

Summary

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Employment Zones: A Study of Local Delivery Agents and Case Studies

This report is based on two rounds of research carried out between Nov 2000 to September 2001 with a range of Zone stakeholders: Employment Zone managers, Employment Service District managers and Zone Personal Advisers in all 15 Employment Zones. More detailed case studies were carried out in seven areas: Birmingham, Brighton, Glasgow, Haringey, Liverpool, North West Wales and Tower Hamlets. Conducted by independent researchers, interviews and group discussions were held with clients, employers, local providers and other agencies including local authorities, Training and Enterprise Councils and voluntary bodies.

Key Findings:

The study reports that Employment Zone contractors responded positively to the incentives of the business model. It shows that Zones:

- Developed a sharp focus on getting people into jobs and keeping them there for at least 13 weeks;
- Created incentives for contractors, their staff and their clients – those who invest are able to reap the rewards;
- Encouraged many Zones to assess clients' needs and estimate job probabilities, linked to an informal system of "client segmentation" seeking to respond differentially to each individual's needs within a diverse group of participants;

- The emphasis on client needs has revealed a substantial minority of clients, about 25-40% of the total according to Zone managers, with problems insurmountable within current arrangements.

Zone managers report that factors which underlie successful procedures include: Decentralisation of decision-making to local agents and frontline staff, Zone structures and processes giving considerable discretion to Personal Advisers; Development of a different relationship with both clients and employers, using specialist skills and a heavy emphasis on what works; Establishment of working relationships with employers based on adding value to their recruitment process, although this is easier to deliver in tight labour markets.

Conclusions

Zones attempted to segment their participants based on assessments of "job readiness". They provided wide-ranging support, mainly through one-to-one case working or financial help with transport, clothes and other costs incurred in job search and leaving benefits for work. Although unable to meet all needs, they delivered to those clients able to respond to an intensive focus on job entry and retention. Within current arrangements, Zones found it difficult to assist those with serious barriers to work, particularly drug, alcohol and mental health problems. This raises the question of whether the incentives in the business model can be re-structured to address this group or an alternative approach is required.

All reports and their summaries are available from:

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Executive Summary

Introduction

Although claimant count unemployment has fallen substantially, there remain areas of the UK with high levels of long term unemployment. Employment Zones (EZs) were introduced in April and May 2000 in an attempt to tackle these pockets of long term unemployment in 15 areas of the UK.

EZs are designed to provide:

- a client centred approach, involving personal choice but with a clear responsibility on the long term unemployed to take part;
- dedicated Personal Advisors (PAs) to work with clients on a one-to-one basis; flexible delivery of support to remove barriers to employment, funded through a Personal Job Account (PJA);
- an emphasis on output related payments, with the majority paid to a contractor after a client has spent 13 weeks in employment; and,
- through a contracting process a balance of risk and reward with contractors.

People resident within EZ areas and claiming Job Seekers Allowance (IB) are eligible if unemployed for at least 12 months in eight of the EZs and for at least 18 months in the remaining seven. EZs have been delivered by a combination of private, public-private and

wholly public contractors in the 15 areas with amongst the worst long-term unemployment records in Britain.

Research Approach

This report is based on two rounds of research carried out in Nov 2000 – Jan 2001 and June – Sept 2001 with a range of Zone stakeholders: Employment Zone managers, ES District managers and Zone Personal Advisers in all 15 Employment Zones. More detailed case studies were carried out in 7 areas: Birmingham, Brighton, Glasgow, Haringey, Liverpool, North West Wales and Tower Hamlets. These involved interviews and group discussions with clients, employers, local providers and other agencies including local authorities, TECs and voluntary bodies.

Between April 2000 and June 2001, 46,492 long-term unemployed people entered the EZs. The majority were male (85%), and white (70% compared to 15% black and less than 10% from the Indian subcontinent). Almost 20% were over 50, 15% reported they suffered from a disability, and more than 40% had been unemployed for at least 3 years.

Delivery Mechanism

Employment Zones (EZs) mark a comprehensive and radical change in the delivery of employment services to long-term unemployment people. This qualitative evaluation confirms that contractors have responded positively to the incentives in the EZ business model. In doing so, they ensured the effective implementation of a genuinely experimental delivery system built around:

- a “Jobs First” focus where the sole goal is helping participants move quickly into jobs and remain there for at least 13 weeks. Outcome-related funding provides incentives for both clients and PAs which largely co-incide – short concentrated assistance focused on immediate barriers to work;
- a deeper understanding of their dual customer base (clients and employers) leading to effective working with and on behalf of these customers. One-to-one interactions between Personal Advisers and clients is mirrored by emerging relationships between specialist marketing staff and employers. Contractors believe that investing more time, resources and flexibility into building relationships with customers does deliver better outcomes;
- a very close awareness of the business case for investing in any client matched by an incentive structure which cascades down to the frontline – their staff, their contractors and the clients themselves;

However, compulsory attendance and the PA approach have meant that Zones have revealed a hardcore of clients (estimated at 25-40% of starts) with needs which are insurmountable within the 39 weeks. Some still face a benefit trap (high housing benefit). Most have significant personal barriers (drugs, alcohol, mental health) which prevent them from working.

Decentralised Decision-Making

The strength of the EZ approach lies in the level of discretion available to contractors in local delivery. More specifically:

- Personal Advisers have considerable discretion in assessing the risks and rewards associated with each client: there is only broad regulation over the level, timing and nature of investment in any one client;
- Personal Advisers target support on individual needs – no two clients are alike, so subtle differences in support make all the difference in outcomes (particularly in relation to ethnic minority clients). Clients recognise and appreciate that they are being treated differently;
- Contractors have developed an effective client-vacancy matching process: effectiveness depends as much on developing a detailed understanding of employers and their recruitment needs as helping clients into vacancies. This has taken time to develop, especially in those areas where there is less pressure in the labour market;
- More generally, the structures and working processes within the EZs have been heavily influenced by the significant value attached to finding and sustaining employment for clients. The link between the reward for sustainable employment and the potential to retain and reinvest ‘profits’ is a key driver for the EZs.

Personal Advisers

PAs do not have set procedures for dealing with individual clients, they are expected to use their own experience in deciding what is best for each client and have discretion in managing their caseload – regular one-on-one support is at the heart of the process to build clients' confidence and motivation. Contractors report that the use of external provision by Personal Advisers reduced over the course of the study as they gained more experience of what works and for whom.

Many are sceptical of the value of external assistance and point to the limited time available to bring about fundamental changes in the clients' employability or the availability of quality jobs. The approach adopted is more about challenging preconceptions to what is currently available and re-establishing career paths to the client's 'ideal' job.

Likewise, during the course of the study, PAs developed the confidence to drive a harder bargain with clients, assistance is short, intensive and often delivered in parallel to job search or entry and is seen as an investment in the client (not the employer), generally falling into three broad categories:

- Specific job opportunity focused – if the client achieves the qualification/ certificate/ licence they will get the job;
- Transitional support – cover transport costs or provide access to transport (mopeds, cars, MOTs etc), tools, clothes, etc and in some cases a contribution to the start-up costs of setting up a business;

- Learning/development focused – in-work training (part-time or evening) and the ability to fund longer courses from literacy to degree level to build commitment and address skills over the longer term.

The development of aftercare services has been driven by the financial reward associated with sustained employment. PAs recognise that the key to a good aftercare service is to ensure as far as possible that the client wants the job they have secured and is fully prepared before they leave the Zone. This often means anticipating transitional problems in coming off benefit. Zones have become better at identifying travel to work and related problems, the cost of transport often figuring in the financial help clients receive.

PAs are responsible for keeping in touch with their clients while employer marketing staff are responsible for contacts with employers. There is no 'standard' service: PAs focus their attention where they have concerns about the client's ability to hold down their job for 13 weeks. This is normally by telephone at home so the client can express any concerns outside of the workplace. The majority of clients do not need aftercare and many grow out of it after a short time in work but they are all aware that it is available to them should they need it. PAs report that if they do carry out any aftercare it occurs in the first few weeks of the client entering work.

Working with Employers

Specialist employer marketing staff have been used to mirror the relationship between PA and clients. They report that knowledge of the firms' recruitment criteria, culture and the type of people they are seeking is central to support the job matching process and to prepare clients for interview. Subtle changes in recruitment practices (location of interview, preparation for tests, etc) can make all the difference to the success of clients. Developing such relationships with employers takes time and is dependent on the pressure in the local labour market. Discussions with employers involved in Zones suggests that many are keen to continue to work with Zones.

Output-Related Funding and Client Segmentation

Another benefit of the Zone model, sometimes seen as a disadvantage, is that the Zones are forced to look seriously at the segmentation of their customer group. Output-related funding ensures that it is in the business interests of contractors to assess what their future income stream from clients might be, raising the danger of just 'maintaining' people who are a bad employment bet. However, the early assignment of broad job probabilities to individuals is an attempt to manage strategically the flow of investments to a diverse client group. The study found that output-related funding has encouraged:

- informal segmentation of clients into "job ready"; "near job ready"; "not job ready" or "unemployable" categories.

The latter refers to those deemed unlikely to get jobs – and hence secure outcome payments - during the 26 weeks available on Step 2 (managers reporting between 25% and 40% of clients are in this group);

- a broad range of investment in the near and not job ready groups, although initial assessments often require adjusting as the PA develops more of a relationship with the client. From the start, Zone contractors have appreciated that the key to making profits has been to strike a balance between concentrating PA resources where they can make most difference and serving the needs of the wider client group;
- identification of a substantial minority with needs insurmountable within the time-scale and resources available. There are indications that these clients, particularly those with drug, alcohol or mental health problems, are also represented on mainstream programmes where the incidence of "unemployable" clients is shielded by case management or referral processes;
- strategies to manage the financial risks posed by this hardest-to-help group (fortnightly interviews with minimum additional help, or referral to non-charging voluntary organisations or other benefits). Substantial investment is only made if the client is offered a job interview.

In effect, the model is encouraging Zone staff to forge a deep understanding of their clients.

Working and Signing

PAs reported that around 15-25% clients are suspected of working and signing at least to some degree. ES District Managers noted Zones' apparent ability to respond flexibly to working and signing. They contrasted this with ES practices which they said were characterised by ES staff being duty bound to report all cases of suspected fraud. Zones staff are under an equivalent obligation if they find evidence of abuse, but have used their close relationships with clients to highlight the potential of formal self-employment with advice from business support and information on the availability of in-work benefits to the self-employed.

From the start of the research, PAs generally preferred not to use Decision Making and Appeals (DMA) procedures against recalcitrant clients. PAs firmly agree that it is necessary to be able to back up the threat of benefit sanctions with action but almost all felt that the DMA process was too slow and time consuming. Moreover, the minority of clients whom the PAs really wished to sanction were often considered to "know" the system so well that they could avoid the worst of the DMA process and string out the duration well beyond 13 weeks. It appears that the use of DMAs has increased over time as PAs have become more efficient in their procedures with the support of local ES staff.

Relations with Employment Service

ES District Managers have generally been supportive of Employment Zones and in many areas have been involved in setting up procedures to ensure referrals to the Zone are made efficiently and effectively, to support Zone PAs with information and training on Decision Making and Appeal (DMA) procedures, and have contributed their knowledge of the wider labour market and local employers. While DMs accepted that Zones are making a contribution to their overall performance targets, there is a concern that they may be held to account for Zone under-performance. Many DMs:

- expressed some envy of the flexibilities available to Zone contractors in dealing with clients;
- pointed out that the performance of the Zones was based on a broader definition of job-entry than was available to ES (ie all job entries are counted once a client is referred into the Zone, whether or not the client has (yet) received any assistance);
- Pointed out that Zones are not a costless programme for the Employment Service because of the loss of a number of experienced frontline staff on secondment and due to additional administration involved in managing Zone referrals.

ES District Managers generally became more positive over the course of the research. Formal and informal contacts have raised ES staff aspirations about what can be done for

these clients as well as being able to borrow more effective approaches used by Zones. The presence of ES secondees has raised the credibility of Zone achievements. There is little doubt that the ability to take secondees from ES helped greatly in the vast majority of Zones. Contractors recognise the value to their early operations of having secondees familiar with systems and procedures and also trained to work with unemployed clients.

Conclusions

The perceptions of many stakeholders suggest that the approaches developed by Employment Zones are working with a group of clients who have often been failed by traditional measures. At their best, Zones represent the way forward for policy in dealing with long-term unemployed people.

In their current format they do struggle to deal with the very hardest to help and are therefore not a panacea for the problems of the long term unemployed people. However, they do constitute a significant addition to the battery of interventions and have developed effective processes for dealing with the long term unemployed and their potential employers.

Zones have gone a long way to ensuring that catering for the majority does not get in the way of the potential of the minority to go further. Flexibility and encouraging innovation to improve practice sit at the heart of this.