

The Intermediate Labour Market

A tool for tackling long-term unemployment

Bob Marshall and Richard Macfarlane

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1 The Intermediate Labour Market approach

The growth of ILMs

Intermediate Labour Markets have an important role to play in helping the long-term unemployed back into employment.

(House of Commons, 2000, p. xxix)

In recent years, Intermediate Labour Market programmes (ILMs) have been developed as a method of tackling long-term unemployment and promoting community-based regeneration. They are locally based, require a multi-agency approach, use and develop local organisations, and typically have a high success rate.

The longest established and best known ILM is the Wise Group which has been operating since 1983. Although similar to some other programmes (for example, the Community Programme of the early 1980s), the Wise Group set the framework for the model as it is practised today: waged temporary work of community benefit for the long-term unemployed, with support to move into the mainstream labour market. Although now diversifying, it has tended to concentrate on house insulation and landscaping work. It currently offers over 700 places.

In 1994, Glasgow Works was set up as a public partnership based on this ILM model, but contracting with a large number of local, mainly third-sector, bodies to deliver the ILM projects. This programme now has 450 places and demonstrates how ILMs can deliver a wide variety of job types and services from childcare to market research.

Since then, there has been a rapid growth in interest in establishing ILM programmes, some of it stimulated by government programmes like the New Deal for the Unemployed

(especially the Voluntary Sector Option and the Environmental Task Force) and the prototype Employment Zones. Since 1997, ILM programmes of 100–500 places have been developed in Manchester, Liverpool, Birmingham, Plymouth, Sheffield and Nottinghamshire as well as many smaller projects run by local authorities, housing associations and local regeneration bodies. The survey results (see Chapter 3) indicate that there are at least 65 operating programmes, offering 5,300 employment opportunities targeted at the long-term unemployed.

What is an ILM?

The term ILM refers to a theoretical concept (a labour market) that is explained in Chapter 2. ILM activities take place through ILM projects, or groups of projects that together form an ILM programme. For example, Manchester has a programme that aims to provide every long-term unemployed person who is eligible (18–24 year olds in this case) with the opportunity of employment in the intermediate labour market. The ILM programme managers deliver this by providing funding for places within existing community-based organisations or in discrete projects providing, for example, town centre guides or environmental works. In other areas, there may be no programme, just one or more stand-alone ILM project.

It is important to recognise that reference to ‘an ILM’ is really a shorthand way of referring to an ILM project or programme, rather than the ‘Intermediate Labour Market’. This can be a source of confusion.

While there is no single definition of an ILM project or programme, the National ILM

The Intermediate Labour Market

Network (established in 1998) has identified the following common characteristics.

- The main aim is to give those who are furthest from the labour market *a bridge back to the world of work*. It is about improving the participant's general employability. This involves targeting the long-term unemployed (usually over 12 months) or people with other labour market disadvantages.
- The core feature is *paid work on a temporary contract*, together with training, personal development and jobsearch activities. Although some ILM operators offer the option of a wage or staying on benefits, the majority would say that the wage is an essential ingredient (to help recruitment, retention and progression).
- In order to limit job displacement or substitution, the work is in additional economic activities, ideally of community benefit.
- Projects and programmes rely on the packaging of funding from various sources (e.g. New Deal, European Social Fund, local regeneration funds and

project earnings), in a way that provides outputs and 'added value' for each funder.

The Government's Policy Action Team on Jobs reporting in 1999 recognised ILMs as contributing to two areas of policy. Their primary interest was in the role of ILMs as a 'labour market intervention', i.e. as a method of enabling non-employed people to return to the labour market. However, they also recognised that ILMs can play an important role in neighbourhood regeneration through the provision of additional local services (Social Exclusion Unit, 1999). As indicated below, there are concerns amongst some labour market policy makers that an emphasis on the provision of local services will result in programmes that produce poor 'labour market' outcomes. However, this concern is not borne out by this study which shows that 77 per cent of ILMs see 'getting the long-term unemployed (LTU) back to work' as their main objective (see Table 1). Only 14 per cent of programmes see the provision of local services as the main priority and only 3 per cent see 'creating new jobs' (i.e. filling the 'jobs gap') as their main priority. Indeed, the most common 'second priority' was

Table 1 Main objectives of ILMs

	Ranked as 1st priority (%)	Ranked as 2nd priority (%)
Getting the LTU back to work	77	9
Work of community benefit	14	31
Providing training / skills	6	32
Creating new jobs	3	14
Setting up social enterprises	2	11
Maintaining people in activity	2	11

a labour market aim – ‘providing training/skills’ rather than local services. The job outcome results back up this emphasis on progression.

The aims of the study

As indicated above, despite strong local interest, rapid growth and success in terms of outputs (see Chapter 2), there remain concerns about the role of ILMs as part of national and local employment strategies. These include the following.

- They are difficult to set up and administer, and require the development of a local delivery structure. Does the management capacity exist to undertake such a complex and demanding set of activities if ILMs are to be expanded across the country (Campbell *et al.*, 1998)?
- At a gross cost of about £14,000 per place per year, they appear expensive compared to other approaches (Robinson, 1997).
- The work activity may be too removed from the real labour market to be of benefit to the unemployed (Layard, 1997a).
- They may allow people to ‘settle in’ and not progress to the mainstream labour market fast enough (with a suggestion that ‘wage levels should be nearer the benefit level to make workers impatient to get into regular jobs’ (Layard, 1997b).
- Where they are used to boost demand in areas suffering from shortages of jobs,

they may risk separating the long-term unemployed from the open labour market and damage their chances of getting a job (Social Exclusion Unit, 1999).

- They do not address the basic problem in many areas, which is the lack of suitable jobs rather than the deficiencies of the unemployed (Webster, 1997).

This led the Policy Action Team on Jobs to recommend the use of ILMs ‘In support of people for whom other ... [labour market] ... interventions have failed’ (Social Exclusion Unit, 1999, p. 95).

However, these criticisms are based largely on theory since there has been no comprehensive study of ILM activity prior to this study. In this context, it is important to examine what has been achieved and identify the critical factors in maximising the effectiveness of the ILM approach so as to increase the replicability. Although there is a growing body of evidence that the ILM approach does work, there is not yet a full understanding of *why it works*. This is the purpose of this study, which specifically aims to:

- set out the rationale for the ILM approach in the context of current labour market and regeneration strategies in Britain
- provide information on the range of ILM programmes and approaches now operating
- identify what makes a successful ILM project or programme work and why
- examine the outputs and value of ILMs relative to other labour market initiatives

- provide a framework for policy making, and identify what could be done to make it easier to set up and give stability to ILMs.

Outline of the study

The study has included a survey of 65 ILM operations in England, Scotland and Wales. This aimed to map the current scale of ILM activity and allow the development of a typology. In addition, 11 ILM programmes were examined in detail. These were in Manchester, Bolton, Wirral, Sheffield, Nottinghamshire, Newham, Southwark, Birmingham, Plymouth, Glasgow and Ayrshire. They were chosen to reflect a

range of factors such as the lead body, models of operation and different local labour markets. These are not presented in detail but the material gathered from these case examples has been used to inform the discussion and findings throughout the study.

Chapter 2 looks at the rationale for the ILM approach and Chapter 3 describes the main survey results. The three following chapters look at the setting up and management of ILMs (Chapter 4), what works and why (Chapter 5), and funding of ILMs (Chapter 6). Chapter 7 evaluates performance and looks at value for money, and Chapter 8 presents some conclusions and policy implications.

2 The rationale for the ILM approach

There are a number of reasons for considering the ILM approach in the welfare to work and regeneration agendas. These are based on an interpretation of how the labour market works, especially in relation to the long-term unemployed, a consideration of the uneven demand for labour in Britain and the growing evidence of the higher performance and better value for money which ILMs can achieve compared to other programmes. They also link strongly into some of the Government's policy directions such as 'making work pay', the development of 'intermediaries' and a joined-up approach to neighbourhood regeneration.

The labour market rationale

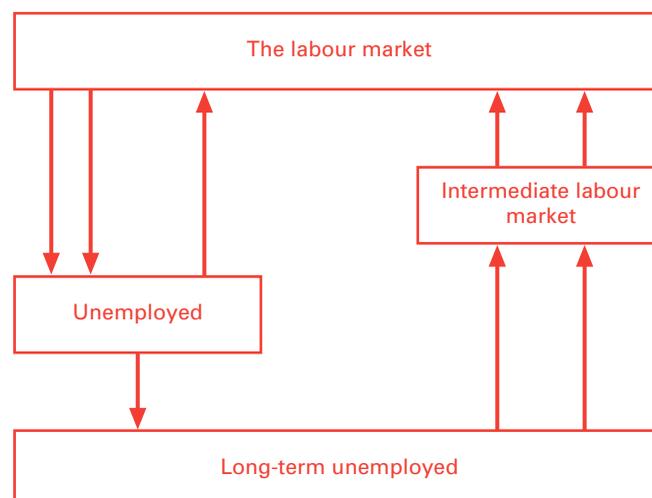
Figure 1 illustrates the ILM concept. This is based on the premise that there are people so far removed from the mainstream labour market that they do not participate in it and have little influence on it. Employers draw labour from the shorter-term unemployed, new entrants, women returners or from farther afield

(commuters). This explains why there can be areas with high numbers of job vacancies (for example, in city centres) adjacent to areas of large-scale long-term unemployment. This can result in skill shortages and even wage inflation alongside high rates of long-term unemployment and relatively low rates of economic activity.

The objective of an ILM programme is to provide a parallel (intermediate) labour market, within which the long-term unemployed can gain enough 'employability skills' to compete effectively in the mainstream labour market. Even if they subsequently lose their job, they will be sufficiently employable not to return to the excluded 'bottom' group. Thus, the total pool of employable labour will increase and the long-term unemployment rate will fall.

However, to achieve this objective, an ILM programme needs to be of a scale that is relevant to levels of long-term unemployment locally, and it needs to be sufficiently robust to maintain itself at this scale over a number of years.

Figure 1 The ILM concept is about keeping the labour market 'active'



Maximising ‘insertion’ into the labour market

Providing employment opportunities for all is the single most effective means of tackling poverty and social exclusion ... When people in the bottom fifth of income distribution gain work, the chance of them moving out of low income is very high. (Social Exclusion Unit, 1999, p. 29)

The ‘work first’ approach of US welfare to work programmes has gained some support with the British Government, the idea being that attachment to the labour market by securing a job, even a low level and insecure job, is the best way for the long-term unemployed to start to move on.

However, there is evidence from the US and from Britain’s New Deal that merely finding a job in the mainstream labour market will not guarantee long-term attachment to the labour market. People drop out or are sacked, have poor skills enhancement and limited income growth. Only 58 per cent of jobs gained by New Deal (18–24) leavers have been sustained beyond 13 weeks (Bivand, 2000). This evidence

is replicated in the ILM projects where most operators argue that it can take six to nine months or more for ‘employability skills’ to become embedded. Data for Glasgow Works support this view (see Table 2).

This suggests that a comprehensive re-engagement package is more effective in achieving sustainable labour market insertion than a minimal approach. Recent US evidence shows that programmes focusing on job search, early employment and education and training more often increased employment and earnings than those focused solely on one of these (US Congress, 1999). Additional measures to enhance longer-term skills and deal with childcare and transport issues have also been suggested (Jobs for the Future, 1999).

ILMs combine ‘work first’, albeit in a temporary job, with this more comprehensive approach. ILM experience has shown that the best way to engage people who are very ‘distant’ from the labour market is to offer a wage and meaningful work. From there, progressions in terms of skills development and confidence follow. The emphasis is on work

Table 2 Progression and retention of employment by leavers (based on a survey of all those who had left the programme over a two-year period)

Duration on programme	Leavers to a job (%)	Still in a job (at survey date) (%)
0–3 months	46	14
3–6 months	51	42
6–9 months	74	56
9–12 months	67	53
Max. contract	42	67

Source: Cambridge Policy Consultants, 1996b.

disciplines and employability skills, but the package includes training to a qualification, personal support, career planning and aftercare support.

Filling the jobs gap

Since New Labour was elected in 1997, there has been a debate about whether unemployment is a result of a mismatch of labour demand and supply (plus, perhaps, discrimination), or whether unemployment is still the result of a lack of jobs, at least in some areas. The fact that the total number of vacancies estimated by the Department for Education and Employment (DfEE) (at three times those notified to Job Centres) and the number of registered unemployed are about equal, and this is broadly the case over most travel to work areas, has led some in government circles to suggest that the problem is no longer one of shortage of jobs but of barriers to employment which can be overcome (House of Commons, 2000, pp. 13–17). The provision of childcare, the Working Family Tax Credit, providing driving lessons, etc. are examples of policies based on this premise.

This argument is countered by others in two ways. First, most unemployed people are only likely to be able to take entry-level jobs, which are substantially those notified to Job Centres and are segmented from the rest of the labour market. So, is it realistic to assume that multiplying these by three reflects jobs available to the unemployed (Gregg and Wadsworth, 1997)? Second, local experience would indicate that registered unemployment is a poor indication of the real level of inactivity in the labour force (participation in the labour market

can vary from below 60 per cent to over 80 per cent across the country) and that in some areas such as the redundant coalfields of North Nottinghamshire or in cities like Liverpool or Glasgow the competition for the jobs available is still severe. New job vacancies tend to be in the lower paid service sector and are often part-time. The longer-term unemployed, older, male applicant, for example, has little chance of success against women returners or new entrants, even if he can be persuaded to forsake the relative security of benefits to apply in the first place. Travel to where jobs are can take up to three hours each day and reduce net take-home pay to below the minimum wage (House of Commons, 2000).

Where there is a 'jobs gap', the role of an ILM programme may be to keep people employable and reduce further exclusion. If designed so as to provide an attractive and comprehensive support package (perhaps with work tasters and placements), it may encourage people to participate in the labour market and lead to a successful progression to ongoing employment, at higher wage levels and with prospects for further advancement. If there are insufficient jobs for the progression to be achieved, the ILM programme will at least maintain the labour force at a reasonably employable level until the local economy improves.

ILM performance

The relative success of different approaches to the long-term unemployed and value for money will be covered in detail in Chapter 7, but at this early stage it is worth noting that the growing evidence that the ILM can achieve good to very

good performance rates has been a major factor in the interest in and adoption of the approach across Britain.

Properly targeted and managed ILMs can be shown to achieve up to twice the job entry rate (at 60 per cent plus) and, more significantly, much longer lasting and better quality outcomes (longer retention of jobs, higher income levels) than many alternatives available.

Along with their ability to attract, motivate and retain, without compulsion, those who may be sceptical of or reluctant to participate in more traditional training courses or schemes offering ‘benefit plus’ only, they appear an attractive alternative to local managers and politicians who want to achieve the best for their area.

Policy directions

The UK Government’s strategy of ‘making work pay’ is about encouraging people to take the jobs available, even if low paid or temporary, and deals with some of the disincentives by ensuring a minimum wage supplemented by Working Family Tax Credit, Childcare Tax Credit and other benefit measures (along with sanctions for non-participants).

ILMs have essentially anticipated and developed this approach by providing entry level jobs at or just above the minimum wage and, because people are off benefit from the beginning, start them on the road to managing in this new system. In some ways, they can provide even greater encouragement to labour market entry because of the training and other support packages incorporated (e.g. childcare, driving lessons) and the jobs on offer are usually very local.

In 1999, the UK New Deal Task Force began

to promote the concept of ‘intermediaries’, which like ‘work first’ is borrowed from US experience. These are agencies with strong local links to the unemployed and excluded groups. They provide a bridge to employers and supply the support structures to enable the unemployed to succeed in getting the available jobs. Intermediaries are characterised as bodies where ‘work norms, such as punctuality, attire, and presentation are emphasised from the outset’ and a significant research finding is that it is the quality of the initial job placement (wage levels, opportunities for advancement) which determines retention (New Deal Task Force, 1999b).

In the context where the UK Government is now increasingly concerned about the delivery of New Deal programmes, especially poor performance of the New Deal Options, it is looking to US models of this type. And yet, in Britain, ILMs already provide good examples of ‘intermediate’ delivery agents targeting the same groups, having a similar approach and achieving good results (Social Exclusion Unit, 1999, p. 92).

ILMs as a regeneration tool

Finally, it is important to consider the beneficial impact of ILM projects on local regeneration, for example, through the work undertaken which would not have happened otherwise or would have cost the public sector to provide anyway.

What has not been measured in detail to date is the ‘multiplier effect’, i.e. the benefits to the participants’ households and communities through increased incomes and spending power, health and wellbeing, and the change in the local culture to one of work and not welfare.

For example, there are about 1,000 ILM places in Glasgow, which create about £6m in net wages per year. The ILM wage is about twice the average level of benefit so we can assume an addition of around £3m into households every year. About 70 per cent of participants live in the poorest parts of the city. Over 65 per cent gain a job and most do not return to welfare within a year.

The Wise Group study of 1996 calculated the reduction in fuel bills for those having their homes insulated as £840,000 per year: 67 per cent of those receiving home insulation reported a weekly saving on their energy bill of up to £5 in 1996 (McGregor *et al.*, 1997). In Glasgow Works, the most significant and the easiest 'local economic impact' to measure was the additional earnings of those parents who sent their children to the ILM after-school schemes:

£450,000 per year in two of the poorest housing estates in Glasgow (Cambridge Policy Consultants, 1997b).

Other impacts are more difficult to measure, but no less real, such as reduced crime in areas where a sports centre for youngsters was set up, reduced school truancy and exclusion as a result of an education project, savings in care budgets for the disabled and so on (Cambridge Policy Consultants, 1997b).

There have as yet been no other detailed evaluations that enable the economic and social benefits of ILM projects to be calculated, but these examples show that these 'by-products' of an ILM approach can have significant economic impacts that can be targeted at regeneration areas. Such impacts are not achieved by most other labour market initiatives.

3 ILM programmes in Britain

The survey

As part of this study, a questionnaire was sent to over 400 organisations including all New Deal Voluntary Sector and Environmental Task Force (ETF) contracting bodies (250), 50 major housing associations and all members of the UK ILM Network, to find out the scale and extent of ILM activity in the early part of 2000. The replies (over 100) covered most of the major programmes known to be operating and many smaller ones.

Organisations were asked to reply only if they targeted the long-term unemployed or a special excluded group, paid a wage on a temporary job contract, offered a package of support including training and engaged in work of community benefit (including placements). Those who replied but, after checking, did not provide a wage have been excluded. The answers are for discrete programmes and so projects within these which also replied have been excluded to avoid double counting. Ten respondents were in the process of starting new programmes in 2000/01 and have also been excluded. The base is therefore 65 separate ILM programmes operating in 1999/2000.

Although not exhaustive, these results provide the first comprehensive picture of ILMs in Britain.

Scale and distribution

The total number of places (jobs) filled by the 65 operating programmes was 5,300. This gives an average of 81 per programme, but the range is from very large programmes (Manchester at 460 filled places) to as small as two places (Table 3).

The majority (71 per cent) offer up to 12

months' contracts, with 23 per cent up to six months and 6 per cent over 12 months. The average length of stay on established '12-month contract' programmes is 36 weeks. If we estimate an average 30 weeks' stay for all the programmes in this study, this would produce throughput of around 9,000 people per year.

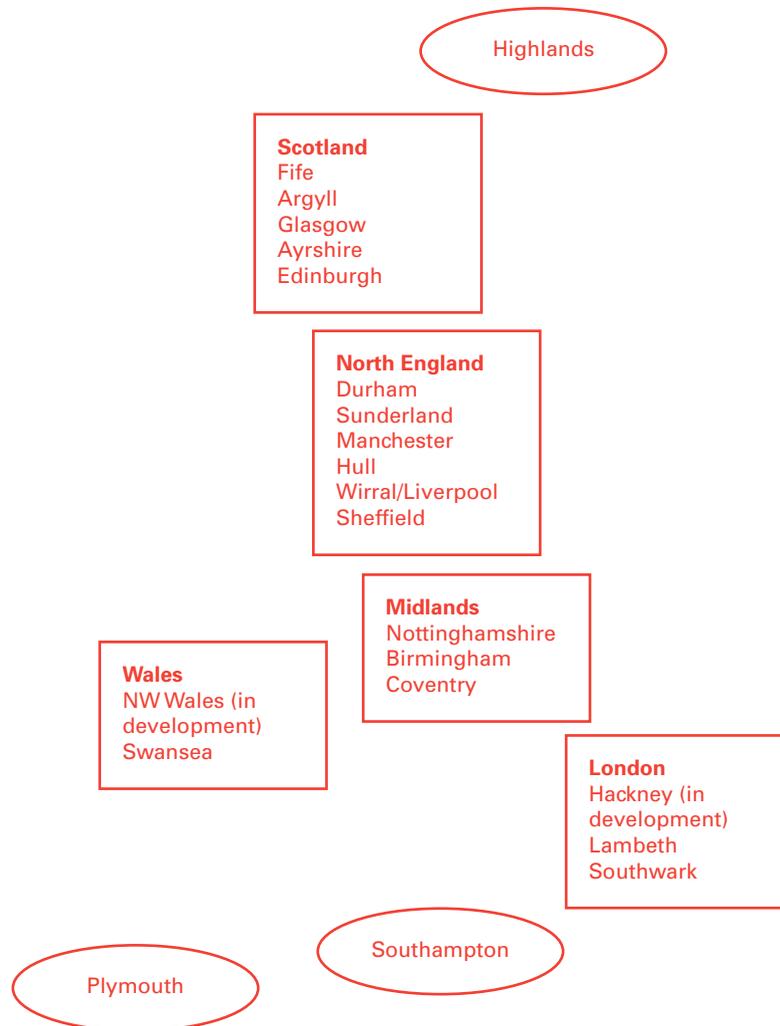
There are clusters of activity throughout the country (Figure 2) mainly in the big cities and the other older industrial areas of the North, Midlands and Scotland. This reflects the scale of long-term unemployment in these areas. However, most parts of Britain have some activity. London, despite its high numerical levels of unemployment, has seen limited growth so far, but there is strong interest in Southwark (which has a programme), Lambeth, Hackney, Haringey and Greenwich. The majority of programmes (85 per cent) have begun since 1997.

The range of activity is extensive. Environmental work, landscaping, construction and insulation account for 47 per cent of the total number of places offered in distinct projects and 8 per cent of placements offered, with about half of all the programmes offering such work. This reflects not only the

Table 3 Numbers of ILM programmes and places, 1999/2000

No. of places	No. of programmes
1-24	27
25-49	9
50-99	15
100-199	8
200-399	3
400+	3
Total	65

Figure 2 Clusters of activity



‘traditional’ Wise Group type activities but also the growth of ILMs associated with the New Deal Environmental Task Force. However, as Table 4 shows, the majority of places are in other activities including childcare, town centre guides, IT activity, sports and community work.

Seventy-one per cent of places are in discrete projects set up and managed as ILM operations wholly or mainly employing ILM participants.

The remainder (29 per cent) are placements with other bodies where the ILM people may be just one part of the workforce.

Lead bodies

There is a wide range of lead bodies including Training and Enterprise Councils (TECs) and Local Enterprise Companies (LECs), local

The Intermediate Labour Market

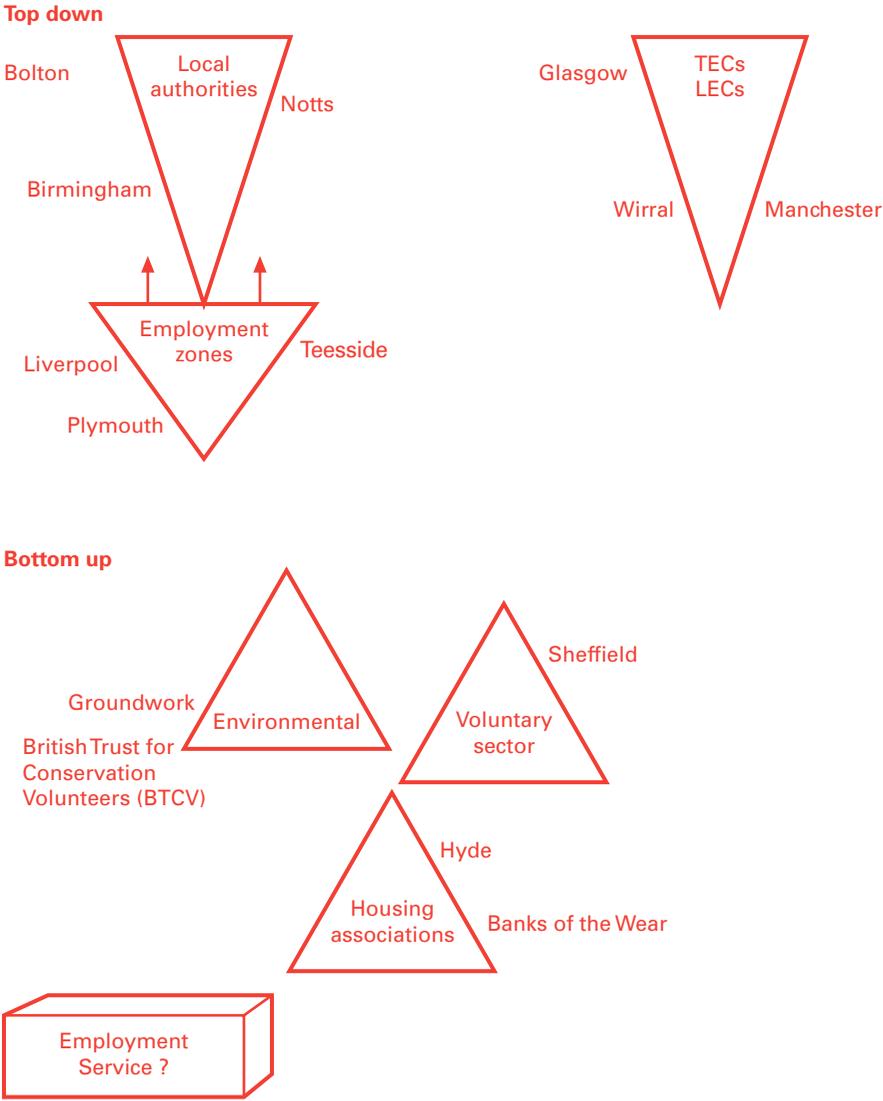
Table 4 Types of ILM activity

	No. of places in discrete projects	No. of places in placements	% of programmes offering activity type
Childcare	169	81	29
Homecare	36	98	15
Recycling (general)	104	27	20
Recycling (white goods)	73	16	12
Recycling (furniture)	42	19	12
Construction	565	178	40
Environment	813	153	54
Landscaping	705	91	49
Heat insulation	250	34	28
Crime prevention	57	23	15
Town centre guides	150	55	17
Health	15	15	3
Sport	55	31	14
Information technology	152	36	28
Call centre	146	12	11
Community work	126	208	28
Administration	200	258	45
Advice work	107	91	15
Transport	1	62	15
Other	194	101	

Table 5 Lead bodies

Lead body	% of organisations
ILM operator	22
Training provider	8
Environmental initiative	5
Voluntary sector body	20
Housing association	6
Local authority	17
Other (TECs/LECs)	22

Figure 3 Lead bodies



authorities and housing associations (see Table 5). Only 22 per cent are organisations whose main purpose is to operate an ILM; 25 per cent are voluntary sector bodies or environmental initiatives.

Figure 3 attempts to categorise the lead bodies into 'top down' where the main thrust

has come from strategic players such as local authorities and 'bottom up' where the initiative is more community or voluntary sector based. The main finding is that ILMs can be successfully operated by a wide range of lead bodies. The Employment Service is not a lead body for any ILM.

Objectives

As discussed earlier (and shown in Table 1), there is a strong emphasis placed on ‘getting the long-term unemployed back to work’ as the primary objective of the ILM, with 77 per cent of respondents putting this as their first priority. ‘Providing a community benefit’ and ‘providing training’ were the main second choices in ranking of objectives. Interestingly, ‘maintaining the target group in activity even if they do not get a job’ – the filling the jobs gap objective – was placed bottom on the priority list by 43 per cent of respondents.

Targeting

Most programmes offer places for 18–25 year olds (81 per cent) and the majority of places (71 per cent) are for this group (see Table 6). This reflects the use of New Deal and the more limited funding sources for the over-25s. Some programmes have other specific targets (e.g.

postcode areas, ethnic minorities or lone parents), but usually as secondary targets.

As noted earlier, the majority (71 per cent) offer contracts of up to 12 months (see Table 7) and 78 per cent provide a weekly package of 31 hours or more (see Table 8), with work as the core along with training – 88 per cent to Vocational Qualification (VQ) Level 2 or above (see Table 9). Most provide additional support such as childcare, literacy and numeracy help, and benefits advice. Almost half offer driving lessons, known to be a significant contributory factor to successful jobseeking.

Operational and policy issues

The most significant operational problems experienced by current programmes (see Table 10) are the lack of a secure funding stream for ILMs and other related financial issues. Administration of the paperwork associated with funding is the second main category.

Table 6 Target groups

	% of programmes	% of places
18–25 year olds	81	71
Over 25 year olds	61	29

Table 7 Contract length

	% of programmes
Up to 6 months	23
6–12 months	71
Over 12 months	6

Table 8 Hours per week

	% of programmes
26–30 hours	22
31–35 hours	45
Over 35 hours	33

Table 9 Other support

	% of programmes
English for speakers of other languages (ESOL)	14
Literacy/ numeracy	65
Training to VQ Level 2	88
Childcare	55
Travel allowance	63
Driving lessons	45
Jobsearch training	95
Welfare/benefits advice	50

Table 10 Problems experienced

	Overall score (Low score means more of a problem)	Ranked as main problem (No. of respondents)	Ranked as second main problem (No. of respondents)
Securing funds for following years	2.2	40	17
Obtaining setting-up funds	2.7	33	12
Managing cash flow	3.0	18	16
Admin./paperwork (New Deal)	3.0	20	20
Recruitment	3.3	13	15
Drop-outs	3.3	12	22
Obtaining appropriate training	3.4	8	16
Benefits (for participants)	3.6	10	12
Local authority support	3.9	8	10
Attracting suitable supervisory staff	3.9	9	5
Attracting suitable management staff	4.0	7	10
Getting New Deal/ES support	4.0	3	9
Getting TEC/LEC support	4.0	8	11
Premises	4.1	6	7

Table 11 Desired improvements

Improvement	No. of responses
More cohesive, simpler funding	30
Reduce paperwork	11
Longer contracts (i.e. over 6 months)	7
Improve cash flow / payments times from New Deal	7
Reduce benefits trap / low wages	6
Allow overlap of benefits into employment	5
Improve ESF payment delays	4
More flexibility by training providers	3
Clients do not always want to train, but this is required	3
ES should be more flexible	3
Clearer rules on holiday, sickness, etc.	2
More flexibility in LA Best Value contracts	2
Greater knowledge and support from Government	2
Mixing ages is a good idea	1
Personal Job Accounts a good idea	1
No benefits sanctions for those who leave ILMs	1

Fewer programmes seemed to suggest that attracting good managers was an issue although this is often seen as a major problem in setting up. Equally, although attracting New Deal/ Employment Service (ES) or TEC / LEC support may appear to be an issue in setting up ILMs, this does not emerge as a major problem with respondents.

The main changes or improvements that ILM operators would like to see are, not surprisingly, a reduction in the complexity of funding and the burden of paperwork (see Table 11). These are factors that deflect them from their main objectives.

Further replies to an open question about what else would help ILMs concentrated around the promotion of the concept and developing a support structure. The following

are a selection of responses made by more than one programme, in order of frequency:

- greater promotion and awareness of ILMs
- better networking of ILMs and support agencies
- the complexity requires explanation and capacity building
- committed and talented staff are essential
- allow enough time to set up
- a good practice guide is needed
- rural areas have different issues – need understanding
- strategic management of ILMs in each area is needed.

4 Setting up an ILM

Four key factors have been identified in setting up a successful ILM: developing a robust partnership, gaining the support of a lead body, establishing a delivery infrastructure and the quality of the managers.

Partnership

Most of the more successful ILM programmes in Britain (in terms of scale and sustainability) are based on a strong local partnership, typically including the local authority, the TEC/LEC and the voluntary sector.

The main reasons for creating a strong local partnership are to:

- secure funding, e.g. core funding from local authorities, inclusion in bids for regeneration money, the underwriting of European funding applications and contracts to deliver New Deal or Work Based Learning for Adults
- obtain work activity, e.g. contracts to deliver local services.

There are many examples of projects that rely on public sector support. In Glasgow, the Wise Group has received council contracts for home insulation and landscaping work valued at several million pounds per year for the last 15 years. Elsewhere, town centre guide schemes (Liverpool, Plymouth, Wirral, Manchester) could not have got off the ground without a good relationship between the ILM delivery body, City Centre Partnerships and in some cases the Police and the Tourist Authorities. Partnerships may take time to develop but investment in these pays off.

BoltonWise – an ILM partnership

BoltonWise (BW) operates a 90-place ILM programme in activities ranging from landscaping and town guides to classroom assistants. Most participants are over 25 and BW gets up to 60 per cent job outcomes. It took two to three years of local discussions to get support and to set up. Wise Group was brought in to help sell the idea locally and because of their experience – ‘you know what you know, but you do not know what you do not know’.

The project champions were the directors of several Bolton Metro Council departments and this support has been maintained, although support at this level does not reduce the need for good relationships with officers at lower levels who may not share the Director’s commitment and merely ‘want a good job done’.

There is an intimate relationship between BW and the Council, which, for example, provides payroll services, acts as a banker and writes European Social Fund (ESF) applications. The Council views BoltonWise as an agent which can achieve its objectives both in service provision and also in ‘inclusion’, but sees the use of a separate body as adding value by being able to tap into more resources. BW benefits because, if it was not integrated into the Council in this way ‘it could suffer like any other voluntary body’, e.g. if grants are being cut. Through the partnership with the Council, the ILM problems are shared problems.

False starts or collapses in ILM programmes can sometimes be ascribed to the breakdown of

partner relationships. In 1999, an attempt to set up an ILM programme in Halton (Runcorn and Widnes) foundered on a misunderstanding about funding commitments between the local authority and the lead housing association. The closure in 1999 of the longest established ILM programme in London (NewhamWise) might have been avoided if the positive relationships with the Council had been maintained.

NewhamWise

NewhamWise (NW) operated in East London from 1993 to 1999 with up to 150 participants mainly carrying out heat insulation and environmental work, much of it on contract with Newham Council.

During 1999, NW found itself in serious operational and financial difficulties because some of the work it contracted to do was at too high a specification and could not be done by ILM 'trainees'. To complete the contracts, private companies had to be hired with the ILM workers sometimes 'standing around watching them do it'. This pushed costs well above incomes and meant that NW did not deliver on training outputs. There was a high ratio of permanent staff (over 40) to ILM workers (ratio 1:4) so overheads were high. NewhamWise suffered from all the workload and cashflow problems of a small building company, and job outcomes in 1999 were low.

The original 'vision' of the Council and NW converged, but over time the relationship became more of one of a client-contractor. When the difficulties arose, NW was held to its contract terms and was eventually forced into voluntary liquidation. The partnership was not close or strong enough to avoid this outcome.

A lead body

Partnerships are not noted for actually getting anything done. For this, there needs to be a lead body. Setting up ILM programmes is risky. Time and resources have to be put into development work and funding applications, core staff have to be hired and there is the ever-present problem of cash flow, so a willing banker is needed. The development process can take up to a year and it will be a further year before any results in terms of job progressions (i.e. outcomes) are seen; a leap in the dark which needs a bold and committed leader, often one person in a key organisation.

The Glasgow Development Agency set up Glasgow Works in 1994 with an untried model and with only the experience of The Wise Group to go on. Manchester TEC took a big risk in 1998 by converting a small, untested pilot ILM (Work Options) into a large programme for *all* the New Deal Voluntary Sector and ETF referrals in its area.

Manchester – taking the lead

Manchester TEC with its four partner local authorities took a decision in 1997 that all the Voluntary Sector and ETF New Deal places would be delivered as ILM waged places. The TEC took on the job of encouraging delivery agents in Greater Manchester to participate. The TEC senior management realised that someone had to employ the core staff (15 or so) and set up the systems to make it work and to underwrite cash flow, and took this on itself.

The programme has 400–500 filled places at any one time and costs over £6m per year. It offers a wide range of activities, many as

placements with the voluntary sector. Faced with the challenge of mandatory referrals from New Deal, Manchester TEC has also taken the lead in setting up a special ILM project and employing these New Dealers itself.

One of the disadvantages of the TEC taking such a strong leadership role in delivery is that the local authorities gradually felt less ownership and a lack of ability to influence overall strategy, and the voluntary sector may view any bureaucracy and inefficiencies in the system as the 'TEC's fault' rather than these being seen as a shared problem.

The Plymouth ILM programme (100 places) is a case where a confusion of leadership and lack of a champion in the right place resulted in problems. There was already enthusiasm for the ILM concept within the City Council and the voluntary sector when the Prototype Employment Zone (EZ) came along in 1998, and the opportunity was taken to develop an ILM programme within the EZ framework.

However, the delivery agents all reported a less than enthusiastic response from the EZ management. With nowhere else officially to turn to, the projects on the ground found their first year difficult and there was little strategic planning for their continuation when EZ funding was coming to an end during 1999. Despite this, they produced good outcome results and are now developing a support body led by the City Council.

A delivery infrastructure

Gaining local support, providing leadership and funding will not, by themselves, guarantee the success of ILMs. They cannot be willed into being, even by local champions (and certainly not by government departments). A robust delivery infrastructure must either be in place or be developed.

Table 12 illustrates the range of delivery arrangements reported in this study. There are two distinct models (see Figure 4), plus a number of hybrids.

Table 12 Operating structures

Operating structure	% of programmes
Central body manages the work and employs the workers ('Wise Model')	44
Central body manages the programme but other organisations manage the work in distinct ILM projects and employ the workers ('Works Model')	33
Central body manages the programme and employs the workers, but these are on placement with other organisations for their work activity (often only one or two per organisation)	13
As above (central body manages the programme and the workers are on placement with other organisations), but the placement organisations employ the workers	10

The Intermediate Labour Market

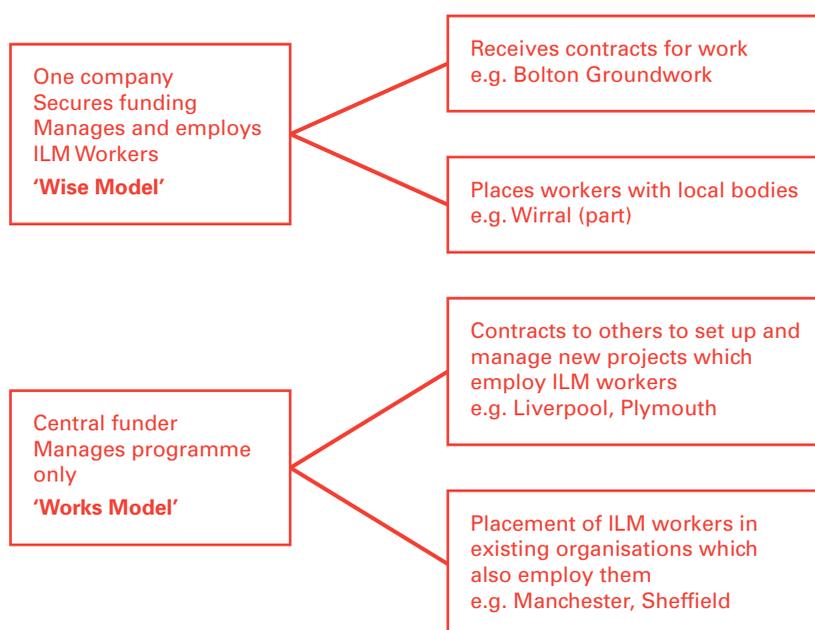
The first approach can be termed the 'Wise Model', where one organisation accesses the funding, employs the management, administrative and supervisory staff, employs the ILM workers and carries out the work. The Wise Group has successfully transferred this model to Bolton and Coventry.

Unless bought in as a package with good 'partnership' support, this approach relies on the existence of a well-established body that is willing to develop its capacity in this (sometimes new) field of labour market programmes. The Groundwork Trusts, with a track record of getting environmental work contracts and taking on volunteers and others, and with core staff already employed, have been well placed to move into this area and they have seen the most rapid growth. Other examples are housing associations (e.g. Hyde in Southampton) and local agencies like One Plus

which is a voluntary sector body providing childcare in the west of Scotland.

The second approach can be termed the 'Works Model' where a central organisation develops the programme, accesses much of the funding, may employ some core staff, and then contracts out the delivery (and employment of the ILM workers) to a range of other organisations in the community. Based on the Glasgow Works example, most of the new, larger ILM programmes have taken this form (Manchester, Liverpool, Plymouth, Nottinghamshire, Sheffield). The advantage is that a variety of delivery bodies (including small voluntary organisations) can be tried out, local capacity is developed, the programme is likely to get off the ground faster and a wide variety of work activities can be built up quickly.

Figure 4 Models of ILM structures



Pentra – a hybrid model

Pentra is an ILM body in Wirral sponsored by Cheshire East and Wirral TEC. It was set up in 1999 and has about 90 places (mainly for over-25s) with an anticipated outcome rate of about 60 per cent.

Pentra employs the core development and administrative staff, and directly manages about half of the places (e.g. the town centre guides). It contracts the delivery of other projects to local bodies such as Wirral Community Transport, although Pentra remains the employer. This has allowed a rapid development where there was no obvious local provider but also the growth of other delivery agents in Wirral. A potential difficulty with this model is the 'distance' between the employer (Pentra) and the ILM worker who is managed by someone else.

The aim is for Pentra to become an independent company with the local authority and Employment Services as key stakeholders.

The contracting out or 'Works' type models may require a change in culture for many of the delivery bodies because running ILMs is not their core business. Good support, management information and monitoring systems are essential. Reminding these delivery bodies that the aim of the ILM is to get the person out and into another job as soon as they are ready is a constant requirement (what employer wants to get rid of their best workers?). Many of the new programmes which have rapidly developed since 1997 underestimated the amount of support that delivery bodies need right from the beginning.

Some lead bodies such as Birmingham City

Council decided to limit their ILM numbers and test out a limited number of providers before expanding.

Birmingham – testing capacity and limiting risk

The small pilot ILM developed by Birmingham City Council in 1997/98 (34 places) chose three very different bodies to try out delivery: a college, a training organisation managing a café as a social firm, and a voluntary sector advice and a support body (Birmingham Settlement) with a track record in training and in managing projects. Council officers felt that a big programme with new structures was too much risk and the 'traditional' ILM approach (such as in Glasgow) was 'a pain to set up and pain to dismantle'.

All three delivery bodies produced good results with different ILM target groups (70 per cent+ outcomes). The Settlement developed a model of placing administrative workers with the voluntary sector and private companies – almost like a temping agency. The college project relied on getting construction contracts and the café had limited expansion potential. The placements model seemed to be the one with the most prospect of rapid development and they also developed good management systems.

This model was expanded in 1999 to 100 places and in 2000 will be expanded to 300 places. It is flexible, being placement oriented, and manages with very few core staff. Growth can occur by franchising the model to other organisations. Over 50 per cent of the participants are from black and ethnic minority groups.

With this core experience, Birmingham now feels it can also use the ILM approach to help pump prime community enterprises and support more project-based ILMs such as childcare.

In addition to a clear delivery infrastructure, setting up an ILM requires the identification of suitable work activity, appropriate training to be accessed and administrative systems established. The ILM participants are *employees* and need their wages paid, grievances heard and sometimes they need to be disciplined. It can come as a shock to voluntary sector bodies or training providers to realise they now have new members of staff to keep busy (often outnumbering their previous 'core'). In addition, the emphasis on progression to mainstream jobs often requires *new attitudes and a changed culture in organisations*. These points will be picked up in more detail in Chapter 5.

A dedicated manager

The quality and experience of the managers of ILM projects are the final, crucial, ingredients for successful development. Managers have the difficult job of running a service (really a small business with all the entrepreneurial skills that this requires), hiring, supporting and coaching long-term unemployed people, encouraging them to move into other jobs and managing the service delivery with 100 per cent+ staff turnover every year. Organisations which have tried managing ILM projects by extending the portfolio of existing staff have found it does not work (except where the ILM workers are just a few placements). Normally a dedicated person is needed. When asked, the most successful ILM projects can usually point to the manager as being the key factor ('she is the best kept secret in Birmingham'). Others, where there have been difficulties, will acknowledge that they rushed into it, employed the wrong person or have not given them enough support.

5 Managing ILMs: what works and why?

Although there are a variety of operational models and most ILM programmes are fairly new, there is enough common experience to begin to identify what works, what is more likely to lead to success and what will cause problems.

Objectives: people need to be clear what they want an ILM for

The results of the survey of the main ILM operators show that they are clear that the main objective is about increasing the employment chances of long-term unemployed (Table 1). However, how this is best achieved requires a knowledge of the local labour market. Is the focus on getting excluded groups such as ethnic minorities into available jobs (in London or Birmingham) or dealing with a slack labour market in 'job gaps' areas such as Liverpool or North Nottinghamshire?

Although ILMs can also be used as an economic development tool, to create small social enterprises or commercial activities, provide new services or improve the environment, these objectives are secondary. Newham is an example of where an ILM body forgot the primary purpose, moved too far in the direction of being a construction company with high staff to trainee ratios, for example, and got into terminal difficulties.

Target groups: know who the ILM is for

Clarity about who the ILM can best help is important. An ILM job offers work, wages and support to move on those who have been unsuccessful to date. Essentially, it is about rebuilding the participants' belief that they can

hold down a job and giving enough solid work experience to impress a potential employer.

An ILM approach will not help someone:

- who does not really want a job but is being forced on to a 'scheme' to avoid their benefits being cut
- whose benefits situation, domestic or personal problems are such that they will need a great deal more sorting out before they are ready to seriously think about work.

This does not imply that ILMs do or should 'cream' the best participants. An ILM approach will not achieve good value for money if directed at those who are already fairly employable and who need just a short skill boost.

Low drop-out rates and successful progress are most likely to come from a good match between people's expectations and interests and the work offered. If the main group to be targeted is lone mothers, for example, then a wide variety of interesting work with flexible hours, limited travel time and good childcare should be offered. If it is unskilled men, then attracting participants by offering manual or sports activity work can be tried, but later offering the chance to take computing. As one programme manager said 'we need to hoodwink them into manual jobs first and then transfer them'.

The flexibility of ILM programmes allows targeting by gender according to local circumstances. Although many of the construction and environmental projects attract young men, and thus can reach groups that other programmes struggle with, projects can

also offer a wide range of activity (see Table 4) which attract women and those men who see work in IT, administration or care services as more attractive.

Equally, projects can be constructed which attract people from ethnic minority communities if these are not coming forward in sufficient numbers. In Glasgow, a special project was set up to provide links between the (mainly) Asian community and health services which increased participation and outcome rates from this group.

Knowing the target group enables the project to provide the right level of support and work discipline. One strand within the Glasgow Works programme (Access Works) was targeted at those over 35, all two years+ unemployed. They had many problems (the majority seeing age as a barrier) but did want to get back to work. The support structures and work placements developed by this project were geared to both the personal issues presented by this group and the attitudes of employers to them, with a 68 per cent positive outcome success rate (University of Glasgow, 1998).

The original instinct of many ILMs has been to target the longer-term unemployed (over one year) but since the New Deal many have started taking people who have been unemployed for only six months without trying to identify who within this group are most likely to become long-term unemployed (e.g. those with poor education levels). This is likely to increase the deadweight (63 per cent of all unemployed leave the register within six months and 82 per cent within 12 months anyway) and reduce the overall value for money of an ILM programme (Cambridge Policy Consultants, 1996a).

More seriously, those programmes which

have embraced the New Deal and accepted mandatory referrals may not be able to provide the range and intensity of support and management that some of these participants require. The high drop-out rate and poor outcome rate of the waged Voluntary Sector Option and ETF programmes in Southwark, St Helens and Knowsley (all below 20 per cent recorded outcomes) in their first year of operation may be an indication of this.

The lesson here is not to conform with what the funding sources prescribe, but to construct the model which best meets the local aims and circumstances, and fit the funding to it.

ILMs should be designed to reflect the 'real' labour market and yet many have only over-25s (e.g. in Employment Zone areas) or under-25s (New Deal). Almost all respondents would prefer to have a mix but feel restricted by funding regimes. In North Ayr, two separate age-group projects were set up with different funding streams. One had difficulty recruiting. With hindsight, they could have been merged.

Single Regeneration Budget (SRB) and much ESF funding is area targeted. This can cause major recruitment problems; trying to get eligible people from a small catchment area interested in a specific job vacancy is very difficult, especially for small projects. In Manchester, this caused serious recruitment problems in the early Work Options pilot. Providing a variety of job opportunities and getting agreement to have only limited local targeting (say 50 per cent of recruits) can be a way out of this.

The lessons here are that the type of work activity determines who will be recruited, so it is important to design the work activity and its location to be attractive to the target group.

The work activity: know what it is you want to do and why

Apart from attracting the right target group, the work activity of an ILM project is also a significant factor in its overall success. It needs to be of a type that can be done by relatively low skilled people, but also offer sufficient variety and content to develop transferable skills. This will reduce drop-outs and help job outcomes.

Many unemployed are sceptical of ‘schemes’ doing repetitive and valueless work, or placements where all they do is the photocopying. The benefit of work is not just the wage but that the individual feels they are doing the same kind of work that other employed people do. Successful projects are ones where participants can meet or serve the public, use a telephone, progress in the use of IT, are given increasing levels of responsibility and are very busy all the time. The best way to ensure real work is to have a real customer (individual) or a contract to complete on time. Placements within other bodies can provide good work experience provided the host body has thought out what additional work is to be done.

‘Good ideas’, by themselves, do not always produce good projects. For example, a project aimed at servicing computers in voluntary bodies in South London found there was not the demand. A concentration on environmental projects is not likely to develop the transferable skills needed for the growth sectors of retail, IT or hospitality. However, a project that provides a valued local service will get the support of the local partners, find it easier to attract funding and be more sustainable. Examples of ILM projects that meet these criteria are town centre

guides, call centres and IT support, youth work, some environmental work, childcare. There are clusters of ILM projects in these fields (Table 4).

Create – benefits all round

Create is an established 36-place programme in the high unemployment area of Speke in Liverpool. It refurbishes white goods (refrigerators, etc.) and sells them at low prices through a local shop or donates them to low-income families (over 2,000 units per year). The average length of unemployment of Create’s workforce is four years and the job outcome rate is 64 per cent.

The multiple benefits of this operation mean that Create gets support from the City Council (regeneration), Dixons, Electrolux and Thorn (donations of appliances and management support) Landfill Tax credits (recycling) and local companies such as Littlewoods (charitable aims).

Recruitment: get the right people for the right job

The whole philosophy of the ILM approach is that it is a job – like any other – and not a training place or an option on a scheme.

Recruitment is best done by advertising as a job in Job Centres or newspapers and outreach via local communities. Those programmes that have kept to this approach have the most chance of getting people who will stick to the work and progress. The pilot in Birmingham and much of Glasgow Works and Wise Group are like this. People apply for the job that interests them when they are ready.

There is a danger that the introduction of the

New Deal with a compulsory Gateway period, referral by Personal Advisors and the transformation of jobs into ‘opportunities’ by the Employment Service have changed this clarity of focus. Where programmes are accessing New Deal money (now the majority), several have found their relationships with the local Job Centres strained on this point. There is more chance of mismatch – those who turn up for interview may be less enthusiastic and projects may feel more obliged to take those referred. What should be seen as a job (albeit temporary) can turn into a place on a ‘scheme’. Most ILM managers would agree that projects work less well if people are forced into them. Like any other employer, the manager must have the final say on who gets a job.

The provision of training: getting the balance right

The bulk of the activity in an ILM project has to be work and a normal work pattern has to be established. The survey found work activity accounted for more than 60 per cent of the contract hours in 78 per cent of programmes. ILMs are not training courses for a specific career. Although some participants will want to progress in their specific job and will seek to gain qualifications, others are unsure and are still testing the job market. However, it should be noted that ILMs can achieve twice the rate of VQ qualifications than comparable programmes, usually because of their intensity and duration (Cambridge Policy Consultants, 1996b).

One of the main difficulties projects have is accessing suitable, flexible training. Colleges still tend to operate fixed course timetables that

do not fit easily into the roll-on, roll-off nature of ILM recruitment. Equally, insistence of funding regimes such as New Deal on VQ-based training can mean that inappropriate courses can be forced on participants when a more customised, ‘pick-and-mix’ approach and on-the-job training would be more suitable.

However, some of the programmes studied did report that the training course was one of the most popular parts of the package and people valued the qualification.

A number of ILM programmes have an additional ‘personal development’ activity. This is a core feature of Glasgow Works and has been adopted by others. Many choose driving lessons but it can include anything from photography classes, computer courses to outward bound. The aim is to increase motivation and a sense of achievement, and to begin the process of lifelong learning.

The lesson from this is that flexibility in training, and developing transferable skills, is more likely to retain motivation and produce job outcomes.

Terms and conditions: making it clear that it is a job

Many projects reported that the one thing they did not get right to start with was creating the right balance between the disciplines of work and the support and understanding needed by some of the participants. Absenteeism, in particular, was not dealt with quickly or firmly enough. Many have come to realise that they must act like employers and require good timekeeping, correct dress and attitude, even on pain of docking wages. Anything less and they are not preparing the person for work in the real

labour market. There needs to be a contract with responsibilities on both sides. Projects where morale and performance are high have a clear appreciation of this.

Sheffield – the Youth Association of South Yorkshire

The Sheffield ILM programme grew from the desire of the Centre for Full Employment (CFFE), a voluntary sector advice and campaigning body, to take a more proactive approach to the unemployment problem. The opportunity arose when it took on the Voluntary Sector Option contract for New Deal.

There are about 150 filled places with organisations across the City; usually no more than one or two people each, on 12-month contracts at £123 per week. There is a high percentage of people from the black and ethnic minority communities and 60 per cent of completers progress to jobs.

A typical delivery agent is the Youth Association of South Yorkshire (YASY), which took on eight people in the first year because it wanted to bring in young people to revitalise the organisation. Having a small core staff and no experience of running an ILM project, it was a rapid learning experience ('we struggled'). Recruitment via the Job Centres was difficult and YASY would have preferred to have done it its own way. Accessing training from a university was a 'tactical error' as YASY did not 'own the course'; it now operates its own training. The relationships with the young ILM workers became an issue – the realisation that they were now employers and not youth workers meant a different perspective on

timekeeping and work disciplines. There was a need to clarify roles and support structures with the central contracting body (Sheffield CFFE), for example, over grievance issues.

In 2000, YASY feels it has learned from its first year – improving job contracts and making clearer responsibilities on both sides – even changing the culture ('ban the word ILM worker – they are project workers').

A waged programme: how important is the wage?

Most would argue that the wage is an essential component in the ILM approach. Some programmes have allowed a choice of wages or remaining on benefits but where they do the majority of participants choose a wage.

The main argument for the wage is that it allows the creation of a normal contractual relationship, increases motivation and reduces drop-outs. The transition from the relative security of benefits to being waged; managing money, paying rent, paying off debt and so on can be difficult for some. The adjustment needed is better done while on the ILM programme, especially if support can be given (indeed, this is one of the ILM's purposes). This should reduce difficulties when in a subsequent job.

South Lanarkshire – the effect of the wage

South Lanarkshire Council operated a small ILM in 1997/98 providing work experience and training in social care, paying a wage of £120 plus childcare (only two needed it) and travel. All participants were aged over 25, just under

50 per cent male and unemployed for between two and eight years.

When asked to rank the most significant factors in applying for the ILM post, 90 per cent said 'the work opportunity in a social care setting', with 'the wage' being second in importance with 62 per cent. When asked what kept them on the programme, both these were given equal top weighting by 75 per cent of participants. The job outcome rate was 90 per cent.

The level of the wage has produced some debate. Some argue that the minimum wage (£130 or so) is too low and a more 'decent' level should be paid. Many ILMs in Liverpool have paid £160 or more. However, in Glasgow, a project, placing ILM workers with employers, initially paying up to £180 per week in order to attract older participants, subsequently reduced this to £140 and found that it did not make a difference in attracting people. It was other aspects of the package, such as the support provided and the opportunity to be considered by employers, which mattered (University of Glasgow, 1998).

More importantly, at the higher level, some people found that their earning power beyond the ILM was such that there was no incentive to move on. One project in Ayrshire paid a rate £30 per week higher than another nearby because that is 'what [they] could get funding for' with no relation to the local job market. They then found that people were reluctant to leave.

With proper in-work benefit advice, no one should be worse off on an ILM wage and most people without dependants are in fact considerably better off. The Working Family Tax

Credit (from April 2000) and the transformation of the benefits system into a comprehensive employment credit system for everyone (or at least the over-25s) by 2003 will ensure a reasonable income level both on an ILM programme and afterwards (HM Treasury, 2000).

There is a debate about whether London is a special case, given the high level of housing costs, and that maintaining people on benefits is the only answer here. NewhamWise in 1998/99 offered six months on benefit and then an optional transfer to a wage. The majority chose to remain on benefit. The early drop-out rate was 69 per cent and the job outcome rate in 1999 was 28 per cent. In Southwark, in 1999, a choice was given from the start and about 60 per cent opted to stay on benefit (all 18–24 year olds). The drop-out rate is also high and the job outcome rate here is also low to date (below 20 per cent).

Other programmes surveyed in this study indicate that waged programmes with the same target group doing similar things are producing better results. Hyde Housing Association offers waged and unwaged programmes. Its retention rate for those on a wage is 80 per cent compared to 41 per cent for unwaged and the job outcome rate to date is six times better for the waged. CoventryWise gets 70 per cent outcomes from its waged participants and 30 per cent from those where people remain on benefits plus. QMat in Bury reported a similar differential of 60 per cent outcomes from its waged project and only 10 per cent from its New Deal benefits plus projects.

Although a causal relationship between paying a wage and low drop-out and higher outcome rates may not be proven, these figures

should give rise to some caution about abandoning wages for funding or other reasons. By maintaining people on benefits, are project managers really sure they are helping the transition from welfare to work?

Jobsearch: it is all about moving on

The majority of programmes consulted in this study regretted not starting jobsearch earlier. New projects can get too involved in recruiting, organising the work and training to worry about it. If they are offering a 12-month contract, the need seems a long way off. Participants settle in, do not see their colleagues moving on to jobs and leave it to the very end to look for other work.

Recognising this, some programmes have set up structures to encourage move on. Glasgow Works set up a centralised job-matching service, which starts interviewing participants at Month 3 and then with a more intensive approach from Month 6. In the larger projects, there are dedicated job placement staff. Manchester has introduced employment staff to work with the placements and Sheffield has links with the local Careers Service to provide this. Wise Group has always had jobsearch as an integral part of the weekly programme.

For those ILM programmes where the participants are also on New Deal, the Personal Advisor assigned to each person by the Employment Service is also charged with providing this service. However, this stops at six months (end of New Deal period) and, as we have seen (Table 2), the most productive period for successful job entry is between six and nine months for a 12-month ILM contract period.

The objective is to *create a culture of moving on*

and successful job progression. Starting at Month 1 does not make much sense because people are there because they are not yet employable. A period of confidence building is necessary. Equally, it is wasteful and demotivating to throw inappropriate jobs at people – they need to feel they are moving to something better and sustainable.

The key importance of this component of the ILM approach can be illustrated by the evaluation of the ACE Programme (Action for Community Employment), a waged programme that ran for over ten years in Northern Ireland. This concluded that, although offering waged work and providing substantial community benefits, the programme did not appear to improve an unemployed person's chances of finding a job (Cambridge Policy Consultants, 1998b). The reasons identified were the absence of key elements of good practice such as relationship to mainstream jobs, a culture of progression into them and management 'dynamism'.

Systems and monitoring: knowing what you are doing

There is no doubt that the main operational problem experienced by ILM programmes is the volume and complexity of the paperwork required by the different funding regimes (see Table 10).

Most have seriously underestimated the time they need to put management systems in place and the staff training needed to keep on top of this. This can even result in claw-backs of money or loss of anticipated payments because of unsigned timesheets and training plans or missing forms. Glasgow Works lost £100,000 of

potential income because of poor paperwork returns from its project providers in its first year of operating New Deal ETF/Voluntary Sector programmes. A concentrated effort was needed to eliminate this problem.

Nottinghamshire: developing capacity and getting systems in order

The Nottinghamshire ILM (Bridge to Work) is led by the County Council. It was set up because of the 'need to do something' as a result of the massive increase in male unemployment following the decline of the coal industry.

Not wanting to set up a big central organisation, it adopted a more enabling approach starting with delivery via several scattered Groundwork Trusts operating in the County. The work is mainly in energy conservation and landscaping with about 100 places using New Deal, ESF and Coalfields Regeneration funds. First results are showing about 50 per cent job outcomes.

The Council recognised that there is a capacity issue in running ILMs and so it has funded a central development worker and is putting on a business development programme for the Groundwork Trusts. It recognised that new providers need to be inducted into the 'ILM ethos'. Groundwork Ashfield and Mansfield, for example, accept that they underestimated the difficulty of getting the right core staff, putting paperwork systems in from the start and 'changing the culture from a training programme to an employment programme'.

To help the delivery agents and improve systems and quality, the Council has

contracted with an agency (North Notts Environmental Partnership Lead Agency) whose job is to ensure that all the paperwork required from the Trusts (timesheets, training plans, etc.) is checked and in order before it gets sent to them.

There has also been a failure by many ILM programmes to keep a record of what is happening in terms of job outcomes. Where outcome payments are made, for example, with Training for Work in Scotland with the Wise Group, people are pursued and evidence is sought. With New Deal where the outcome payment is low or is achieved automatically at Week 27, or with ESF applications where past performance is low in the scoring criteria, there are few incentives to keep proper records. Even if projects do have an idea of who has got a job, many are not tracking to find out if they are keeping them. However, *ILMs will be judged ultimately by this and by this alone.*

Quality and performance: managing through contracting

Running an ILM project on the ground can often be hard enough without adding the complexities of keeping records and audit trails, and managers may let this slip. However, programme managers will find it hard to monitor performance, to take action quickly enough or to justify closing down parts which are not working if there is no robust information or performance criteria by which to judge. This can best be done by agreeing targets through a contract relationship.

To achieve this, ILM programmes have developed contracts that include:

- guidelines on who is to be recruited (e.g. percentage over 25, percentage unemployed for over two years, percentage from certain postcodes, etc.)
- number of starts and actual job outcomes expected; this will require an estimate of the average length of stay and will act as an incentive to reduce 'settling in' and not moving on when job ready
- target number still in work after six months (needs a tracking mechanism)
- sample training plans and job contracts
- expected jobsearch activities and when they should happen
- progress review procedures and what will be measured; one Employment Zone (EZ) ILM contract stated that a project will be closed if found to be 'unsatisfactory', with no stated criteria of what this meant – a recipe for dispute
- revenue generation targets if the project is operating as a social enterprise
- an annual business plan.

Tips to achieve a successful ILM programme

- Do not forget that the primary purpose is progression into jobs; too much focus on the service delivery can result in difficulties.
- Do not do just what the funding sources prescribe. Create the model that best meets your aims and context, and then fit the funding to it.
- The project type will determine who you end up recruiting, so construct the project

activity and its location around who it is you want to target.

- Projects need to have a real customer to get as close as possible to real labour market conditions.
- ILM projects do not work if someone is forced into them. ILM managers are employers and must have the final say on who gets recruited.
- Flexibility about training and a focus on transferable skills are more likely to retain motivation and produce job outcomes.
- Treat ILM workers as normal employees from day one and be prepared to discipline.
- Wages, at the right level, appear to be significant for retention, motivation and progression, and should be abandoned with caution.
- Do not leave jobsearch to the end.
- Do not underestimate the paperwork. Put systems in place from the start and create incentives to track job outcomes.
- Be clear on how and when a project will be judged (e.g. what outcomes are expected) and when reviews will take place. Use contracts with measurable performance criteria to enforce this.

6 Funding ILMs

The funding package

There is no single funding source for an ILM programme. Operators need to be creative and package together different sources – often referred to as the funding cocktail or jigsaw (see Table 13 and Figure 5). The survey found that most programmes use resources from at least three of the following:

- government training and employment programmes such as New Deal
- European Structural Funds
- regeneration funds
- service delivery funds, i.e. payment or grants related to the work being done.

Seventy per cent of programmes used a mixture of New Deal and European funding.

Training and employment programmes

The building block of the early Glasgow Works programme was Training for Work (TfW) (see Figure 6). The Glasgow Development Agency agreed with Scottish Enterprise a higher weekly rate (£93) using a notional ‘transfer’ of some of the participants’ ‘benefits’ into the TfW budget. The aim was to demonstrate that a more proactive use of training moneys and ‘benefits’ could produce higher outcomes. It also ensured that this money was ‘clean’ so that it could be used to match European funds. This aim was achieved, with Glasgow Works producing much higher outcomes than TfW. Although this specific arrangement no longer applies (Glasgow Works and Wise Group now use standard rates of TfW), the principle of using unemployment benefits to fund programmes

Table 13 Funding sources

Source used	% of programmes
New Deal 18–24	82
New Deal 25+	25
ESF Objective 1	15
ESF Objective 2	43
ESF Objective 3	38
WBLFA	11
TfW	11
Employment Zones	12
SRB	54
TEC/LEC	28
Local authority grants	34
Local authority contracts	29
Private sector	18
Trusts/Lottery	18
Landfill Tax	14
Revenue, e.g. sales, fees	25
Own funds	20
Mixture of New Deal and European	70

Figure 5 Typical funding jigsaw

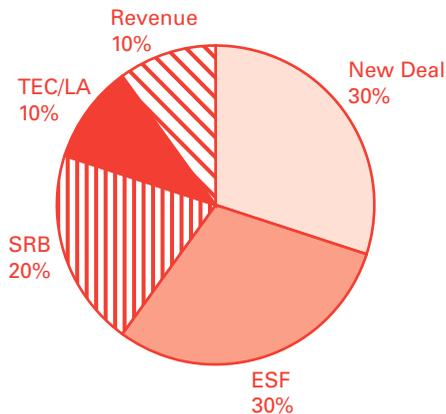


Figure 6 Glasgow Works funding jigsaw

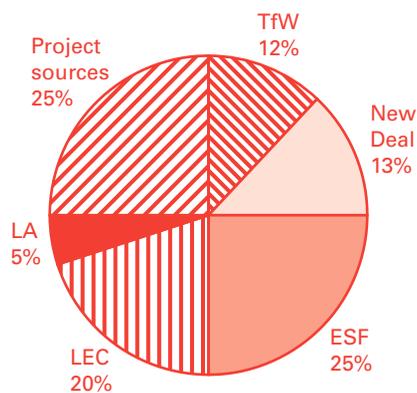
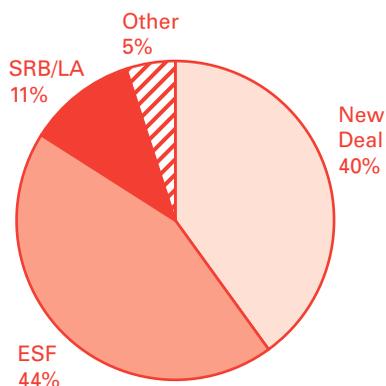


Figure 7 Manchester funding jigsaw



has been carried forward into the most recent funding mechanisms (for example, in the new ‘Personal Job Accounts’ discussed below).

Training for Work and Work Based Learning for Adults (WBLFA) administered by LECs/TECs are used as a source by 22 per cent of ILM programmes. In England and Wales, the responsibility for delivering programmes such as WBLFA will be transferred to new Skills Learning Councils in April 2001. The uncertainty and upheaval of this major change may make it difficult for ILM managers to sustain this source of funding in the short term.

The main government programme used by ILMs is the New Deal for the Unemployed (Table 13), especially the Voluntary Sector or Environmental Task Force Options for people aged 18–24. New Deal has a combination of start and progression fees, training monies and an additional amount (up to £60) if wages are paid. The Manchester ILM uses this as its core (see Figure 7).

There appears to be some ambivalence within Employment Services (which manage the programme) about whether ILM jobs are eligible for wage subsidies under the Jobs Option within New Deal, or whether they are just temporary placements or training opportunities which should not be treated as ‘a job’ and should be able to obtain the wages subsidy funding. Since the intention of the wages subsidy is to encourage an employer to give someone work experience (a permanent position is preferred although this is not a requirement), treating the ILM opportunity as a job does seem valid and there are a number of ILM programmes using the Jobs Option employer subsidy for 18–24 year olds (£60) and for the over-25s who have been unemployed for

over two years (£75).

The fuzziness about whether an ILM job is a 'real' job or not also emerges in two other ways. Some ES districts allow a job outcome payment at Week 27 if the person is still on the ILM (after the maximum 26 weeks on New Deal) and some TECs allow an outcome payment on WBLFA after a few weeks on benefit, then transferring to employed status. Others do not.

Another major government stimulus to ILM development was the Prototype Employment Zones (1998–2000). Here, there was no ambiguity and a payment of £75 per week could be drawn down for 12 months. In addition, WBLFA and TfW could be used so the weekly amount could be made up to over £100. This initial programme has been replaced by new Employment Zones (from April 2000) in 14 areas including Glasgow, Liverpool, Birmingham and Southwark. These have a different financial structure and are operated by private companies.

The most significant feature in the new EZs is the 'Personal Job Account'. This is a rolling up of benefits (equivalent to 21 weeks' average unemployment benefits) plus other training money to create a fund to be spent by the EZ operator in collaboration with the client in any way which will enhance job prospects (training, new clothes, driving lessons, etc.). The client must receive their basic benefit for up to 26 weeks, or until they get a job if before that, so there is a strong incentive for the operator to quickly get the participant a job. The EZ operator will get a bonus payment for a job outcome and a bigger one if the person is still off the register at 13 weeks, and can keep any unspent Personal Job Account as profit.

The legislation required to allow the creation

of the Personal Job Account was approved by the UK Parliament in 1999 (Stationery Office, 1999, Section 60). In principle, there is no reason why any ILM programme cannot now use this 'transfer' of unemployment benefits for active measures programmes, although extension beyond the present Employment Zones would require approval by the Secretary of State.

It could be argued that this funding regime with its flexible use of benefits and training money and emphasis on job sustainability is favourable to ILMs. However, the financial incentive to ensure that the participant gets a job fast may run counter to this. The maximum period of EZ provision is 26 weeks and a job outcome must be within four weeks of leaving (to qualify for a bonus payment). The evidence is that job sustainability decreases if people are pushed into unsuitable jobs too soon.

However, DfEE has accepted that a period in an ILM or other subsidised job after the first 26 weeks on EZ will be disregarded and a job within four weeks of leaving the ILM is acceptable. So, it is possible to construct a nine- or 12-month ILM programme (26 weeks' EZ and the rest from other funding) and draw down outcome payments where a job is obtained within four weeks of leaving the programme. This may be suitable for those EZ clients who are not likely to achieve an early job outcome.

European funds

Few ILMs can be run by using government programmes alone. The other main funding source used is the European Structural Funds. These consist of the European Social Fund (ESF), which is concerned primarily with training and access to work, and the European

Regional Development Fund (ERDF), which is concerned primarily with the provision of infrastructure and business support. Within these Funds, there are different programmes (described as Objectives), which are available for different purposes and across different parts of Britain. The programmes most widely used by ILMs include:

- Objective 3 (Training and Work Experience and capacity-building measures) which covers most of Britain
- Objective 2 (Community Economic Development measures) which covers a range of specified areas where there is major structural change (e.g. loss of manufacturing)
- Objective 1 (combined measures) which covers a number of areas of Britain and Northern Ireland where the GDP is 75 per cent below the EU average.

The European programmes pay for only a proportion of the cost (typically 45–50 per cent) and therefore must be ‘matched’ by funding from other sources. All of the other sources discussed here can be used to match EU funding (although care is needed with WBLFA which already has an element of European funding in it). However, in all cases, it is necessary to show what ‘added value’ the EU funding is bringing to the action, e.g. more training or guidance, longer work experience, etc. A key argument here is that the use of EU funding enhances the overall package and increases retention and output rates. This needs to be demonstrated to prove added value. Audit trails for the use of EU monies can also be a major administrative headache for ILM operators and the work and

accuracy required should not be underestimated.

Regeneration funds and ‘Best Value’

Many backers of ILMs are interested in the local regeneration potential of the approach, e.g.:

- increasing labour market entry and reducing exclusion
- increasing the provision of local services and stimulating economic development.

The SRB (Single Regeneration Budget) funds in England and Wales have therefore proved an important funding source for many programmes with ILMs being written into delivery plans. However, one operational problem can be the narrow geographical boundaries of regeneration programmes, which can result in difficulty in recruitment, and in maintaining viable projects (discussed in Chapter 4). The Social Inclusion Partnerships in Scotland have also been used to provide funding streams for ILMs.

Local authorities and TECs/LECs also have regeneration objectives and have been willing to core fund ILM programmes, and provide development workers and premises. Another source has been the Coalfields Regeneration Fund, designed to help the transformation of these areas of high unemployment, e.g. in South Yorkshire, Nottinghamshire and elsewhere. A number of environmental projects have also managed to access Landfill Tax.

Many housing associations (HAs) are developing policies to meet the employment needs of their tenants (and through this also improve services and the environment). This is

likely to be a growth area for ILMs. The Peabody Trust in London, Hyde HA in Southampton, Queens Cross HA in Glasgow are amongst the current ILM operators.

The requirements of 'Best Value', where public bodies must look beyond the cheapest tender to maximising the benefits of any project or service, are also an opportunity for ILMs. They can demonstrate added value by providing a service and getting local unemployed people back to work at the same time. Linking the ILM approach to private contractors is also a way of achieving this, e.g. some Glasgow and Manchester projects place ILM workers with private construction companies after initial training. There is a link here with the concept behind Local Labour in Construction schemes. The major council housing stock transfers occurring throughout Britain could therefore offer new opportunities for ILMs.

Service-related income

Payment for contracts done or services provided has the greatest potential for creating sustainable income to ILM projects, but it can also bring its own problems. The Wise Group, originally set up to provide a programme of heat insulation and then landscaping for Glasgow's housing stock, is the best example of this. Contract and grant payments from Glasgow City Council have reduced dependency on the ever-changing government programmes and ESF. However, this is replaced by a dependency on the Council and the Wise Group has had to maintain a close relationship with the local authority; it cannot afford for this relationship to go wrong. Mistakes, poor

workmanship or lack of completion on time can be expensive and can lead to the contracts being withdrawn.

This approach can also lock the ILM into a limited range of job opportunities and a large core staff (design team, etc.). The Wise Group has in recent years recognised this and begun to diversify.

Several Groundwork Trusts, with their track record of environmental works, have been able to marry their expertise with running an ILM programme and negotiating a programme of public sector work.

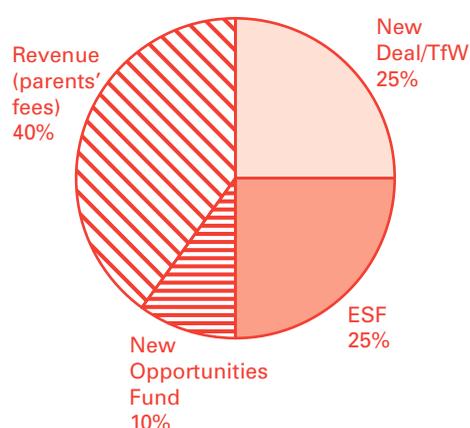
Where the ILM service supports the policies of other bodies, it is possible to access additional grant funds. For example, the Job Coaching ILM (supporting disabled people) in Glasgow has gained financial support from Social Services. Other projects have got involved in the provision of classroom assistants, sports coaching and so on, and attracted funding for the service provided from public and charitable bodies.

Some ILMs have been set up with the aim of securing a commercial market and becoming a social enterprise, e.g. the recycling ILMs sell their products where possible (white goods in the case of Create in Liverpool). A number of new ILM fields such as market research, call centres, provision of IT have this as a potential, but few have yet gone beyond 25 per cent of their funding from the market. One danger that arises from this approach is that, in order to compete in the marketplace, there may be a need to recruit more skilled and specialist (non-ILM) staff, and to take on orders to keep these staff in work. This can cause tensions between the focus on the progression of unemployed people and the commercial imperatives.

In Glasgow, under the New Jobs for Glasgow programme begun in 1997, there is an attempt to test the use of the ILM approach to create new social enterprises and permanent jobs. There have been some successes. In the first phase (to 1999), 25 additional permanent jobs were created with a revenue income of £350,000 per year in five projects. Much of this income has been used to pay for the created jobs and the contribution of earnings towards the core costs of the ILM has so far been limited (McGregor and Richmond, 1999).

Childcare is one area where revenue income may be a substantial source of funding (see Figure 8). Childcare ILMs provide a local service, attract target groups such as lone parents and provide training for a growth job sector. With the introduction of the Childcare Tax Credit, much higher fees can be charged than before. So, it is possible to see the role of the ILM as setting up a service, training unemployed people and developing a more self-financing social enterprise.

Figure 8 Childcare Works (Glasgow) funding jigsaw



Worktrack: the first fully funded ILM?

Almost unnoticed in the rest of the UK, the new Worktrack programme in Northern Ireland can lay claim to being the first fully funded ILM type programme sponsored by a government agency since the Community Programme. Worktrack offers providers a fee of £150 per week to cover the wage for 26 weeks and training on a normal work contract. It is for the longer-term unemployed and the work created must not displace existing jobs. Additional payments are made for sustained job outcomes (up to £450 per outcome). The money is 'clean' and so additional European sources may be accessed. The programme is at 600 places in early 2000 and has a target of 2,100 places (Training and Employment Agency, 1999).

Achieving sustainability

All ILM programmes are *fragile* because of the instability of the funding jigsaw. This is caused by changing government programmes (e.g. Employment Zones), time-limited programmes (e.g. SRB), annual bidding and late payments (e.g. ESF). It also takes time to develop markets and capacity to deliver well in order to obtain service-related income.

The complexity of funding and administration, and differing audit requirements, are a *barrier to entry* for organisations wishing to set up ILMs.

The main problem expressed by ILM operators is securing year-on-year funding and resolving this was the main improvement desired by them (see Tables 10 and 11). This can be mitigated by reducing the reliance on just one or two funding streams (e.g. the Prototype Employment Zones) or one service or product,

The Intermediate Labour Market

and widening the target group to attract additional other funding. The disadvantage of widening the range of funders is the complexity of paperwork and reporting, and possible double counting of outcomes.

An ideal range of ILM funding sources (in the absence of virtually full funding as in the Northern Ireland Worktrack programme) would include:

- a core commitment from a local body which wishes to run the project and provide the service, e.g. voluntary body or local authority
- a sustained environmental improvement programme with funding allocated and approved
- ILMs written into SRB, other regeneration programmes, etc.
- projects which have a revenue or contract income potential (sales of recycled goods, childcare fees from Tax Credits)
- 'host body' or private sector contributions in cash or kind (e.g. manager's salary or secondment, premises or equipment).

The structure of the ILM can help maximise and secure funding through:

- targeting recruitment (people and areas, e.g. SRB priorities)
- project themes which fit local strategies – childcare, health, education
- work trials (on benefit) to reduce drop-outs
- use of Individual Learning Accounts with fixed budgets

- placements with companies (with a charge)
- selection of projects which have revenue potential and can build up core staff.

Operational factors which improve funding prospects and sustainability are:

- getting good results for the target group early on ('an early hit')
- carrying out thorough evaluations and letting people know the results
- creating good PR and maintaining political support
- preparation of annual business plans
- good monitoring, with correction or shut down of projects that are not working.

Tips for ILM funding

- Plan funding applications in advance in order to meet the various deadlines (ESF, SRB).
- Ensure there is no double funding for the same activities or staff.
- Double counting of outputs (e.g. job outcomes) need not be a problem provided it is clear in each application that there is a package of funding and that the outcomes are higher than would be expected from one funding source.
- Some audit trails required by funding sources can be onerous, so a project has to be sure that the amount of money gained is worth the extra bureaucracy.

- Keeping audit trails and providing reports in the form required by each funder is a major task and systems need to be in place from the start.
- A strong lead body and ‘banker’ are needed because there will be cash flow problems: New Deal payments can be several months late, ESF final payments can be over a year late and yet expenditure is all up front (mainly wages to be paid regularly).
- A business plan and cash flow projections, and a risk assessment, are essential to get the support of a ‘banker’.
- A ‘contingency plan’ and ‘wind-down plan’ are needed in case funding applications fail.

Given that most money is paid on take-up and outputs (‘bums on seats’), efficient operational management is the key to maximising income. The main operational issues are:

- keeping numbers up to target – recruiting the right people at the right time and predicting the average length of stay accurately
- a monthly profile of starts, leavers and projected job and training outcomes for a year ahead is essential
- getting the paperwork right, checking it and sending it in on time, otherwise payments may not be made or money clawed back
- checking to ensure that expenditure is eligible for the different funding sources.

7 ILMs: are they value for money?

Comparison with other labour market approaches

ILMs are only one of several approaches that aim to tackle long-term unemployment, and it is therefore important to consider the relative performance and value for money of ILMs. This will be done by considering the following measures:

- retention and drop-outs
- job outcome rates
- the durability of employment and earnings
- the cost per 'outcome'
- other economic and social benefits.

Of the ILM programmes surveyed in this study, 21 (about a third) have completed (mainly internal) evaluations and another eight intend to in the year 2000, so the body of knowledge of performance is increasing. However, since many of these are relatively new, the information on long-term impacts is still rather dependent on the Glasgow Works and Wise Group evaluations.

Retention and drop-outs

Drop-outs (people leaving to no outcome before the contract period is completed) in established ILM programmes are around 20–30 per cent. This compares with over 50 per cent in TfW comparison groups (see Table 14).

First reviews of the New Deal (18–24) are indicating low enthusiasm for the benefit plus Voluntary Sector and ETF options amongst some of this age group and a number of delivery agents are exploring a waged ILM model as a method of reducing the high drop-out rates (DfEE, 1999).

Job outcome rates

From independent evaluations, we know that job outcomes are running at over 60 per cent for established ILM programmes (Glasgow Works, 1996, 1998; Wise Group, 1997; Manchester, 1999; Plymouth, 1999 and Birmingham, 1998). The average for all programmes surveyed in this study for 1998/99 was 49 per cent (3,818 places) and the expected level for 1990/00 is 53 per cent (4,937 places) (see Figures 9 and 10).

Figure 9 Expected job outcomes 1999/2000 by ILM programme

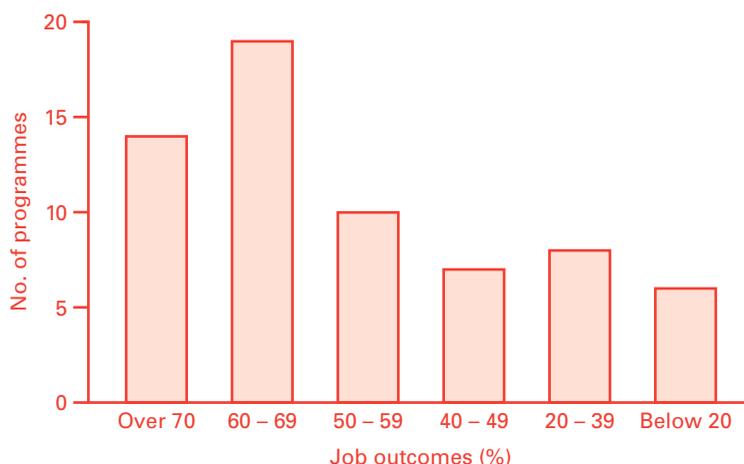
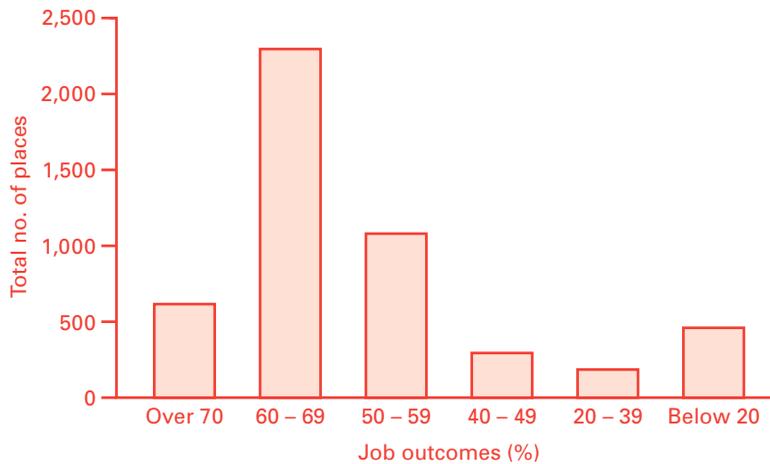


Figure 10 Expected job outcomes 1999/2000 by total number of ILM places



Although the ILM programmes surveyed used a range of job outcome definitions, 68 per cent measured a job outcome as being one gained within 13 weeks of leaving.

The average level of job outcomes is affected by six programmes (460 places) where the expected outcomes in 1999/2000 are very low (less than 20 per cent). Three of them are large New Deal Voluntary Sector or ETF operations offering the standard New Deal package plus a wage. They account for 71 per cent of the places in this small group. All reported poor tracking and recording of outcomes by Employment Services. A fourth programme reported poor jobsearch activity and a fifth was primarily concerned with construction of self-build homes for young people. If we remove these minority of cases where the full ILM package as described in Chapter 1 does not seem to be fully operational, the overall projected job outcome rate for 1999/2000 is 57 per cent.

Significantly, a number of those in the survey that were also operating non-ILM projects for the same target group (usually for 18–24 year olds on ‘benefit plus’ schemes) were

getting lower results than their ILM. For example, Coventry Wise achieves 70 per cent with its ILM projects but only 30 per cent for New Deal. QMat in Bury estimates 60 per cent for ILM workers and 10 per cent for New Deal, and North Lanarkshire Council 50 per cent for its ILM places and under 20 per cent for New Deal.

Although there are some exceptions, the majority of ILM operations are achieving results similar to those reported in previous evaluations and the results of the older established programmes are being sustained by them. This suggests that 60 per cent of job outcomes are an attainable benchmark for an ILM over time.

Job outcomes from Training for Work, the main programme for the reintegration of the long-term unemployed, were 46 per cent in Scotland in 1998. However, 60 per cent did find work at some time after leaving. More significantly, for the ‘12 months plus’ unemployed (a comparable group to most ILM intakes), the job outcome rate was only 37 per cent (Cambridge Policy Consultants and

Table 14 Leavers to jobs (within 13 weeks) in 1998/99 from WBLFA

Category of participant	Job outcome rate (%)
Age 24–45	34
Age 46–55	27
Unemployed for 6–12 months	34
Unemployed for 12–23 months	28
Unemployed for 24–36 months	24
‘Basic Employability’ participants	12
Other training participants	36 per cent

Source: North and Mid Cheshire TEC.

Training and Employment Research Unit, University of Glasgow, 1998).

The evaluation of Training for Work in England and Wales showed that 49 per cent of TfW participants got a job during the three years after they left, compared to 37 per cent of a similar group of non-participants – an additional impact of only 12 per cent (Policy Studies Institute, 1999).

In the latter study, no attempt was made to look at the effect of TfW on those who had been very long-term unemployed. However, data from one area indicate that job outcomes for people who are very distanced from the labour market are significantly less than other participants in this Work Based Learning for Adults scheme (which replaced TfW in England and Wales in 1998) (see Table 14).

This is backed up by the Glasgow Works Evaluation of 1996 which compared the programme’s outputs with a group matched by age, length of unemployment, gender and postcode on Training for Work at the time (see Table 15).

The rate of job outcomes for all those leaving

New Deal (18–24) Options, the nearest equivalent target group within New Deal, is 37 per cent (Bivand, 2000).

These data suggest that a typical ILM project will achieve at least 50 per cent higher job outcomes for the long-term unemployed than other programmes. The best produce even higher increases in job outcomes.

The ILM programme job outcomes seem to be much closer to those achieved by the Training and Employment Grants Scheme (TEGS) in Scotland. This offers a wage subsidy to employers and is targeted at those who have previously been unemployed for six months who are living in certain areas. Seventy-six per cent of participants gained employment (Cambridge Policy Consultants, 1997a).

It should be noted that 20 per cent of TEGs participants were also on TfW, so the outcome impact of each programme has to be reduced somewhat to take account of this.

In ILMs, the main ‘soft’ outcome is increased confidence (to go to interviews, to travel and in assertiveness without aggression). ‘More self-confident’ was cited by 84 per cent of

Table 15 Output comparisons between Glasgow Works and TFW (in Scotland)

	Glasgow Works	TfW
Drop-outs (%)	27	53
Length of stay (weeks)	36	19
Jobs on leaving (%)	62	20
Completed VQs (all levels) (%)	30	15

Source: Cambridge Policy Consultants, 1996b.

participants as the main impact of the programme in the evaluation of Glasgow Access ILM (University of Glasgow, 1998).

Employability measures such as behaviour at work, timekeeping, flexibility and working with others clearly do improve (as evidenced by the rate of job attainment) but are difficult to measure.

Durability of employment and income growth

The Glasgow Works and Wise Group evaluations are the only ILM studies to date which measure if people are staying in the labour market after leaving an ILM. In Glasgow Works, of those who got a job on leaving, 93 per cent were still in work at 13 weeks and 90 per cent were still in work after six months and at 12 months (Cambridge Policy Consultants, 2000a). This latter figure contrasts with 41 per cent of all people leaving the unemployment register in the same category still in work after six months. The comparison figure for those leaving TfW to a job, previously unemployed for 12 months, is 38 per cent in work at six months (Cambridge Policy Consultants and Training and Employment Research Unit, University of Glasgow, 1998).

Data for the New Deal for the Unemployed (18–24 year olds) indicate that 73 per cent of all those moving to a job are still in work after 13 weeks (from Gateway and all Options). Of all jobs gained by all leavers from New Deal (18–24), 42 per cent have not lasted more than 13 weeks showing low job durability ‘more than two out of every five of all moves to jobs have not produced a sustained move off benefit’ (Bivand, 2000).

Of *all* leavers from the Glasgow Works programme (including those who did not immediately progress to a job), 57 per cent were in work six months after leaving and 55 per cent at 12 months (Cambridge Policy Consultants, 2000a). The outputs for the Wise Group show that 68 per cent of all leavers progressed to employment at some stage and that 46 per cent were in employment six months after leaving (McGregor *et al.*, 1997).

The data suggest that participants in ILM programmes leaving to a job are about 30 per cent more likely to be in work after three months than all New Deal leavers and over 100 per cent more likely than the average person leaving the unemployment register or other programmes to a job to still be in work at six months. Most significantly, this high durability rate is maintained even at 12 months.

An early recognition that improvements are needed to the New Deal came with the publication of *Lasting Value: Recommendations for Increasing Retention within New Deal* (New Deal Task Force, 1999a). It pointed out that there has always been a revolving door, with 50 per cent of those in the 18–24 group who got a job returning to benefits within a year, and argued that the New Deal programme had to come up with ways of reducing this, e.g. by extending the period beyond six months for some ('many are beginning to make real progress but are well short of job readiness'), and creating provision which 'mirrors the working environment' – both core features of the ILM approach.

As indicated in Table 2, there is a clear correlation between the duration of employment and the length of time spent on the ILM programme, with early leavers having a lower job retention rate. This finding is supported by data from the Wise Group (McGregor *et al.*, 1997).

The evaluations of Training for Work in Scotland found that it 'does not appear to be substantially improving the quality of jobs entered by individuals leaving the scheme compared to the type of jobs typically entered by unemployed people' (Cambridge Policy Consultants, 1997a) and of TfW in England and Wales that it had 'little effect on the level of wages gained' (Policy Studies Institute, 1999).

The average first job net earnings after Glasgow Works were £154 per week (45 per cent above the entry level job rate in Glasgow as reported by the Job Centres) with 15 per cent earning over £200 per week. Eighty-six per cent of jobs gained by ex-Glasgow Works participants were full time and 60 per cent of the jobs gained were estimated to be at 'higher than

entry level'. These were not jobs that would have been taken by other long-term unemployed people (Cambridge Policy Consultants, 1998c).

A study of expected longer-term earnings of those who left Glasgow Works compared to a similar group of TfW leavers (i.e. previously unemployed for over 12 months) showed that, 12 months after leaving the programme, Glasgow Works participants can expect to be £1,568 per year better off than their TfW equivalents and, by 24 months, this rises to £2,830. This is mainly due to proportionately more people in more sustained jobs (Cambridge Policy Consultants, 2000b, forthcoming).

Assessing the cost per 'outcome'

The success of an ILM project/programme should be measured by its ability to move people into jobs and to maintain and improve their position in the labour market in the longer term. Therefore, the most important measure of an ILM programme is the *overall cost per sustained job outcome*, compared to other programmes for the same target group.

Because they pay wages, it can be expected that the unadjusted 'cost per outcome' of an ILM programme is likely to be higher than that of more basic training programmes. The survey indicates that the average cost per place per year is £13,860 (37 programmes). There is a wide variation, but 60 per cent of projects have costs below £14,000 (Figure 11). The more expensive projects were delivering environmental services, which usually include the costs of construction materials and sometimes design in their budgets. A more typical budget for a mainstream ILM project or placement

programme will be at or below the average cost.

Figure 12 shows a typical breakdown and weekly cost per person. Most money goes on wages (£120 plus), National Insurance and other participants' costs such as childcare (57 per cent) and training. Because of this, few ILM programmes are likely to be able to bring the total annual cost per person below £10,000 (assuming the average length stay at 36 weeks).

However, in comparing this with other labour market initiatives, it is important to ensure that a comparable cost basis is being used, and that the cost per output is adjusted to take account of varying impacts on deadweight, substitution and durability.

There are strong arguments for reducing the cost of an ILM project by the value of the goods and services produced. This will make the cost more directly comparable with that of other initiatives where this cost is not included. One approach is to take the income received for the service provision, either in grants or in other payments. Another, where no income is received, is to add the additional wages produced, plus profit and rent (but in these cases wages can be a good proxy). This is especially important where the service-related costs are not being funded from a 'labour market budget'. Nobody would suggest including the production and management costs of an employer in the 'cost per job' of people going through private sector wages subsidy schemes like New Deal employment option and the Scottish TEGS, so why should we include these costs for an ILM project?

The Shopmobility example below illustrates how this can be calculated.

Example: the Shopmobility project in Glasgow

The Shopmobility project (providing escorts with mobile scooters for the disabled in shopping centres) operating in Glasgow City Centre would cost about £120,000 per year for seven staff plus manager and overheads (excluding equipment) if delivered through the public or private sectors. The ILM Shopmobility project provides this level of service with 15 workers. The additional staff are needed to take into account time 'off-site' for training and jobsearch, turn-around and the lower level of efficiency expected from ILM starts. This costs £180,000 per year (more staff, lower weekly wage, higher training and supervision costs) or £12,000 per place per year.

The ILM project is funded from three sources:

Core public and private sponsorship	£60,000
New Deal/TfW sources	£66,000
ESF	£54,000

The Shopmobility example illustrates two important issues in establishing value for money (in addition to deadweight and substitution).

- An ILM can cut the cost of delivering a service; in the above example, the core funding (public/private) would have to double to provide the same level of service if it was not an ILM.
- It is important to deduct the value of the service provided to arrive at the real cost of the 'employment' element; in the above example, the core funding of £60,000 should not be included.

Figure 11 Total cost of an ILM place per year

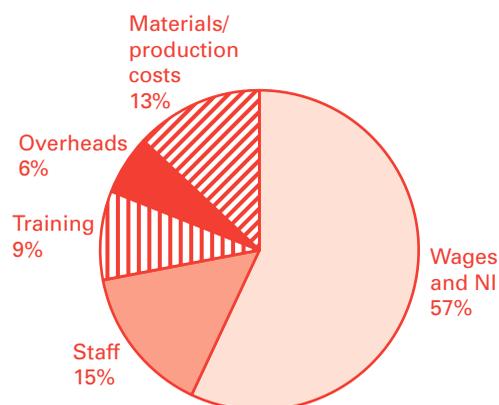


The impact of these adjustments in the Shopmobility example is to reduce the 'labour market programme cost' per place from £12,000 per year to £8,000.

The Shopmobility example is fairly typical and would suggest that ILMs can best add value by providing services which *would* otherwise be provided, such as in childcare, leisure or health services or environmental works, but where, by using the ILM, more can be done or provision can be started more quickly.

Estimates of deadweight (people who would have got a job anyway) are 67 per cent in TfW (England and Wales) (Policy Studies Institute, 1999) and 80 per cent for TEGS (normally high for all job subsidy schemes) (Cambridge Policy Consultants, 1997a). The Glasgow Works (GW) evaluation attempted a cost-benefit comparison with the equivalent TfW group. Deadweight was measured at 16 per cent (those who said that GW made no difference to them getting a job) and for the TfW comparison group at 22 per

Figure 12 Typical ILM budget



cent. These lower levels reflect the high proportion of long-term unemployed people in the Glasgow Works and comparison groups, people who would not otherwise have found work easily.

The impact of deadweight on the 'raw' costs of a labour market initiative are indicated in a Scottish TfW study that showed that TfW spends £2,500 for an average trainee and £5,575 per job outcome (1998). However, this cost rises to £15,000 if those job outputs where TfW is not a factor are removed (Cambridge Policy Consultants and Training and Employment Research Unit, University of Glasgow, 1998).

Job substitution also needs to be considered. This is where a leaver from a programme takes a job which another unemployed person could reasonably expect to get. The evidence from TfW is that it makes little difference to the level of job gained: participants mainly go into 'entry level' jobs (Policy Studies Institute, 1999). However, as we noted earlier in this chapter, 60 per cent of leavers from Glasgow Works went

into higher level jobs (measured by job type and wage levels, etc.) so substitution is less.

When deadweight and substitution are taken into account, the cost per net job redistributed for a comparable programme such as Training for Work for the same target group can be up to double that of the ILM (Cambridge Policy Consultants, 1996b).

As can be seen from the Shopmobility example above, excluding the service-delivery costs can reduce the cost per output to something more comparable with other schemes, that is, £8,000 per place per year. For example, the New Deal Voluntary Sector or ETF Options cost about £2,500 per person per 26-week period (providers' fees and training grants) plus benefits (average £58 a week) or a total of £8,016 per New Deal place per year.

It has been estimated that it 'costs' the UK Treasury £8,150 per year for every unemployed person (in benefits and in lost tax revenue). 'It is clear that retention in work has an enormous effect on the outcomes from the Treasury's point of view. It is possible to justify quite large expenditures on raising employability if job retention can be raised' (Bivand, 1999). We have already noted that ILMs produce more durable outcomes than comparable programmes and so, in principle, should increase the longer-term savings to the Treasury.

Conclusion

Attempts at value-for-money studies are fraught with difficulties about comparative data and the assumptions made. ILM operators trying to calculate value for money are faced with the lack of suitable comparative data in mainstream government programmes. However, the above

material indicates that simplistic statements about the high cost of ILM programmes relative to other labour market initiatives need to be treated with caution. In most cases, they will not be comparing 'like costs', and will not take account of the lower levels of deadweight and substitution, and the better durability of employment, that ILMs can be shown to achieve.

Nevertheless, from the evidence available, we can summarise the typical performance of ILMs compared to other programmes *for the same target group* as:

- retention on programme appears to be double
- job outcome rates are two to three times better
- the durability of employment is at least 30 per cent higher at three months and appears to be up to 100 per cent higher at six months and is sustained at 12 months
- the longer-term earnings of an ILM participant can be shown to be higher (about £1,500 per year)
- the gross cost per place and per participant is higher mainly because of the longer stay on programme and the payment of wages
- the net cost per place when the value of the service provided is removed is similar
- the value for money in terms of longer-term savings on welfare is higher, mainly because of the higher level and better durability of job outcomes

The Intermediate Labour Market

- they are uniquely able to add value to other public or private investment in services or projects producing up to double the output for the same money.

Benchmarks for ILM performance

There is now enough information about what ILMs can achieve to set out the main operational and performance benchmarks which they should be comparing themselves against. Although it may be argued that these cannot be applied equally over buoyant and depressed labour markets, they are based on evidence from the longer established ILMs as well as from this study of more recent developments. As most of these ILM programmes are in slack labour market areas, the benchmarks are not an unreasonable target for all:

- drop-outs: 20 per cent or below
- target group: at least 50 per cent unemployed for over two years or other more excluded groups (to reduce deadweight)
- job outcomes: 60 per cent into work
- proportion to higher than 'entry level' jobs: 50 per cent
- durability: 80 per cent of people getting a job still in work after six months
- contribute to the provision of services which are already resourced by the public or private sector and increase the value of this investment.

8 Summary and conclusions

Current ILM activity

There has been a rapid growth in Intermediate Labour Market programmes stimulated by the spread of knowledge about the success of early programmes and the introduction of New Labour's welfare to work measures.

There are upwards of 65 discrete ILM programmes operating in Britain, with more in development, offering over 5,300 places to about 9,000 people per year. The main concentrations are in areas of high unemployment in the North and Midlands of England and in Scotland.

They are all local initiatives led by a range of bodies such as TECs, local authorities and the voluntary sector. There is no one funding source for ILMs, which means that complex financial packages have to be put together. These usually comprise labour market measures such as New Deal along with European and regeneration funds.

ILMs can meet a number of local objectives including the provision of services of community benefit and form the cornerstone of a wider regeneration agenda but the vast majority of ILM operators are clear that the main objective is the reintegration of the long-term unemployed.

The key ingredients for the successful setting up, operation and performance of an ILM programme are:

- strong local partnerships usually including the local authority and voluntary sector bodies; these may take time to develop and maintain
- a lead body prepared to help put a funding package together, take the financial risks involved during the

development phase and manage cash flow deficits

- clarity about the key target beneficiaries; this should determine the type of work to offer and the support structure required
- an understanding by the managing agencies which recognises that they are not running a training or temporary employment 'scheme'; they are employing temporary staff and this may require the learning of new responsibilities on both sides
- the payment of a wage to increase recruitment, retention, motivation and outcome rates, although without good management these advantages may be lost
- the incorporation of appropriate jobsearch support early in the ILM process
- data collection and handling systems must be established at the start; these should be designed to provide the monitoring and evaluation data required by the funders
- finally, and most importantly, *an overall culture of delivery which emphasises quality and progression.*

The largest and more established ILM programmes are achieving progression into the mainstream labour market at rates higher than other measures such as Training for Work/ WBLFA or New Deal for the same target group. Overall, the job outcome rate is over 50 per cent, with many over 60 per cent. There are a small number of programmes achieving very low

outcomes. There is evidence of higher retention rates than comparable non-ILM programmes, and evaluations show a high job durability rate post-ILM.

ILMs are more expensive than other programmes in terms of total cost per place per year (just under £14,000 on average), mainly because of the wage element (average 57 per cent of all costs) and the inclusion of service-related costs. But, ILMs can be shown to be at least as good or *better value for money* compared to these other programmes for the same target groups if they:

- are compared on a like-for-like basis
- focus on recruiting people who would otherwise face major problems in getting work
- maintain their higher retention, job outcomes and durability rates.

The value of the product or service provided by an ILM can also be measured in terms of both the increased incomes to the participants and benefits to the community.

Investment of public or private resources into a local service managed as an ILM can double its value in terms of outputs achieved; this should be a factor that ILM programme designers take into account.

The ILM role in labour market policy

Intermediate Labour Market programmes embody some of the best practice of the ‘work first’ and ‘intermediary’ approaches being considered by British Government. By ensuring adequate preparation and support in a real work environment, albeit in a parallel job

market, they reduce the less successful features of these approaches as evidenced from the US – namely, poor job durability and limited long-term income growth.

The idea that ILMs keep people away from the active labour market to their detriment (see Layard, 1997a) can be dismissed by the evidence of the strong correlation between duration on the programme and high entry rate and durability of outcomes.

However, there still appears to be scepticism amongst some labour market economists and policy makers. This is based on three concerns.

The first concern is their cost and value for money. In this study, data from a number of independent evaluations have been used to show that with appropriate adjustment the cost of an ILM programme is no more than for other programmes. Evaluations of individual labour market programmes do not always take into account multiple support and overlap in assistance, whereas the comprehensive package, often funded from a variety of sources, is explicit in ILMs.

If the lower deadweight and substitution impacts, increased job outcomes and durability are taken into account, the value for money of ILMs is better than for most other programmes provided they are properly targeted (up to double the value for the same target group) with higher net savings to the Treasury.

The key adjustment to the cost is putting a value on the service provided by deducting the service-related grants and incomes from the cost of the employment programme. This is rational in accounting terms and sensible in ‘neighbourhood renewal’ or regeneration terms. However, it may challenge the conventions of employment programme managers who see this

service-related funding as simply another contribution to the overall cost of the labour market initiative. They are stuck with a 1980s' vision of ILMs as 'make work' programmes rather than accepting the expressed priority of ILM operators, which is progression into the mainstream labour market.

ILM development has suffered because there is no consistent evaluation framework for measuring the success of labour market programmes and their added value. The Government should therefore establish a set of measurable and comparable performance criteria across all labour market programmes. Taking a lead from the Social Exclusion Unit's Policy Action Team on Jobs report (Social Exclusion Unit, 1999), which gives emphasis to the subsequent progression of unemployed people, the evaluation framework should give a high weighting to job retention and income progression. This would counterbalance the short-termism of programmes like the new Employment Zones where the operator's incentives are geared to early access to jobs and leaving the register rather than providing the training and support that will facilitate long-term employability and income progression.

Performance targets and evaluation measures for labour market programmes need to shift from this 'number off the register' approach – the issue is one of quality not of quantity.

A second concern is the complexity of the funding package and monitoring arrangements, and that in many areas there is not the local capacity to manage this complexity. There are three responses to this.

- The relatively large number of programmes in operation would indicate

that this is less of a problem than anticipated. Many ILM programmes are being run with the involvement of local authorities or TECs/LECs that do have the capacity to manage multi-funded programmes.

- Often, this concern is coming from government officials who have a role in designing programmes; they could simplify the problem by putting together a suitable funding package for ILMs as they have in Northern Ireland. It might reasonably be argued that the Personal Job Account available in the new Employment Zones gives more flexibility and could support ILM programmes. The concern from ILM experience is that the structure of the new Zones means that the income and profit of the EZ contractors (mainly private sector) rely on the fastest possible movement into jobs while ILM evidence shows that a longer period of supported employment leads to better longer-term results. It is therefore recommended that the Personal Job Account is made available to ILM programme operators (public and voluntary sector) in addition to the current EZ contractors in order to fully pilot this innovative funding measure.
- Much of the complexity of operating ILMs is a result of the audit and paper-trail requirements of funding programmes. Monitoring of government programmes is still largely based on evidence of process and correct procedure rather than performance. Where local ILM programmes have been allowed time

to develop good practice, have received consistent support from lead bodies and have been trusted to take risks, good sustained outcomes have resulted. Programme managers should operate on a contract basis where the emphasis is on performance in terms of results, and trust the process (and resulting innovation) to local deliverers.

The third concern about ILMs is whether the outcomes will be sustained if the programmes are expanded to more people within an area or escalated to many more areas. There are two responses to this.

- ILMs offer added value when working with the longer-term unemployed or people who are otherwise 'excluded', and are best used as part of a range of measures. It is not recommended that they are elevated to large-scale or national programmes. However, there is no evidence that the largest programmes presently operating suffer from lower performance and local programmes of 1,000 or more places seem practicable without loss of quality. The issue is one of establishing and nurturing the culture of progression in the ILM approach rather than scale of operation.
- This study has identified some good practice and 'benchmarks' which should help to establish working practices in the emerging ILM sector. The problems of local capacity are reduced where ILMs are sponsored by strong local partnerships providing funding and other support, and are managed by established specialist

agencies that have the experience to deliver the service. It is therefore recommended that investment in local capacity building should be an integral part of any funding programme.

However, it is also important for policy makers to consider the reality that many long-term unemployed and 'excluded' people live in rural areas and in pockets of deprivation in areas which have generally low unemployment (e.g. Hertfordshire). In both of these situations, the costs of operating labour market initiatives are significantly higher than those in areas where the target groups are concentrated, but the funding available may be much less (e.g. they may not be covered by regeneration programmes and may not be a priority for European funding).

Conclusions

It is recommended that the ILM approach be used as one tool in labour market policy and local regeneration. In these contexts, they can play a significant role in:

- enabling people who are not able to find or maintain employment to obtain the motivation, skills and work experience they need in order to work their way *permanently* out of welfare and into work
- delivering new services or adding value to existing services provided by the public or private sectors (but justified because they provide ILM opportunities at no greater cost, or because they target 'disadvantaged' clients).

A strong link should therefore be made across public sector policies and programmes. This should emphasise the added value of the ILM approach in community regeneration, social enterprise development, housing stock transfers, crime prevention, childcare, health promotion, and other social policy and funding strategies.

As indicated in this report, there have been some reservations about the ILM approach expressed by labour market economists. These were based on a number of assumptions that have not been supported by the research evidence in this report.

However, the report also has some important messages from the experience of ILMs for the designers and managers of welfare to work programmes:

- they need to be well targeted to achieve greatest added value
- there should be a focus on durability of employment and income progression, and not just on a quick move on to a job
- the capacity to deliver well can take time to develop and resources to build this capacity in local organisations should be incorporated into the funding of programmes
- there should be a common framework built in from the beginning for the tracking and evaluation of the long-term impacts for the participants.

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