



Report of the Director of Neighbourhoods and Housing

Scrutiny Board (Development) 21 November 2006

Date: 21 November 2006

Subject: Tackling Worklessness

Electoral Wards Affected: All

Specific Implications For:

Equality and Diversity	<input type="checkbox"/>
Community Cohesion	<input type="checkbox"/>
Narrowing the Gap	<input checked="" type="checkbox"/>

EXECUTIVE SUMMARY

This report provides the Scrutiny Board (Development) with an update on the strategies and actions designed to tackle worklessness across the City. The report briefly outlines:-

- the changes in priorities arising from the new national policy drivers enshrined in the Welfare Reform Bill
- changes to the local delivery mechanisms and structures resulting from proposals in the Local Area Agreement and the Leeds Business Case prepared for the Minister of Communities and Local Government
- changes to the bodies charged with delivering mainstream worklessness programmes

The report also provides a summary of progress towards PSA floor targets, Department for Work and Pensions national targets and local targets set within the context of the Leeds Regeneration Plan and Local Area Agreement. In doing this the report clearly sets out the issues that need to be addressed and the extent to which worklessness impacts upon communities across the City.

Throughout the report some words and phrases appear in italics, these are defined or explained in a Glossary of Terms provided at Appendix 3.

1.0 PURPOSE OF THIS REPORT

- 1.1 The purpose of this report is to highlight the strategic and operational issues which the Council can influence and which will enable a more coordinated and effective City-wide response to be developed to address *worklessness*.

2.0 BACKGROUND

- 2.1 The City Development and Thriving Communities Corporate Priority Boards have highlighted

worklessness (people in receipt of *Jobseekers Allowance* [the “official” unemployed], *Income Support*, *Incapacity Benefit* or not claiming benefits but not registered as being in work) and low skills as key issues where the Boards can influence and improve the strategies and the delivery of services to address the problems. The Corporate Priority Boards have considered a number of reports in the last twelve months that have looked at different issues relating to worklessness, welfare reform and the delivery of related Council services. The first report set out the then current priorities for the City in addressing worklessness and recommended the establishment of an Employment Task Group to provide a partnership focus for the production of a Leeds Employment Plan. The second report identified the changes to the delivery measures likely to result from the Green Paper on Welfare Reform and identified how some of these priorities were being implemented primarily through the Council’s Jobs and Skills service. The third paper, prepared by the Head of Leeds Benefits Service, provided a response to the proposals published in the Welfare Reform Green Paper.

2.2 The aforementioned Employment Task Group (ETG) has drawn membership from the Economy and Learning Partnerships of the Leeds Initiative as well as Officers from Development, Learning and Leisure and Neighbourhoods and Housing Departments. The membership reflected the clear need to address the fact that worklessness is an issue that cuts across Council Departments and the current structure of the Local Strategic Partnership. The Group is working to develop the Employment Plan and has sought to ensure that the Plan reflects the shifting policy context and the particular issues facing the City. The Plan will be considered by the Narrowing the Gap and Going up a League Executive Boards of the Leeds Initiative and submitted for approval by Executive Board. The group has informally adopted three guiding principles in developing the Plan. These are:-

- That worklessness, low skills, low aspirations and ill-health are often interrelated and interdependent problems
- That worklessness and low skills present economic, regeneration, learning, health, cohesion and equality challenges in equal measures
- That current efforts to tackle worklessness are incoherent, disjointed and characterised by short-term initiatives.

The ETG has been able to provide a focus for partners to agree actions in the *Local Area Agreement* and the *Milliband / Kelly Business Case*.

2.3 The previous reports considered by the Corporate Priority Boards have accurately reflected the changing policy context and gave an indication of how some of the local actions and programmes have been designed to address the new policy focus. This report enables members to fully consider the changing policy and delivery environment, the scale and scope of the problem, its impact in terms of social, health and economic costs and the barriers mitigating against improved strategy and service delivery.

3.0 MAIN ISSUES

Changes To National Policy And Local Delivery

Welfare Reform

3.1 The Welfare Reform Bill introduced a range of measures designed to reduce the number of people claiming Incapacity and Lone Parent Benefits and set out an aspiration to reduce the number of people over fifty years of age who are not in work.

3.2 In the case of Incapacity Benefit Claimants, Government will introduce new approaches to meet the target of moving 1 million people into work by 2020. These are:-

- Replacing Incapacity Benefit with Employment and Support Allowance – a benefit only paid when the claimant participates in a programme which encourages work-related activity.
- Rolling out the successful Pathways to Work programme of support nationally from 2007 / 08
- Improving Health care practice, in particular concentrating Personal Capability

Assessment's on a persons ability to work rather than their entitlement to benefits

- 3.3 A similar approach will underpin efforts to move 300,000 lone parents and 1 million over 50's off benefits whereby additional assistance is given in return for attendance at work-focused interviews.
- 3.4 The reform of Welfare is complemented by a concerted effort to engage social partners and employers in moves to address issues of inequality, work-life balance, diversity and workforce planning and development.

Local Delivery Mechanisms

- 3.5 The Enterprise and Economy (4th) Block of the Local Area Agreement proposed the creation of a Leeds Employment Trust – a consortia of local partners involved in tackling the issues of worklessness and low skills. The proposed Trust would act as the vehicle for the delivery of the City's Employment Plan and the body which would bring coherence and alignment to the numerous and complex array of funding streams. The Trust would have the potential to deliver efficiencies and increased effectiveness to the commissioning of programmes addressing worklessness and increase the number of people from target groups returning to work.
- 3.6 The Leeds Business Case to the Department of Communities and Local Government reiterated this call to establish greater control over the strategy and funding mechanisms deployed at the City level. The Council and its partners subsequently submitted an Expression of Interest to the Department for Work and Pensions to establish a City Strategy (an Employment Trust as outlined by another name) and to draw down funding to support its operations. Though the City Strategy Expression of Interest was unsuccessful the need for local partners to continue to work towards the development of a local strategic coordinating vehicle which would better target resources remains.
- 3.7 The developments described are being progressed in parallel to the Leeds Employment Plan and will be finalised under the direction of the LAA 4th Block lead officers. (Chief Economic Services Officer and Senior Programme Manager – Leeds Initiative). A Worklessness Group has been established to progress and refresh that element of the 4th block and to undertake a systematic gap analysis of need and provision in the neighbourhoods of the City where worklessness and its effects are most prevalent.

Mainstream Programme Delivery

- 3.8 Jobcentre Plus is the agency charged with delivering mainstream Government interventions to address worklessness. Following wholesale restructure of its operations the agency has changed from district operations (previously co-terminus with the City) to a sub-regional delivery structure. Its contracting arrangements are also now predominantly based upon sub-regional geographies.
- 3.9 As a result of these structural changes, Jobcentre Plus, from July 2006, significantly altered its delivery arrangements for its largest mainstream welfare to work programme – *The New Deal* (and associated subsidiary programmes). The tendering exercise required delivery intermediaries (training providers) to have arrangements in place to provide the full range services across a sub-region. In Leeds, the Jobs and Skills (Learning and Leisure Department) service, previously the largest New Deal provider in the City was not successful this time. The New Deal contract covering Leeds is now held by BEST Ltd.
- 3.10 **The Problem Of Worklessness**
- 3.11 Worklessness presents a major challenge to the City's Going up a League and Narrowing the Gap Agenda's. Its causes and effects are inter-related and manifest themselves in poverty, high crime levels, poor educational attainment, anti-social behaviour, high levels of drug and alcohol dependency, poor health, skills and labour shortages, economic stagnation, reduced levels of inward investment and low rates of business start ups.
- 3.12 The headline figures for worklessness in Leeds are not considered to be high in comparison

with other Core Cities and the employment rate for the City (75.2%) is slightly above the national average. However, anecdotal evidence, data extrapolation and the experience of training providers would suggest that the 58,000 (approx) people registered as workless (i.e. claiming Income Support, Incapacity Benefit or Jobseekers Allowance) could be joined by similar numbers who are economically inactive but not claiming benefits / nor paying tax or National Insurance. An employment agency / training provider operating in Chapeltown reported that 60% of its clients seeking work would not be registered as workless – this figure was in common with their experience across the Country.

- 3.13 Figures available through the Indices of Multiple Deprivation show the number of people living in areas in the 112 *Super Output Areas* (SOA's) most deprived (top 20%) for Employment is 170,000 (approx).
- 3.14 Unemployment is disproportionately high amongst BME communities (excluding the Indian Community) and especially Pakistani and Bangladeshi communities. Unemployment rates for Bangladeshi men are four times above the City average (approx 20%). The measure of participation in the labour market - the Employment Rate - reveals that Pakistani and Bangladeshi communities at 46.6% lag significantly behind the City average of 75.2%.
- 3.15 Unemployment disproportionately affects young people with 16.5% of the 16-19 age group and 10.4% of 20-24 year olds being unemployed. It also has a disproportionate impact upon lone parents, older people and those with low level or no qualifications. 33% of people unemployed have no or very low level qualifications. In areas where worklessness is concentrated the number of people with no qualifications rises to over 50%.
- 3.16 The wider incidence of worklessness, i.e. including those claiming Incapacity Benefit, Income Support and Jobseekers Allowance and those not claiming any benefit, is concentrated in certain areas of the City (See attached Maps at Appendix 1). There are 33,000 (approx) people claiming Incapacity Benefit in Leeds compared to 12500 (approx) people officially recognised as being unemployed. There is a persistent and moderately high level of Incapacity Benefit claimants across many parts of the City and specifically in those outer areas with a higher proportion of ex-miners and older people. However, in the main worklessness is concentrated in the wards of Chapel Allerton, Gipton and Harehills, Killingbeck and Seacroft, Burmantofts and Richmond Hill, Beeston and Holbeck and City and Hunslet. Rates in these areas are well above 25% of all residents (aged 16-59) registered out of work. Analysis at the lower level Super Output Area geography provides some disturbing and highly challenging concentrations, for example:-
- In the Chapel Allerton ward, the SOA including the streets known as the Granges, Hamiltons and Frances Street contains 829 people aged between 16-59. Of these 235 receive Income Support, 185 Incapacity Benefit and 170 Jobseekers Allowance – in total 590 (71.2%) people are workless.
 - In the Burmantofts and Richmond Hill ward, the SOA covering the Lincoln Green area contains 900 people aged between 16-59. Of these 165 receive Income Support, 200 Incapacity Benefit and 180 Jobseekers Allowance – in total 545 (60.6%) people are workless.
 - In the Beeston and Holbeck ward, the SOA including the streets known as Ninevehs, Crosbys, Springwell Road and Domestic Street contains 831 people aged between 16-59. Of these 140 receive Income Support, 210 Incapacity Benefit and 125 Jobseekers Allowance – in total 475 (57.2%) people are workless.
 - In the Killingbeck and Seacroft ward, the SOA covering Foundry Mill Terrace and Brooklands contains 838 people aged between 16-59. Of these 210 receive Income Support, 165 Incapacity Benefit and 85 Jobseekers Allowance – in total 460 (54.9%) people are workless.
- 3.17 Despite the fact that Leeds has one of the fastest growing economies in the UK, economic growth in the City has come mainly from the expansion of medium to large businesses, particularly in the professional and financial sector. The level of self-employment is only 7.9%

(compared to 12% nationally) and changes in the business stock are more than twice as low as the national average at 2.8% (compared to 6.8% nationally). The low level of enterprise in deprived areas is even more acute and is a major barrier to their economic regeneration. The *Local Enterprise Growth Initiative (LEGI)* bid sets out a comprehensive strategy to address these issues. A decision on whether the City has been successful in securing £15.6 million of support for the first three years of the ten year strategy is expected in mid-December.

3.18 Those people living in the deprived areas of Leeds have a vital role to play if the economic growth of the City, and the region, is to continue. The number of jobs predicted to be created in Leeds over the next decade will be 31,600 while the Leeds labour force will grow by an estimated 14,600. *The Leeds City Growth Strategy* and LEGI submission have highlighted growing concern that local skills and labour shortages, as well as a lack of local enterprises, will stifle the predicted growth of Leeds. There is also the prospect of this affecting the growth of the region as a whole, with predicted job growth in Leeds equating to about one-third of the all job growth in Yorkshire & Humberside. No-where is this situation better exemplified than in the Construction Sector, where the major Construction firms are using contractors from outside the City, who in turn are bringing in their own labour force from other parts of the country and abroad, with local firms or local people not benefiting and the wealth generated leaving the City. The City needs a healthy small business sector and growth in the creation of new enterprises as it is these businesses that are most likely to employ local people.

3.19 **Targets And Progress**

3.20 A table including national targets and local targets derived from the Leeds Regeneration Plan is provided at Appendix 2.

3.21 It is clear that some progress is being made to tackle worklessness with examples of good work being taken forward by partners across the health and social care sectors to address musculo-skeletal challenges and issues of mental health and motivation. Specifically, good progress has also been made in helping Lone Parents return to work with the city-wide rate and rates in priority neighbourhoods falling faster than the national average. Sustained partnership efforts to address childcare availability and affordability and build confidence and skills have paid dividends for this group. Lone Parents have been able to take advantage of flexible working patterns and the provision of in-work benefits.

It is also clear that huge efforts are required to tackle the on-going issue of medium to long-term unemployment generally and specifically amongst BME groups, young people and older workers. Efforts to tackle Incapacity Benefit claimant counts are beginning to show some positive effects at the national scale and this is hopefully being mirrored within the City. However, whilst the direction of travel may be right there is an urgent need to increase the speed at which outcomes are delivered if key targets are to be met. For example, to bring the SOA's listed in section 3.16 within the "Narrowing the Gap" differentials outlined in Appendix 2 would require the following numbers of benefit claimants to gain employment (assuming no new claimants join the registers):-

Chapel Allerton

55 Income Support
55 Incapacity Benefit
115 Jobseekers Allowance

Burmantofts and Richmond Hill

25 Incapacity Benefit
115 Jobseekers Allowance

Beeston and Holbeck

80 Incapacity Benefit
70 Jobseekers Allowance

Killingbeck and Seacroft

30 Income Support
15 Incapacity Benefit
30 Jobseekers Allowance

3.22 **Improving Strategic And Operational Responses**

Partnerships

- 3.23 The Government has clearly indicated its desire to see larger Cities take more ownership of the Employment and Skills agenda with its re-structuring of Jobcentre Plus as a sub-regional agency and the publication of the Welfare Reform Bill calling for Local Authorities to take a leading role in coordinating both private and voluntary sector efforts to tackle worklessness.
- 3.24 The relationship between Jobcentre Plus and Leeds City Council has traditionally been strong but until recently has ultimately been based on the fact that the Jobs and Skills Service within the Council has been a major provider of Jobcentre Plus programmes and hence a sub-contractor subject to performance management reviews and monitoring arrangements. This focus upon delivering government contracts, in competition with other providers has undermined the need for Council to take a longer – term strategic role in determining the arrangements required for tackling concentrations of worklessness. Unlike most other major Cities, Leeds has operated without a clear Employment Plan and without a robust partnership for tackling worklessness. Whilst these structures are now beginning to take shape it is clear that the Council will provide a clear direction and maintain a strategic overview to address the challenges outlined.
- 3.25 The Leeds Regeneration Plan identified worklessness as an issue which affects the whole of the City and which requires a response at the City level. Some District Partnerships have also prioritised worklessness and established sub-groups accordingly. Whilst these sub-groups may have the capacity to add value to efforts to address worklessness it is necessary for there to be greater accountability from these groups to the District Partnerships and far greater transparency in terms of their contribution to the targets outlined above.
- 3.26 In line with the aspirations within the LAA and Kelly / Milliband Business Case – the Council should take the lead in establishing an appropriate overview and coordination mechanism. More importantly, it is essential that the process of pooling / aligning resources is encouraged by Council making a clear statement of commitment to building a partnership which has the capacity and the resources to act.
- 3.27 The analysis of worklessness outlined above highlights obvious issues of labour market inequality and disturbing patterns of educational and employment related under-achievement amongst certain BME groups and people suffering from disability and/or mental health issues. It is important that partnership arrangements and operational programmes are inclusive, culturally sensitive and informed by clear stakeholder involvement in their design and delivery. It is also clear that greater emphasis, in strategy and planning terms, needs to be placed upon the health and motivational factors inhibiting the ability of people to gain and retain meaningful employment.
- 3.28 The changes outlined in the delivery of the mainstream Jobcentre Plus contracts require clearer links between mainstream and discretionary programmes and providers. It is important that the Council maintains a position whereby it can assess, review and influence the capacity and capability of Jobcentre Plus sub-contractors to deliver on City targets.
- 3.29 **Programme Delivery**
- 3.30 The rationale for the City Strategy / Employment Trust proposals stemmed from the fact that coherence and convergence was required to better deliver worklessness and skills programmes. Including mainstream funding, the Department for Work and Pensions had identified up to 70 different funding streams dedicated to addressing different aspects of the agenda each with their own procurement and performance management arrangements. This complexity has the effect of creating duplication, associated bureaucracy and a lack of consistency in the application and assessment of quality assurance measures. The challenge here lies in establishing a set of commissioning arrangements to alleviate the problems identified.

- 3.31 The impact of worklessness and economic inactivity upon neighbourhoods is debilitating and is usually accompanied by longer-term decline in other indicators of deprivation. Accompanying this is the equally serious cultural impact of worklessness upon aspirations, mental health and perceptions of injustice. It is common for people affected and surrounded by long-term worklessness to ascribe blame for their circumstances on to others and to see all efforts they could potentially make to address this as futile. In short, people become depressed by worklessness and lose the ability to address their circumstances rationally and become hostile to assistance. Equally, communities affected by worklessness display hostility to others perceived to be better off or receiving more help. Worklessness in this sense is a dangerous social problem which breeds individual mental health issues and which creates the conditions in neighbourhoods that are easily exploited by extremists. It is important to address worklessness in all communities and to recognise that communities living in isolated pockets of worklessness, surrounded by areas of relative affluence, can feel that their problems are worse and ignored in terms of targeted support. There is an on-going need to ensure that sufficient and diverse efforts are available to tackle the different issues that cause and are caused by worklessness.
- 3.32 Consideration needs to be given to the Council's role as the largest employer in the City and its potential to be an exemplar employer in terms of its recruitment and selection practices, the development of its staff and its ability to influence the employment practices of others in the public and private sector. Currently the Council does not maximise recruitment and retention of young people using *work-based learning* routes that are better suited to those who are not motivated by academic study. Improving the profile of its efforts to employ a diverse workforce and in particular its role as an employer of people with learning disabilities would also have a significant impact upon the issues affecting priority groups.
- 3.33 The Council's change programme provides an opportunity for its role to be assessed both as a deliverer of services and as the lead strategic enabler in the City.

4.0 CONCLUSIONS

- 4.1 The issues raised in this paper set out the extent to which worklessness has a negative impact upon the whole City. Whilst its incidence is predominantly concentrated in the inner-city neighbourhoods, worklessness affects all communities through its effects upon the ability of companies to recruit and compete, the low levels of entrepreneurship, associated costs of ill-health, crime and drug and alcohol misuse and the negative impact that it has on motivation, education and skills levels and community cohesion. In leading the development of effective strategies and programmes to tackle worklessness the Council will be contributing to the achievement of other key priorities facing the City.

5.0 RECOMMENDATION

- 5.1 The Scrutiny Board (Development) is asked to note and comment on the issues raised by the paper and receive a further report in due course.