present government.

Figure 2.1: Employment rates by region, 1997–2014



Source: Labour Force Survey and Inclusion calculations

Figure 2.1: Employment rates by region, 1997–2014 (continued)



Source: Labour Force Survey and Inclusion calculations

A number of points stand out from these charts:

- First, there was an overall and substantial decrease in the gap between regional employment rates between 1997 and 2007, with the maximum difference falling from 11.4 to 9.2 percentage points. Excluding Northern Ireland (where labour market policy is essentially devolved) the maximum gap narrowed even further, to 7.9 percentage points.
- The gap closed further during the recession – from 9.2 to 8.3 percentage points (although excluding Northern Ireland it stayed broadly the same, at 7.8 points).
- Since 2010, the gaps in employment rates have varied, but the latest figures show a gap of 8.4 percentage points, little different from 2010. This gap does, however, remain far below where it was in 1997.

- While overall, much of the employment gain since 1997 has been lost, many regions with lower employment have substantially increased their employment rates – in particular the devolved nations, the North East, Yorkshire and Humberside and London.
- The falls in employment for the Midlands are marked and stand out from other regions – overall they did not benefit during the first decade, were hit hard by the recession, and have not fared well since.

The local picture – differences within regions

Differences between local authorities within regions are often larger than those between regions, and in the same way differences within local authorities are often larger than between them. This is not surprising – even in prosperous areas some places do very badly, while within less prosperous regions we find towns, villages or neighbourhoods that do very well – but it means that to understand differences between areas we need to look below the regional level.

To do this, we have used administrative data of those claiming Jobseeker’s Allowance (the main benefit paid to those unemployed) and before that Unemployment Benefit to explore how the incidence of unemployment has changed over time between local authorities overall and within regions. The advantage of using claimant count data is that it provides timely and comprehensive data to very local levels. The main disadvantage is that this only captures changes in the numbers claiming benefit for being unemployed (however as we are comparing differences between areas, rather than actual rates, this is not a significant concern).

Figure 2.2 (see page 20) shows the distribution of claimant count rates in all local authorities at different points in time between 1992 and 2014, using ‘violin plots’.

What is a violin plot?

A ‘violin plot’ is a way of presenting various data points together, so that you can see both the range of those data points but also where they fall within that range.

So in the case of plotting local authority unemployment rates, it presents all of the individual local authority unemployment rates within the ‘violin plot’.

- The height of the violin plot represents the range of local authority unemployment rates from the highest to the lowest.
- The width of the violin plot – essentially the coloured area – then indicates the number of local authorities at each point in the distribution (i.e. that have that level of claimant unemployment); so the wider the ‘violin plot’, the more authorities with that unemployment rate (and the narrower the plot, the fewer).

‘Violin plots’ get their name from the fact that they often lead to a picture that looks a bit like a violin – as Figure 2.2 illustrates. Broadly, a long and thin plot indicates that the values are spread out along a wide distribution – so in the case of unemployment this would suggest that there’s wide variation between areas. A short, fat plot indicates that the values are bunched around a narrow distribution – so for unemployment, not much variation between areas.

Continues on page 20

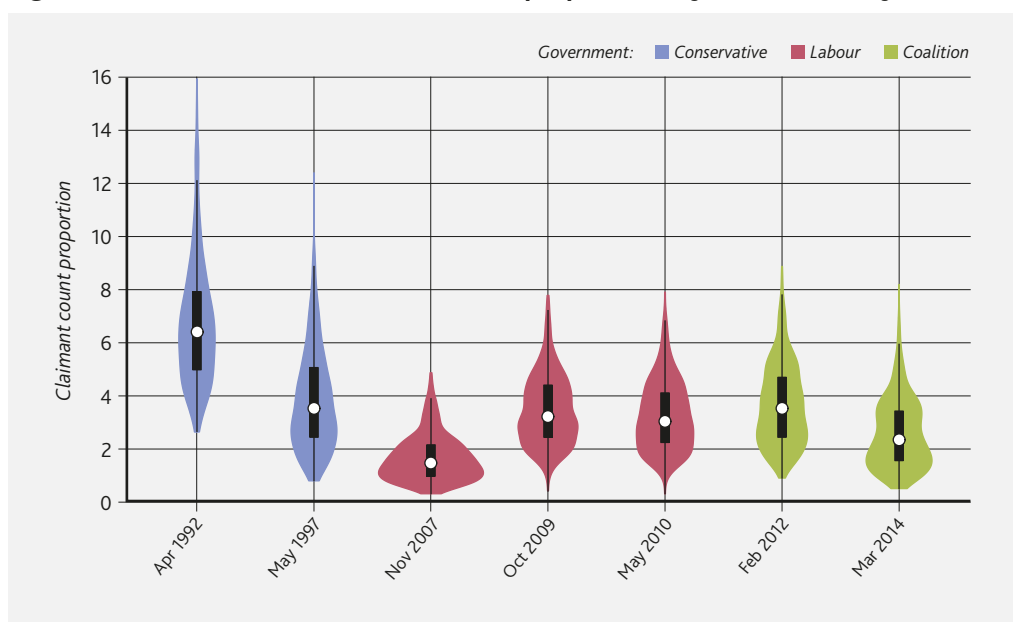
What is a violin plot? (continued)

Within the violin plot, there is also a more conventional 'box plot' and a small white dot. The box plot is the black vertical line. The shorter, thick black box shows the range of claimant unemployment rates for the half of local authorities closest to the average (that is, the 25th to the 75th percentile) while the longer, thin black line shows the range between the claimant rates of the local authorities with the highest and lowest claimant unemployment (i.e. the top of the box to the bottom).

The white dot represents the overall average – so in this case, the proportion of the population claiming Jobseeker's Allowance (or Unemployment Benefit) at that time.

This way of presenting data, then, enables us both to see the breadth of unemployment rates across local authorities, but also to see the distribution within that range.

Figure 2.2: Distribution of claimant count proportions by local authority



Source: NOMIS and Inclusion calculations

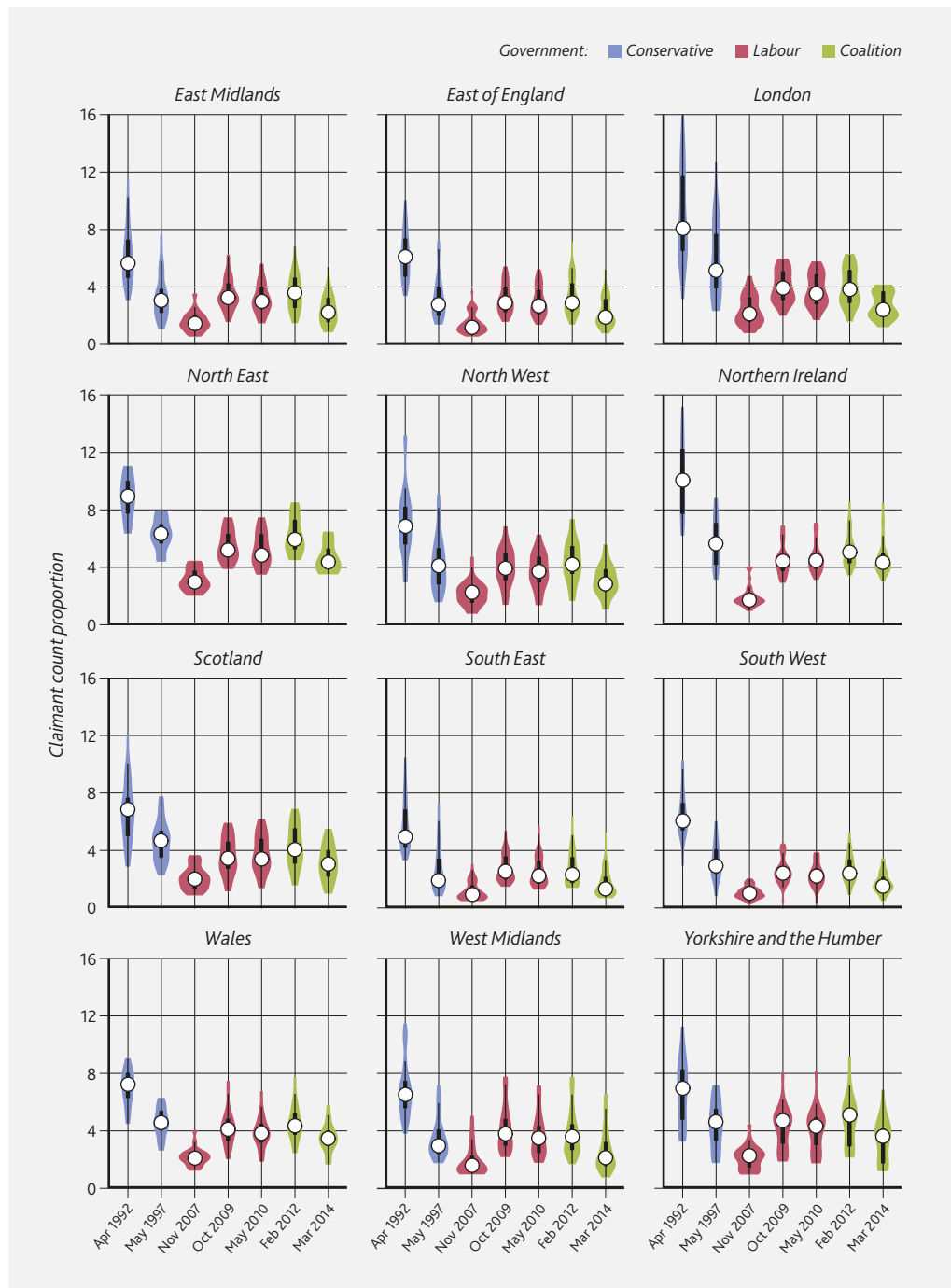
This analysis shows clearly that while claimant unemployment fell overall between 1992 and 1997, there remained very wide differences between unemployment rates across local authorities. The violin plot is relatively narrow and long.

Between May 1997 and the start of the recession, differences between local authorities were substantially reduced. Nine out of ten authorities had a claimant rate within 1.5 percentage points of the national average – which had itself halved. And the 'tail' of higher unemployment areas saw substantial improvements – those areas with the highest unemployment saw the greatest improvements.

Nonetheless, there is still a clear group of areas with unemployment some way above the average and in some cases more than twice as high. There are few surprises in where these places were: the Welsh Valleys, parts of the North East and North West, Birmingham and the Black Country and a number of deprived coastal towns.

With the Great Recession, gaps between authorities widened, but did not reach anything approaching the situation before 1997. Since the 2010 election, gaps continued to widen as unemployment increased through to Spring 2012. Since then, while the overall average claimant unemployment rate has fallen it has fallen most in areas where unemployment was lower – leading to the cello-shaped plot for the latest data. Figure 2.3 below shows the same information for each UK region or nation.

Figure 2.3: Distribution of claimant count proportions by local authority, for each region or nation



Source: NOMIS and Inclusion calculations

In general, the pattern of a great reduction in the spread of claimant unemployment rates between local authorities between 1997 and 2007 applies to every region, along with a decline in the overall claimant count rate. However the extent to which divergences within regions have re-emerged after the recession differs between regions.

The extreme differences seen within London in the 1990s, for example, have not re-emerged – although this may be as much due to regeneration creating islands of prosperity within poorer boroughs as to improvements for all.

In other regions, particularly Wales, the West Midlands and Yorkshire and the Humber, distributions look worryingly similar to how they were in 1997. Taking these in turn:

- In Wales, unemployment is highest across the five local authorities that make up the Welsh Valleys plus Newport in the south, and Anglesey in the north. Three of the Valley authorities have seen their relative position decline significantly since 1997 (Caerphilly; Rhondda, Cynon Taff; Torfaen), while Swansea and Pembrokeshire in the south west have gone from having among the highest unemployment rates in 1997 to among the lowest in 2013.
- In the West Midlands, the long ‘tail’ of local authorities with relatively high unemployment comprises Birmingham and large parts of the Black Country (Wolverhampton, Sandwell, Walsall, Dudley, Coventry), plus Stoke-on-Trent. These same seven local authorities also had the highest unemployment in 1997.
- Yorkshire and the Humber has a very wide distribution of unemployment rates across the region – with very high unemployment in Hull and generally higher unemployment in cities than in more rural areas. This is set out in more detail in Table 2.2 on page 23.

At the same time that some regions have seen gaps grow between areas, in others there appears to be an improving spread of claimant rates – in particular both the South West and the North West.

In the South West, some of the same authorities are in similar rank positions – with Bristol, Torbay, Gloucester, Swindon and Plymouth with higher rates, and places like Cotswold and North Dorset having lower rates (even discounting Scilly, which has an exceptionally low rate). The areas with higher rates are still better than in 1997, and much better than in 1992.

In the North West, claimant rates are highest, as in 1992, in Merseyside, parts of Greater Manchester, Blackpool and Blackburn, and lowest in parts of Lancashire. However, as in the South West, the claimant rates in some of the higher unemployment areas are well below 1997 levels, let alone 1992. This applies to Merseyside in particular, while Greater Manchester and Blackpool are back to the 1997 position or in some cases worse.

Table 2.2: Yorkshire and Humber claimant unemployment rates at local authority level, May 1997 and August 2013

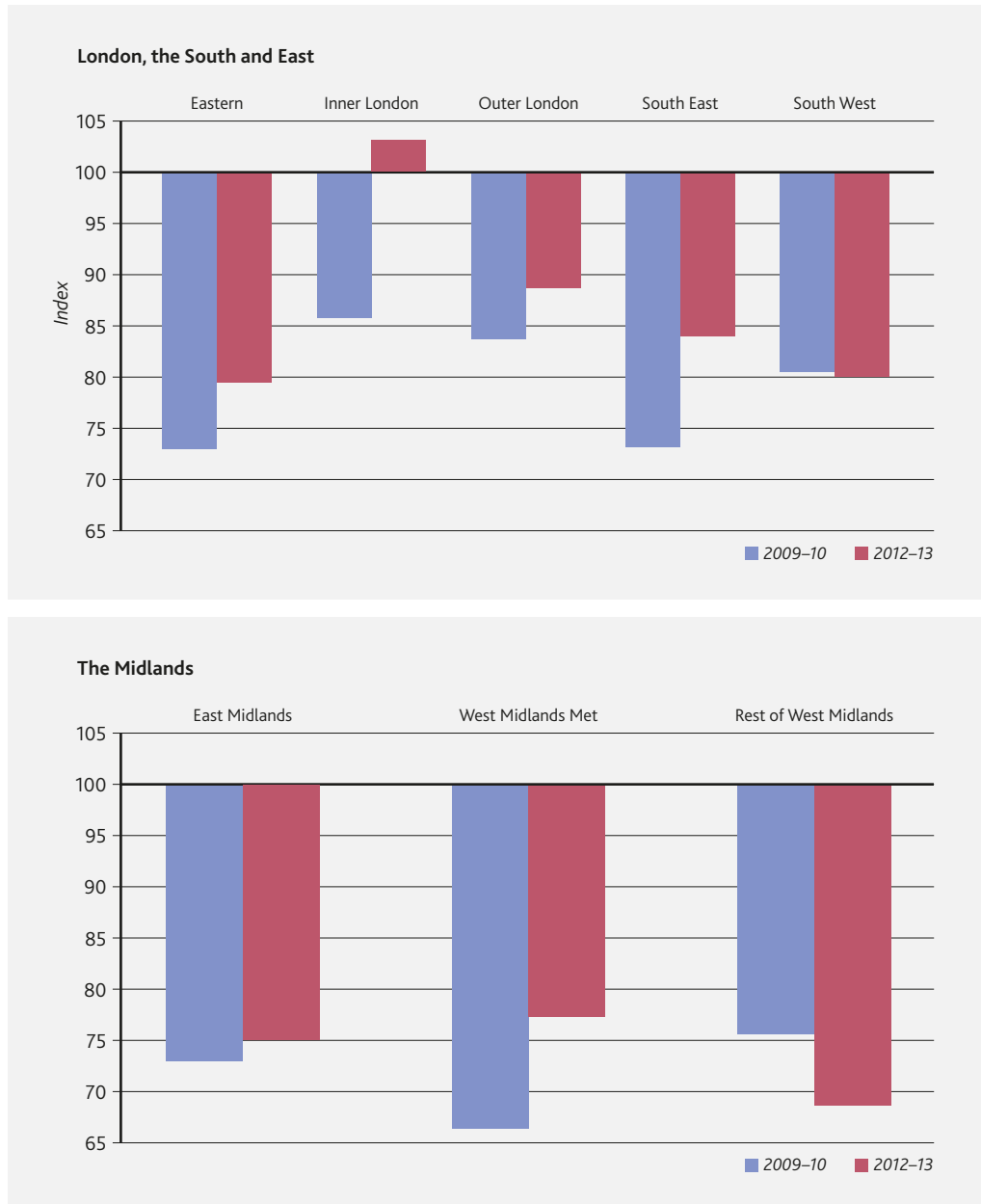
<i>Local authority</i>	<i>Aug 2013</i>	<i>May 1997</i>	<i>Change in position, 1997 to 2013</i>
Kingston upon Hull, City of	7.8	7.1	-
North East Lincolnshire	5.9	6.5	-
Bradford	5.8	5.4	-3
Doncaster	4.9	6.2	-
Rotherham	4.9	6.2	-
Barnsley	4.7	5.2	-1
Calderdale	4.5	4.6	1
Kirklees	4.5	4.5	-4
Leeds	4.5	4.0	-5
Sheffield	4.4	6.3	7
Wakefield	4.1	4.6	2
North Lincolnshire	3.8	4.2	-
Scarborough	3.4	4.6	3
East Riding of Yorkshire	2.7	3.4	-1
Selby	2.2	3.2	-1
York	1.8	3.5	2
Craven	1.6	2.2	1
Ryedale	1.6	1.6	-4
Hambleton	1.3	2.2	1
Harrogate	1.3	2.1	1
Richmondshire	1.2	1.9	1

Job starts and hiring in regions and sub-regions

Underneath the headline changes in employment and unemployment, more detailed data on job starts and hiring can give us an insight into the dynamics of local labour markets. The data we have on new job starts does not go down to local authority level. However, we do have information on city regions in a number of cases.

Figure 2.4 (see pages 24, 25 and 26) shows new job starts in regions and sub-regions, indexed to job starts in 2006–07.

Figure 2.4: job starts as a proportion of all jobs, indexed to 2006–07



Source: Labour Force Survey and Inclusion calculations

Overall, job starts over the last two years remain well below their pre-recessionary levels, and show only slight improvement from the depths of the recession. However this disguises a number of regional and sub-regional trends. London has seen the smallest falls – with job starts in inner London recovering to pre-recessionary levels. Perhaps unsurprisingly, the South East has also done relatively well.

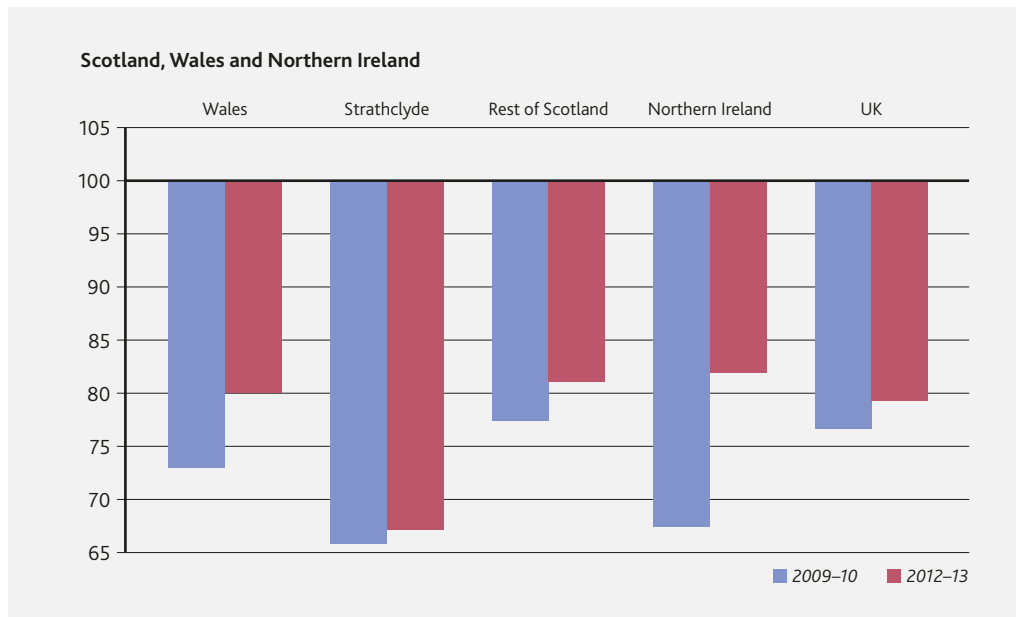
Figure 2.4: job starts as a proportion of all jobs, indexed to 2006–07 (continued)



Source: Labour Force Survey and Inclusion calculations

However beyond London and the South East we see some areas doing much better than others. In particular, metropolitan areas have recovered substantially better than their surrounding regions – with Tyne and Wear far closer to 2006–07 levels of hiring than the rest of the North East, Greater Manchester substantially outperforming the wider North West, and South Yorkshire recovering more quickly on some measures than the rest of Yorkshire and Humberside. Even Merseyside, the worst performing northern city region, still outperforms the rest of the North West. The one exception to this is Strathclyde (i.e. Glasgow and the West of Scotland), which is doing substantially worse than the rest of Scotland.

Figure 2.4: job starts as a proportion of all jobs, indexed to 2006–07 (continued)



Source: Labour Force Survey and Inclusion calculations

These are relative changes since the start of the recession, and many of these city regions had hiring rates well below their surrounding areas at the time. Therefore this shows that gaps are closing and that since the recession, city regions are improving their position relative to surrounding areas. However job starts overall remain well below pre-recession levels, in all areas except inner London.

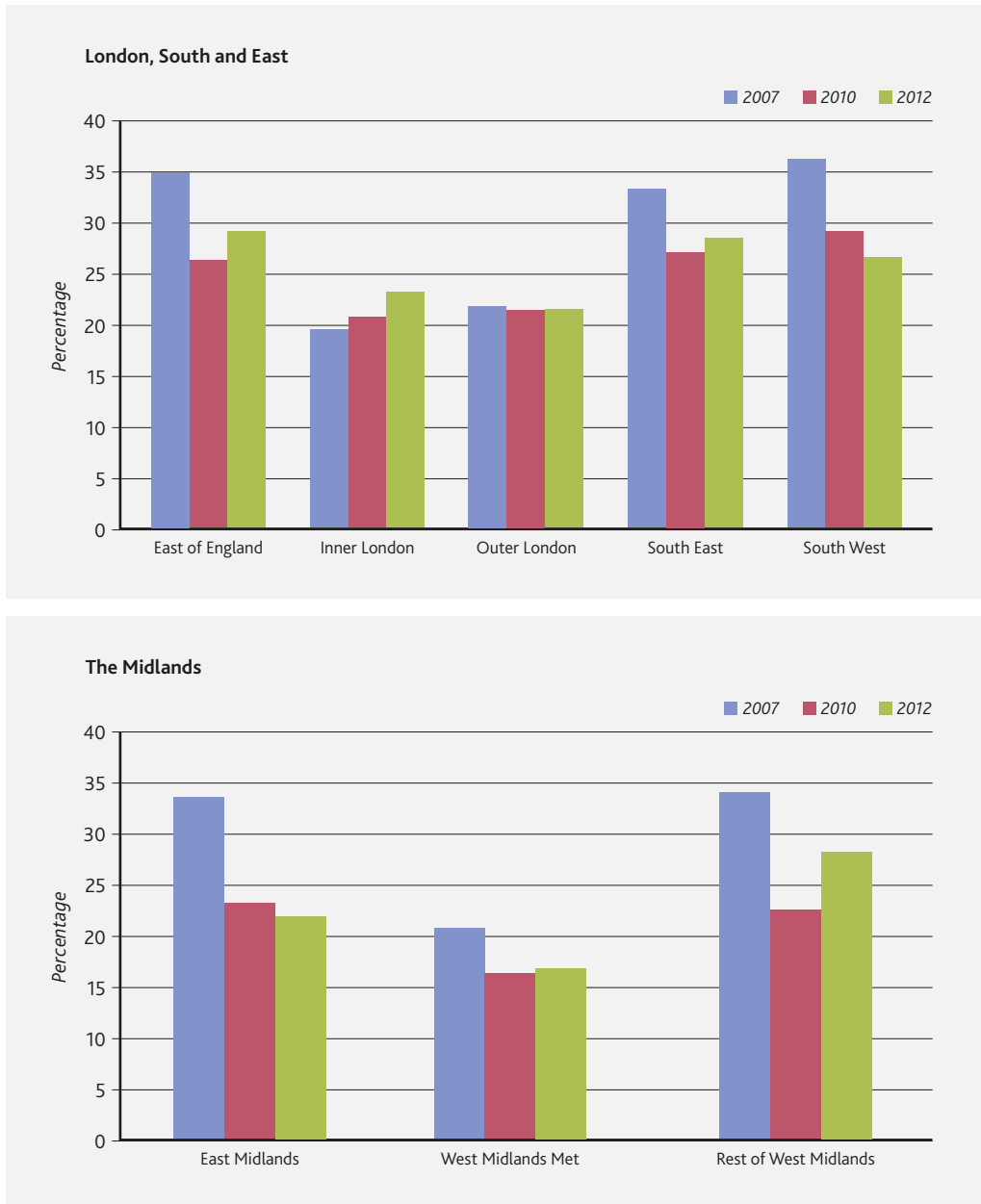
These overall lower job starts also translate into lower 'hiring rates' for the unemployed – that is, the proportion of all unemployed who exit to employment in any given quarter. This is set out in Figure 2.5 on pages 27 and 28, showing hiring rates for all regions and a selection of city regions in 2007, 2010 and 2012.

In general, hiring rates fell substantially with the recession and have shown little sign of recovery. The exceptions to this are Wales and some northern cities including Tyne and Wear – where rates have recovered – and London, where rates never really fell (but remain substantially below the rest of the south of England).

Northern metropolitan areas have generally done better than their regions (although Merseyside lags the rest of the North West), while the very low hiring rate of the West Midlands city region shows just how far behind the rest of the country this area has slipped, even if it has not dropped as far in percentage terms as other areas.

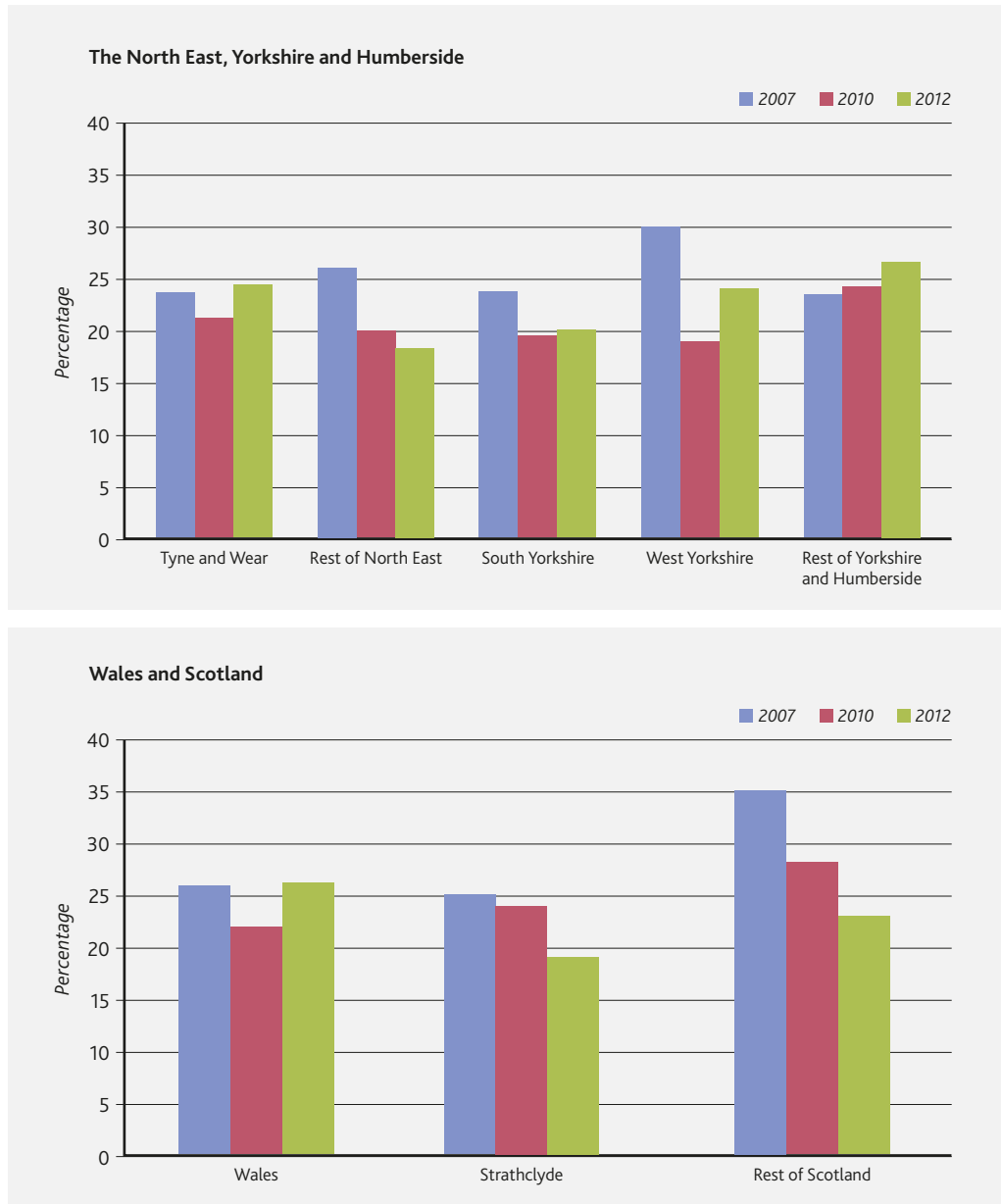
Hiring rates remain highest in the south of England. However, the South West's relative position has declined significantly since the recession started.

Figure 2.5: hiring rates from unemployment, 2007 to 2012-13



Source: Labour Force Survey and Inclusion calculations

Figure 2.5: hiring rates from unemployment, 2007 to 2012–13 (continued)



Source: Labour Force Survey and Inclusion calculations

Conclusions

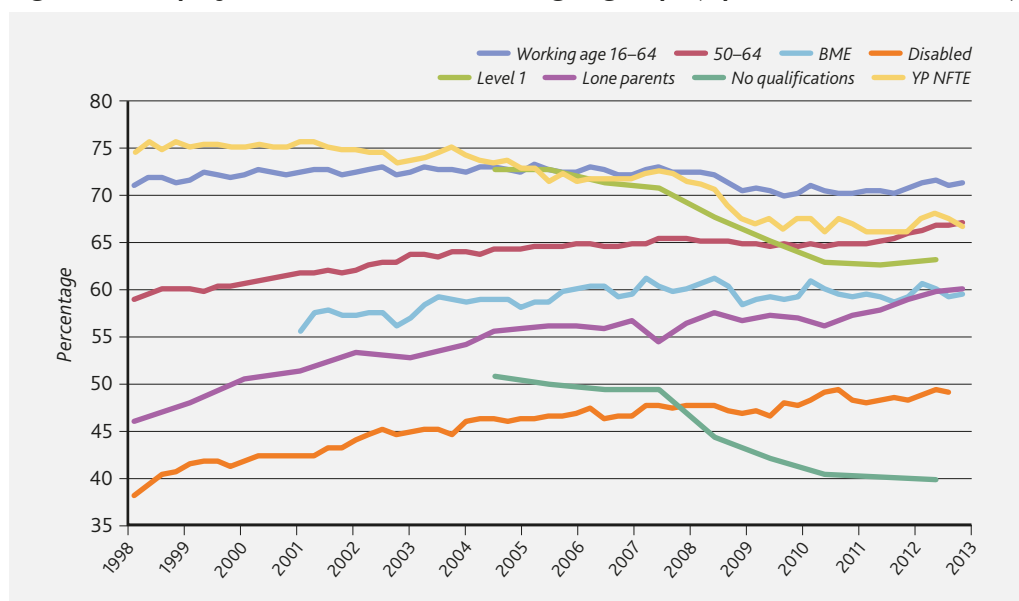
The large gaps between areas that existed before 1997 have not yet re-emerged. There are some signs of gaps between local authorities growing, but these are not on the pre-1997 scale. Data on both job starts and hiring rates show that many city regions, including in the North of England, are closing gaps which existed before the recession. This is positive, but the corollary of this is that the remaining parts of those regions have done worse, and have often under-performed the country as a whole. The North West outside Greater Manchester, the North East outside Tyne and Wear, Strathclyde and the Midlands all stand out as causes for concern – with sharp falls in job creation and hiring rates since the recession. In the case of the Midlands, the claimant count data also suggests a worrying widening of gaps between local areas.

3 Differences between groups

As well as looking at differences across areas, it is important also to examine how labour market trends have changed for disadvantaged groups. A range of groups have, and always have had, lower employment rates than the average.

Under the Labour government, successive Public Service Agreements targeted a reduction in employment gaps for various groups – in particular older people, disabled people, lone parents, those with the lowest qualifications, and those from black and minority ethnic backgrounds. Employment rates for these groups, plus for young people not in full-time education, are shown in Figure 3.1 below (along with the overall employment rate for those of working age).

Figure 3.1: Employment rates for disadvantaged groups (April to June, 1998–2013)



Source: Labour Force Survey and Inclusion calculations

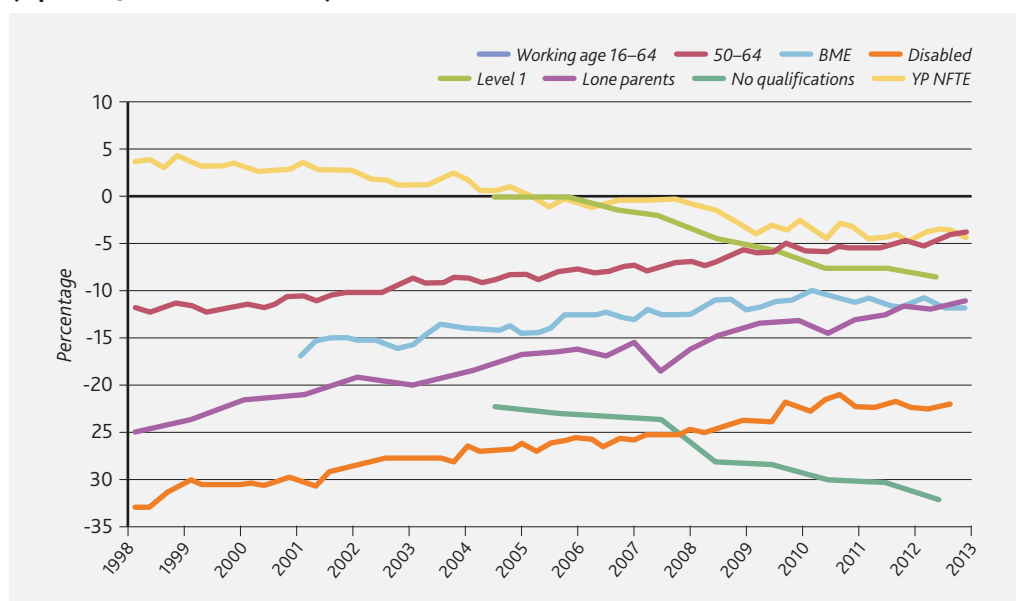
As this chart shows, employment rates for most disadvantaged groups increased throughout the period from 1998, and in some cases have increased even through the recession. The exceptions – where employment rates have fallen – are those that are low qualified or without qualifications and (particularly since the recession) young people not in full-time education.

Another way of looking at this is by measuring the 'gap' between the employment rate for all people of working age, and for the same disadvantaged groups. This is set out in Figure 3.2. This illustrates that employment gaps have narrowed substantially for a number of groups – for lone parents the gap has fallen by nearly 15 percentage points in 15 years, for disabled people by around 10 points, for older people by eight points. Remarkably, gaps have not widened for these groups during the recession, and in the case of older people and lone parents have continued to narrow.

It is important to note, however, that despite these gains the gaps in employment rates remain significant – with fewer than half of disabled people in work, and around 60 per cent of lone parents and people from black and ethnic minority backgrounds.

This graph also clearly illustrates the sharp decline in fortunes for young people not in education and the lowest qualified – with young people moving from being four percentage points more likely than the average to be in work to nearly five percentage points less likely, and the lowest qualified seeing similar falls of around 10 percentage points over 10 years.

Figure 3.2: Employment rate gaps for selected disadvantaged groups (April to June, 1998–2013)



Source: Labour Force Survey and Inclusion calculations

How far these changes reflect policy choices, as opposed to economic and labour market factors, is an open question. However it is important to recognise that successive waves of reforms to lone parent benefits have led to increases in the numbers of lone parents looking for and finding work, while reforms to support individuals to extend their working lives may also have played a part in the growth of employment among older people (along with the declining value of many workers' pension pots).

Trends in job starts and hiring rates

These headline employment figures only tell us the proportions of people that are in work, which can be driven by people staying in work, entering work, or both. However we are particularly interested in the chances of people who are out of work moving into work – which means looking at trends in job starts and hiring rates. This picture is more complicated than the headlines, and is explored below.

Are the long-term unemployed getting jobs?

The hiring rate for unemployed people who are longer-term unemployed is very much lower than that for short-term unemployed, as Figure 3.3 below shows. More than one-third of those who were short-term unemployed had jobs three months later. This declines to one in eight of those who had been unemployed two years or more.

This figure also illustrates that hiring rates fell significantly with the recession, across almost all durations of unemployment, and in most cases have failed to return to where they were. If you become unemployed, the likelihood of your finding work has got worse, and it gets worse still the longer you are out of work.

Figure 3.3: Hiring rates from unemployment, by duration unemployed



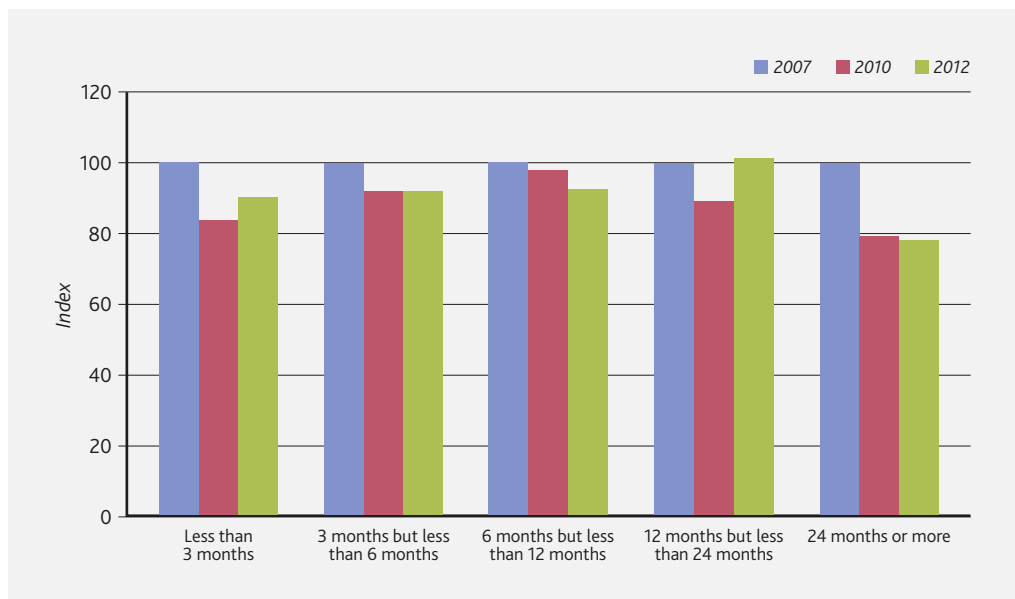
Source: Labour Force Survey and Inclusion calculations

However, hidden within this rather depressing chart are some more positive findings.

While the hiring rates for the longest term unemployed show the largest drop since the recession started, hiring rates for those unemployed for between one and two years are now marginally above their pre-recession hiring rates. Similarly, for those unemployed for between three months and one year, the drop in hiring rates is smaller than it has been for the shortest term unemployed.

If we present the same information as above, but with the pre-recession hiring rate as 100, the patterns become clearer. This is set out in Figure 3.4 on page 32.

Figure 3.4: Hiring rates of the unemployed by duration, indexed to 2007



Source: Labour Force Survey and Inclusion calculations

There may be a number of reasons for these different trends for different groups of the unemployed.

Hiring rates fell least between 2007 and 2010 for those unemployed between six months and one year. This will likely be explained in part by the significant additional support made available by the Labour government after the onset of recession, including through the Six Month Offer in 2009 (wage subsidies, training places and additional adviser support) and the Future Jobs Fund – which formed part of a guarantee of a job or training for young people unemployed for up to 10 months, but which was also open to some older people unemployed for more than nine months. The falling back in hiring rates in 2012 coincides with this support being withdrawn – but hiring rates nonetheless remain closer to 2007 levels than for nearly any other group.

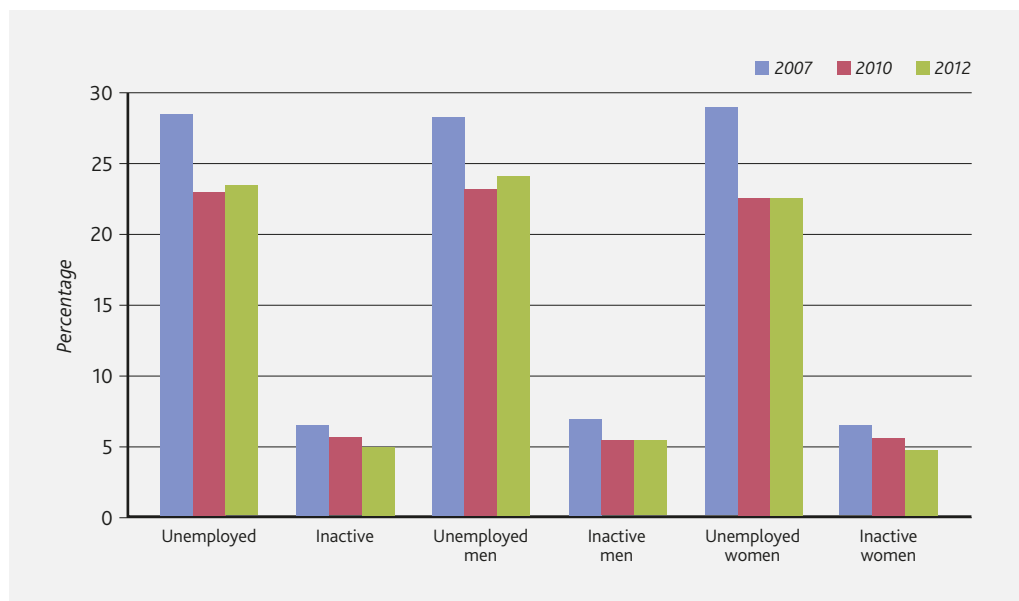
For those unemployed between one and two years, many will have been participants in the Labour government’s Flexible New Deal (2009-2011) or the present government’s Work Programme (2011 onwards). The steep fall in the 2010 figures may in part reflect this becoming a relatively more disadvantaged group (i.e. they had not secured employment through the Six Month Offer or Future Jobs Fund), which could also explain the ‘rebound’ in the 2012 figures. The relatively strong figures in 2012 also suggest that the Work Programme has not had a negative impact, for those unemployed for between one and two years, on chances of finding work. However the very poor hiring rates for those unemployed for more than two years, many of whom in 2012 would also have been on the Work Programme, is a cause for concern.

Are men or women more likely to be getting jobs?

Before the recession, unemployed women were slightly more likely to get jobs than men. Since the recession this has reversed, with the drop in hiring rates larger for women than for men.

For those who were 'economically inactive', hiring rates have always been very low (relatively few people enter work if they are not looking for work or available for work). However, men in this position had a slightly higher hiring rate than women, and this difference has been maintained and slightly increased.

Figure 3.5: Hiring rates from unemployment and inactivity for men and women



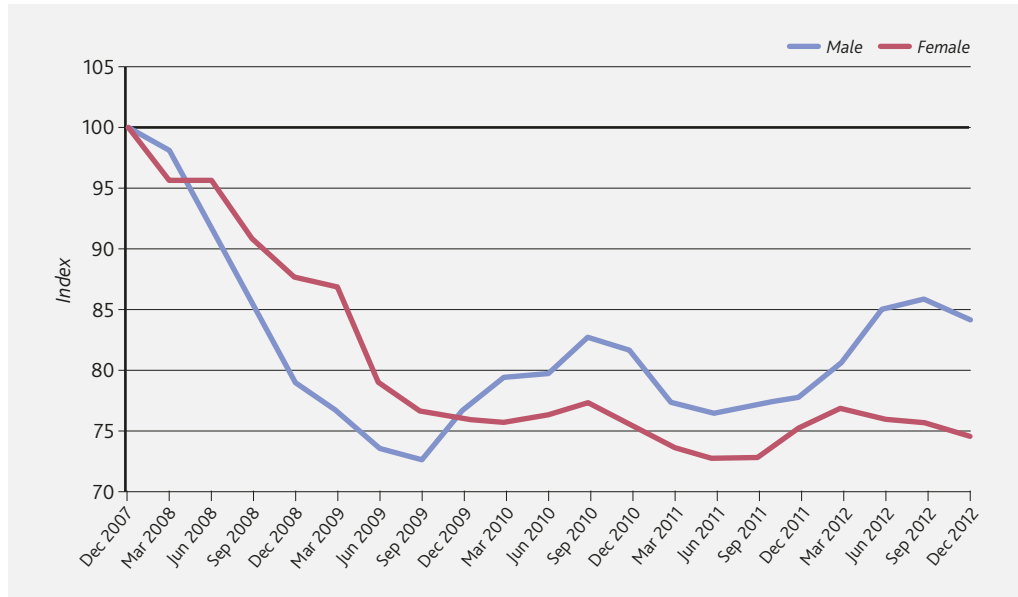
Source: Labour Force Survey and Inclusion calculations

Looking in more detail at how hiring rates have changed over time, Figure 3.6 (see page 34) compares unemployed men and women directly, indexed to late 2007. This is drawn from recent analysis of hiring rates by the Office for National Statistics.⁹

The fall in the hiring rates as a result of the recession was, overall, broadly similar between unemployed men and women – but happened at different times, with the men's fall preceding and being faster than that for women. Since the bottom of the overall recession however, the hiring rate for unemployed men has improved while that for women has remained low if not fallen further.

9 ONS article from about 14 November 2013 (ONS website down)

Figure 3.6: Hiring rates from unemployment since 2008 for men and women, indexed to December 2007



Source: Office for National Statistics and Inclusion calculations

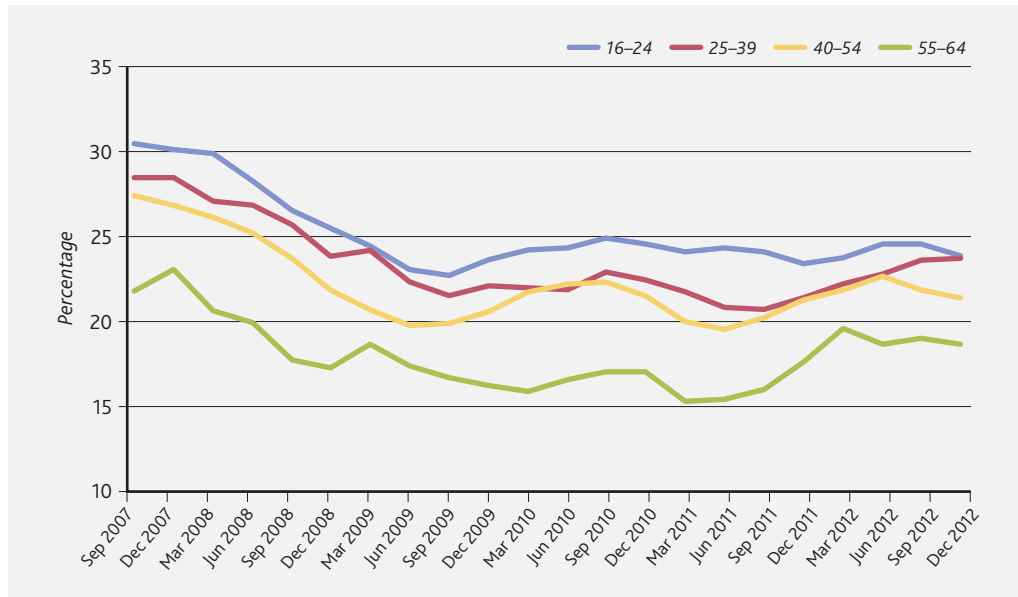
Overall, then, there is evidence in the hiring rates of unemployed and inactive people that women have fared worse since the recession than men. However it is important to note that the differences in hiring rates between men and women are relatively small.

Are young or older people as likely to get jobs as the middle-aged?

The ONS analysis shows that the hiring rates for unemployed young people (16–24) are consistently the highest of all age groups – reflecting the dynamism of the jobs market as young people move into and between different jobs often very quickly. The hiring rate for the 55–64 age group who are unemployed is, equally consistently, the lowest of the four age groups studied.

This is illustrated in Figure 3.7 on page 35. As this data also shows, however, hiring rates from unemployment across all age groups fell significantly with the recession and have not regained lost ground.

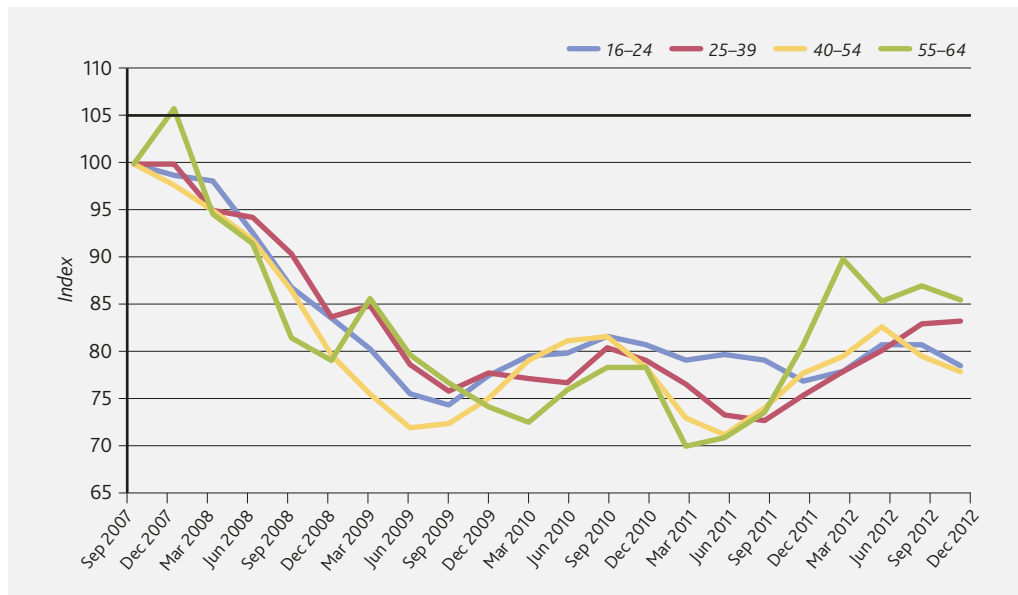
Figure 3.7: Hiring rates from unemployment by age



Source: Office for National Statistics

However, if we analyse the same figures by the percentage change since the start of the recession, most of the differences between age groups disappear, with the exception of a relative improvement for those aged over 55 since 2012.

Figure 3.8: Hiring rates from unemployment by age

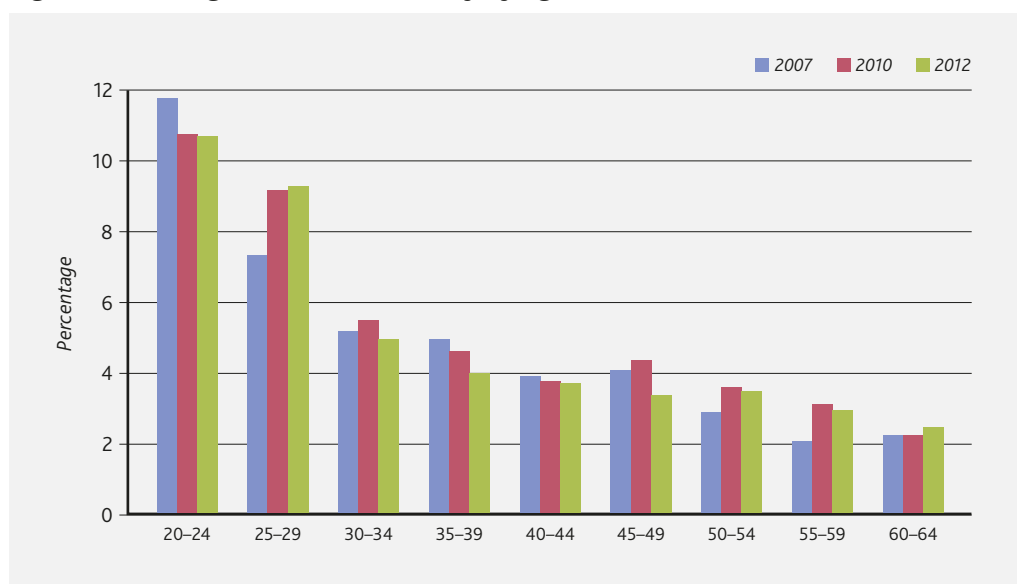


Source: Office for National Statistics and Inclusion calculations

This shows that the gaps in hiring rates did not worsen through the recession, and for the oldest group, there has recently been a noticeable closing of the gap. However hiring rates remain between 15 and 23 per cent below their pre-recession levels.

Separately, our own analysis of hiring rates from inactivity shows a decline with age, and a stark difference between rates for younger people (mostly entering work from education) and older groups. These rates are shown in Figure 3.9 below. The trends here are rather less clear than for the unemployed. Hiring rates have fallen for young people (20- to 24-years-old), as they have for the unemployed, but risen strongly for 25- to 29-year-olds – which may be explained by more people entering the labour market after a later period of education). Hiring rates are well below pre-recessionary levels for those aged between 30 and 50, consistent with the trends for the unemployed, but then rise sharply again for older people – which may reflect greater financial need among older people who would previously have remained outside the jobs market.

Figure 3.9: Hiring rates from inactivity by age

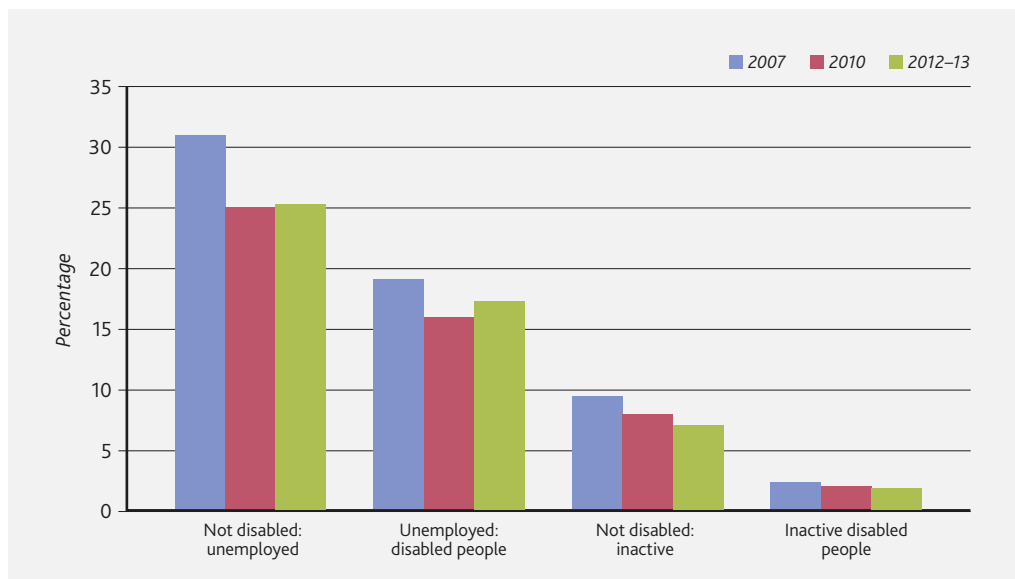


Source: Labour Force Survey and Inclusion calculations

Are disabled people finding work?

The hiring rates for disabled people are far below those for non-disabled people. For those who are unemployed – that is, looking for work and available to start, the hiring rate is eight percentage points below that for non-disabled people. The gap in hiring rates for inactive people is almost as large, and hiring rates for inactive disabled people are under two per cent. These differences are shown in Figure 3.10 below.

Figure 3.10 – Hiring rates from unemployment by whether disabled



Source: Labour Force Survey and Inclusion calculations

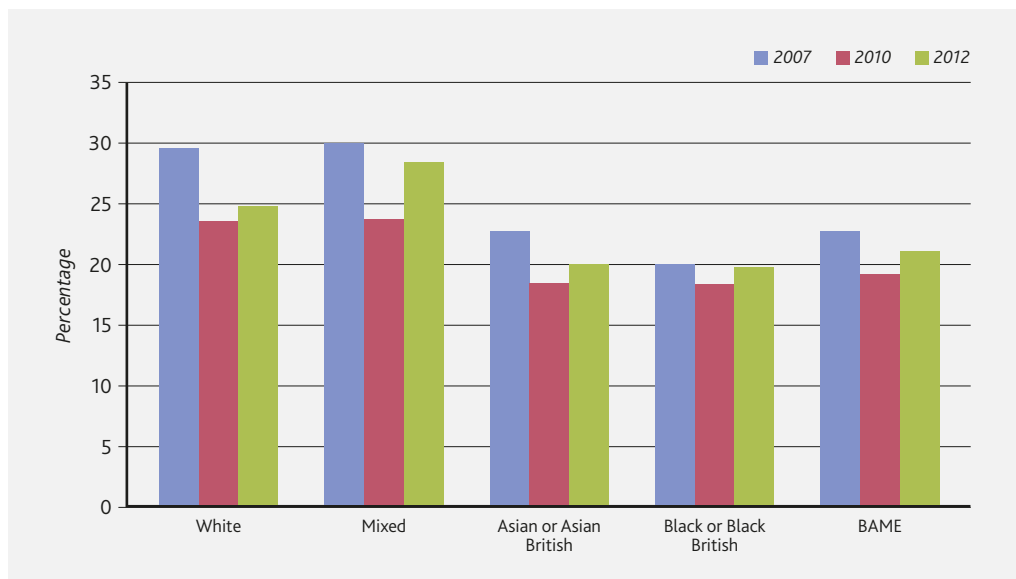
This chart also shows that the drop in hiring rates for disabled people has been substantially less than the fall for non-disabled people, for both the unemployed and the inactive. For the unemployed, the hiring rate gap has fallen by about a third since 2007.

Given the depth and length of the recession, this is a welcome finding – it does not appear that unemployed disabled people have fared worse in seeking to return to work.

Are black and minority ethnic people getting jobs?

Hiring rates for black and minority ethnic unemployed people are generally lower than hiring rates for unemployed white people (with the exception of those identifying as mixed race). However, hiring rates for black and minority ethnic unemployed people fell less than they did for unemployed white people, and have recovered more sharply since the depths of recession. The hiring rate for 'Black or Black British' is 99 per cent of the pre-recession level, while that for unemployed white people is 84 per cent of pre-recession – still 16 per cent below 2007. This is illustrated in Figure 3.11 on page 38.

Figure 3.11 – Hiring rates from unemployment by ethnicity



Source: Labour Force Survey and Inclusion calculations

However while this is promising and welcome, given the depths of the recession, it is important to note that the overall hiring rate for black and minority ethnic unemployed people remains substantially below that for white people, at 21 per cent compared with 25 per cent.

Conclusions

Overall, people in disadvantaged groups remain far less likely to be in work than average, and those that are out of work remain less likely to find a job. However, in many cases fears that a deep recession would lead to the most disadvantaged falling further behind have largely not been realised. For most disadvantages and disadvantaged groups, the chances of finding work have dropped back less far than for others, and, overall, gaps in hiring rates seem to have closed to an extent. The main exceptions to this have been young people outside education and the lowest qualified -- who have seen their positions get substantially worse.

Nonetheless because the most disadvantaged are more likely to be out of work, and the numbers out of work have grown, it follows that the recession has had a significant impact on disadvantaged groups – with many still out of work and struggling to get back in.

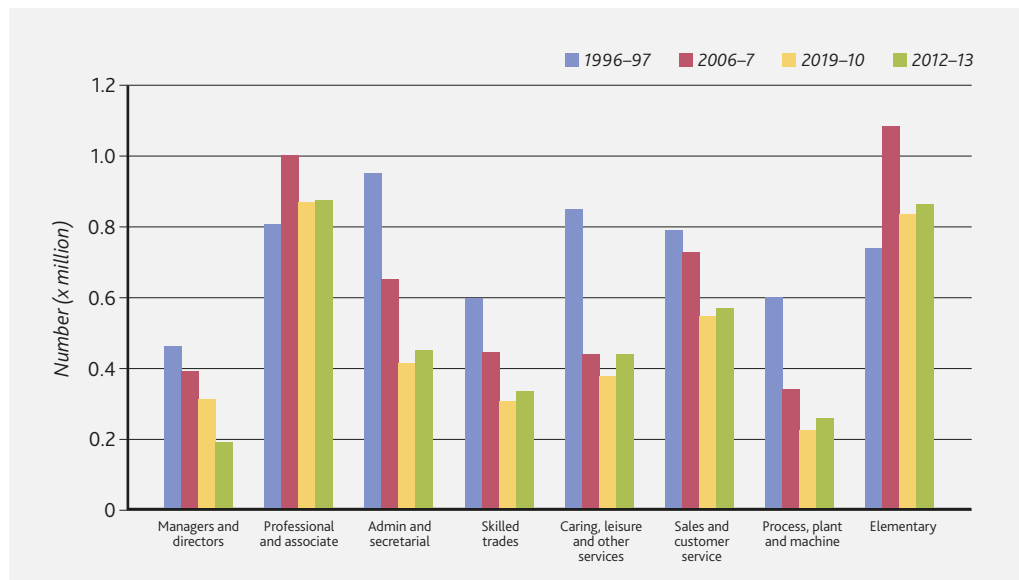
4 Changes in the work that people do

In this chapter we look in more detail at changes in the employment market, particularly through job starts and hiring rates. This is important for two reasons: first, a key feature of this recession has been that employment has held up but wages have fallen, so changes in the employment market are likely to be important; and secondly, changes now may give indications on future prospects for those out of work.

Hiring for different occupational groups

Looking first at hiring in different groups of occupations, we see both significant changes over time and differences between groups. This is set out in Figure 4.1 below. (In these and subsequent analyses, we have averaged job starts over two years so as to have sufficient data on which to base breakdowns.)

Figure 4.1: Hiring by occupations



Source: Labour Force Survey and Inclusion calculations

The two largest groups, by a very considerable margin, are professional and associate professional occupations (which has been merged because of changed definitions) and elementary occupations.

In 1996–97, there were three other large groups: administrative and secretarial occupations, caring leisure and other personal services, and sales and customer service. However these have all seen significant declines. These declines could in fact be under-stated, as a further definitional change in the managerial group has seen supervisory and middle management jobs moved from this group (explaining that decline) into the groups they manage.

However, the polarisation pattern is still clear: from a 1996–97 economy where job starts were broadly spread across occupation groups, in 2012–13 job starts were concentrated at the top and bottom of the labour market. (However, it is important to note that the high volume of starts in elementary jobs also in part reflects that these jobs tend to have higher turnover.)

Compared with 1996–97, the professional/associate professional and elementary groups are the only groups that have seen an increase in total job starts. Sales and customer services job starts are 72 per cent of their 1996–97 level; for skilled trades job starts are at 56 per cent; for caring, leisure and other service jobs, job starts are 52 per cent of the 1996–97 level, while for remaining groups job starts are less than half their levels in 1996–97.

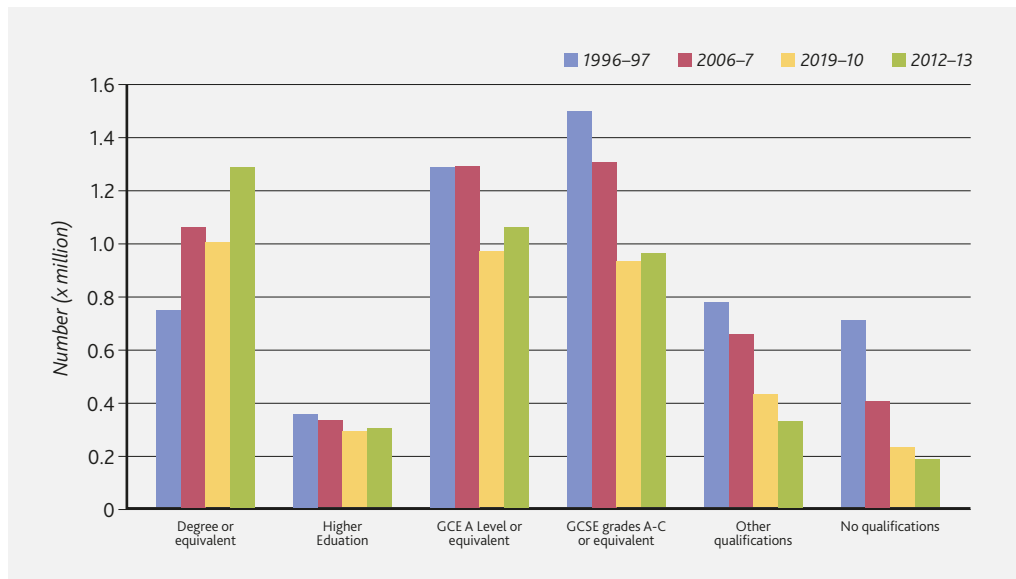
Looking just at the pattern since the start of the recession, the professional/associate professional and care/personal services groups are almost back up to pre-recession job starts levels, while other groups are around 25 per cent down – with the largest fall being for administrative and secretarial jobs.

Polarisation is not just down to the reduction in skilled trades, it includes administrative and secretarial jobs (the largest fall in job starts since the recession) and sales and customer services as well. Process, plant and machine jobs (which include drivers) share in the pattern.

Hiring by qualification levels

Before the recession began, the largest groups of job starters were people with GCSEs at A*-C (1.31 million) and those with A levels (1.29 million) – both some way ahead of those with degrees at 1.06 million. In 2012–13, these positions have reversed. There were 1.3 million job starts for graduates, 21 per cent above the 2006–07 level, while starts for those with GCSEs have fallen by around a quarter to 960,000. Job starts for the A level group fell a little less, to 1.06 million. At the same time, the number of job starts for those with no qualifications has declined substantially and now stands at just 186,000 a year.

Figure 4.2: Job starts by qualification level



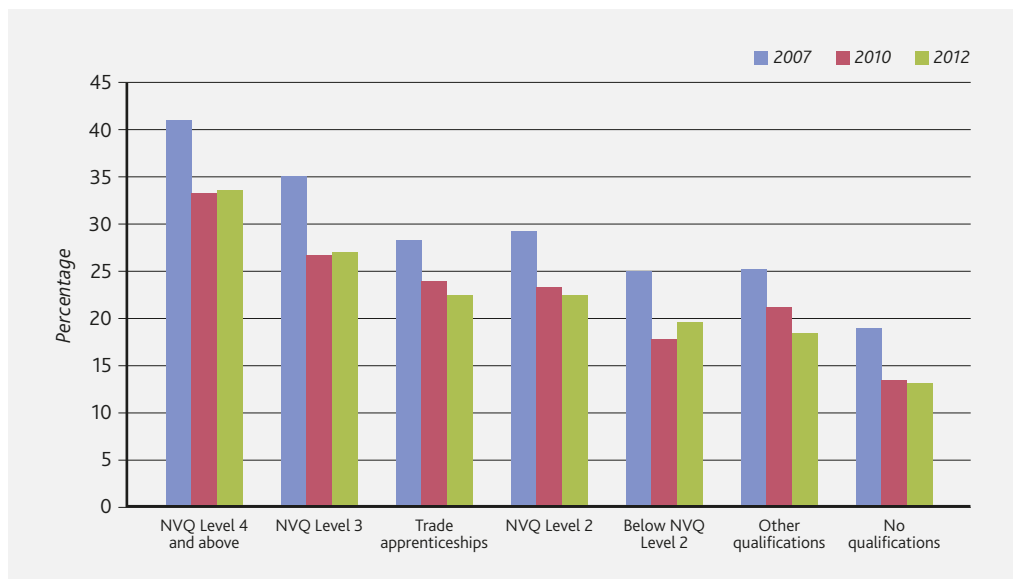
Source: Labour Force Survey and Inclusion calculations

To put these figures in perspective, there are now 4.6 times as many job starts in elementary occupations (where no qualification is required) as there are job starts by people with no qualification. In 1996-97, there were almost as many job starts by the unqualified as there were elementary occupation job starts.

Over the intervening period, those with no qualifications have lost out to the better qualified even in those occupations for which they are best suited. The pattern is little different for those with other qualifications. These include those with GCSEs below A-C as well as those with overseas qualifications.

Some of these patterns follow from changes in the overall pattern of qualifications (particularly since 1996-97). However looking at the hiring rates of unemployed or economically inactive people by qualification, as Figure 4.3 does on page 42, allows us to look beyond how qualification levels of the unemployed have changed and focus on their likelihood of finding work.

Figure 4.3: Hiring rates from unemployment, by qualification levels



Source: Labour Force Survey and Inclusion calculations

The 2012 hiring rate for the unemployed varies from 33 per cent for the highest qualified down to 13 per cent for those with no qualification. Each successive qualification level has a lower hiring rate for the unemployed, although those with trade apprenticeships have the same hiring rate as those with Level 2 qualifications.

For all groups, there has been a fall in the hiring rate of unemployed people – as the overall picture for hiring rates would suggest. The drop, however, has been smallest for the highest qualified (at 18 per cent), compared with 20–24 per cent for those with intermediate qualifications and over 30 per cent for those with no qualifications.

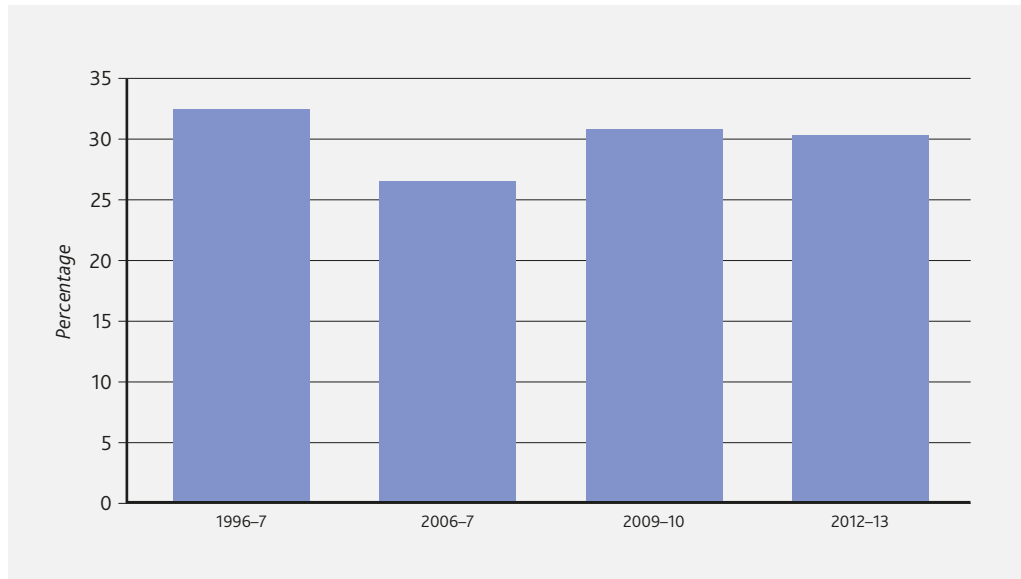
The overall recovery in hiring rates, which is in any case very small, is noticeable only for those with A levels or above (Level 3), and for those with 'below Level 2' qualifications (from a much lower base). The position for those with qualifications below Level 2 and those with no qualifications is going from bad to worse.

Hiring to temporary jobs

Temporary jobs have become a permanent feature of the labour market, particularly in the aftermath of recessions. While job starts to permanent jobs have fallen by 25 per cent since 2006–07, job starts to temporary jobs have fallen by only 10 per cent. Things may be starting to improve. Since the bottom of the recession, permanent job starts have risen by 6.9 per cent while temporary job starts have risen by 3.8 per cent.

Looking back to the 1990s, the proportion of job starts that are temporary remains below where it was in 1996–97. In the following decade of stable growth, the proportion of job starts that were temporary fell from 33 per cent (1996–97) to 27 per cent (2006–07). With the recession, the proportion of temporary job starts rose to 31 per cent and is now 30 per cent.

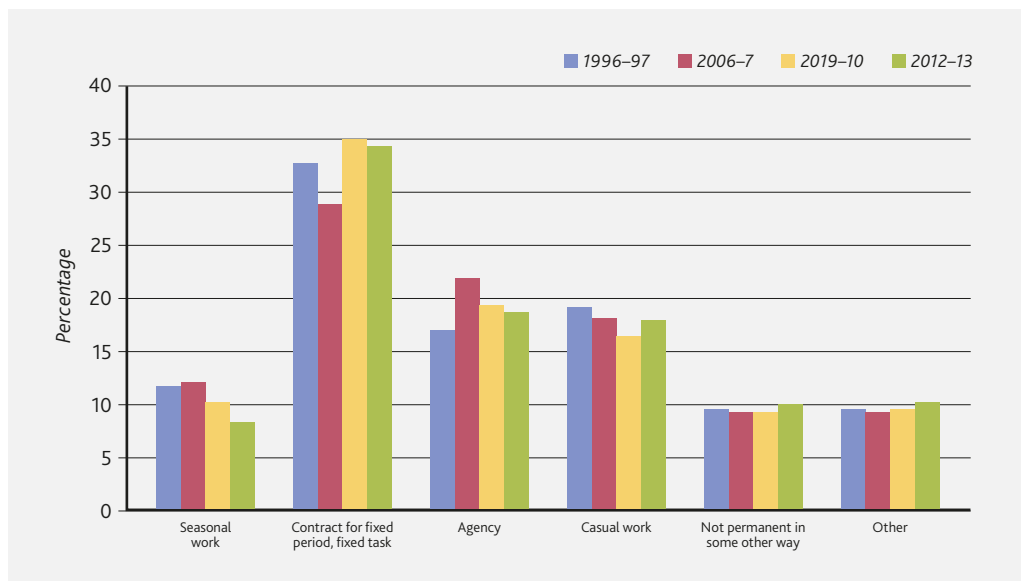
Figure 4.4: Proportion of job starts to non-permanent employment



Source: Labour Force Survey and Inclusion calculations

However, the form that temporary work takes has shown greater changes over time. Figure 4.5 below shows the number of job starts to different forms of non-permanent work. This illustrates that the relatively large proportion of temporary job starts in the late 1990s was accounted for by a growth in fixed-term contracts, which in particular was driven by changes in public services at that time. Since the bottom of the recession, the main growth areas have been in casual work, 'not permanent in some other way' and 'other'. Zero-hour contracts would usually fit into one of these latter two categories.

Figure 4.5: Job starts to non-permanent jobs by type of non-permanent job, as proportion of all job starts



Source: Labour Force Survey and Inclusion calculations

Overall, since 2009–10, the total number of job starts for temporary work that does not include seasonal or fixed-term contracts has grown by 60,000 – or nine per cent. This suggests that the labour market has become more casualised since the onset of recession, and is more casualised than it has been since at least the late 1990s.

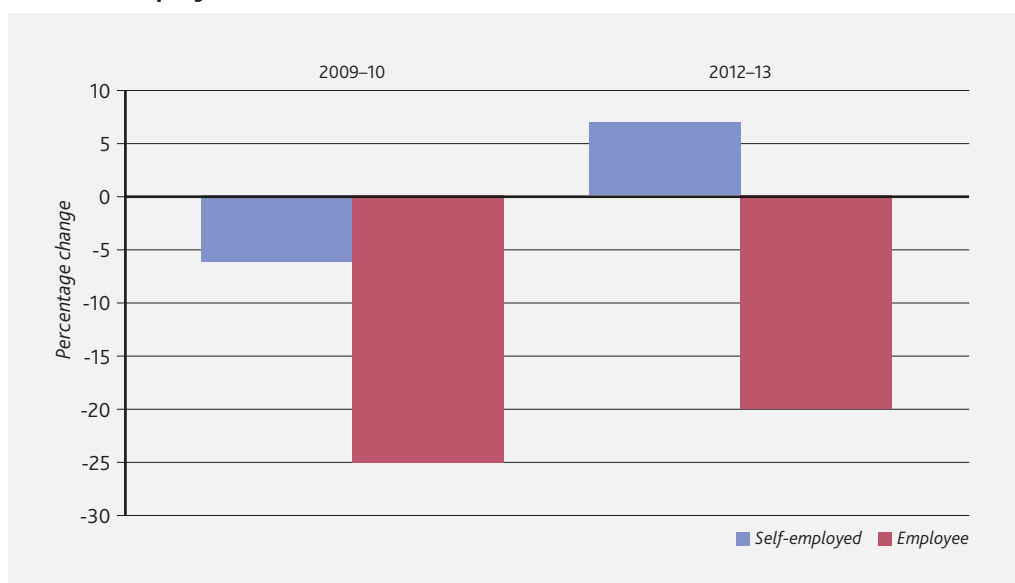
Self-employment

Self-employment is one type of employment that has grown strongly since the bottom of the recession. In 2006–07, self-employed job starts were seven per cent of all job starts. This has now risen to 10 per cent of job starts.

While employee job starts are still 20 per cent below pre-recession levels, self-employed job starts are seven per cent above 2006–07 levels. Figure 4.6 below sets pre-recession job starts as 100, and shows the changes since then.

Employee job starts fell much further than self-employed job starts, and have improved only a little since then.

Figure 4.6: Percentage change in job starts compared with 2006–07, for employees and self-employed



Source: Labour Force Survey and Inclusion calculations

This growth of self-employment could be a flowering of entrepreneurial zeal, or could reflect other factors. Some will be 'distress' self-employment, including those doing consultancy as part of severance packages. Others will have been persuaded that the New Enterprise Allowance and other support offers an alternative to unemployment, or use the rather more generous Working Tax Credit treatment of the self-employed than of employees to try working for themselves.

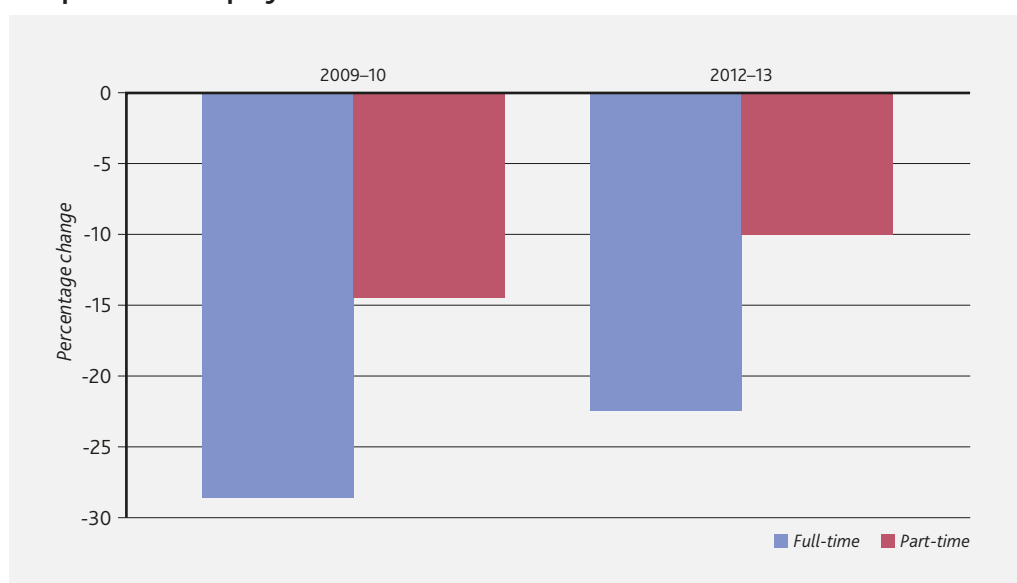
It is also important to recognise that self-employed job starts in 1996–97, when the UK was still recovering from the recession of the early 1990s, were 15 per cent higher than in 2006–07.

Full-time and part-time jobs

Both full and part-time job starts remain well below pre-recession levels. Part-time job starts fell less than full-time ones. Both have recovered. Full-time job starts remain 22 per cent below pre-recession levels, while part-time job starts are less than half as far below pre-recession levels, at 10 per cent.

Since the bottom of the recession, there has actually been faster growth in full-time job starts, but this has not overtaken the earlier sharper fall in job starts.

Figure 4.7: Percentage changes in job starts compared with 2006–07, for full-time and part-time employees



Source: Labour Force Survey and Inclusion calculations

Part-time job starts have increased from 35 per cent of all job starts before the recession to 39 per cent in 2012–13. Many of these job starts have been by people who wanted but could not find full-time jobs. The improvement in full-time job starts may allow some of these involuntary part-timers to move into full-time work.

The proportion of job starts that were part-time peaked at 40 per cent in 2009–10, and has fallen back by one per cent since then.

Recent trends in earnings and employment for occupational groups

All of the above analysis uses the Labour Force Survey and, due to sample sizes, combines data from multiple years to show changes from before, during and since the Great Recession. However this approach cannot unpick the most recent trends, where in the last two years we have seen strong growth in absolute employment and some modest growth in (nominal) wages.

In order then to understand what has happened in more recent years we use a different data source – the Annual Survey of Hours and Earnings – and compare results from 2011 with those from 2013 for all occupational groups. This analysis is set out below, looking at changes in annual pay and in the number of employees reported by employers for different occupational groups. This analysis is at the two-digit Standard Occupational Code level – which places all occupations into one of 25 groups.

Overall, median earnings increased by 3.8 per cent between 2011 and 2013, compared with increases in the Consumer Prices Index of 5.5 per cent and in the Retail Prices Index of 6.4 per cent. So the first important point to note is that median earnings fell substantially in real terms over this period – as they have done since the onset of recession. In fact, only one occupation group saw a real rise in annual earnings – customer service occupations – where earnings rose by 10 per cent (while employee numbers fell by 12.5 per cent). This is one of the smallest occupation groups. One further group maintained earnings relative to the CPI but not the RPI: leisure, travel and related personal services occupations (which includes employed hairdressers and similar jobs). This group is also very small and declined slightly in employment levels. Both of these groups are also relatively low paid, with many employees earning at or close to the National Minimum Wage. Every other occupational group saw median pay fall in real terms between 2011 and 2013.

Table 4.1 (see page 47) sets out changes in employee numbers and median pay for all occupational groups (based on two-digit Standard Occupational Codes). The web annexe shows this information in interactive form, so that it is easy to select an occupation group and see how the changes in pay and employment growth compare (www.tuc.org.uk/economic-issues/equitable-full-employment).

This table shows that seven occupational groups had above-average pay growth. The strongest pay growth since the recovery began has been in relatively high-paying and some low-paying occupations. Two of these are relatively large and high-paying sectors – corporate managers and directors; and business and public service associate professionals – which have also seen stronger growth in employment. This suggests that longer-running trends towards an expanding, and increasingly well-paid, group near the top of the labour market are continuing (with 10 per cent of the corporate managers and directors group paid more than £100,000).

Elementary administration and service occupations, the largest occupational group and one of the very lowest paid, also saw above average pay growth – but still a real terms fall in pay, and alongside falling employee numbers.

Most occupational groups have seen rising employment but declining real earnings. Within this, those showing faster employment growth include science and health professionals; administrative and secretarial occupations; and textile, printing and other skilled trades. Those showing slower employment growth include business, media and public service professionals; caring personal service occupations; and process, plant and machine operatives. Note that both health professionals and caring personal service occupations see large relative falls in pay as well as modest employment growth. As this is annual pay, this may reflect more people working shorter hours (including through zero-hours contracts).

Table 4.1: Changes in annual pay and employment by occupation group, 2011–13

<i>Occupational group</i>	<i>Median pay (£)</i>	<i>Number of employees</i>	<i>Change in median pay (%)</i>	<i>Change in no. of employees (%)</i>
Corporate managers and directors	40,119	1,817,000	5.2	7.1
Science, research, engineering and technology professionals	38,048	1,012,000	3.6	3.5
Protective service occupations	35,116	388,000	2.7	3.7
Business, media and public service professionals	33,970	1,077,000	2.5	1.2
Teaching and educational professionals	33,102	1,212,000	0.7	-2.1
Business and public service associate professionals	30,420	1,650,000	3.9	10.8
Health professionals	28,958	1,173,000	1.3	8.9
Skilled metal, electrical and electronic trades	27,792	915,000	3.4	1.0
Other managers and proprietors	27,737	373,000	1.6	1.6
Science, engineering and technology associate professionals	26,386	575,000	2.2	10.2
Skilled construction and building trades	24,405	292,000	3.7	-9.6
Transport and mobile machine drivers and operatives	22,686	634,000	4.8	-0.5
Health and social care associate professionals	22,221	315,000	4.4	-1.6
Culture, media and sports occupations	21,096	192,000	0.5	7.9
Process, plant and machine operatives	20,453	670,000	1.3	1.5
Administrative occupations	18,107	2,116,000	2.6	3.0
Skilled agricultural and related trades	17,903	94,000	2.8	-2.1
Elementary trades and related occupations	17,786	275,000	3.0	-8.3
Customer service occupations	17,141	391,000	10.0	-12.5
Textiles, printing and other skilled trades	16,600	421,000	-0.7	4.7
Secretarial and related occupations	14,856	570,000	2.5	3.3
Leisure, travel and related personal service	14,101	359,000	5.5	-1.4
Caring personal service occupations	12,646	1,664,000	1.1	2.1
Elementary administration and service occupations	10,741	1,981,000	4.1	-1.0
Sales occupations	9,580	1,322,000	1.5	-1.2

Source: ASHE and Inclusion calculations

Lastly, a small group of occupations have seen absolute declines in employment alongside large falls in real earnings: teaching professionals; sales occupations; and construction trades. Of these groups, the largest falls in relative pay are for sales occupations and for teaching professionals.

Note that we show changes in pay based on annual pay, so occupation groups where the part-time or full-time composition of the workforce has changed will affect annual pay. Occupations where the proportion of part-time working has risen will show lower annual pay changes than those based on hourly pay or pay rates. The annual earnings figures we have used are the median for each occupational group, i.e. half earning above and half below this figure. The median is less distorted by extremes than the average (or mean).

Overall, this analysis shows that while the recovery since 2011 has seen employment rebound, wages have continued to fall in real terms. The recovery has been strongest for those nearer the top of the labour market, with rising employment and above average earnings growth. All other occupations with above average earnings growth saw employment fall, while earnings increased by less than average (and therefore fell even further in real terms) for most occupational groups.

Conclusions

Overall, there is strong evidence both of a more polarised, and less secure, jobs market – with job starts declining in all occupational groups except those requiring the most and least skills; wages and employment growing by less in many of these occupations; and strong growth in temporary work, part-time work and self-employment.

Combined with our analysis of generally lower hiring rates from unemployment (and relatively high retention by employers) the evidence suggests that a return to growth may not be accompanied by the strong growth in secure and stable employment that we have witnessed in previous recoveries. Meanwhile, analysis of more recent earnings and employment data suggests that even underneath the nascent cyclical recovery, we are seeing the same long-running structural challenges – with a booming labour market at the top, growth at the bottom (but with wages held down), and a mixed picture of slow growth, stagnation or decline elsewhere.

5 *Implications for the future*

Chapters 1 to 4 have set out trends in employment and hiring before 2008, during the Great Recession, and since the nascent recovery has begun.

This has shown that while the employment positions of many disadvantaged groups and areas have deteriorated since the onset of recession, they have not declined as far as many would have feared and expected given the depths of the recession. Nonetheless, employment rates and hiring rates for many disadvantaged groups remain significantly below those for the population as a whole, while gaps between some groups and some local areas have widened in the last six years.

Looking at the work that people do, long-running structural changes in the labour market have continued and if anything may have sped up with the recession (with growth at the top and bottom of the labour market and a 'hollowing out' in the middle), while the labour market has continued to get tougher for the lowest qualified. Meanwhile temporary work, self-employment and part-time work have all grown.

Overall, employment has grown – but this growth has been uneven, often insecure, and driven by more people staying in work rather than more people entering it. Meanwhile wages have fallen in real terms, even in the recovery, and have fallen most for those not in higher professional and managerial jobs.

It is within this context that we need to consider the challenges and implications for achieving equitable full employment.

What do we mean by (equitable) full employment?

Full employment is usually defined by economists in relation to (non-cyclical) unemployment: if unemployment is the lowest that it can be without causing inflation to increase (also called the 'structural rate' of unemployment), then the economy has full employment. In practice however, this can lead to an employment rate that is some way less than 'full'.

In the case of the UK, for example, unemployment in Spring 2008 was just above five per cent – at or near its structural rate. However the overall employment rate (for 16- to 64-year-olds) was 73 per cent – so more than one in four of the adult population aged under 64 were not in work. The difference, of course, is explained by economic inactivity – primarily those looking after their families or homes, those too sick to work, those caring for others, students, and those discouraged from working or looking for work.

It was for this reason that the Labour government effectively set its own definition of full employment in 2005,¹⁰ and an aspiration to achieve it: full employment would be an employment rate of 80 per cent. In practice, the employment rate (for 16- to 64-year-olds) did not increase from its peak of 73 per cent. However this in itself represented a historic high – with employment not exceeding this rate in data going back to 1971 (and only matching it in 1973–75 and 1989–90).

Achieving 80 per cent in a straightforward employment rate target, then, is unlikely to be a realistic objective. The employment rate has recovered to 72 per cent on the most recent statistics, so achieving 80 per cent would be equivalent to 3.3 million more people being in work (with no change in the population). An alternative approach, set out by Tony Dolphin and Kayte Lawton,¹¹ would exclude all of those who are in full-time study. This would significantly reduce the scale of the challenge: excluding just full-time students aged under 25, the adjusted employment rate would currently be 76 per cent, with 80 per cent representing a further 1.7 million adults in work.

Dolphin and Lawton also set out some of the parameters for achieving equitable full employment – by narrowing employment rate gaps between regions, men and women, ethnic groups, disabled and non-disabled people, and qualification groups. Our analysis would support a focus on all of these areas. In addition, our analysis would suggest that equitable full employment should include consideration of the jobs that people do – both in terms of job security, involuntary atypical employment (part-time, temporary) and potentially job quality and wages. The UK's recent employment growth has gone hand in hand with continued falls in real wages. So for both wages and employment to grow, it will require first and foremost a strong and growing economy.

A policy framework to support full employment

Drawing this together, a framework for policies to support full employment should have four key focuses. These are set out below.

- First, policies to support job creation and increase hiring. As set out, the recovery so far in employment has been driven by fewer people leaving work rather than more entering it. Alongside this, the historically high levels of part-time and temporary employment and continued weak wage growth increase the likelihood that future economic growth will result predominantly in existing workers working more hours for higher wages, rather than sufficient new workers entering the labour force.
- Second, following on from this, area-based interventions – both on the supply and the demand side. Our analysis shows that gaps between areas have not widened significantly overall since the onset of recession, but that within some regions there are worrying signs while many disadvantaged areas still remain a long way behind others. In particular the North West outside Greater Manchester, the North East outside Tyne and Wear, Strathclyde and the Midlands all stand out as causes for concern – as well as smaller areas including a number of coastal towns and the Welsh Valleys. In general, city regions have done better than their surrounding areas, even in less prosperous regions.

¹⁰ Department for Work and Pensions Five Year Strategy: Opportunity and Security Throughout Life, Department for Work and Pensions Cm 6447, February 2005

¹¹ Dolphin, T. and Lawton, K. (2013) *A job for everyone: What should full employment mean in 21st century Britain?*, Institute for Public Policy Research

- Third, policies to support the most disadvantaged groups. In particular employment and hiring rates remain low for disabled people, the lowest qualified and some ethnic minority groups, while employment has fallen significantly for young people with no qualifications. In addition, hiring rates for the very longest-term unemployed are a cause for concern.
- Last, policies to support good quality, sustainable employment with progression. Temporary work and part-time work have increased significantly during and since the recession, while the number of people in 'involuntary' part-time or temporary work has doubled since 2008. At the same time, our analysis finds that hiring rates have fallen by less for these forms of employment than for others.

6 Achieving full employment

Chapter 5 sets out four priority areas where fresh thinking is needed in order to achieve equitable full employment: supporting job creation; targeting the most disadvantaged areas; supporting specific groups furthest from work; and supporting good quality, sustainable employment. In this chapter we take these four areas in turn, setting out some of the evidence on what may work and giving an initial view on how policy may need to respond.

Supporting job creation

Employment programmes and subsidies

Key lessons on job creation were set out in research published last year by the TUC.¹² This research pointed to three ways that job creation could be encouraged or supported, through:

- ‘short time working’ subsidies – where employers are partially subsidised for keeping people in employment for shorter hours as an alternative to redundancy
- direct job creation – including through ‘intermediate labour market’ programmes that guarantee temporary employment for particularly disadvantaged groups, and
- hiring subsidies – both to encourage new recruitment and to reduce risks of redundancy.

The report sets out the key risks around these three types of intervention – in particular that they can end up subsidising employment that would have happened anyway (so-called ‘deadweight’); they can displace some workers by encouraging the recruitment of others; and in the case of direct job creation, they can keep people away from better opportunities in unsubsidised jobs – with the consequence that people could be worse off in the long term. These risks can all be mitigated with careful design (and in particular, careful targeting) but this in turn can lead to greater complexity and therefore lower take-up.

In addition, a number of policies that may be appropriate to support employment during a downturn are likely to be less effective as the economy returns to growth. The above report recommends in particular that short-term working subsidies should not be used during the recovery, and nor should hiring subsidies for existing employees (so-called ‘stock subsidies’).

Nonetheless with these caveats, there is some compelling evidence that targeted job creation programmes and hiring subsidies can support job creation even during a recovery.

¹² Silim, A. (2013) *Job Creation: Lessons from Abroad*, Touchstone Extras No 10, TUC

On job creation, evaluations in several OECD countries have found that 'intermediate labour markets' (ILMs) can have a significant positive impact for those who are most disadvantaged,¹³ while the UK Future Jobs Fund (a six-month job creation programme predominantly aimed at long-term unemployed young people) had a significant and long-lasting impact on participants' chances of being in unsubsidised employment.¹⁴ However other programmes have illustrated the importance of careful targeting: the StepUp pilot for example, which involved a one-year job aimed at the long-term unemployed, had positive impacts for some adults (particularly those who were highly motivated to work but had clear barriers to work such as low qualifications or poor work experience) but did not produce a significant employment impact overall.¹⁵

On hiring subsidies, there is evidence both that well-designed subsidies can have positive impacts for those that benefit,¹⁶ and that subsidies can be more effective than other forms of employment support.¹⁷ However, successive subsidy programmes in the UK have been dogged by very low take-up among employers and high 'deadweight' (paying for employment that likely would have happened anyway). For example a National Insurance holiday for employers taking on a long-term unemployed person in the 1990s was expected to benefit 130,000 people per year but had only 2,300 applications in its first year;¹⁸ while the government's Youth Contract wage subsidy has had funding for 160,000 payments over four years but has been claimed for just 10,030 young people in its first eighteen months.¹⁹ With deadweight estimates ranging between 35 per cent²⁰ and 85 per cent²¹ for previous programmes, this means that overall hiring subsidies are likely only to make a marginal difference to hiring rates for those targeted.

Taking this evidence together, the evidence suggests that subsidies for direct job creation can play an important role in supporting hiring of disadvantaged groups, but that these need to be tightly targeted: in particular on those who are actively seeking work, have low employment prospects, may lack work experience and skills, and may have spent some time out of work. Clearly these programmes come at some cost, but the government's assessment of the Future Jobs Fund suggests that at least half of these costs can be recouped through tax revenues and lower benefits payments.²² Hiring subsidies are less likely to make a significant impact on hiring rates, but appear to have positive impacts on those that do benefit.

13 Martin, J. and Grubb, D. (2001) "What Works and for Whom: A Review of OECD Countries' Experiences with Active Labour Market Policies", *Swedish Economic Policy Review*, Vol. 8, No. 2

14 "Impacts and Costs and Benefits of the Future Jobs Fund", Department for Work and Pensions, November 2012

15 Bivand, P., Brooke, B., Jenkins, S. and Simmonds, D. (2006) *Evaluation of StepUP Pilot: Final Report*, Department for Work and Pensions Research Report No.337

16 See for example Richardson, J. (1998) *Do Wage Subsidies Enhance Employability? Evidence from Australian Youth*, CEPDP, 387, Centre for Economic Performance, London School of Economics and Political Science

17 Riley, R. and Young, G. (2000) *New Deal for Young People: Implications for Employment and the Public Finance*, National Institute of Economic and Social Research

18 Jarvis, T. (1998) *Employment and Training Programmes for the Unemployed*, House of Commons Library Research Paper 98/111

19 Source: Youth Contract Official Statistics, February 2014, Department for Work and Pensions

20 Riley, R. and Young, G. (2000) *New Deal for Young People: Implications for Employment and the Public Finance*, National Institute of Economic and Social Research

21 "Young people, employment programmes and the new deal", Institute of Employment Research, Bulletin No. 49, 1999

22 "Impacts and Costs and Benefits of the Future Jobs Fund", Department for Work and Pensions, November 2012

Creating the conditions for employment growth

Looking beyond active employment programmes, addressing the underlying causes of low hiring rates requires a different set of responses. Clearly, most importantly, employment growth including hiring reflects both the strength of the economy and employers' confidence for the future. Both of these factors are improving,²³ and should support increased job creation. A strong and balanced recovery should also support increased job creation.

On the other hand however, recent work by David Bell and David Blanchflower suggests that there remains significant excess capacity in the economy, with 'under-employment' running at nearly 10 per cent of the workforce.²⁴ This could act as a drag on new hiring as employers and workers use this excess capacity rather than taking on more staff. This in turn is likely to affect some groups more than others (with analysis by Inclusion suggesting that young people in particular face high under-employment)²⁵ and would point to the importance of targeted, temporary employment interventions along the lines described above.

Supporting the most disadvantaged areas

Following on from this, and as set out in Chapter 4, it is important to recognise that in some areas employment growth and hiring is recovering far less strongly than in others. Many of these are the same areas that fared less well in previous recessions, and did not catch up all of the lost ground in the long period of growth before the recession. A range of approaches have been taken to support more disadvantaged areas, both through area-based incentives for job creation and through labour market programmes to support those who live there. These are taken in turn below.

Tax incentives and investment subsidies

Area-based incentives for job creation and investment have had mixed reviews at best. Typically, area-based approaches include tax incentives or tax reliefs for investment (including through capital allowances), easements around planning regulations, and other complementary support such as premises or transport infrastructure. While some studies have found evidence of short-run benefits, these often come with high 'deadweight' costs (i.e. investment that would have been made anyway) and negative impacts on other areas.²⁶ And in the longer term, there may be negative impacts on economies as subsidies unwind.

23 See for example the CIPD quarterly *Employment Outlook*, with the autumn report (November 2013) suggesting near-term employment confidence was at its highest since reporting began in 2005

24 Bell, D. and Blanchflower, D. (2013) "Underemployment in the UK Revisited", *National Institute Economic Review* No.224

25 Gardiner, L. (2014) *Totalling the hidden talent: Youth unemployment and underemployment in England and Wales*, Local Government Association/Centre for Economic and Social Inclusion

26 Sissons, A. and Brown, C. (2011) *Do Enterprise Zones Work? An Ideopolis policy paper*, Work Foundation

For example the 1995 evaluation of the UK's first Enterprise Zones,²⁷ which combined tax incentives and planning easements, estimated that just under half of the 125,000 new jobs created were additional, with the highest impact in manufacturing and the lowest in retail and distribution. However, this was achieved at a relatively high cost (around £28,000 per additional job in current prices). Studies of similar policies in France (the ZFU) have also suggested positive impacts on employment in the short term, mostly from new businesses, but with benefits appearing to tail off or some negative impacts on neighbouring areas.²⁸

The government's £3.2bn Regional Growth Fund (RGF) is also focused on supporting areas that are relatively weaker than others (defined by, among other things, the proportion of residents claiming benefits and the rate of private sector job creation).²⁹ Employers, local authorities and Local Enterprise Partnerships are invited to submit proposals to create jobs and growth, with four rounds of bids being completed so far. The government has set out in its Annual Monitoring Report³⁰ the first year impacts from the first two rounds of awards, covering 179 projects and programmes. This concludes that so far, the Fund has had a positive impact on employment of 59,000. However underneath these figures, nearly half of the employment is indirect – based on estimates for jobs in supply chains that may occur in other parts of the country (or the world) or may be achieved through increased hours or productivity rather than increased employment. And the remaining 32,000 jobs includes both new jobs created and existing jobs safeguarded – so the direct impact on hiring will be lower than 32,000, and will be reduced further by the same issues around deadweight, displacement and substitution described above. There has not yet been any assessment of the additional impact of the RGF or of the net costs per job.

Overall then, the evidence suggests that tax incentives and investment subsidies can have modest positive impacts on employment, at least in the short term, and in particular for new businesses. Net impacts on hiring are likely to be small. However these impacts can come with relatively high price tags, and impacts may be short-lived.

Having said this, even these modest impacts may be particularly worthwhile if the new job creation benefits those who are relatively more disadvantaged. There may be value in exploring, therefore, how employers that benefit from initiatives like the Regional Growth Fund or Employment Zones could be encouraged to support those further from work.

Active labour market policies

The other main way that those in disadvantaged areas can be supported to find work is through effective employment programmes. In the past, employment programmes have targeted disadvantaged areas to different extents. 'Mainstream' programmes, such as the New Deals for the long-term unemployed, targeted disadvantaged areas only in as far as participants were more likely to live in them – although initiatives like Employment Zones, that built on the New Deals, were tested primarily in places with higher concentrations of worklessness.

27 PA Cambridge Economic Consultants (1995) *Final evaluation of Enterprise Zones*, HMSO

28 See for example Givorda, P., Rathelot, R. and Sillard, P. (2010) "Place-based tax exemptions and displacement effects: An evaluation of the Zones Franches Urbaines program", *Presentation to EEA Annual Conference*, Oslo

29 Full criteria are set out here: <https://www.gov.uk/understanding-the-regional-growth-fund>

30 "Regional Growth Fund: Annual Monitoring Report 2013", HM Government

However, there have been some attempts in the past to develop more innovative local programmes that target those areas with particularly weak labour markets. For example the 'Action Teams for Jobs' initiative ran from 2000 to 2006, initially in three areas but expanding to cover 65 areas by its close. It was delivered by Jobcentre Plus and contracted-out teams, who provided additional support to disadvantaged residents – particularly through outreach, more intensive adviser support, flexible financial support and joining up services. The evaluation³¹ suggested that outreach, flexibility and partnership working were key strengths, and that Action Teams were on the whole engaging more disadvantaged residents and proving successful in supporting them into work. European money has also in the past enabled disadvantaged areas to invest in more intensive support for their residents, including through Intermediate Labour Markets (ILM). Research by Inclusion in the early 2000s estimated that there were at least 8,700 ILM jobs in the UK, predominantly in areas with higher unemployment, and with 80 per cent drawing on European funding (alongside other sources including the New Deal).³²

Overall, what works in supporting people out of work in disadvantaged areas is likely to be similar to what works in supporting people with similar characteristics in other areas – such as good quality adviser/caseworker support, effective employer engagement, support to address barriers to work like travel and childcare (including transitional financial support), access to appropriate training, access to work experience and so on. This is covered in more depth in the section below. The implications for more disadvantaged areas are, essentially, that more of this is needed – both more provision as more people will need it in tougher labour markets, and more support to ensure that it reaches the right people and is joined up.

However current government policy, and in particular the Work Programme, has been designed in such a way that investment in disadvantaged areas is actually lower than for more prosperous areas. This is a consequence of the fact that the national 'payment by results' model for the Work Programme does not vary according to local labour markets. Organisations are paid predominantly for the job outcomes that they achieve, and analysis of Work Programme performance by Inclusion has demonstrated that Work Programme job outcomes are lower in areas where local unemployment rates are higher.³³ Therefore providers receive less funding for participants that live in weaker labour markets, and more for those that live in more prosperous areas. This gearing of funding is arguably exactly opposite to how employment programmes should be designed.

Supporting those furthest from work

Our analysis has identified in particular young people, the lowest qualified, disabled people, some ethnic minority groups and the very long-term unemployed as groups with the most significant (and often widening) gaps in opportunity.

31 Casebourne, J., Davis, S. and Page, R. (2006) *Review of Action Teams for Jobs*, Department for Work and Pensions Research Report No 328

32 Finn, D. and Simmonds, D. (2003) *Intermediate Labour Markets in Britain and an International Review of Transitional Employment Programmes*, Centre for Economic and Social Inclusion

33 "Work Programme statistics: Inclusion analysis", Centre for Economic and Social Inclusion, December 2013

For all of these groups, numerous evaluations across a plethora of programmes find that personalised, adviser-led, case management support is critical in supporting people to prepare for, find, enter and stay in work.³⁴ The precise nature of this support will vary according to the characteristics and needs of those being supported – but common features include: setting goals and developing action plans, regular engagement, support with building confidence and dealing with setbacks, support with looking for work and preparing application forms and for interviews, and helping people to access other more specialist support when they need it.³⁵

There is also broad consensus that for many of those furthest from work, case management and job search support alone is not enough. Broadly, additional support can often include:

- Access to training. Successive evaluations have found mixed results for training programmes for the unemployed,³⁶ particularly for longer programmes that lead to people spending a long period not looking for work. However there is some evidence that programmes can be effective where they are tightly targeted, are relatively small in scale, are directly linked to employer opportunities and join up with other provision.³⁷
- Work placements and work experience, which can help to build individuals' confidence, improve their workplace and skills, and demonstrate to employers that participants are ready to work. In the UK, the two- to eight-week Work Experience programme for young Jobseeker's Allowance (JSA) claimants has been shown to have a modest positive impact on employment.³⁸ However the four-week Mandatory Work Activity programme, with a stronger focus on 'workfare' and aimed at JSA claimants judged to be not doing enough to find work, appears to have had no impact on employment whatsoever.³⁹
- Financial bonuses for taking up or staying in work. Cash payments for remaining in work were part of a wider package of in-work support within the Employment Retention and Advancement Demonstration project that ran for the last decade, and evaluations suggest that these were key to the positive outcomes achieved.⁴⁰ This is consistent with OECD evidence, which suggests that financial support can have significant positive impacts.⁴¹ Bonuses were also used to support lone parents and those on incapacity benefits to move into and stay in work (the In Work Credit and Return to Work Credit), which paid £40 per week for up to a year for those moving into relatively low-paid work. Their impacts were never evaluated, although qualitative research suggested that the In Work Credit likely only acted as an extra incentive for some groups of lone parents.⁴²

34 See for example Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Department for Work and Pensions Research Report 407; Martin, J. and Grubb, D. (2001) "What Works and for Whom: A Review of OECD Countries' Experiences with Active Labour Market Policies", *Swedish Economic Policy Review*, Vol. 8, No. 2

35 Sienkiewicz, L. (2012) *Job profiles and training for employment counsellors*, European Commission Mutual Learning Programme for Public Employment Services, European Commission

36 Summarised in Wilson, T. (2013) *Review of training for unemployed young people*, Department for Business, Innovation and Skills

37 Ibid

38 "Early impacts of work experience", Department for Work and Pensions, April 2012

39 "Early impacts of Mandatory Work Activity", Department for Work and Pensions, June 2012

40 Hendra, R., Ray, K., Vegeris, S., Hevenstone, D. and Hudson, M. (2011) *Employment Retention and Advancement (ERA) demonstration: Delivery, take-up, and outcomes of in-work training support for lone parents*, Department for Work and Pensions Research Report No 727

41 Martin, J. and Grubb, D. (2001) "What Works and for Whom: A Review of OECD Countries' Experiences with Active Labour Market Policies", *Swedish Economic Policy Review*, Vol. 8, No. 2

42 Sims, L., Casebourne, J., Bell, L. and Davies, M. (2010) *Supporting lone parents' journey off benefits and into work: a qualitative evaluation of the role of In Work Credit*, Department for Work and Pensions Research Report No.712

- Overcoming practical barriers to work. There is consistent evidence that issues like housing, childcare and transport can act as major blocks to getting into work.⁴³ These barriers cluster around particular groups or areas: parents (particularly lone parents); those living in rural areas; and those looking for work in in-demand, high-cost rental markets (like London). Clearly, wider structural reforms are needed to fully address many of these barriers – including to housing and childcare markets and to transport – but targeted, discretionary financial support can also play a role.⁴⁴

Taking the five groups that we have identified in turn, there are a number of areas where the evidence suggests that policy could be better focused or improved.

Young people

Previous research by Inclusion identified three key priorities for supporting young people most at risk of being or becoming unemployed.⁴⁵

- support with preparing for work – particularly through reform of vocational education, improved information and careers advice in schools and elsewhere, and stronger financial incentives to stay in learning
- support with making the transition to work, particularly through apprenticeships reform, and
- more targeted and intensive support for the long-term unemployed – including through a targeted job creation programme.

Nearly three years on, the evidence in Chapter 3 shows that there is still a need for more effective action to support young people.

As noted above, effective case management and personal adviser support is critical in supporting young people who are out of work. Recent Jobcentre Plus reforms to increase adviser resource for young people are therefore welcome, although clearly these only apply for the fraction of young people that are claiming Jobseeker's Allowance.

Underneath the headline youth figures, there is a clear link between qualification levels and employment among young people – with the lowest qualified more likely to be out of work. However the evidence on the effectiveness of training programmes for unemployed young people is particularly disappointing. This is summarised in recent research for the Department for Business, Innovation and Skills⁴⁶ which also makes recommendations on how future training support could be designed. Specifically, this concludes that training should:

- be targeted at those young people who are likely to find it difficult to get a job and are likely to see net benefit from training, i.e. those with low qualifications, who have spent some time out of work, who lack work experience, and those in their twenties
- avoid exclusively classroom-based approaches and make use of non-traditional settings, particularly when targeted at more disadvantaged young people

43 For example, see Singley, S. (2003) *Barriers to Employment among Long-term Beneficiaries: A review of recent international evidence*, Ministry of Social Development, New Zealand

44 Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Department for Work and Pensions Research Report 407

45 Bivand, P., Gardiner, L., Whitehurst, D. and Wilson, T. (2011) *Youth unemployment: A million reasons to act?* Centre for Economic and Social Inclusion

46 Wilson, T. (2013) *Review of training for unemployed young people*, Department for Business, Innovation and Skills

- focus on building softer ‘employability’ skills – confidence, teamwork, time management and personal organisation skills – as well as achieving qualifications
- have a strong focus on transitions, particularly in terms of pathways into apprenticeships and employment.

The government’s introduction of traineeships⁴⁷ reflects much of this evidence, and the broad approach is to be welcomed. The priority will therefore be to ensure that high-quality traineeships are being created by training providers and colleges with a firm commitment from employers to provide high-quality work experience placements, and are being built into the support that is offered to the most disadvantaged young people.

For young people without experience of work, good-quality work placements and work experience appear to be particularly important.⁴⁸ Alongside this, while wage subsidies appear to be more effective than many other forms of support,⁴⁹ they also suffer from chronically low take-up⁵⁰ and this has also applied to the Youth Contract wage subsidy.⁵¹ On current trends, the Youth Contract is likely to under-spend by around £300m.

Finally, for the longest-term unemployed, the government’s impact assessment of the Future Jobs Fund (FJF)⁵² has demonstrated that carefully-designed intermediate labour market programmes can have significant and lasting impacts on young people’s employment prospects. This found that the FJF had a significant and long-lasting positive impact on participants’ chances of being both off benefits and in unsubsidised employment. Two years after starting the programme, participants were seven percentage points (16 per cent) less likely to be receiving ‘welfare benefits’ and 11 percentage points (27 per cent) more likely to be in unsubsidised employment than non-participants. This impact is far larger than the impacts of previous work experience programmes, and showed no signs of waning two years after starting an FJF job. Overall, the impact assessment estimates that the Future Jobs had a net cost to the Exchequer of £3,100 per participant, and a net benefit to society as a whole of £7,750 per participant.

The lowest qualified

People who are out of work and have poor qualifications or no qualifications often have other disadvantages in the labour market. They are more likely to have poor work histories, to be disabled or in poor health, to be lone parents, to be older, to live in more disadvantaged areas and so on.⁵³ It is not necessarily the case, therefore, that a lack of qualifications itself is the main problem: even among those with poor qualifications, other barriers are often highlighted as the reason for being out of work, like a lack of work experience.⁵⁴

47 “Traineeships: Supporting young people to develop the skills for apprenticeships and sustainable employment; Framework for Delivery”, Department for Education and Department for Business, Innovation and Skills, July 2013

48 Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Department for Work and Pensions Research Report 407

49 Beale, I., Bloss, C. and Thomas, A. (2008) *The longer-term impact of the New Deal for Young People*, Department for Work and Pensions, Working Paper 23

50 Bivand, P. et al (2011) *Youth unemployment: A million reasons to act?* Centre for Economic and Social Inclusion

51 Source: Youth Contract Official Statistics, February 2014, Department for Work and Pensions

52 “Impacts and Costs and Benefits of the Future Jobs Fund”, Department for Work and Pensions, November 2012

53 Research on these links, in the context of the characteristics of other disadvantaged groups, is well summarised in Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Department for Work and Pensions Research Report 407

54 See for example Anderson, T. and Pires, C. (2004), *Lone Parents and Work Based Learning for Adults*, Department for Work and Pensions Research Report 188

Support for those who are disadvantaged and who lack qualifications therefore likely needs to be about more than just support to address this barrier – it should also mean wider (personalised) support to prepare for work and to overcome other barriers, building on the key areas identified above. The literature on this is explored in more depth in research by Inclusion for the Department for Business, Innovation and Skills on what works in training programmes for unemployed young people.⁵⁵

There are two key implications from this for current policy. First, training support needs to be closely aligned with wider employment support. Currently, training budgets are devolved to colleges and training providers, and tightly targeted on those who are out of work and on benefits. However there are signs that the systems do not work together as effectively as they could. Over the last two years, fully 500,000 people have been referred from Jobcentre Plus for mandatory engagement with training, but just 240,000 have attended provision.⁵⁶ Meanwhile more recent evidence suggests that the government's flagship integrated training and work experience programme – Sector Based Work Academies – is not working, with just one in five participants receiving all three constituent elements of pre-employment training, work experience and a guaranteed job interview.⁵⁷ Improving attendance, and linkages between training and other support, must be a key priority.

Secondly, provision could more clearly target those with low or no qualifications as a good proxy for labour market disadvantage. This could be built into how we assess entitlement to more intensive forms of employment support, like the successor to the Work Programme.

Disabled people

There is extensive research evidence on employment support for disabled people. However in common with the evidence on support for other groups, there is relatively little robust assessment of the employment impacts, and costs and benefits, of interventions.⁵⁸ In addition, there are often issues around the consistency of how participants, support models or methods of service delivery are defined, which can make comparisons difficult.⁵⁹

Despite these challenges, there are some clear pointers on the design of effective support for disabled people.

First, there is consistent evidence from a range of studies that personalisation of service delivery, so it meets the specific needs of individuals, is seen as critical by both providers and participants.⁶⁰ In particular this means having adequate time to spend with participants, and the opportunity to tailor services to meet individual need. A review of lessons from the United States (US) carried out for DWP⁶¹ also reported that initiatives that had the largest positive impacts on employment for this group generally offered more intensive and personalised services.

55 Wilson, T. (2013) *Review of training for unemployed young people*, Department for Business, Innovation and Skills

56 Source: Mandatory Programmes Official Statistics, Department for Work and Pensions, November 2013

57 Coleman, N., McGinial, S. and Hingley, S. (2014) *Customers' experiences of the Youth Contract*, Department for Work and Pensions Research Report No 865

58 Dibden, P., Wood, G., Nicolson, R. and O'Hara, R. (2012) *Quantifying effectiveness of interventions for People with common health conditions in enabling them to stay in or return to work: A rapid evidence assessment*, DWP research report 812

59 Wilkins, A., Love, B., Greig, R. and Bowers, H. (2012) *Economic Evidence Around Employment Support*, National Development Team for Inclusion/School for Social Care Research, National Institute for Health Research

60 Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Department for Work and Pensions Research Report No. 407

61 Rangarajan, A, Wittenburg, D., Honeycutt, T. and Brucker, D. (2008) *Programmes to Promote employment for disabled people: Lessons from the United States*, Department for Work and Pensions Research Report 548

Furthermore there is evidence to suggest that 'generalist' programmes do not work as well for disabled people, most notably in a recent study of programmes in the US.⁶² Analysis of Work Programme performance carried out by Inclusion has backed this up,⁶³ with disabled people achieving significantly lower job outcomes than their non-disabled counterparts on the programme. Research carried out as part of the DWP Work Choice Evaluation⁶⁴ also offered some comparison of the support offered to disabled people through Work Choice with that offered via the Work Programme. In general providers reported that there was less participant contact on the Work Programme than on Work Choice, and Work Programme provision was reported to be less personalised to individual needs.

Well-designed supported employment, or the 'place, train, sustain' model, appears to be effective. This model typically focuses on placing individuals with a supportive employer and then working with them intensively to build sustainable employment, rather than training people first and then placing into work. They usually involve a number of structured elements around engagement (both with the individual and their families or support workers), vocational profiling, job matching, and then in-depth employer engagement to ensure jobs are appropriately designed, to sustain participants in work and to provide appropriate training. For example the Employment Intervention Demonstration Programme⁶⁵ found that supported employment participants were more likely to be competitively employed than those in a control group (55 versus 34 per cent), while another study⁶⁶ reviewed a number of randomised controlled trials and reported an average of 61 per cent of participants were placed in employment, compared to 23 per cent in sites that followed other approaches. The Work Choice Evaluation⁶⁷ found widespread use of supported employment in Europe, while European Union for Supported Employment (EUSE) has developed a best practice model supported by quality standards and a number of 'how to' guides and toolkits.⁶⁸ This model, which is also endorsed by British Association for Support Employment (BASE), offers a framework which has previously been used by government to define and agree standards for supported employment in the UK.⁶⁹

Supported employment principles are also critical in more specialist support for those with specific disabilities or health conditions. For example the Work Choice Evaluation⁷⁰ noted that the core elements of supported employment are also found in the individual placement and support (IPS) model, which has been found to be successful for supporting people with mental health conditions into work,⁷¹ and in supported internships for young people with a learning disability.⁷² One study of IPS⁷³ found that participants were twice as likely to gain employment compared with more traditional alternatives (55 per cent as compared to 28 per cent).

62 Wittenburg, D., Mann, D. and Thompkins, A. (2013) "The disability System and programs to promote employment for people with disabilities", *IZA Journal of Labor Policy* 2:4

63 "Work Programme statistics: Inclusion analysis", Centre for Economic and Social Inclusion, December 2013

64 Purvis, A., Foster, S., Lane, P., Aston, J. and Davies, M. (2013) *Evaluation of the Work Choice Specialist Disability Employment Programme*, Department for Work and Pensions Research Report 846

65 Cook, J., Blyler, C., Leff, H., McFarlane, W., Goldberg, R., Gold, P., Mueser, K., Shafer, M., Onken, S., Donegan, K., Carey, M., Kaufmann, C. and Razzano, L. (2008) "The Employment Intervention Demonstration Programme: major findings and policy implications", *Psychiatric Rehabilitation Journal*, 31 (4)

66 Bond, G., Drake, R. and Becker, D. (2008) "An update on randomised controlled trails of evidence-based supported employment", *Psychiatric Rehabilitation Journal*, 31

67 Purvis, A. et al (2013) *Evaluation of the Work Choice Specialist Disability Employment Programme*, Department for Work and Pensions Research Report 846

68 Available at: <http://www.euse.org/process>

69 HM Government (2010) *Valuing Employment Now: Job Coaching or Supported Employment – Approach and Progress in Developing Standards*, HM Government

70 Purvis, A. et al (2013) *Evaluation of the Work Choice Specialist Disability Employment Programme*, Department for Work and Pensions Research Report 846

71 Sainsbury Centre for Mental Health (2009) "Doing what works, Individual placement and support into employment", Briefing 37

72 Purvis, A., Small, L., Lowrey, J., Whitehurst, D. and Davies, M. (2012) *Project SEARCH Evaluation: Final Report*, Office for Disability Issues, HM Government

73 Burns, T., Catty, J., Becker, T. et al (2007) "The effectiveness of supported employment for people with severe mental illness: A randomised controlled trial", *The Lancet*, 370

A different form of employer engagement is likely to be particularly important in supporting disabled people. Welfare-to-work providers typically use either or both of an 'employment agency' model or an 'individual based' model. The former looks to build large-scale relationships with employers to support them across all of their recruitment needs, while the latter focuses on working closely with participants to find the right jobs for them. Evaluation of the WORKSTEP initiative for DWP⁷⁴ suggests that for disabled people in particular, it is important to use elements of both models – working with employers to develop lasting relationships, and working intensively with participants to find opportunities that match their capabilities and needs.

There is no clear evidence that financial support to employers is effective, although it has been widely used in the past both to provide permanent and temporary subsidies for employing disabled people.⁷⁵ Similarly the evidence on 'supported businesses' or sheltered employment is also mixed with some EU and OECD countries including the UK moving away from this provision towards jobs in the open labour market.⁷⁶ Nonetheless, research on the WORKSTEP programme⁷⁷ noted a number of positive attributes, while the Work Choice Evaluation⁷⁸ also reported an increasing use of short-term contracts within supported businesses as part of developing an intermediate labour market model. This model offers the experience of real work coupled with additional support to help participants move into external employment (usually a supported job with the longer-term goal of open employment).

Drawing this together, it is clear that there is an ongoing need for specialist disability employment support and for this support to be personalised to the needs of disabled people. The evidence would suggest that this approach should include access to supported employment, and more specialist support that builds on those principles.

Given the important role that local authorities and health commissioners have played in supporting disabled people through adult social care and public health provision, and the relatively poor outcomes for disabled people in mainstream DWP provision, there would also appear to be a need to ensure that commissioning approaches are effectively joined up across local authorities, employment and health, and that local commissioners are effectively supported to build on what works.

Ethnic minority groups

As noted in Chapter 3, trends in ethnic minority employment and hiring rates disguise a wide diversity within and between ethnic minority groups. This diversity is also reflected in the literature on effective employment support: what may work will depend on the specific barriers that an individual or group faces in finding employment. Many of the key features of effective support therefore build on those identified elsewhere – around good-quality adviser support, access to work experience, employer engagement and so on.⁷⁹ Therefore a key implication is that 'generalist' support needs to recognise, and be responsive to, the specific cultural needs of members of black or minority ethnic groups.

74 Purvis, A., Lowrey, J. and Dobbs, L. (2006) *WORKSTEP evaluation case studies: Exploring the design, delivery and performance of the WORKSTEP Programme*, Department for Work and Pensions Research Report No. 348

75 Purvis, A. et al (2013) *Evaluation of the Work Choice Specialist Disability Employment Programme*, Department for Work and Pensions Research Report 846

76 OECD (2010) *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*, OECD Publications

77 Purvis, A., et al (2006) *WORKSTEP evaluation case studies: Exploring the design, delivery and performance of the WORKSTEP Programme*, Department for Work and Pensions Research Report No. 348

78 Purvis, A. et al (2013) *Evaluation of the Work Choice Specialist Disability Employment Programme*, Department for Work and Pensions Research Report 846

79 Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Department for Work and Pensions Research Report 407

However there are also two important areas where the evidence suggests that members of ethnic minorities may need additional support. First, for some groups community outreach may be necessary to engage with those who for cultural or language reasons are not well-served by mainstream provision. There have been a number of outreach programmes in the last decade, often with a particular focus on members of groups that are further from work or where there are particular barriers to accessing provision, such as the POEM project that supported non-working partners in the Bangladeshi, Pakistani and Somali communities.⁸⁰ This programme emphasised in particular the importance of effective partnership working between agencies engaging with these communities, and ensuring shared goals and trust between organisations. It also emphasised the importance of outreach staff that are well-connected to local communities and that could provide flexible and personalised support.

Second, there is clear evidence that some members of ethnic minority groups face direct discrimination in applying for jobs.⁸¹ In the past, efforts have been made to address this through Specialist Employment Advisers and employer-led approaches like the Fair Cities initiative. While there has been no empirical evaluation of these approaches, there has been some suggestion that employers can be responsive to diversity training, and that there may be merit in training jobseekers to better overcome risks of hidden discrimination in selection processes.

Currently, there is no specialist employment support for ethnic minority groups, and decisions on the resourcing of specialist employment advisers are devolved to Jobcentre Plus localities.

Long-term unemployed

There are different ways of defining long-term unemployment (or long-term claimants). In the UK the definition tends to encompass 16- to 24-year-olds unemployed for more than six months, and those aged 25 and over unemployed for more than a year. Although certain groups are more likely to become long-term unemployed – including those with no or low qualifications, disabled people, and those from minority-ethnic backgrounds – this group remains very diverse. One unifying factor is the experience of unemployment itself, with frequent rejection of job applications, demotivation, reduced job-seeking, and often employer discrimination in recruitment.⁸²

The great majority of the evidence around what employment and skills interventions work, and under what circumstances they work, holds for long-term unemployed people. Indeed, much of the evidence cited elsewhere is based on initiatives that mainly or wholly serve the long-term unemployed. The evidence suggests that what is particularly important for supporting the long-term unemployed is:

- mandatory provision as part of a package, or bundle of support (including work experience and training)⁸³

80 Aston, J., Bellis, A., Munro, M., Pillai, R. and Willison, R. (2009) *Evaluation of Partners Outreach for Ethnic Minorities (POEM): Final report*, DWP Research Report No 598

81 Wood, M., Hales, J., Purdon, S., Sejersen, T. and Hayllar, O. (2009) *A test for racial discrimination in recruitment practice in British cities*, Department for Work and Pensions Research Report No 607

82 Hasluck, C. (2011) *Employers and the recruitment of unemployed people: An evidence review*, UK Commission for Employment and Skills, Briefing Paper

83 Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Department for Work and Pensions Research Report 407

- stable and intensive adviser support – with some evidence (from the Employment Zones) that certain regimes are inappropriate for long-term unemployed people, for example, because the frequency of contact and length of time spent together is insufficient⁸⁴
- wage subsidies, subsidised jobs and direct job creation likely have a role to play, although as before there are risks around deadweight and low take-up⁸⁵
- finally, in-work support during the first few weeks of work is crucial for many long-term unemployed people.⁸⁶

All of this evidence supports arguments for a greater level of specification in the design of employment programmes including the Work Programme, matched with clearer minimum standards on the levels of support that participants should expect to receive – in common with the approaches taken for a range of similar programmes from Australia⁸⁷ to Northern Ireland⁸⁸ and the Republic of Ireland.⁸⁹ This should in particular help to address the widespread concerns, and growing evidence, that some participants in the Work Programme have been ‘parked’ with relatively little and infrequent adviser contact and limited access to additional support.⁹⁰

Most recently, the government has tested a stronger regime of mandatory engagement for the very longest-term unemployed – defined as those claiming Jobseeker’s Allowance for more than two years. Under this pilot, participants were randomly assigned to one of three groups: a mandatory six-month unpaid work placement; intensive and personalised adviser support; or a basic intervention regime. The impact assessment for this pilot⁹¹ found significant positive impacts from receiving intensive case management or a work placement, with these participants spending less time on benefit and more time in employment than the control group. However these effects do appear to diminish over time (with no statistically significant difference in employment rates two years on). In addition, while the intensive case management approach appears to deliver modest results for participants with a range of characteristics, the mandatory work placement did not lead to statistically significant improvements for young people or disabled people.

Overall, the limited nature of the support being offered to the very longest-term unemployed – effectively, an extension of the intensive case management that many unemployed people will have received up to that point – is likely to lead to modest improvements in employment prospects compared with not receiving that support. However, there is a lack of systematic and intensive support that builds on the evidence of what works for those furthest from the labour market – including effective integration of training, skills and work placement, intensive employer engagement and use of intermediate labour markets. All of these should be priorities for supporting the very longest-term unemployed.

84 Hirst, A., Tarling, R., Lefauchaux, M., Short, C., Rinne, S., McGregor, A., Glass, A., Evans, A. and Simm, C. (2006) *Evaluation of multiple provider employment zones. Early implementation issues*, Department for Work and Pensions Research Report No 310

85 Martin, J. and Grubb, D. (2001) “What Works and for Whom: A Review of OECD Countries’ Experiences with Active Labour Market Policies”, *Swedish Economic Policy Review*, Vol. 8, No. 2

86 See for example Griffiths, R., Durkin, S. and Mitchell, A. (2006) *Evaluation of the Single Provider Employment Zone Extension*, Department for Work and Pensions Research Report No 312

87 Available at: <http://employment.gov.au/job-seeker-servicing-what-you-can-expect>

88 Available at: <http://www.delni.gov.uk/draft-service-guarantee-for-gb-visit-20-march.pdf>

89 Available at: <http://www.welfare.ie/en/downloads/JobPath-Info-Session-260713.pdf>

90 Newton, B., Meager, N., Bertram, C., Corden, A., George, A., Lalani, M., Metcalf, H., Rolfe, H., Sainsbury, R. and Weston, K. (2012) *Work Programme evaluation: Findings from the first phase of qualitative research on programme delivery*, Department for Work and Pensions Research Report No 821

91 “Support for the very long term unemployed trailblazer longer term analysis of benefit impacts”, Department for Work and Pensions, December 2013

Supporting good quality, sustainable employment

Achieving equitable full employment will require policies that support job creation and increase hiring generally, as well as specific policies to help disadvantaged groups and parts of the country. But, by itself, that is not enough: we also need to support good quality, sustainable employment with progression. This means policies to:

- promote skills and in-work progression
- boost productivity
- establish a decent set of employment rights.

From a British perspective, the priority for an employment quality agenda is low pay, whether defined in relative or absolute terms. This country has a serious low pay problem on either definition, though the development of the story is different. The Resolution Foundation has investigated⁹² a number of different definitions of low pay, one of which is very similar to the definition of relative poverty used in the Child Poverty Act: two-thirds of gross hourly median pay among all employees. Using this definition, just 15 per cent of workers were low-paid in 1975. This figure rose rapidly to 23 per cent in 1996 but has since been steady, standing at 21 per cent in April 2012. But if we use a more absolute definition – those earning less than the Living Wage – there has been a substantial increase in recent years: escalated from 3.4 million in 2009 (under 15 per cent of workers) to 4.8 million in 2012 (20 per cent).

It is understandable that debates about quality employment focus on low pay, but there is arguably more to it than that. The International Labour Organisation's definition of "decent work" includes social dialogue, social protection and rights to representation and participation in decision making.⁹³ At a minimum, "decent work" in the British context would include measures to prevent the abuse of contract workers, including those on zero-hours contracts, and to enforce the National Minimum Wage.

This is often referred to as the "decent work agenda", which suggests a series of items that can be ticked off. However, promoting quality employment requires more than a checklist – it means putting together a structure of mutually reinforcing institutions. Collective representation must be a key part of this, and is itself a human right. Establishing and extending collective bargaining for low-paid workers would therefore be an important way both to improve the quality of work and raise wages. Although the union 'wage premium' has shrunk in recent years, it still exists and is worth four per cent in the private sector and 17 per cent in the public sector. The premium is also substantially larger for women, thus helping to reduce gender inequality.⁹⁴ Research⁹⁵ suggests that without collective bargaining, the gender pay gap would be 2.6 per cent wider while the gap for ethnic minorities would be 1.4 per cent wider. The same research also suggests that collective bargaining reduces pay dispersion within companies and sectors, because unions' bargaining strategies tend to emphasise protection of the pay

92 Whittaker, M. and Hurrell, A. (2013) *Low Pay Britain*, Resolution Foundation

93 See: <http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--en/index.htm>

94 "Trade Union Membership 2012", Department for Business, *Innovation and Skills Statistical Bulletin*, May 2013

95 Metcalf, D. (2005) *British Unions: resurgence or perdition?*, Work Foundation 'Provocations' series No. 1 2005

of the lowest earners and reliance on objective criteria for pay. A study of 11 OECD countries' experiences between 1973 and 1998 also found that higher union density was associated with lower male earnings inequality.⁹⁶ More recently, the OECD has concluded that "higher union membership tends to be associated with lower income inequality."⁹⁷

Collective bargaining also tends to be associated with high investment in skills and capital and higher productivity. This is partly because employers respond to the union 'wage premium' by substituting capital for labour (and at present, low investment may in part be being influenced by the fact that pay is so low) and because a high-pay market environment is less forgiving of businesses that use labour inefficiently. Unions also tend to favour investment in training and skills to raise their members' marginal product (and thus their claim to higher wages), while a good industrial relations climate promotes high levels of trust in which new technological advances can be exploited.

Recent Inclusion research⁹⁸ has also found that low-paid workers who receive on-the-job training from their employers experience much more substantial pay progression than those who do not. This does not necessarily mean that providing training itself leads to higher pay, but promoting transferrable skills and linking them to industry-wide career ladders does seem to play an important role in supporting progression. Establishing or re-establishing industrial or sectoral collective bargaining would likely make it easier to establish such structures. The same Inclusion research also made extensive recommendations for how we test new approaches to supporting progression in work, build an evidence base on what works, and reform the funding and delivery of employment and skills programmes.

In low-paying sectors where the scope for collective bargaining is limited, the government could take a lead in promoting tripartite sectoral bodies. In addition to dealing with low pay, such bodies could be given such tasks as raising industries' skills levels and promoting other workforce development and work organisation reforms. In some sectors the key to productivity will be investment; where an industry is dominated by small businesses this may be difficult to access; the government could ease the way, perhaps by guaranteeing loans endorsed by industrial partnerships.

The government is already committed to promoting more limited industrial partnerships dealing only with training matters. These partnerships are being established during the second round of funding for the Employee Ownership of Skills Pilots, which give employers direct access to government subsidies for workforce training. As the discussion above suggests, employees and their unions need to be fully involved - other countries that have successfully created industrial partnerships, such as Germany, have built on a foundation of social partnership. It is also important that certain pragmatic safeguards are built into new partnerships, including a commitment to raising the standards and quality of learning and skills provision, equality of access, minimising deadweight (indeed, promoting increased spending on training by employers) and making sure the college and training provider network is not destabilised. In this context, it is important that the 'Apprenticeship Trailblazers' build credibility for new Apprenticeship standards by involving employees and their unions.

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7 Conclusions and recommendations

This research has sought to explore and understand exactly who benefited from the long period of employment growth before the Great Recession; what has happened since; and what we may need to do in the future in order to secure equitable full employment.

It has found that the UK's decade of growth also led to a fairer distribution of employment and real gains for those further from work. However even before the recession began, we remained a long way from full employment – with many areas and groups not experiencing the same boom as the wider economy. Since the onset of recession, we have not seen employment gaps widen to the extent that many had feared. But some remain wide, and some areas have clearly fared worse than others. At the same time, we have seen an acceleration in longer-term trends that may be leading to an increasing gap between a highly educated and well-paid (and often metropolitan) workforce and a lower skilled, low paid and increasingly disadvantaged one.

Addressing these challenges will not be straightforward. Previous TUC research has set out a set of proposals for supporting job creation. We consider that action is needed on three further fronts.

Supporting the most disadvantaged areas

Recommendation 1: *Companies benefiting from the Regional Growth Fund and Enterprise Zones should be expected to support local residents that are out of work – including through high-quality work experience, traineeships and engaging with re-employment services*

The evidence on Enterprise Zones and regional growth funding is not conclusive. However what is clear is that more can be done to maximise the positive impacts of new investment on local residents that are out of work. This could take a number of forms, but as a minimum it should include:

- requiring the beneficiaries of Regional Growth Funding to advertise vacancies through Jobcentre Plus and to engage with Jobcentre Plus and employment programmes to help to fill those jobs
- requiring RGF and Enterprise Zone companies to offer high-quality work experience placements, traineeships, apprenticeships and other support to local residents that are out of work
- linking an element of Regional Growth Funding or Enterprise Zone tax incentives to employers' success in recruiting unemployed residents, on a 'payment by results' basis.

Recommendation 2: *The Work Programme, and its successors, should be reformed so that funding is maintained and ideally increased for residents living in areas with weaker labour markets*

The current Work Programme model effectively pays less for participants in weaker labour markets. A reformed model could include additional incentives for achieving employment outcomes in identified 'hotspots' where unemployment is highest, and could also include a greater role for public sector provision.

Supporting those furthest from work

Recommendation 3: *Jobcentre Plus should offer employment advice and support to all young people that are out of work, not just those on Jobseeker's Allowance*

Young people have seen long-run declines in employment and increases in long-term unemployment. Alongside this, the proportion of unemployed young people that claim JSA has fallen. Jobcentre Plus has recently extended its services to 16- and 17-year-olds not in education. In our view it should now go further and offer adviser support to all young people who are not in employment and who request it.

Recommendation 4: *The government should look to increase traineeship take-up by targeting the funding to areas with high youth unemployment and providing stronger incentives for employers to participate*

Traineeships build on much of the evidence on what works in supporting young people through training and employment support. However the devolved approach to funding and delivery means that there are risks that traineeship supply cannot meet the demand from young people who are out of work. A concerted effort is needed to drive up traineeship creation. This should include consideration of direct intervention to prevent employer abuse. The key issue is to ensure the young people are in worthwhile work after their traineeship.

Recommendation 5: *The government should reform the Youth Contract to offer targeted, intermediate labour market support to long-term unemployed young people*

This should build on the success of previous ILM models, and draw on the likely £300 million that will be underspent from the Youth Contract (as well as the €200 million available from the European Union for Youth Job Guarantees).

Recommendation 6: *The government should improve the joining up between training and employment support, particularly for the lowest qualified*

Recent attempts to create integrated employment and training systems do not appear to be working: referrals do not result in starts on provision, while supposedly integrated models are more often than not simply more training courses. Improving integration requires far closer working, shared objectives, effective partnerships and effective employer engagement. The government should also consider, as part of this, the scope for simply commissioning and procuring integrated support.

Recommendation 7: *A lack of qualifications should be used as a proxy for access to more intensive employment support*

Having low or no qualifications is a clear indicator of disadvantage in the labour market and associated with a range of other disadvantages. Initial skills screening, which currently happens in Jobcentre Plus, should be used more systematically to identify the lowest qualified as a priority group for early referral to specialist provision, including the Work Programme.

Recommendation 8: *The next specialist disability employment programme should build on the evidence of what works, particularly around supported employment principles*

The evidence strongly supports the case for maintaining a separate, specialist disability employment programme. Learning from Work Choice and international evidence, the next specialist disability programme should be built on personalised, flexible and specialist adviser support, with access to well-designed employment and training support that builds on supported employment principles.

Recommendation 9: *The government should develop detailed guidance, how-to kits and a programme of capacity and capability building to support local commissioners of disability employment support*

Local authorities and Clinical Commissioning Groups will play an increasingly important role in the design and delivery of specialist employment support for disabled people and those with health conditions. It will be important to ensure that these local commissioners have access to the right evidence on what works, best practice on how to design and then commission programmes, and a thorough understanding of what is being delivered locally and by whom.

Recommendation 10: *Outreach programmes should be developed and introduced for specific ethnic minority groups that are furthest from mainstream support*

Different black and minority ethnic groups have very different experiences in the labour market. However it is clear that some groups – including many people of Pakistani and Bangladeshi origin – continue to experience significant disadvantages and even direct discrimination. Mainstream employment and skills programmes are often not enough to address these challenges. Outreach programmes, grounded in local communities and with a clear focus on community engagement and partnership work, appear to have had some success in reaching those in particularly disadvantaged groups who are often outside mainstream support. There is a case for developing new programmes, with stable and longer-term funding, to meet these needs.

Recommendation 11: *Clearer service standards, including a guaranteed level of service, should be introduced for long-term unemployed people being supported through government programmes*

There is a strong body of evidence around what works in supporting long-term unemployed people – built around stable and intensive adviser support, effective employer engagement, pre-employment support, well-designed training and work placements, and support to overcome potential problems like transport, childcare and travel. Many systems, including developed markets like Australia and newer ones like the Republic of Ireland, use 'service

guarantees' to ensure that programme participants receive a guaranteed and consistent level of employment support. We recommend that similar service guarantees should be developed in all future employment programmes, to minimise the risks that some participants are 'parked' without appropriate access to specialist support.

Recommendation 12: *For the longest-term unemployed, a more ambitious package of support should be tested – building on the evidence of what works around intermediate labour markets, integrated delivery and supported employment*

Currently, the broad approach for supporting the very longest-term unemployed is 'more of the same': intensive case management and adviser support. Evaluation of government pilots has shown that this approach is just as successful as low-cost, unpaid, mandatory work experience. However there is extensive evidence that more ambitious support, including intermediate labour markets and models that integrate 'supported employment' principles, can be far more successful than case management approaches. In our view, there is a clear need to test a more ambitious, and radical, approach to supporting those who have been out of work the very longest.

Supporting good-quality, sustainable employment

Recommendation 13: *The government should unlock the Adult Skills Budget to provide targeted support for low-paid workers to improve their skills. In time, the government should develop an 'Employment Plus' model that better integrates support to move into work, stay there and then progress*

Previous research on low pay by Inclusion has demonstrated that low-paid employees who receive training see far larger pay rises than those who do not. This research also finds that around one in six workers have been stuck in low pay for at least a year. At present, the £2bn Adult Skills Budget is not always being well-used to support low-paid employees to improve their skills and progress in work; we would welcome reforms to allow it to be more effectively used to this end. We recommend allowing greater flexibility in how this funding is used, so that new approaches can be tested to supporting the low-paid to progress in work.

Alongside this, in line with recommendations in previous Inclusion research, we would recommend that the government works towards developing an 'Employment Plus' model that integrates support for unemployed and economically inactive people to find work with support to stay there and progress. This should build on a programme of rigorous testing of new approaches, understanding of what works, and reforms to how we measure success in Jobcentre Plus and in employment programmes.

Recommendation 14: *Tripartite sectoral bodies should be established and promoted in low-paying sectors, with a clear focus on raising skills and productivity, promoting workforce development and promoting 'decent work'*

As noted, the government is committed to limited industrial partnerships through the Employee Ownership of Skills pilots. We recommend going further, to establish bodies that recognise the key role that trade unions have played in addressing low pay, supporting skills development and raising firms' productivity. This should focus in particular on those sectors where pay is lowest and should look across pay and workforce development. This activity could be led through the UK Commission for Employment and Skills, whose commissioners already include trade unions, employers, government officials and wider experts.

As the discussion above suggests, employees and their unions need to be fully involved – other countries that have successfully created industrial partnerships, such as Germany, have built on a foundation of social partnership. It is also important that certain pragmatic safeguards are built into new partnerships, including a commitment to raising the standards and quality of learning and skills provision, equality of access, minimising deadweight (indeed, promoting increased spending on training by employers) and making sure the college and training provider network is not destabilised. It is important that the Apprenticeship Trailblazers build credibility for new Apprenticeship standards by involving employees and their unions.

Taking these recommendations together, we consider that this offers an achievable, but ambitious set of proposals that would set the UK on its way to achieving equitable full employment.

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