

Working paper

# Early effects of the economic downturn on the Welfare to Work System in deprived areas

by Dr Alex Nunn, Sukky Jassi, Dr Tim Bickerstaffe  
and Penny Wymer

Department for Work and Pensions

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A report of research carried out by the Policy Research Institute and the Faculty of Business and Law, Leeds Metropolitan University on behalf of the Department for Work and Pensions

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# Abbreviations

AACT	Actual Average Clearance Time
BME	Black and Minority Ethnic
CAB	Citizens Advice Bureaux
DCMS	Department for Culture, Media and Sport
DWP	Department for Work and Pensions
ESoL	English as a Second Language
ESA	Employment and Support Allowance
ESF	European Social Fund
FND	Flexible New Deal
FJR	Fortnightly Job Review
ILO	International Labour Organisation
JSA	Jobseeker's Allowance
IDT	Intervention Delivery Target
LSC	Learning and Skills Council
NEET	Not in Employment Education or Training
NDC	New Deal for Communities
PSA	Public Service Agreement
SME	Small and Medium-sized Enterprise
VCS	Voluntary and Community Sector



# Summary

## Introduction

The authors were commissioned to investigate the early effects of the recent economic downturn on the 'welfare to work infrastructure' in deprived areas, in particular how it is able to continue to provide support to the most disadvantaged groups.

A key objective of the research was to provide a preliminary exploration of the effects of the downturn on deprived areas and disadvantaged groups (as set out in Public Service Agreement (PSA) 8). The report provides context that will inform DWP and Jobcentre Plus' long-term response to the recent and future recessions and particularly considerations in relation to deprived areas and groups. The evidence presented also functions as a qualitative baseline against which the perceived success, within deprived areas, of measures to minimise the long-term impacts of the recession (e.g. the Young Person's Guarantee) can be considered.

The qualitative fieldwork that underpins the findings was undertaken predominantly in April and early May 2009 and so the findings may not reflect developments which have occurred since then.

## Headline messages

The evidence in this section, as elsewhere in the report, relates to findings that were current in April/May 2009. In relation to deprived areas the key messages are:

- respondents perceived that deprived areas may not be experiencing the full effects of the economic downturn because they are sheltered by a range of factors, principally associated with a lack of exposure to the private sector labour market; however
- some of these areas may experience more substantive negative effects over the longer term. These areas may be more vulnerable to changes in public spending and in some cases may be witnessing a coincidence of cyclical and more structural changes in the economy;
- over the medium term public policy will need to address risk factors associated with social inclusion and engagement during the downturn and potential longer-term issues such as the emergence of new deprived areas, new variants of skills and spatial mismatches or cycles of inter-generational poverty and disadvantage.

In relation to disadvantaged groups the key messages are:

- there is a case to continue to support disadvantaged groups with the objective of bringing them closer to the labour market. However, over the medium term there may be a need to reflect in policy and practice that for many an immediate job outcome will not be realistic, given the level of competition for jobs;
- the effect of performance agreements and targets is to ensure a certain degree of institutional 'lock-in' in relation to providing services to the most disadvantaged groups, protecting them from the reorientation of priorities toward more recently unemployed groups. However, there are two tensions associated with this: First, some policies and interventions introduced as a result of the downturn were understandably focused on newly unemployed groups and combined with the pressure of simply taking new claims, this puts this institutionalised focus under pressure, potentially 'crowding-out' efforts to help longer-term unemployed and inactive groups. Second, targets and performance agreements need to be kept under review to ensure that they accurately reflect those groups in the most severe need as underlying social conditions change;

- the effects on disadvantaged groups not covered by PSA 8 are not yet clear, though respondents made a persuasive case that all groups facing barriers to employment are likely to be moving further away from the labour market as a result of the downturn.

In relation to the welfare to work system, the key messages are:

- the former Government responded to the downturn by rapidly putting in place a range of initiatives to support unemployed people. However, some respondents lacked awareness of the full range of support available and in some cases suggested that the complexity of the system and specific policy design issues could be further improved. In addition to which many policy initiatives were announced and implemented after the fieldwork was completed;
- the welfare to work system, especially at a local level, is arguably better structured than in previous recessions to cope with the additional demands placed upon it and local partnership structures enabled rapid and integrated responses to the changing labour market at the local level; however
- some aspects of the design of the system and the support available were initially designed for conditions of labour market growth. Future changes to policy and practice, in relation to the level and nature of conditionality, to the performance and payment structures governing the provision of support to unemployed people, and the design and nature of that support may need to reflect this. In particular, there may be a need to consider the relative priority placed on longer-term and more recently unemployed groups as well as the types of support that they may need in view of this.

## Background and methods

The Policy Research Institute was commissioned by the DWP to undertake qualitative research to explore the early effects of the economic downturn on the welfare to work infrastructure in relation to deprived areas and disadvantaged groups. The fieldwork and data collection underpinning this report were undertaken during April and early May 2009 and all findings refer to data current at that time. Deprived areas and disadvantaged groups were defined for the purpose of case study selection and lines of enquiry in the topic guides using the definition in PSA 8. However, many respondents preferred looser and less precise definitions. Interpretation of the effects of the downturn was limited to discussions about specifically determined wards, using the PSA definition.

## The downturn and deprived areas

The research identified negative effects of the downturn on deprived areas through the loss of employer engagement and work placements. However, the balance of respondents reported that deprived areas have so far been relatively less affected by the recent downturn than are some other areas. This may be influenced by degrees of percentage change in unemployment in deprived areas which may appear lower in deprived areas because of the relatively high levels of unemployment in those areas to begin with. This was particularly the case where respondents were able to compare, within a spatial area, the experiences of deprived and less deprived neighbourhoods. Nevertheless, respondents did tend to identify a range of 'sheltering' factors which were protecting deprived areas from the most severe effects of the downturn so far. These included:

- lower levels of employment and high levels of unemployment and inactivity, which mean that relative changes in unemployment are less severe and there is less exposure to the labour market;
- where there is exposure to the labour market, this tends to be toward public sector employment;

- in several of the case study local areas there were large scale regeneration projects or public sector employers that acted to insulate the local labour market;
- existing programme provision and structures are already in place in these areas to cope with the labour market problems present in advance of the downturn, though much of this provision was attempting to deal with protracted and difficult to resolve long-term problems, often using time-limited and short-term funding.

In summary, many respondents suggested that the case study areas were still coping with the effects of the last (two) recession(s) and therefore were relatively unaffected by the recent downturn. However, this also meant that respondents recognised that the case study areas and deprived areas generally were relatively more dependent on public sector funding support in relation to employment, as well as a wider range of issues such as housing, the local environment and family support services. This led to an understandable concern among some respondents that this made these areas vulnerable to potential future changes in public spending.

## The downturn and disadvantaged groups

The qualitative research suggested that there is a general perception that as the labour market effects of the economic downturn unfold, those social groups facing any kind of additional (and especially multiple) disadvantage will be pushed progressively further away from the realistic prospect of labour market participation. This finding was shared across all groups and resulted from a combination of a loss of employers willing to be engaged in labour market programmes targeted at these groups, and crowding out by increased competition for those vacancies that do exist. The majority of respondents based these comments on assumptions rather than evidence but there were cases where examples of employer withdrawal from programmes and placement projects were noted.

Many respondents also articulated coherent concerns about the potential for future problems, such as a lack of opportunities for young people leaving full-time education over the summer and the prospects for future public funding targeted at the most disadvantaged groups.

## The downturn and the welfare to work system

The effect of the downturn on the welfare to work system is being felt in a number of ways by different types of actors, according to respondents:

- Jobcentre Plus has been through a period of heavy demand for its services, particularly at the new claim stage and has in some places needed to prioritise taking and processing new claims at the marginal expense of other activities that are normally targeted at the longer-term unemployed and the harder to help. Respondents suggested that this situation had stabilised by Easter 2009 due to a combination of an increase in staffing resource and a stabilisation in the rate of inflows to unemployment;
- some employment programme providers experienced rapid increases in workload. However others suggested that there was a period of time, at the early stage of the downturn, in which Jobcentre Plus had not been able to refer customers to them for help because of the rise in Jobcentre Plus workload due to the large increase in new claims. Provider respondents also highlighted the increasing difficulty of finding placements for clients and suggested that they were amending their processes and services accordingly;
- local authorities have also experienced a rapid increase in demand for their services related to employment and to other services such as welfare advice and family support;

- local Voluntary and Community Sector (VCS) organisations have also witnessed capacity challenges in relation to providing information, advice and guidance to their service users; and respondents were concerned about the current and future effects of the downturn on their private and public sector funding streams. Respondents from voluntary, community and advocacy groups also voiced strong concerns about the health, wellbeing and familial effects of the downturn on their particular stakeholder communities;
- skills sector respondents were generally confident about the speed with which the system has responded to the downturn and the generation of new places and programmes designed to support newly unemployed people. However, they did express concerns about the degree to which the system could provide the support that may be required if the downturn were to herald the type of structural economic change that has been witnessed in previous recessions.

Across all respondents there was general agreement that the emphasis of the whole welfare to work system was still focused on the hardest to help customers with the most protracted barriers to employment. This was so because of the institutionalised nature of targets, contracts and agreements that mandate this. However, there was also a generalised concern that the introduction of new services, programmes and initiatives, as well as the pressure to deliver services rapidly to newly unemployed people, meant that these longer-term groups may be experiencing an unintentional ‘crowding out effect’. Respondents suggested that this tension was arising from a combination of simple workload pressures as well as rapid policy and programme responses to the downturn.

Respondents were not yet clear on what the impact of this ‘crowding out’ might be over the medium-term, or the desirability of this; with some feeling that it was inevitable and sensible to focus on ensuring that newly unemployed people do not turn into long-term unemployed. Where this was the case there was some concern about the nature of the policy mix and its continuing efforts to tackle inactivity. Other respondents were keen to maintain the emphasis and focus of support on those with the most needs but tended to concur that expectations about their rapid re-employment might prove to be overly optimistic.

### **Implications for policy and practice**

- It may not be possible to continue to emphasise both the longer-term and newer unemployed groups equally in the delivery of welfare to work services.
- It may be necessary to review the target and performance framework to ensure that definitions of disadvantaged groups are still accurate.
- In relation to longer-term and more disadvantaged groups there may also be a need to rebalance the policy emphasis to ensure activation while avoiding any negative impacts from strengthened conditionality, particularly in relation to mental health and wellbeing. This does not automatically question the continued relevance of work-related activity but lower success rates may be expected during a recession, and even once growth returns (given the fact that labour market trends tend to lag overall economic output). However, service delivery and the implementation of conditionality should bear in mind the importance of maintaining active and positive engagement with groups that are more likely to gain employment when labour market conditions improve.
- It may not always be the case that newly unemployed people are immediately job-ready and some form of intervention may be necessary to help them re-enter the labour market.
- The vulnerability of both deprived areas and disadvantaged groups to reductions in public spending overall means that careful consideration will need to be given to future spending priorities to ensure that neither areas or groups are placed in the position of long-term exclusion.

- The design of new contracts with programme providers and performance measurement systems within Jobcentre Plus will need to reflect the realities of the changed circumstances in order to appropriately incentivise activity and priorities.
- The implications of the downturn on the budgets and levels of service demand on local authorities and the VCS will need to be considered when making decisions about future spending, contracting and programme design.
- In delivering services and designing interventions and programmes of support, DWP and Jobcentre Plus will need to consider their impact on issues of social cohesion (broadly construed) to ensure that any negative effects are minimised and managed effectively.

# 1 Introduction and methods

## 1.1 Introduction

The Policy Research Institute was commissioned by the DWP to investigate the effects of the economic downturn on the welfare to work infrastructure in deprived areas and how it is able to work with the most disadvantaged groups. The core objective of the research was to provide a preliminary exploration of the effects of the downturn on deprived areas and disadvantaged groups (as set out in PSA 8). The report provides context that will inform DWP and Jobcentre Plus' longer-term response to the recent, and future recessions, particularly considerations in relation to deprived areas and groups. The evidence presented also functions as a qualitative baseline against which the perceived success of measures to minimise the long-term impacts of the recession (e.g. the Young Person's Guarantee), within deprived areas, can be considered. The qualitative fieldwork that underpins the findings was undertaken predominantly in April and early May 2009 and so the findings may not reflect developments which have occurred since then.

## 1.2 Key research questions

These aims and objectives were operationalised through the following key research questions:

- 1 What are respondents' perceptions of the effect of the economic downturn on the welfare to work and employability infrastructure in deprived local areas?
  - For example, has there been a change in priorities as a result of the downturn?
  - Is it feasible to continue to work to activate groups facing multiple or profound barriers to work?
- 2 Do these effects differ for different areas?
  - Specifically, does this differ between different deprived areas?
- 3 How has the economic downturn affected particular disadvantaged groups (according to the PSA 8 definition) and, specifically, are they impacted on differently to other groups, especially in relation to the welfare to work services that they require and those that they are receiving?
- 4 What are the implications of the effects of the downturn on disadvantaged areas and social groups for policy and practice in relation to welfare to work?
  - Are there examples of good practice in helping deprived areas/disadvantaged groups to overcome the economic downturn?
  - Should the department continue with the current strategy (do more of the same) or something different?
  - What balance should the policy response strike between helping people into work during the downturn and equipping people to take advantage of the upturn when it comes?
  - Could the observed effects be mitigated against in future economic downturns?

### 1.3 Literature review

Stafford and Duffy's (2009) rapid review of literature for the DWP focused upon the evidence of the effects of previous recessions on disadvantaged areas and groups. Given the challenging timescale under which that research was conducted, the authors identified a further range of literature that necessarily fell outside the scope of their review and has been reviewed as part of this research. In this respect, Stafford and Duffy's review provides a baseline from which the project team reviewed the remaining and any new literature and this is presented in the appendix.

### 1.4 Fieldwork

The primary research involved mainly qualitative group and individual interviews carried out in April and early May 2009. All findings and analysis relate to that period, and so may not always reflect more recent developments. The focus of the primary research was to identify trends observable at three levels in relation to the effects of the downturn on deprived and other areas in terms of the local labour market, disadvantaged groups and the welfare to work system:

- At the **local level** six case study areas were selected from among those qualifying in the measurement for the most deprived wards under PSA 8 (see below for details of case study selection): Sandwith ward in Copeland; West Bromwich Central ward in Sandwell; Ely ward in Cardiff; Milnbank ward in Glasgow; Springfield ward in Hackney; and Margate Central ward in Thanet. In each case study area 12-14 semi-structured interviews were undertaken with a range of stakeholders in local authorities, Jobcentre Plus, VCS groups, skills sector partners and other agencies.
- At the **regional level** respondents were engaged in each of the nine English regions and two Devolved Administrations in order to assess the representativeness of local level findings, to access examples of good practice or interesting approaches taking place outside the selected local areas/wards, and to assess the effects of the downturn on a wider range of deprived areas and other 'non-deprived' areas. Regional level deliberations took the form of an online consultation exercise.
- At the **national level**, three face-to-face discussion groups with DWP stakeholders, contracted employment programme providers and a wider group of public agencies involved in employment and skills policy and implementation were augmented by online consultation with a wide range of interest and advocacy groups identified through responses to welfare reform consultations. The focus of these discussion forums is to identify national level trends in relation to the effects of the downturn on deprived and other areas.

All face-to-face and telephone-based interview and group discussions were undertaken using a semi-structured topic guide. These guides provide some structure for the discussion but interviewers and facilitators were also able to pursue additional relevant themes where these arose. With the permission of the respondents involved, all interviews and discussions were recorded digitally and transcribed verbatim by a specialist transcription agency.

Case study areas at the local level were selected from the list of deprived wards used to monitor the PSA 8 targets. Areas were selected randomly from this list to fulfil particular characteristics: (1) and urban/rural split; (2) a geographical split between England, Wales and Scotland; (3) to offer wards with and without an Employment and Skills Board (or equivalent in Scotland and Wales) in the relevant local authority; and (4) a mixture of areas covered and not covered by a City Strategy Pathfinder.

## 1.5 Analysis

Each member of the project team was responsible for a case study local area and produced a short summary report of the overall trends and findings observed in that area. This report provides contextual and non-recorded observations. In addition to this, all interview and discussion transcripts were analysed using NVivo qualitative analysis software. This analysis was undertaken using a pre-designed analytical framework but there was also scope for open and axial-coding to allow meaning and findings to arise from the data. As such the analytical framework was both deductive and inductive. Deductive research methods take particular expectations or hypotheses derived from previous work and use observed findings to test the validity of these. Expected categories of findings were derived from literature on the past and recent recessions as reviewed in advance of the fieldwork and in the report prepared by Stafford and Duffy (2009). Inductive research methods start from an alternative premise and allow meanings and findings to emerge from the observed data. The fieldwork and analysis was sufficiently open to allow respondents to discuss experiences which were not part of the pre-established discussion guide. To accommodate these in the analysis it was possible to introduce new codes as the transcripts were analysed and these were reconciled with the established coding and analytical framework at the end of the coding process.



## 2 The downturn and deprived areas

### 2.1 Impacts of the downturn on deprived areas

Evidence of the effects of the downturn on deprived areas is less clear than it is on disadvantaged groups. However, analysis of changes in employment and International Labour Organisation (ILO) unemployment by deprived areas on the Working Neighbourhoods definition shows that deprived areas have fared slightly worse than the Great Britain average (DWP and Equality and Human Rights Commission, 2009:11). However, if key indicators are mapped against deprivation at the very local level, the impact of the downturn appears to be more focused on areas other than the most deprived. For example, the proportional change in Jobseeker's Allowance (JSA) increases progressively by each decile of Super Output Areas as they decrease in deprivation. Additionally, the proportional reduction in Jobcentre Plus notified vacancies is also generally higher for the least affluent Super Output Areas. Again though, this is partially a statistical effect of the relative levels of unemployment prior to the downturn.

### 2.2 Evidence from national and regional consultation

Respondents to the national face-to-face and online consultations and the regional online consultation tended to indicate an assumed negative effect of the recession on deprived areas. However, there was a mix of responses on the relative effect on deprived areas relative to other areas. In some areas respondents were aware of evidence that showed other areas had experienced greater problems as a result of more recent changes. Equally, however, there was a general reflection that many deprived areas have not yet fully recovered from previous recessions. Where specific negative effects in deprived areas were reported, these tended to be based on either assumptions about unemployed people living in these areas being pushed further away from the labour market, or more concrete experiences of providing debt or family breakdown advice to households experiencing extreme difficulties. Some respondents were also concerned about the loss of, and competition for, entry-level jobs which have hitherto provided employment opportunities for residents of deprived areas.

### 2.3 Evidence from case study areas

Respondents in our case study areas tended to report that deprived areas were being affected negatively by the downturn. However, many respondents had a broader spatial remit and were able to compare the case study areas with others in the local area. Where this was possible they offered a number of reflections. First, they tended to indicate that many of our case study areas had not recovered from the previous recession, in a similar vein to the responses from the online consultation exercise. Second, and partly because of this, deprived areas were seen by many local level respondents to be somewhat sheltered from the immediate effects of the downturn because they have shallower exposure to labour market trends because of lower levels of employment. In addition, these areas are often traditionally more exposed to public sector employment which has been thus far relatively unaffected. Finally, many of these areas have an established employment and skills infrastructure in place, especially where particular programmes and Area Based Initiatives

have been targeted at them in the past. However, many respondents were concerned that longer-term effects may be more negative, especially in the event that the deterioration in the public finances leads to lower levels of public spending.

### 2.3.1 Copeland: Sandwith

Available claimant count data for the period April 2008 – April 2009 suggests that Sandwith has experienced little change in its overall count; indeed a slight reduction in its claimant rate is identifiable from the data. There have been some local redundancies and respondents reported evidence from the local Chamber of Commerce that some larger manufacturers have contracted to a four-day working week.

However, the area's main key employers – notably, the Sellafield nuclear power station, BAE Systems and Vickers Shipbuilding and Engineering and their associated supply-chain networks – have not, thus far, been adversely affected, primarily because they are subject to long-term public sector contracts. Moreover, two large call centres in the area have also recently recruited and one respondent pointed to regular vacancies in the local care sector. A Jobcentre Plus respondent reported 'steady' off-flows and in-flows since a peak of new claims in February, and mentioned that the key employers are still recruiting. Another respondent mentioned that, fearing impending consequences from the downturn, some local smaller construction firms had laid some workers off before Christmas 2008 but anecdotally the majority of those made redundant had found employment again in the New Year. All of this concurs with the frequently reported impression among local level respondents that economic trends in Cumbria lag those in the wider national economy.

Nevertheless, Sandwith and some other wards continue to suffer high levels of long-term structural unemployment and inactivity, and in this respect are arguably still coping with the effects of the previous recession.

*'[W]e are in a pretty poor state but it isn't anything that's changed over the last twenty years and its going to take another 20 years before we see anything.'*

(Provider, Copeland)

Despite the concerns of some that the multiple effects of worklessness, combined with a lack of relevant employment opportunities, mitigates the effect of employability initiatives and interventions, several respondents reported on efforts to move local people into, or nearer, the labour market. For example, in attempts to reduce the local Not in Employment Education or Training (NEET) rate, a Connexions respondent spoke of a range of negotiated bespoke options for those who have left, or are soon to leave, full-time education.

However, there were evident concerns among several respondents that a possible augmentation of longer-term trends and a loss of cyclical entry-level employment (for example, in construction) could lead to a 'crowding-out' of unemployed people with a record of frequent or long-term spells of unemployment or barriers to employment from those opportunities that do exist. Moreover, there were very strong fears about the impact of the downturn on employer engagement with work placements and particularly with apprenticeships. This is particularly important in relation to youth employment and an additional dynamic for Cumbria in this regard relates to graduate employment. The first cohort of standard undergraduate students are due to graduate from the new University of Cumbria in the summer of 2009 and the new university was intended to promote the retention of graduates in the county; an objective that may prove difficult to achieve in the current economic climate.

### **2.3.1 West Bromwich: Sandwell**

Compared to April 2008, Sandwell claimant count data for April 2009 shows a slight increase in the number of customers claiming for under six months, with a very slight decrease evident between March and April 2009. A similar increase over the same period is also evident for those claiming for over six months, although this count has continued to rise slowly since December 2008.

The decline of manufacturing within the Black Country continues to affect the whole area and the case study ward in particular. In this respect, several respondents spoke of ongoing programmes and initiatives designed on the one hand to expand a number of alternative industry sectors such as business and professional services, construction and healthcare; and on the other hand to help disadvantaged wards and local groups to take advantage of some of the employment opportunities within these new industries. Many of these are drawn together in the Neighbourhood Employment and Skills Plans that exist for 13 of the area's most deprived wards.

A New Deal for Communities (NDC) key worker expressed concern that current beneficiaries of employability initiatives targeted at the long-term unemployed could, nevertheless, remain outside the labour market as a downwards pressure on job opportunities results from those recently made redundant taking work in lower-skilled, lower-paid occupations. Anecdotal evidence from another respondent suggested that a local job brokerage project that had enjoyed good success in the previous two years has, since September 2008, been unable to meet its target outputs as the number of job opportunities has dwindled. Similarly, a separate business support project that helps more skilled beneficiaries move into self-employment has seen a recent increase in the number of applicants, suggesting other opportunities are becoming more constrained.

Other respondents stated that Sandwell and other deprived wards in the area would likely suffer as badly in this downturn as the previous recession, simply because those manufacturing jobs that are left tend to be the first to go when spending drops, and because of the dependency of the supply-chain economy in the region on these employers. Elsewhere, one respondent mentioned that a general decline in discretionary consumer spending was likely to disproportionately affect the local Pakistani and Bangladeshi communities as many of them are employed in the catering and restaurant industry, or work as self-employed taxi drivers, though no clear evidence was offered to substantiate these anecdotal claims.

However, not all respondents were convinced that deprived local wards will suffer the effects of the downturn disproportionately. Some recent local level analysis has found that certain non/less deprived wards have seen a greater increase in the proportion of residents registered unemployed than some 'traditional' deprived wards. Views on this centred on the decline in financial services occupations. Nevertheless, Jobcentre Plus respondents reported a recent rise in JSA new claims but that this rise is not at a level to cause particular concern – as yet.

### **2.3.2 Thanet: Margate Central**

There has been a rise in the overall claimant count for Margate Central equivalent to around 150 claimants between April 2008 and April 2009. Most of this increase has occurred since December 2008. Jobcentre Plus respondents indicated that Margate Central ward and the town in general experiences locally-determined rises and falls in the claimant count and were, therefore, relatively unconcerned.

For Margate Central and the surrounding town, the past decade has seen an acceleration in the long-term decline of seasonal hospitality employment and related tourist industry. Nevertheless, the holiday season remains of major economic importance to the town and district.

The highest profile regeneration initiative among those in the district designed to generate direct and indirect employment opportunities is the Margate Renewal Partnership, which has very recently submitted a bid to the Department for Culture, Media and Sport (DCMS) to re-develop and re-open the Dreamland Leisure Park located in Margate Central on the seafront. The benefits of this regeneration project, should it be successfully commissioned, will help the town in general and the case study ward in particular.

Margate Central has a disproportionate number of young residents, many of whom have settled there after leaving care. Many former guest houses and hotels in the ward have been converted to low rent studio flats and bedsits, and many young residents living in this increasingly poor quality accommodation face multiple barriers to employment. Many have mental health issues, substance dependency problems, and criminal records, and the local Jobcentre Plus, skills providers, NHS and other support agencies continue to work within the ward – and its neighbour, Cliftonville West – in an ongoing effort to improve these vulnerable young people’s employability and life chances.

Nevertheless, Thanet does offer employment opportunities to some of its residents. There is, for example, a large care sector that has traditionally existed in and around Margate in both the NHS and private care homes for young people, the elderly, and those with physical and mental impairments. These employers continue to offer opportunities in the social care and catering occupations.

Indeed, respondents suggested that it is the neighbouring towns of Broadstairs and Ramsgate that have seen a higher increase in recent claimants than Margate but Jobcentre Plus staff there report a far lower increase in footfall.

*‘Now, Ramsgate of course is literally four miles down the road from us and their register has actually increased quite a lot [compared] to ours because their customer base is slightly more affluent than Margate. It’s very strange: you walk into Margate [Jobcentre Plus] and it’s chock-a-block the whole time; you walk into Ramsgate and it’s empty.’*

(Jobcentre Plus respondent, Margate)

No clear explanation was provided for this apparent contradiction.

Anecdotal evidence from respondents suggests that a rise in claims from professionals who live in the area but are employed outside of it accounts for much of the recent general rise in claims across the district.

In this respect, no discernable disproportionate effects have, thus far, been identified locally as caused by the downturn and indeed, Margate respondents were hopeful that a decline in people holidaying abroad will see a rise in the number of day-trippers visiting the town’s coastal resorts over the summer months, boosting the local tourism and retail sectors.

### 2.3.3 Hackney: Springfield

The Springfield ward has actually seen a fall in its claimant count since April 2008, and although a slight increase is observable from November 2008 to April 2009, this is to a level still just below that of the preceding April.

Hackney actually exceeded its Local Area Agreement (LAA) employment rate target of 61.3 per cent in September 2008, reporting a rate of 63.9 per cent – a 0.4 per cent increase on the previous quarter. These figures prompted several respondents to suggest that Springfield and the other deprived Hackney wards have not experienced the same effects from the downturn as other East London districts.

Other respondents suggested that the effects may have been less dramatic in Hackney because of the existing high levels of long-term unemployed in the area, for whom the general effects would likely be marginal. However, some did reflect that the increased competition for jobs between long- and short-term unemployed may lead to further disengagement by longer-term customers. A more recent decline in entry-level vacancies – particularly in retail – was highlighted by some as a further reason why long-term customers will struggle to find work.

In certain respects, Hackney's employment structure reflects the wider London economy with concentrations of employment in financial and business services – reflecting the close geographical proximity of the southern end of the area to Canary Wharf (the 'City Fringe'). There has, however, been a decline in manufacturing and construction jobs, and Hackney's residents are also disproportionately employed in transport, storage and communication, and health and social work, compared to residents of other London boroughs.

Pressure for resources was cited as a concern by several respondents in achieving strategies, although most felt that the City Strategy Pathfinder and associated strategies that prioritise the long-term unemployed were sufficiently well designed and equipped to tackle worklessness in the current economic climate. In general, it was reported that all disadvantaged groups have been and will be affected by the downturn, but no one group stands out as particularly vulnerable.

Nevertheless, those with low or no skills or qualifications were identified as at most risk of disengagement and long-term unemployment in the downturn. Some respondents felt that those with few or no English skills were particularly at risk. As many of Hackney's Small and Medium-sized Enterprises (SMEs) operate within Black and Minority Ethnic (BME) communities, recent redundancies and a decline of vacancies will disproportionately affect those who have hitherto relied on this community-based employment where English skills are not central to the job role.

Both Jobcentre Plus and provider respondents maintained that a continued commitment to focus upon the needs of the long-term unemployed may be adversely affected if the numbers of newly unemployed continues to rise to a point where access to welfare to work services becomes increasingly contested. However, local key informants remained positive that local welfare to work services and good existing partnership arrangements would help the area withstand the worst effects of the downturn.

### **2.3.4 Glasgow: Milnbank**

Milnbank's claimant count rose in August 2008, fell again between September 2008 and January 2009, and has risen slightly again since then. This recent rise is equivalent to about 50 customers.

Glasgow's traditional industries have continued to contract and the service sector has emerged as the city's key economic driver. The number of jobs created in the banking, finance, insurance and business service sectors have also increased by around 60 per cent since the mid-1990s. Nevertheless, the shipbuilding and marine technologies sector still provides jobs for about 4,500 people and general manufacturing employs over 23,000 workers in the city.

Several respondents reported that research in the city has revealed there has been a greater percentage increase in unemployment in areas where concentrations of worklessness do not traditionally exist. A mapping exercise by the City Strategy Pathfinder, Glasgow Works, has shown that the majority of the newly unemployed are in areas with the best transport links and in the most affluent suburbs. For these respondents, this evidence points to downturn effects where the spread of new claimants is across the city, rather than concentrated in the traditionally deprived areas.

Jobcentre Plus key informants reported that the industries most affected have been the financial services-related call centres and the tourist/hospitality sector. Across the city's labour market in general, vacancies are down 30-40 per cent over the past 6-8 months. Moreover, a general reluctance has emerged among employers to offer permanent contracts and has caused a shift from full-time to part-time vacancies.

No one group has emerged as suffering disproportionate effects thus far, although there are concerns that fewer job opportunities will soon impact on young people/school leavers and those with no qualifications particularly. Some providers stated that they were now finding it much more difficult to place long-term unemployed customers, as employers are favouring the higher-skilled newly unemployed as candidates for vacancies. In the view of several local Jobcentre Plus respondents, provider 'creaming' of customers could contribute to the relative disengagement of some of the most disadvantaged customers.

For some providers and voluntary sector respondents, the downturn has provided an excuse for some customers to disengage from employability efforts, citing the perceived lack of jobs as the cause. More generally, discussions centred on the belief that incentives for specific groups can serve to effectively disadvantage others. Further, recently established eligibility and conditionality criteria in relation to benefit entitlement were considered by some respondents to be poorly timed considering the recent and likely future increase in new claimants. There was some speculation concerning the potential need for new and different employability programmes should the downturn lengthen and deepen. However, current support available across the city was considered to be sufficient for current demand and no specific ideas were put forward for what new or different programmes would look like.

Glasgow has become an established tourist destination in recent years with its leisure and retail sectors also experiencing growth. Furthermore, the local authority respondents cited the 2014 Commonwealth Games as a strong future basis for the upturn and are keen to embed plans into the city's regeneration strategies to maximise the job-creating potential of the games.

### 2.3.5 Cardiff: Ely

Cardiff Ely ward has seen an increase in its claimant count by about 180 between April 2008 and April 2009. Most of this increase has taken place since November 2008.

Cardiff has seen a multi-national cosmetics manufacturer and a cigar factory recently close down, contributing to local redundancies. Nevertheless, some Jobcentre Plus respondents also spoke of new vacancies emerging over recent weeks. Cardiff has a large public sector employing over a quarter of its workforce, and there has been growth in recent years for the city's call centre, hospitality and care sectors. Yet there is concern for the many SMEs operating in the city's many small trading estates should the downturn continue into 2010.

Several respondents spoke of a peak in redundancies over the past 6-8 months but noted that recent unemployment figures suggest that unemployment may have tailed off. Certainly, the city's financial sector appears to be quite robust and much retail employment is reliant upon customers who work in the public sector. However, Jobcentre Plus respondents mentioned that evidence is emerging that some local larger employers are moving away from the practice of working with Jobcentre Plus to recruit a number of workers. Many larger employers have reduced their expenditure on recruitment and job turnover has slowed.

Moreover, one large provider mentioned a drop off in recent referrals and that it is unclear whether this reflects a resilient local labour market or disengagement by potential beneficiaries fearing no chance of employment whatever the intervention. The provider has also noticed less vacancies

coming through of late. However, a Jobcentre Plus respondent mentioned an increase in employers seeking assistance with placing vacancies, which they felt may well reflect a decline in employers using recruitment agencies in order to reduce recruitment costs. A recent jobs fair held at the Millennium Stadium attracted over 30 employers, all with vacancies to fill.

Elsewhere, Cardiff's large capital project – a retail complex – is continuing its development and this is seen to have sustained local entry-level positions in construction to some extent and, it is hoped, soon in retail. Certainly, a number of providers emphasised training and re-training to take advantage of these current and future job opportunities.

# 3 The effects of the downturn on disadvantaged groups

PSA 8 mandates the DWP to work towards reducing the gap between the overall employment rate and that for a specific list of disadvantaged groups: disabled people, lone parents, ethnic minorities, people aged 50+ and the 15 per cent lowest qualified. This section considers evidence from the qualitative research about the effects of the downturn on these groups in addition to young people who have been widely reported in the media as having been negatively affected by the downturn.

## 3.1 Evidence from national and regional consultation

Respondents to the national and regional face-to-face and online consultations articulated the general perception that at some point the most disadvantaged groups would face additional negative effects as a result of the downturn. However, little evidence was provided of this actually happening at present. Where there was evidence provided, this revolved around increasing difficulty in securing employer engagement to providing work placements and trials. Some respondents suggested that they suspected that some specific groups would face particular problems in terms of selection for redundancy and prospects for labour market (re)entry, including deaf, deafened and deaf/blind people, migrants, drug users, disabled people, mental health service users, pregnant women and women with small children.

## 3.2 Evidence from case study areas

### 3.2.1 All groups facing relative disadvantage in the labour market

Respondents from Jobcentre Plus, providers, and support agencies all referred to ongoing long-term efforts to remove the material and psychological barriers to the labour market that disadvantaged groups often face. However, some respondents involved in employability or regeneration initiatives reported that they had noticed recent signs of greater difficulty in placing customer beneficiaries into either entry-level vacancies or work placements. In this respect, some mentioned that while some local employability projects and initiatives are continuing to place beneficiaries, this is not to the same extent as was the case in 2008. Several providers suggested this may reflect both the decrease in entry-level vacancies in general, forcing employers to withdraw their participation in employability programmes, as well as the steeper decline in available jobs within certain sectors – notably, the construction, manufacturing and retail sectors.

Recent research published by DWP (DWP and Equality and Human Rights Commission, 2009) suggests that among the PSA 8 groups only the lowest qualified among these groups are currently being affected significantly more negatively than the average for Great Britain in terms of the employment rate and the ILO unemployment rate. This group has seen an increase in their ILO unemployment rate of more than twice the national average in percentage point terms. And whilst all other groups have seen an increase in their unemployment rate and a decrease in their employment rate this is less than the overall national average.



Among other responses was the concern that, should the number of available entry-level vacancies continue to decline, project teams and Jobcentre Plus advisers would likely face increased de-motivation or even disengagement by disadvantaged beneficiaries unable to enter the labour market after receiving an intervention. In general, there were fears expressed by many interviewed that disadvantaged groups may well become further distanced from the labour market and that certain groups – for example, those claiming inactive benefits, ex-offenders, the homeless, and those with drug or alcohol dependency problems – might well find themselves ‘at the back of the queue’ in terms of employability support as the focus necessarily shifts to newer claimants with more realistic job entry prospects.

### 3.2.2 Lone parents

Discussion from many respondents in the case study areas in respect of lone parents, tended to centre on issues surrounding childcare, the ability of formerly workless lone parents to access work experience placements, and whether lone parents might potentially benefit from the observed practice of some employers of offering more part-time positions as the downturn results in them seeking to reduce their labour costs.

In Glasgow, some respondents spoke of the success of a city-wide strategy to link childcare directly with employability services. For example, in the city’s East End, the Easterhouse Development Company and East End Partnership merged to become Glasgow East Regeneration Company and inherited some nurseries, after-school clubs, and daycare facilities. Access to this childcare has become a key element of lone parent employability programmes in the East End. In general, both the range and quality of childcare in Glasgow is seen to have greatly improved over recent years.

Similarly in Cardiff, several respondents mentioned a range of good provision available to lone parents, accompanied by a lot of other support designed to help with all aspects of returning or entering the labour market as a worker with caring responsibilities.

Lone Parent Income Support (LPIS) claims continued to fall up until the latest available data (November 2008) and employment has risen (DWP and Equality and Human Rights Commission, 2009:19). Compared with a year earlier, the level of LPIS claims are down by just under 13,000 at 720,000 (Office for National Statistics, 2009c: Table 25). However, JSA claims by lone parents had risen by around 4,000 during that same period and increased markedly after that, meaning that between April 2008 and April 2009 the numbers of lone parents on JSA had more than trebled to over 25,000. Most of these new JSA claimants were parents with youngest children between 12 and 15 years of age (Office for National Statistics, 2009d: Table 2.29). This might suggest that increases in JSA claims among this group and declines in LPIS claims are at least partly driven by recent policy changes which mean that lone parents with children over the age of 12 no longer qualify for LPIS.

What has been noticeable to some respondents is the recent drop in entry-level vacancies, particularly in retail occupations – a popular choice of sector for many lower-skilled and younger lone parents. Further, several Jobcentre Plus advisers mentioned a recent fall in the average length of unemployment among their lone parent caseloads, suggesting more recently unemployed lone parents are now registering. This situation prompted some to wonder whether more long-term unemployed lone parents might suffer if the observed trend for employers seeking candidates with experience continues. One provider mentioned, for example, that their contract in respect of lone parent outputs does not distinguish between long-term unemployed and new claimants, and so the pressure to achieve targets may well force them to concentrate on those most likely to achieve a job entry.

Indeed, several other providers were concerned that work placement opportunities for lone parents might also decline as employers are forced to withdraw from existing work-trial and work placement arrangements. This concern was echoed by several national-level respondents to the online survey. Moreover, some voluntary sector respondents projected a very challenging future funding environment that will certainly impact upon some current services offered to lone parents – childcare in particular.

Elsewhere, however, some case study respondents suggested that lone parents might potentially benefit from companies' downturn-related decisions to offer part-time jobs, as opposed to full-time positions, with flexible shift patterns or working hours that might suit someone with caring responsibilities. In these cases respondents in Jobcentre Plus and employment programme providers had not noted any loss of willingness of employers to work with their caseload customers yet, but they were concerned about future prospects in this regard. Whilst these qualitative findings were not shared among all case study areas, they are in line with national figures which show that the numbers of lone parents on Income Support continue to fall.

### **3.2.3 Disabled people**

Notwithstanding the sometimes complex barriers that disabled people can face when trying to enter the labour market, most respondents with specialist knowledge suggested that there is quite a broad range of provision available currently – although for some, the options for full-time, unsupported employment remain limited.

The potentially damaging effects of a downwards pressure on some vacancies from higher-skilled people seeking employment following redundancy was mentioned by several interviewees. For example, in recent years in Hackney, a number of employers signed up to employability initiatives with disabled beneficiaries, partly because filling entry-level positions had become more difficult. Respondents in local authority neighbourhood renewal initiatives are now concerned that employers will reduce their involvement or even disengage from work placement and work-trial projects as they reduce their recruitment or start to favour higher-skilled and/or newly unemployed jobseekers.

Evidence from two other case study areas revealed emerging difficulties with work placements for disabled customers and some support organisations stated a concern over the likely selection of disabled workers for redundancy – even in public sector organisations.

Some very interesting comments were made by a Cardiff Jobcentre Plus respondent in relation to people newly registering as unemployed with various existing health conditions. New Claims Advisers are now seeing many new customers who have been in employment but with conditions such as stress, depression and even substance dependency. Some of these workers have previously enjoyed enlightened working conditions with sympathetic employers or have been able to maintain a job, but having fallen out of employment now face an increasingly competitive labour market.

### **3.2.4 Ethnic minorities**

The existing or potential situation facing ethnic minority customers tended to reflect the demographics of the case study area. In Glasgow and Cardiff, for example, respondents spoke of increases in recent years in the number of minority groups seeking to live and work in the two cities. Whereas in Hackney, the majority of residents hail from established or recently-settled BME communities.

In only one case study area was a disproportionate impact identified in sectors where specific ethnic minority groups predominate. This was in West Bromwich/Sandwell, where there was some evidence that Pakistani and Bangladeshi workers in the hospitality and catering sector, and those self-employed as taxi drivers, were witnessing a current drop off in business.

Elsewhere, the possibility of scarring effects on some disadvantaged BME communities was raised by several interviewees. As many ethnic minority groups fared particularly badly in previous recessions, the efforts of many employability initiatives among these communities have been to increase the general employment rate and therefore contribute to the breaking of cycles of deprivation.

In this respect, there was consensus among case study and online respondents that existing provision, and English as a Second Language (ESoL) in particular, should continue towards that general end, with any additional support targeted at preventing those recently made redundant from falling into long-term unemployment.

### 3.2.5 Older workers

Relatively little qualitative evidence or opinion was offered by the case study respondents in respect of older workers. A senior respondent from the Glasgow City Strategy Pathfinder did mention that the number of over 50s on the JSA caseload has increased; whilst a Cumbrian interviewee reported an increase in demand for Age Concern services in the region as savings-related incomes have been put under pressure; suggesting that prominent issues for older workers extend beyond employment.

While older workers have not been affected as much as younger workers by unemployment, the phenomenon of them experiencing greater difficulties regaining employment, as witnessed in previous recessions, may be repeating itself as the rate of off-flows from JSA appear to have deteriorated more steeply for the over 50s. The real danger for older workers may, therefore, not necessarily be the pace of increases to unemployment but longer-term withdrawal.

A Jobcentre Plus respondent from Cardiff also mentioned that many older claimants report a fear that their age will work against their successful re-entry to the labour market. Respondents in a Jobcentre Plus focus group mentioned recommending to older jobseekers that they should not put their date of birth or National Insurance number on their CVs.

### 3.2.6 Low skilled workers

There was widespread concern among respondents that any jobseeker with low or no accredited skills will fair particularly badly should the downturn continue and some respondents were able to identify examples of relatively low-skilled workers facing the brunt of changes in the labour market, such as the loss of manufacturing jobs. Several respondents stated that, in their experience, a high correlation has always existed between unemployment and low or no skills or qualifications. Future prospects for the unskilled were also considered to be bleak for many respondents, as employers are only likely to recruit – even when the upturn comes – to fill specific skills needs. There was also concern that where some jobs are lost (for example in manufacturing) this may reflect a coincidence of cyclical and more long-term trends in the economy, meaning that these jobs may not be replaced in the upturn. This was a particular concern in the West Midlands and in Cumbria.

The least qualified have seen an increase in their ILO unemployment rate of more than double the overall average in percentage point terms (DWP and Equality and Human Rights Commission, 2009).

### 3.2.7 Younger workers

In all case study areas interviewees reported that an increase in redundancies among young people (as companies prioritise junior roles and peripheral positions for redundancy) is a matter of concern. In addition, this was compounded by perceptions about the lack of opportunities for young

people leaving education over the summer at all levels from secondary school through to university graduates.

In Hackney, a recent perceived decline in the employment rate of local young people after several years of promising improvement was of particular concern to a key figure in the City Strategy initiative, although there is no evidence currently to suggest that local young people are disengaging from welfare to work programmes. In Margate, a recent outreach exercise to encourage young unemployed people in the case study ward to sign up to an initiative designed to reduce the proportion of NEETs, actually found quite a large number of potential beneficiaries who had already successfully completed courses or training at or via the local further education college but who had not been able to find any work. In Sandwith Ward in Cumbria there was some concern among Jobcentre Plus respondents that some young people with low skills are beginning to move out of the labour market straight into inactivity, reporting genuine health concerns which may prevent them competing effectively for employment in the current labour market but who had managed to maintain employment previously. However, this is not a trend which shows up yet in national data on changes to inactivity rates.

Young people aged between 18 and 24 stand out in the unemployment data as those impacted on most severely by the current downturn, with a fall in their employment rate of more than three-times the overall average and twice as large an increase in their ILO unemployment rate in percentage point terms. This is mirrored in redundancy figures which again show that younger workers are being disproportionately affected (DWP and Equality and Human Rights Commission, 2009:13-15). Unemployment for 18-24 year olds has risen by more than a third over the year prior to quarter 2, 2009 and figures for those claiming for more than six months, more than 12 months and more than two years, are all up by very significant proportions. Claims of between 6 and 12 months are up by more than 90 per cent on a year earlier, suggesting a gradual transition toward longer-term unemployment for many younger people (Office for National Statistics, 2009c: Table 9(1)). However, while these proportional changes are large it is also worth noting that a combination of employment programme provision and high levels of labour market demand meant that prior to the downturn, long-term youth unemployment was very low indeed; meaning that proportional changes appear larger. Despite the concerns of some respondents to the qualitative fieldwork, claimant count flow data still shows that younger workers are more likely than others to flow off benefits. In addition, the age composition of the unemployed workforce has not vastly changed.

Some respondents from other case study areas also mentioned concerns about the current drive for apprenticeship places drying up as participating firms contract their operations. In Glasgow, the City Council has pledged to offer 1,000 apprenticeships in 2009, but respondents working for a regeneration agency mentioned a drop off in the number of SMEs offering apprenticeships since last July and a commitment from the local authority to expand the number of placements available to cope with this.

There were also a number of responses from the case study areas and the online survey relating to the perceived trends in future graduate unemployment. In the current context these respondents anticipated that graduates would seek and take lower-skilled jobs displacing other workers.

Should this occur, it was felt that any downwards pressure on lower-level vacancies currently being filled by non-graduates would likely impact negatively on employment levels among non-graduates and may cause disheartened young people with skills needs to disengage from employability programmes.

### 3.2.8 Other disadvantaged groups

Some respondents offered anecdotal evidence of some migrant workers – particularly those from Eastern Europe – leaving the local area with the presumption that this was to return to their country of origin though there was little actual evidence that this was the case. Where a withdrawal of recent economic migrants was noted, there was some comment that this was having some degree of stabilising effect on the local labour market. However, some concern was shown for longer-term but still quite recent migrants who may be disproportionately affected by the downturn but who may well lack the skill and/or capacity to navigate the welfare to work and skills system for a successful outcome.

In respect of women generally, there was concern over the possibility that pregnant women and young mothers in particular, may be targeted by employers seeking to reduce their headcount. For those respondents working with unemployed people and programme beneficiaries with substance dependency, increased future difficulties in finding and securing employment for them was assumed. Moreover, an increase in unemployed people with drug and/or alcohol misuse as a result of redundancy and its often multiple negative effects is also anticipated. There were also some reports of increased homelessness and the crowding out of homeless people from certain services – such as skill provision. However, several respondents mentioned improvements in the general rough sleeping problems that had been a growing feature of their particular areas up until the downturn. Nevertheless this conflicts with national data which shows continued reductions in homelessness on all measures (DCLG, 2009).

One point made by a Jobcentre Plus respondent in Margate is worth noting. The town has become increasingly aware of ‘sofa surfing’ by young disadvantaged people in particular, where they will reside with successive friends or acquaintances for short periods of time before moving on to another temporary living arrangement.

# 4 The effects of the downturn on the welfare to work system

## 4.1 Policy and service delivery emphasis

Over recent years Jobcentre Plus and the wider welfare to work system have increasingly been focused on the hardest to help customer groups often facing protracted or multiple barriers to employment. One potential effect of the downturn might be to begin to reverse this focus. Government policy on this was that the system should provide help to people newly experiencing redundancy but also maintain the major emphasis on people facing more difficulties.

Respondents nationally and locally were consistent in reporting that the emphasis on the hardest to help groups was being maintained and that it was to some extent protected by institutional and governance arrangements (e.g. PSA and LAA targets) which establish and mandate this. However, many respondents reported what was effectively a ‘crowding out’ or dilution effect on this focus which was being introduced alongside a range of measures which were being implemented or altered in order to meet the needs of newly unemployed benefit claimants. For example, the introduction of new programmes such as the Learning and Skills Council’s (LSC) Response to Redundancy programme, the Six Month Offer (6MO) and the extension of flexibilities to allow newly unemployed benefit claimants to access programmes like Work Trials and additional funding to the Jobcentre Plus Rapid Response Service mean that claimants with more protracted and multiple barriers are being given less emphasis. Moreover, some respondents suspected that new initiatives targeted at newly unemployed people may have substitution or displacement effects where the intervention would simply further entrench the relative competitiveness of newly unemployed groups ahead of those experiencing more protracted difficulties. For example, one provider respondent reported that a programme cohort from which they would normally expect to achieve 80-90 per cent job outcomes had only achieved 15 per cent because employers that they usually relied on had recruited directly from Jobcentre Plus customers who had only recently been made redundant. Where these issues were raised, the discussion did not always imply negative comment. Some felt that a more pronounced shift in priorities might simply reflect realism and efficient use of resources.

In addition, many respondents from providers, Jobcentre Plus and partners (e.g. local authorities) suggested that while the work first emphasis in the welfare to work system had worked well and is still appropriate, it is no longer realistic to expect all groups to be able to access work because of the level of competition for vacancies. Nevertheless, there was widespread support for the maintenance of the focus on activation to avoid the recurrence of trends toward increased and long-term inactivity witnessed in response to the recession of the 1990s, but that this might be more appropriately focused on building and sustaining job readiness rather than trying to find immediate job outcomes.

## 4.2 Effects on Jobcentre Plus

Across all but one case study area, staff in Jobcentre Plus reported noticeably increasing work volumes arising from an increase in new claims. These trends were also noted in some places by

external stakeholders who reported an awareness of increased pressure on Jobcentre Plus new claims activity.

This increase in new claims volumes was being handled in a number of ways, principally through the recruitment of new staff and through enhanced team work and role sharing within the organisation. However, new recruitment takes time to feed through into additional capacity and it was reported in several case study areas that the pressure to keep up to date with new claims activity had impacted on the provision of some services. In one case study area, JSA customers with particular characteristics (e.g. living in a deprived area, or having been unemployed for a specified length of time) had previously been given additional time at Fortnightly Job Review (FJR). In order to cope with increased new claims demands, this additional time had been removed. In at least one other area all FJR times had been reduced from ten to five minutes. In other areas, Adviser interview time had been reduced to ensure staff capacity to cope with new claims pressures:

*'...we had to re-jig a lot of interviews to make sure we hit our target...people [were] acting up to do the work and...and we weren't doing all the interviews that they needed to do...and being able to give support to customers...had to take a back burner as well during that period...We're doing what we need to do, we're seeing the people as we need to see them to ensure that their money is sorted but the extra support that we may want to give, we can't always give them that...and signing, we've had to reduce that, whereas before especially for the people in the disadvantaged wards...they were given a 15-minute slot...everybody's on a five-minute slot until we get new staff in post and then we can look at it again.'*

(Jobcentre Plus respondent, Cumbria)

The effect of focusing resource during Adviser interviews or FJR times was not comprehensively identified in this research. One respondent did suggest that it became more challenging to check customers' job search in between more substantive Adviser interviews.

Some respondents also suggested that there was less scope for case conferencing where Advisers offer mutual support targeted at specific customers' needs. Some evidence at local and national levels suggested that the levels of referrals to external provision may have been reduced. Some providers suggested that there were regions where managers at a local level had not used flexibility to push additional referrals to provision on early entry criteria where providers had free capacity. Some providers suggested that this was due to an emphasis on taking new claims.

The rise in volume of new claims also put pressure on Jobcentre Plus' estates capacity. The refurbished Jobcentre Plus estate was designed to accommodate a set number of staff and there were suggestions from some respondents that, for a limited period, new claim interviews and processing required additional space or meant that it was more challenging to deliver additional services from mainstream offices. To accommodate the large increase in work volumes Jobcentre Plus scaled up its use of community, other Government department, and provider premises. For example, one national provider with additional capacity to handle contracted referrals reported giving space to Jobcentre Plus to take new claims. One local level respondent suggested that employment programme and skills provider representatives could no longer be accommodated in Jobcentre Plus offices, and needed to use another venue where they had previously been available to see customers making new claims or attending Adviser interviews.

Generally, respondents reported that levels of service in new claims processing had been protected by these changes. This is supported by national level data on Average Actual Clearance Times (AACTs), which demonstrate that JSA new claims processing remained at around ten days, though it did rise from 10.1 days to 10.5 between calendar quarter 4, 2008 and quarter 1, 2009 (Jobcentre Plus, 2007; 2008; 2009). This is still, however, historically low and reflects improvements to new claims processing times over recent years (Nunn *et al.*, 2008).

Respondents in each of the case study areas were asked to comment on the number and quality of vacancies available through Jobcentre Plus. In each of the areas, there was an acknowledgment that vacancies are not as abundant as in the recent past. However, this was much more pronounced in some areas than others, for example, in Cumbria. In several other areas large-scale investment, development and regeneration programmes were in place which were at least partly sheltering the areas from any potential changes in the level of vacancies available in the wider private sector economy. For example, in Cardiff the construction of a major city centre retail facility had provided a good source of low and unskilled vacancies in construction and related sectors and new vacancies in retail sectors were anticipated in the near future as the facility opened.

These were reported to be within reach and accessible to jobseekers in the deprived ward that was the focus of our qualitative research. Similarly, in Glasgow, construction and preparation in advance of the 2014 Commonwealth Games and in Hackney in preparation for the Olympics, were providing similar ‘sheltering’. In Margate major regeneration programmes were reported to be providing entry-level vacancy opportunities. In Cumbria, some sheltering from the worst aspects of the labour market was provided by continued employment and recruitment in the nuclear and defence industries. However, respondents suggested that these were not necessarily accessible by residents of the deprived ward concerned. They suggested that this area had always had limited access to vacancies because of the difficulties of travel to areas of labour market demand and the depth of deprivation faced by the area and its residents.

These findings appear to reflect national trends, with changes in the level of Jobcentre Plus notified vacancies and vacancy outflows following similar seasonal patterns to those in recent years with a peak during December and then a sharp drop off in January and February, before a recovery into the spring. However, the peaks in vacancies and outflows are lower in 2009 than previous years and the early year trough is lower. The number of total notified vacancies to Jobcentre Plus fell by 43 per cent in December 2008 compared with the previous year and there continued to be more than 20 per cent fewer vacancies throughout the months to May 2009 when compared with the previous year. While this offers some insight into the performance of the labour market, Jobcentre Plus vacancies by no means represent all vacancies in the economy. While there are reasons to think that during the downward part of a recession a greater proportion of vacancies might be registered with Jobcentre Plus than at other times<sup>1</sup>, it is equally the case that more competition for vacancies might result in a greater portion being filled between vacancy count dates.

**Table 4.1 Proportionate change in Jobcentre Plus total notified vacancies, Great Britain (2008/09)**

Month	Number	Percentage
May 2009	-66,872	-20
April 2009	-108,473	-26
March 2009	-127,818	-40
February 2009	-149,480	-37
January 2009	-75,712	-21
December 2008	-156,220	-43

Source: Nomisweb, Jobcentre Plus Summary Vacancy Statistics. Data retrieved 1 July 2009.

<sup>1</sup> This is because employers will be more cost conscious and therefore choose cheaper recruitment options and they may be more likely to use Jobcentre Plus during these periods because they view it as having access to more and better qualified/experienced unemployed benefit claimants at times of higher unemployment than during periods of higher employment.



Respondents in Jobcentre Plus noted the availability of a wide range of initiatives, programmes and training opportunities to support jobseekers to find and prepare for employment. The speed and range of response was certainly appreciated, and a small number of respondents suggested that the response to the current recession was faster and potentially more effective than in the past.

However, there are a number of qualifications to this: First, awareness of the full range of support available was variable and some respondents suggested that there may have been barriers for some customers in accessing the full range of support, such as large travelling distances in rural areas or capped provision. Second, there were also some concerns at both national and local level that the sheer number of initiatives, new systems and programmes (e.g. bedding down of Employment and Support Allowance (ESA), gearing up for Flexible New Deal (FND), Future Jobs Fund, Response to Redundancy, 6MO) and the regulations around these meant that there was a danger that frontline services could have been overwhelmed.

### 4.3 Effects on the wider system

#### 4.3.1 Employment programme providers

Employment programme providers at local, regional and national level were asked about the effects of the downturn on employment programmes. Providers reported that they had experienced increased numbers of referrals but in some places these increases were being delayed by the ‘natural’ qualifying period built into programme eligibility which is often defined by benefit duration (e.g. six months and 12 months). In some places this delay was offset by jobcentre managers’ willingness to utilise flexibility in relation to early entry criteria. In others, provider responses at national and local level suggested that delays in referrals were occurring due to a focus on taking new claims rather than on making referrals and completing the related administrative procedures. This was frustrating for providers as they could see a rising unemployment register, still had some spare capacity, and felt that as time moved toward the end of current contracts it would become harder to cope with the increases in referral numbers.

Across the board, provider respondents were agreed that the effects of the downturn were primarily to make it harder for providers to find employment for the long-term unemployed and people with multiple barriers to employment. Whilst much of this discussion was based on assumptions about these difficulties, a reasonable proportion of respondents also reported that they had actually experienced increased difficulties. Providers also reported that it was now harder to engage employers in partnerships because they were both recruiting less and had more choice when they did choose to recruit. This meant that some providers noted that they were working harder to achieve either the same or lower levels of outcomes. In this regard, providers reported that they were doing increased pre-interview training, simulations and more targeted training:

*‘... we’re doing more things, more mock interviews, more this kind of thing. So whereas, [in the past] you probably would get a client to a certain point and think, right, that will be fine...they can answer the questions, they can do this, they can do that. We’re doing a lot more, because the competition is greater. So an increase in particularly mock interviews and...more work on the hidden labour market because no one’s advertising so cold calling, speculative letters, all of this kind of stuff...So the volume of what clients are doing and what people are doing with clients to get them into work has increased.’*

(Employment programme provider, national level)

Increased difficulties in generating job outcomes was a particular problem where pre-existing target or contract levels continued to stipulate high levels of outcome or conversion rates (i.e. employment

outcomes as a proportion of referrals from Jobcentre Plus). Few provider representatives took issue with the notion of outcome-based contracts and payment mechanisms but they did argue in favour of greater flexibility to match expected/rewarded performance with the labour market context.

*'...Employment Zone provider [targets] are based on conversion rates; what percentage of your referrals do you get into jobs? Which is...arguably...outside of your control, and [referrals] go through the roof and the labour market is challenging. To expect you to do the same level of conversion this year as we did last year is, which is...perhaps a little bit naïve...it won't be done, quite frankly...because it can't be done, well unless you're a miracle worker...'*

(Private sector contracted employment zone provider, local level)

In a similar vein some respondents were concerned that the continuation of pre-existing outcome-oriented targets might lead to increasing 'creaming' and 'parking' behaviour among provider staff as they seek to maintain performance in a more challenging environment – especially when more highly skilled and easier to place clients begin to be referred at six and 12 months JSA duration. Indeed, in places where there was additional flexibility at the local level (for instance where local jobcentre managers exercised discretion in relation to early entry criteria or on LSC programmes such as Employability Skills which have been modified to allow early entry) this pressure was already being felt.

*'...this is probably totally heretical, probably everybody would agree with it but wouldn't say it in public. If I've got a choice between somebody coming through that door on a mainstream programme with a can of Special Brew in their hand and somebody who hasn't, well I know which one I'd be focusing on. And I don't think anybody would blame me for doing that.'*

(Employment programme provider)

Further, a small range of provider respondents at national and local level repeated the familiar demand that performance measures and payment mechanisms would be more sophisticated in motivating appropriate behaviour if they recognised movement toward the labour market even without a job outcome, though this is clearly difficult to achieve. Indeed, some providers were reorienting their performance targets for individual Advisers to more realistically reflect the nature of the external environment.

Increased flexibility in programme contracts was also an oft-repeated theme across the local level case studies and at national level. A strong theme emerged from providers that existing mainstream programmes are now declining in effectiveness and they were anxious to have the increased flexibility that is promised through FND. However, at the same time provider respondents were hugely frustrated at the delay in contracting FND and reported that this, in combination with inadequate transitional arrangements, was hampering their response to the downturn. For example, providers reported that it was harder to scale up existing provision without the security of knowing that they had longer-term contractual commitments from DWP and that staff motivation in circumstances of such uncertainty is problematic when individual staff contracts are also dependent on these decisions.

Further, provider organisation respondents suggested that the popular and media representation of the financial crisis and ensuing downturn in the real economy has an effect on jobseeker motivation. For example, they suggested that negative reporting of economic prospects led to a decline in motivation and aspirations among some jobseekers. Interestingly this was echoed by some Jobcentre Plus respondents who reported it having a similar effect on even relatively young and recently unemployed jobseekers. There was also some evidence of the opposite effects, with one provider focusing on newly unemployed jobseekers' willingness to take alternative employment. An

example was given of a former bank manager who was now undertaking training towards a Fork Lift Truck license. This was presented as appropriate flexibility to cope with the effects of the downturn, with other examples being given of unemployed professionals focusing on opportunities provided by Olympics-related construction projects.

### 4.3.2 Local authorities

Respondents reported a wide range of action in relation to worklessness and responding to the economic downturn by local authorities. This included direct operation of worklessness and employability programmes, apprenticeship schemes and business support programmes. For example, in Glasgow the local authority was acting as coordinator and direct provider of a large number of apprenticeship schemes, especially linked to preparations for the Commonwealth Games. While these schemes pre-dated the downturn, action was anticipated to dedicate more resources to the scheme as a result of potential decreased interest from employers, the need to provide more local authority placements, and to support additional incentives to employers. As a product of changes over recent years that have given local authorities more of a role in relation to employment and skills, local authorities were seen to be a key local actor in responding to the downturn and particularly in facilitating the activities of local partnerships. This supports the findings of a recent survey of council leaders which suggested that unemployment was the most pressing issue faced by local authorities as a result of the economic downturn (Local Government Association (LGA), 2009:4).

However, the performance of these local partnerships and the local authority role in them was variable. Everywhere, the notion of local partnership activity was seen as enhancing the capacity of the welfare to work system to respond to the crisis and the role of local authorities at the centre of this was widely accepted. At a national level, there were concerns reported about the capacity of local authorities to perform this role and concerns sparked by recent media reports that local authorities may not be utilising the financial resources delivered through the Working Neighbourhoods Fund (WNF) appropriately. In most of our local case studies these concerns were not present but it was suggested that in one case study WNF resources had not been deployed in support of employment-related programmes, and council representatives failed to engage with the research.

A major concern at both national and local level in relation to local authorities revolved around their capacity to sustain programmes in response to the downturn, at the same time as continuing to fund programmes targeted at the hardest to help people and areas and to cope with declining income from council tax, business rates, planning applications and car parking fees. Again, this is in line with the findings of the LGA survey which suggests that reduced income alongside increasing demands for services are major problems currently facing local authorities (LGA, 2009). Indeed, our respondents suggested policy responses designed to support private sector investment and deferral of business rates were identified by one respondent as compounding the problem. Here, devolution of policy responsibility to local authorities was seen to have some drawbacks in that councils are constrained by budgets in a way that central government is not. The LGA survey suggests that around half of local authorities have already cut staff in response to budget restrictions.

Local government sector respondents at both national and local level expressed concerns over the secondary effects of the downturn and declining public funding. For example, they suggested that while deprived areas may be somewhat insulated from the direct and immediate impacts of changes in the labour market, long-term impacts on public funding may impact negatively on place-based regeneration and environmental works, contributing to negative 'area effects' (Ellen and Turner, 1997; Atkinson and Kintrea, 2001; Buck, 2001; Lupton, 2003; Bolster *et al.*, 2004; Allen, 2005) such as the quality of the physical environment. This triangulates with evidence from the LGA's council leader survey which suggests that increasing demands for social housing and town centre decline are significant issues facing local authorities (LGA, 2009).

### 4.3.3 Voluntary and Community Sector

Respondents were also asked to comment on the effects of the downturn on the VCS. At the local level, a number of effects were apparent. Organisations such as the Citizens Advice Bureau (CAB) and welfare rights organisations were experiencing large increases in the volume of customer contact. In one area, it was possible to quantify this in terms of telephone contact as a 14 per cent increase in welfare benefits-related calls and six per cent increase in relation to debt advice calls. These organisations also reported increases in enquiries about other related factors such as employment rights in relation to short-term working and relationship breakdown where debt and employment problems are a contributory factor. In addition, respondents also suggested that organisations such as Age Concern were experiencing higher volumes of enquiries about pensioner poverty or income problems because of reductions in investment and pensions income.

This increased demand for services was placing demands on the VCS. In some cases this was being coped with by increasing the number of hours worked by existing volunteers but some organisations also reported that they were able to access higher numbers of skilled volunteers who had recently been made redundant. In two case study areas the local authority had provided additional funding to VCS organisations such as CAB to help them cope with increased demand.

Despite this increased funding in some places, there were significant concerns at both national and local level about the current and future prospects for VCS funding. These concerns related to the level of individual and organisational charitable donations, with individual donations being constrained by reduced income and organisational donations being constrained by the impact of the financial crisis on investment funds. An example given was the loss of a large annual financial donation to the VCS in Cumbria that had previously come from the Northern Rock Foundation. Respondents were concerned also about the loss of public sector funding both nationally and from local authorities as public finances, council tax revenues and local government settlements come under pressure. These concerns were related not only to the level of funding but also to switches in priorities, some of which might be seen as a direct response to the economic downturn but might nevertheless have negative secondary consequences for very deprived groups and areas. For example, in one case study area local authority support for the VCS had been fully aligned with the council's anti-poverty strategy which targeted very specific social groups such as young people. While on the face of it seemingly rational and in line with the challenge of coping with the downturn, this also had the consequence of removing funding from general VCS infrastructure support causing severe difficulties for some VCS organisations working with disadvantaged groups and in deprived areas. For example, concerns were expressed for environmental, transport and homeless organisations.

Anticipated funding problems for the VCS were seen as specifically important in relation to disadvantaged groups and deprived areas because many respondents saw the VCS as the most suitable source of support for them. This was couched in terms of the downturn and expectations in relation to work-first where some respondents thought it likely that longer-term work to continue to support people to move toward the labour market, would be necessary given the decreased likelihood of gaining a rapid entry to the labour market because of increased competition and declining demand. They suggested that this means that mainstream work-first oriented employment programmes are therefore likely to be unsuitable. However, it was also suggested by respondents, in both mainstream welfare to work organisations and the VCS, that volunteering opportunities provide an effective means of building and maintaining employability. In one case study area, respondents reported favourably about new flexibilities included in Train-2-Gain in relation to financial support available to VCS organisations to train volunteers to work towards recognised qualifications while volunteering. However, to be beneficial to both the volunteer and VCS organisations, it was suggested that volunteering had to be 'genuine' rather than enforced.

Some respondents, specifically within the VCS, were also concerned about the effects of future contracting arrangements with Jobcentre Plus and a perceived increasing domination of the market by private sector providers. This, they suggested, crowded out valuable VCS activities and additionality and some respondents also commented that the centrality of the profit motive to the private sector meant that reliance on these providers made the welfare to work system more vulnerable to market changes and risk. In Glasgow, the VCS was specifically organising itself to cope with and compete in this context, but acknowledged that this had been a major organisational and cultural challenge and the success seen in the city was not widely repeated elsewhere.

### 4.3.4 The skills system

When asked about the effects of the recession on the skills system it was clear that the new or revised programmes brought on stream nationally by the LSC and others, such as Response to Redundancy, additional flexibilities in the Train-2-Gain offer and additional European Social Fund (ESF) funding arising from currency changes, have been used to support newly unemployed people. While this is welcome and marks a very swift response in comparison to previous recessions, there were some suggestions that the fast paced institutional and regulatory change accompanying this was potentially, at least temporarily, crowding out the focus on the most disadvantaged groups. In addition, some providers of long-term skills programmes or Intermediate Labour Market Programmes reported that they had seen funding levels reduced over the last year. In one case the transfer of the Connexions service to the local authority had been accompanied by a funding cut, leading to the withdrawal of some targeted funding through the VCS to provide skills to young people. Respondents from both funding organisations and providers were concerned about the potential impact of the downturn on the level of apprenticeships that will be possible because of the potential for declining employer engagement. This was seen as all the more significant given the centrality of expanding the apprenticeship programme to tackle the pre-existing cohort of young people who are NEET:

*'...an apprenticeship place needs an employer to make an investment and that's the, you know, we...although there's not immediate...there's a little bit, there's a little bit of evidence of it over the past year of shrinkage there, of some engineering apprentices getting laid off because, err, the employer couldn't commit to their third year as they came out of the training school. The big concern we've got is that that hardens the company up in the September period there are fewer employers that are willing to make that commitment to an apprentice for 12, 24 months, you know.'*

(Connexions respondent, Cumbria)

## 4.4 Examples of good practice

Respondents were asked to identify any examples of good practice in responding to the downturn. Nationally, several examples were cited, such as:

- the LSC Response to Redundancy programme;
- new flexibilities in the Train-2-Gain programme; and
- the use of provisions made available to local authorities to take control of empty local retail facilities to create local arts, social enterprise or learning centres.

In addition, respondents in several case study areas suggested that the additional ESF funding arising from the devaluation of sterling against the Euro had been put to good use. What was notable about this was that partnership structures were in place to put together rapid responses to these funding opportunities at a local/regional level.

At a local level, notable examples of reported good practice included Glasgow City Council's decision to make a major intervention in relation to youth unemployment by aggressively expanding the number of apprenticeship places it is funding:

*'...in the past, in recessionary times, there was a tendency for businesses and others to cut back on training and developmental activity...And it meant when they came out of the recession, they didn't have the skills base to respond to opportunities that were arising, so I think, you know, part of our rationale and promotion behind the Apprenticeship Initiative is to say to people, you know, "Let's not... bury our heads in the sand, let's recognise that there's need to" sort of, "still training and engage them people." The Council's putting its hand up and saying, "We'll do that by providing an additional 250 opportunities...out there," and other organisations and other businesses do support that as well, so that's an example of the State taking a longer term perspective.'*

(Local authority respondent, Glasgow)

Other local level good practice was cited such as the use of powers in procurement to secure local economic benefit such as Community Benefit and Local Labour clauses. In terms of working with individuals, employment programme providers noted the importance of more intensive and sector/ occupation-specific preparation for job applications, including tailored application and interview preparation and occupation-specific training. Finally, in one case study, discussions were underway about jointly funded locally designed versions of a Golden Hello for specific, more deprived, groups.

Across both the local level case study fieldwork and the national and regional consultation a frequently mentioned aspect of 'good practice' related simply to the provision of accurate and easy to access welfare to work and benefits information, advice and guidance. Respondents frequently reported that many people struggle to access support and even where they come into contact with some aspect of the welfare to work system, staff often lack full knowledge of the degree and nature of the different types of support available. As such, drawing together information of this nature, promoting and raising awareness of it among partner organisations and making it clearly accessible to people at a very local level was often cited as good practice.

## 4.5 Barriers to working more effectively

One of the most frequently repeated barriers to responding to local and dynamic labour market conditions was the complex, heavily regulated contracting system in relation to employment programme provision. The current system of large-scale national contracts was thought to hamper rapid responses to changing market conditions. This was identified as a general problem but the delays in contracting the next wave of FND contracts was identified as a particular problem by respondents in various organisations and at all levels. Complexity and time delays in the procurement process were also identified as a problem in delivering rapid responses to changing labour market contexts in other circumstances too. For example, one respondent suggested that ESF programmes were often difficult to deliver quickly because of these issues.

Respondents also suggested that while outcome-based contracting is appropriate to a growing and buoyant labour market, it is not easily suited to a contracting labour market context. This is because in this labour market context, it gets harder to gain outcome payments. As a result the aggregate level of outcome payments available to the provider to support a larger number of individuals on their caseload falls at a time when many of their clients are moving further from the labour market.

*'I think there's one interesting thing, specifically with Pathways, because of the way the contract is structured, you have money to invest in clients only when you can get a certain number of clients into work, so you don't get the whole of the contract value. And we wouldn't argue against outcomes-focused contracts, it's a question of the extent to which the outcome's focused and whether that's appropriate in the current labour market. So people who are a long way from the labour market when they come on to the programme, and now the labour market has moved further away from them, if you are not hitting what you thought you were going to hit, you end up, over time, having less money to spend on people who are further away from the labour market.'*

(Employment programme provider)

Further, respondents suggested that outcome-based payments in this context may provide an even stronger incentive toward creaming and parking, which is a noted problem in outcome-based payment contracts in any event (Bruttel, 2004; Bruttel, 2005; Struyven and Steurs, 2005). To combat both of these, provider respondents suggested that payments should be made for distance travelled towards the labour market without an actual job entry to enable providers to maintain a focus on the hardest-to-help customers. One provider respondent suggested that this would have social benefits for the most disadvantaged groups, for example through providing financial advice to avoid mortgage and rent arrears, and support in the face of mental illness or breakdowns in social cohesion.

Several respondents made the general point that the reliance on relatively short-term funding streams in policy making and public management practice (i.e. two and three year project/initiative-related regeneration funding) did not help to develop the long-term interventions that are required to tackle persistent disadvantage, whether that be area- or people-based. While these concerns pre-date the downturn, the reliance on match funding in some programmes, especially those using European funds or administered through Regional Development Agencies (RDAs) meant that some respondents felt that investment programmes were vulnerable over the medium-term in the current context. This meant that the types of sheltering factors (large scale public sector led regeneration or development programmes) that were evident in several of our case studies were potentially vulnerable.

In addition, while the large number of new initiatives launched since the beginning of the current economic crisis was widely welcomed as marking a rapid and serious response, many respondents bemoaned the degree of institutional complexity associated with them. Indeed, it became clear that not all front-line workers in Jobcentre Plus, local authorities, VSC organisations or employment programme providers fully understood the full range of support available.

Respondents at the local and regional level frequently raised the inability of DWP and Jobcentre Plus to share information related to benefit claimants as a major low-level barrier to targeting local projects at potential beneficiaries. There were several examples of elaborate attempts to overcome this using concentration rates against postcodes so that targeted door-to-door activity could be undertaken. While DWP respondents recognised these frustrations they also highlighted the role of data protection legislation in meaning that it was often simply not possible to share any further information and also suggested that some partners often suspect that DWP and Jobcentre Plus hold more sophisticated and readily available information than is actually the case.

While respondents at the local level were often confident that they had the tools available to deal with major redundancy situations, they were less confident about being able to target smaller scale redundancies or firm closures. They reported that this meant that they may not be able to provide the same level of responsive and pre-unemployment service to people in these situations.

In addition, some respondents suggested that the political context mitigated against an effective policy response to the crisis, with policy makers under pressure to launch rapid interventions which increased the likelihood that policy responses were poorly designed and targeted or were insufficiently evidence-based.



## 5 Policy commentary

Several respondents at the local, regional and national levels suggested that the current welfare to work system, particularly the core benefits and Jobcentre Plus system and processes, appeared to be better designed to meet the needs of an expanding rather than contracting labour market. In the smaller number of cases where this comment led to a conclusion about what specifically might be done to remedy this, the focus tended to be on less conditionality for the most disadvantaged groups and an enhanced focus on more targeted and substantive training to specific groups and in relation to specific sectors and industries. These strands of criticism were most frequent in the national and regional consultation, particularly from advocacy or special interest groups.

More specific comments about recent policy initiatives were also received. For example, where interviews took place after the April 2009 Budget, there was awareness of the announcements of the Future Jobs Fund and Young Person's Guarantee and previous initiatives such as Golden Hello incentive payments. However, where this was the case these initiatives were generally critically received. While all respondents welcomed the sense of action, a range of criticisms were received, including: conflicts with existing provision; poor targeting; the expense of providing jobs and placements. Respondents were also suspicious that few placements will result in genuine long-term jobs beyond the provision of public subsidy. In addition, several respondents commented on the high level of bureaucracy and the complexity of eligibility requirements across all these initiatives. It is noteworthy that many respondents were unaware of the detailed requirements and eligibility criteria surrounding these schemes (though the Future Jobs Fund and the Young Person's Guarantee had only recently been announced). There were also some concerns raised about the scope for perverse incentives and deadweight effects, with one provider, for example, suggesting that an employer had rejected a candidate on the grounds that they were waiting for further details about how they might claim a Golden Hello payment in the future. Generally there was a suspicion that the announcement of these initiatives had been rushed, without appropriate consultation and attention being given to their design.

Some respondents also offered some commentary on possible future changes including the plans included in the Labour Government's response to the Gregg Review. Again, while there was a general acceptance of the need to focus on activation, there was also a good deal of scepticism about tightening conditionality criteria further, especially for lone parents and those facing health-related barriers to employment in the current context. Where this was the case, there were particular concerns about the mental health and wellbeing effects of conditionality-related activation on the one hand and the lack of realistic potential for finding employment in the current labour market on the other.

While there was a general coherence to this critique of existing and future policy, it is important to note three qualifications in relation to it: First, critique came most strongly from advocacy and lobby groups connected to specific social groups, often those facing particular disadvantage. Second, this criticism was more theoretical than based on actual evidence of negative impact. Third, this criticism was raised by a relatively small number of respondents.

# 6 Discussion and implications

## 6.1 Effects on disadvantaged groups and deprived areas

Respondents did not perceive any evidence that deprived areas have been or will be disproportionately hit by the economic downturn. They may be being sheltered by their relative lack of exposure to the labour market, their reliance on public sector employment and the continuation of major regeneration projects. However, respondents in the welfare to work system and associated partner and stakeholder organisations are concerned about the longer-term public spending implications of the recession and attempts to cope with it. Many respondents at the local level were, therefore, relatively relaxed about current trends in the labour market in relation to deprived areas. This may be explicable by the fact that unemployment, poverty and economic insecurity are nothing new to these areas and that they have been experiencing similar problems for many years, even decades. Indeed many respondents persuasively argued this very point.

However, respondents' fears about the longer-term prospects for these areas need not to be under-emphasised. Deprived areas may face increased residential churn and the stabilising effects of current levels of spending targeted at them may be lost as the Government is forced to make hard decisions about spending priorities. The balance of probability now suggests that they will not be able to draw on the same level of spending into the future in relation to a wide range of public services and public sector capital projects. Public sector employment may also be forced to contract in the future.

A second major concern relates to both disadvantaged groups and deprived areas. Research tends to suggest a strong degree of intergenerational transfer of both relative affluence and relative disadvantage. In the context of a contracting economy, it may, therefore, be young people from deprived areas and disadvantaged social/familial backgrounds that bear the most significant costs of a contraction in the employment opportunities for young people as they face increasing competition. Taken together these factors could mean that deprived areas that are still coping with the impacts of previous recession(s) will also face relatively severe impacts from the recent downturn over the longer-term, even if they are not disproportionately affected now. In addition, there is some potential for longer-term structural changes to coincide with the cyclical downturn currently being experienced. As such, some of the jobs lost may not be directly replaced in the upturn and local regeneration plans and investment patterns will need to avoid the recreation of spatial and structural (skills) mismatches in the economy, ensuring that new deprived areas are able to benefit from new job growth in the future.

While direct evidence of the effects of the downturn on specific disadvantaged groups was difficult to find, this should not be seen as a reason to discount the assumptions of a wide range of respondents, that these groups will face increasing difficulties in accessing labour market opportunities in the future. As the effects of declining labour market demand become clear, it may well be that those facing barriers to employment are pushed further away from a realistic chance of finding suitable work, and those that have had an insecure or tenuous employment record find that they are pushed into longer and more frequent spells of unemployment.

## 6.2 Effects on the welfare to work system

The welfare to work system may be better suited to cope with the effects of the downturn than in the past, especially as a result of the focus on active labour market interventions, participation in

networks with a range of other organisations and agencies and connections with skills providers. Networks appeared to respond quickly and positively to the challenge of providing additional support to the newly unemployed and there also appeared to be evidence of the development of medium-term arrangements to promote the employability of all groups. However, some respondents did identify aspects of the system that were perhaps not ready immediately to cope with the rapidity of the emergence of labour market problems.

Jobcentre Plus had experienced increasing volumes of new claims and there was some tentative evidence that this had hampered the delivery of services and support to longer-term and harder-to-help customers, through delaying interventions or constraining the amount of staff resource available to undertake these effectively. However, the scale and effect of this on customers was unclear and there was insufficient evidence to suggest that this was either widespread or prolonged.

Providers of welfare and employment services under contract to DWP reported problems in receiving referrals from Jobcentre Plus during the downturn at times when they had capacity. They found uncertainty related to future contracts for the FND frustrating and this was potentially hampering service delivery to Jobcentre Plus customers. Security in future contracts as well as appropriately designed performance and behavioural incentives will be crucial to the effective delivery of services in the future.

Effects were also noted in the wider welfare to work system. Both local authorities and VCS organisations had experienced increased demands for their services both in relation to the labour market and a wide range of associated policy domains. Given the likelihood, also noted by respondents, that future public and private spending is likely to present budgetary problems for these organisations, their capacity to contribute to welfare service delivery could be constrained in the future.

### 6.3 Implications for policy and practice

The emphasis on providing services both to newly unemployed people and to try to tackle longer-term and more entrenched barriers to work for the hardest to help, is both admirable and understandable. In particular, this research suggests that the priority given to avoiding the creation of problems similar to those which emerged from previous recessions (large cohorts who are either long-term or permanently excluded from the labour market) is a worthy and desirable goal for public policy. Many of the case study areas were still coping with the effects of previous recessions and it would be lamentable if the recent downturn were allowed to have such long-term negative effects on these or other areas. However, many respondents made persuasive cases that it was unrealistic to expect that the welfare to work system would be able to continue to support people facing relative disadvantage to find immediate employment in the context of continuing or accelerating labour market problems and to provide the level of service currently being provided to newly unemployed groups. Additionally, one of the reasons that the emphasis on longer-term unemployed groups is being retained, despite the workload pressures associated with coping with increases in the newer unemployed, is because targets and performance measures at a variety of levels prevent there being a shift away from them.

As such, in future, there may be a need to clarify objectives. For example:

- It may also not be possible to continue to emphasise both the longer-term and newer unemployed groups equally.
- It may be necessary to review the target and performance framework to ensure that definitions of disadvantaged groups are still accurate.

- In relation to longer-term and more disadvantaged groups there may also be a need to rebalance the policy emphasis to ensure activation while avoiding any negative impacts from strengthened conditionality, particularly in relation to mental health and wellbeing. This does not automatically question the continued relevance of work-related activity but lower success rates may be expected during the recession. However, service delivery and the implementation of conditionality should bear in mind the importance of maintaining active and positive engagement with groups that are only likely to gain employment when labour market conditions improve.
- It may not always be the case that newly unemployed people are immediately job-ready and some form of intervention may be necessary to help them re-enter the labour market. This is clear in the case of skills mismatches but the research also found evidence of some people who had previously maintained a job alongside managing stress, depression, other health problems or substance dependency. In these cases, redundancy and a period of unemployment may reduce their resilience or make it harder for them to cope, meaning that they require support.
- The vulnerability of both deprived areas and disadvantaged groups to reductions in public spending overall (including spending on physical regeneration, environmental services, housing as well as employment and transfer/benefits payments) means that careful consideration will need to be given to future spending priorities to ensure that neither areas or groups are placed in the position of long-term exclusion.

In addition, the DWP and Jobcentre Plus increasingly work in a network of formal and less formal relationships with a range of partners delivering services to deprived areas and disadvantaged groups. As such the:

- design of new contracts with programme providers and performance measurement systems within Jobcentre Plus will need to reflect the realities of the changed circumstances in order to appropriately incentivise activity and priorities. In the current context, arguments in favour of incentivising and rewarding activity that moves beneficiaries closer to the labour market without an actual job entry may be strengthened, although measures necessary to achieve this may be difficult to design;
- implications of the downturn on the budgets and levels of service demand on local authorities and the VCS will need to be considered when making decisions about future spending, contracting and programme design.

One additional concern was raised by a very small number of respondents. This related to the prospect of a breakdown in confidence and engagement in the social contract if the current economic climate continues, as already deprived groups may become more alienated and place-based deprivation may increase. Among those that raised this issue, it was strongly felt that good quality engagement and an appropriate balance between activation and support without the threat of sanction was one crucial part of an effective response to this problem. As such, in delivering services and designing interventions and programmes of support, DWP and Jobcentre Plus will need to consider their impact on issues of social cohesion (broadly construed) to ensure that any negative effects are minimised and managed effectively. This is especially the case in relation to managing the effects of future public spending decisions on these groups and areas.

# Appendix

## The labour market impact of economic recessions

### A.1 Summary evidence of the impacts of previous recessions

The following section provides evidence about how disadvantaged groups have been affected by previous recessions, predominantly by summarising the key points in the extensive literature review recently conducted by Stafford and Duffy (2009), supplemented by additional sources identified by Stafford and Duffy but which they were unable to review in the time available to them. These were further augmented with searches undertaken by the research team which identified other sources of relevance, particularly more recently published material.

#### A.1.1 General findings

Comparisons with previous recessions shows that the 1980s recession was a protracted structural adjustment of the economy beginning in the mid-1970s with employment continuing to fall more quickly after 1980 until 1983, after which it recovered quickly. By contrast, the 1990s recession witnessed a much shallower decline in the employment rate and increase in the unemployment rate but also took much longer for both indicators to recover. The economy has never regained the levels of employment seen before the mid-1970s

Stafford and Duffy's (2009) literature review highlighted the fact that rises in unemployment do not necessarily affect the whole of society uniformly, either within or between periods of downturn. Various authors identify the long-term process of increasing labour market segmentation in terms of the relative stability of primary and secondary industries according to Marsh and Vogler (1994). In the 1980s previously distinct local economies appeared to become more homogenous following the recession, indicated by a similar rise in unemployment in six different case study areas all with different industrial characteristics. They suggested that this convergence was part of the process of de-industrialisation through changes in the structure of the manufacturing sector, the growth of services, and local diversification. These changes have been associated with increasing flexibility and, for some (especially toward the bottom of the social/labour-market hierarchy), increasing insecurity (Gallie, 1998; 2002). Gallie and Vogler (1994) have suggested that the 'flexible workforce' amounts to one-third of British employees.

The potential impact of a recession in relation to poverty and unemployment is outlined by Sinfield (2009). He emphasises the importance of high employment levels for strategies designed to tackle poverty because during past recessions the risk of unemployment increased faster for lower-paid workers than for those better off and more secure. The loss in tax revenue combined with increased demand for benefits have strained Government finances and Sinfield notes that in past recessions support for the unemployed was reduced and more conditionality was introduced. Estimates of the impact of the recent recession have noted its wide, cross-sectoral nature compared with previous recessions (IDeA, 2008, p.4).

### A.1.2 Deprived areas

In their literature review, Stafford and Duffy (2009) found few relevant studies on deprived areas, and what evidence was available offered contrasting findings. For example, there was some evidence that where people live has an influence on employers' recruitment decisions and also some investigation into experiences of unemployment in certain communities. Whereas other research concluded that a combination of the local housing market and individualised factors were more significant than a hypothesised culture of poverty in relation to unemployment levels in particular areas. Green and Owen (1998) charted the changing geography of unemployment and non-employment in Britain in the 1980s and 1990s and found evidence of convergence of unemployment rates at the regional level with more pronounced variations at the micro area level; the largest increases in unemployment and inactivity were in those neighbourhoods where they were already highest.

### A.1.3 Older workers

Stafford and Duffy (2009) note the difficulties that many older workers have faced in re-entry to the labour market after a period of unemployment, concluding that they have faced more long-term negative effects from previous economic downturns. In addition, there is also evidence that older workers who become unemployed have difficulty finding work at the same level as their previous job. There is some evidence that older workers were previously seen as less of a policy priority during downturns than younger workers (Nunn, 2006).

Hill *et al.* (1973) found that age was the most important characteristic in relation to length of unemployment. Campbell (1999), using analysis of the Labour Force Survey and the British Household Panel Survey, observes that although male employment in general fell between 1979 and 1997, the drop was proportionately greater for the 55-65 age group. He suggests that up to that point economic recoveries have not been sufficient to undo the harm caused by previous recessions and therefore cannot reverse the trend of falling male employment. In contrast to male employment, there has been a steady and long-term rise in female employment over a similar period, but this increase has not been evident among older women. The relationship between age, disability and unemployment was also considered by Hill *et al.* (1973), who noted that groups that usually appear to be more disadvantaged actually appear to be relatively less disadvantaged during times of general economic difficulty. However, they note that poor economic conditions in the early 1970s had a disproportionate effect on the elderly, the unfit and low-skilled in particular.

### A.1.4 Lone parents

Stafford and Duffy (2009) state that whilst demographic changes have led to an increase in the number of lone parents, there is no evidence to suggest that recession has a disproportionate adverse impact on this group. However, many authors (Ermisch, 1991; Ermisch and Wright, 1989; Jenkins, 1992) concur that the benefit system previously incentivised unemployment for lone parents by paying supplementary unemployment benefits and not supporting employment through childcare-related transfers, which are disproportionately important to this group.

In a period of economic downturn families on low incomes can have mixed fortunes relative to others resulting in some becoming much worse off – particularly those who lose their jobs. The effects of losing paid work can be severe for lone parents with children to support, since women are more likely to be in lower-paid jobs than men and they face a greater risk of poverty than male lone parents (TUC, 2009).

Recent research funded by the Joseph Rowntree Foundation (JRF) suggests that planned welfare to work measures may not lead to the projected large increase in the number of lone parents with jobs

in a recession (Hirsch, 2009). The research also suggests that two effects of the recession largely cancel each other out – some children enter poverty as their parents lose their jobs and others with low-paid parents could move out of relative poverty as Child Benefit and tax credits rise faster than average earnings (Hirsch, 2009).

### **A.1.5 Disabled people**

Stafford and Duffy's (2009) literature review found that disabled people were adversely affected by the fall in employment opportunities during previous recessions, experiencing increases in unemployment that lasted for a longer duration. There is also evidence that individuals with a disability faced specific barriers to work in the form of low wages and limited contact with employers in order to promote the employment of individuals with a disability. However, comparisons of data sets over time are problematic because of changes to definitions of ill health and the different legislative context since the introduction of the Disability Discrimination Act in 1996.

Berthoud's (1998) research suggests that increases in the number of people claiming Invalidity Benefit between 1975 and 1995 appear to be explained by previously employed people with middle-severity impairments moving onto inactive benefits. An increase in the supply of labour which expanded faster than demand, making employers more selective, is cited as the main reason disabled people became increasingly marginalised. This supports the view that economic downturns will impact disproportionately on disabled people.

Both Showler and Sinfield (1981) and Walker (1982) concur with this, citing the disproportionate representation of disabled young people amongst the long-term unemployed. Walker's (1982) analysis of the National Child Development Study found that the disabled group, formally ascertained as needing special education at age 16, were usually employed in jobs at the bottom end of the occupational spectrum. Structural changes in the labour market, typified by the contraction of unskilled employment were therefore expected to have a particularly significant impact on this group.

### **A.1.6 Ethnic minorities**

The literature reviewed by Stafford and Duffy (2009) suggests that non-whites are more likely to be unemployed, for longer periods, and to experience recurrent unemployment. This situation was exacerbated during times of rising unemployment in the 1970s and 1980s. However, they state that caution should be applied to this analysis given the significant variations between and within the different ethnic minority communities. Stafford and Duffy's findings are supported by evidence from of a Policy Studies Institute (PSI) survey of ethnic minorities carried out in 1994 (Modood, 1997) that found relatively high rates of unemployment and long-term unemployment amongst minority ethnic groups since the 1970s.

Jones (1993, cited in Modood, 1997) observes that when the economy is contracting, ethnic minority unemployment rises faster than the average but also falls faster when the economy begins to expand. As a result, the gap in the unemployment rates between ethnic minorities and the average has widened during previous recessions. Smith (1981) theorised one possible explanation for this pattern as being a greater willingness among minority ethnic groups to accept lower standard employment.

There is broad agreement (see, for example, Modood, 1997; Jones, 1993; Smith, 1981; Newnham, 1986) that differences in age, level of qualification and location of residence cannot fully explain the differentials in the levels of unemployment between ethnic minorities and the average. Even when these factors are taken into account, those from ethnic minorities are still more likely to be unemployed. A more recent study (Simpson *et al.*, 2006) based on analysis of Census data, indicates

that in areas where whites predominate, non-white ethnic minorities are still twice as likely to be unemployed.

Both Jones (1993) and Smith (1981) indicate that the concentration of ethnic minorities in particular occupational groups could be a contributory factor to the relatively high rates of unemployment. In addition, Modood (1997) identifies the impact of economic restructuring as being one of the explanations for the diversity of experience across the different ethnic minority groups. However, Newnham (1986) argues that racial discrimination is the reason for a concentration of ethnic minorities in lower level semi-skilled and unskilled jobs within declining sectors and that this explains higher levels of ethnic minority unemployment. There is overall consensus that discrimination has a key role to play in the higher rates of unemployment experienced by ethnic minority groups and Modood and others (e.g. Fieldhouse, 1998) point to the existence of an ‘ethnic penalty’ whereby the multiple forms of disadvantage that ethnic groups are more likely to suffer make it harder for them to succeed in the labour market. Blackaby *et al.* (1999) examine the potential underlying causes of the different employment experiences of different racial and religious groups and conclude that higher rates of unemployment amongst Pakistani and Bangladeshi groups may be because of cultural differences, with these communities less ‘assimilated’ than other ethnic minority groups.

The impact of the recession on A8 migrant workers has been the subject of recent literature on ethnic minorities. A recent article in Labour Research (2009) highlights the significant proportion of A8 migrants that are employed in temporary jobs, which are frequently the first to be lost during a recession. The LGA (2009) cites research findings which suggest that migrant workers are often employed in jobs that British workers do not want to do. They also state that ‘*the extent to which the UK will continue to attract and retain migrants will be influenced by its relative economic performance in comparison to migrants’ home countries and that of other countries competing to attract migrants*’ (p.4).

Following analysis of migrant labour in two English cities, Glossop and Shaheen (2009) suggest that the recession could have differing impacts according to the different role of migrants within the local labour market. This may be determined by how migrant workers are distributed in the local economy and, therefore, how much they might be in competition with the local workforce.

### **A.1.7 Less-skilled workers**

Stafford and Duffy (2009) also focus on unemployed people with either no or low qualifications. The studies covered found that those with fewer skills were more likely to be unemployed and that in recent decades the proportion of people in employment and the proportion with no qualifications have declined. Moreover, an economic downturn was observed as having a greater effect on lower-skilled workers than those with higher skills and that unskilled workers experienced longer durations of unemployment. However, the source of the recent downturn in the financial and service sectors may mean that the medium- and longer-term impacts are different this time.

### **A.1.8 Ex-offenders**

Stafford and Duffy (2009) cite a longitudinal analysis of the influence of employment interventions on the reconviction rates of former prisoners; it compares the reconviction rates of ex-offenders that benefited from the provision of a specialist employment agency with those that did not. After a 20 year follow-up period there was no clear evidence that access to the specialist agency reduced reconviction rates. No further literature was identified.



### A.1.9 Self-employed

The complexity of the relationship between periods of economic recession and trends in self-employment are the core focus of this element of Stafford and Duffy's (2009) literature review. Increased unemployment (particularly long-term unemployment) is expected to lead to an increase in self-employment due to lack of alternatives for those affected by a downturn. However, the review highlights that this is not the most favourable environment in which to start a business, especially as it often involves accumulating capital in difficult economic conditions. Other factors related to trends in self-employment reflect the nature of Government support for small businesses or changes in Government policy.

### A.1.10 Attitudes towards unemployment

Public attitudes towards unemployment have fluctuated according to what other issues have been considered important at a given time, according to Stafford and Duffy (2009). The literature review shows that negative attitudes towards people on benefits declined between the 1970s and 1980s. Although rises in unemployment in the early 1970s were considered to be shocking, later rises were met with less concern than the concurrent rises in inflation. Moreover, the unemployed were increasingly viewed as 'work shy' and/or 'scroungers'. In the 1980s, the concern about unemployment grew and there appeared to be more acceptance of it as a structural problem. However, the media and the political agenda may have influenced public attitudes. Hill *et al.* (1973) state that '*the unemployed are often considered to be amongst the less deserving poor*' (p.139).

The findings of the National Centre for Social Research's survey of British Social Attitudes in 1998 (Hill and Lelkes, 1999), showed that while many people believe that inequality is too large in terms of the relative income of the richest and poorest, there is also the widespread view that welfare benefits can discourage people from seeking work. This edition of British Social Attitudes also notes findings from a previous edition in the series that suggested that survey responses to questions on the welfare system may be influenced by the economic cycle and changes in the level of unemployment (Bryson, 1997). A 'hardening of public attitudes' is noted by Hill and Lelkes (1999) and may be explained by a simultaneous good period for the economy. This would suggest that in times of economic difficulty, people are more tolerant of people who are unemployed or claim benefits. Overall, the survey finds the public's attitudes to welfare to be quite complex. While there was found to be concern that benefits can create a disincentive to work, there was also a perception that benefits were too low.

## A.2 Most recent evidence on the impact of the recession

Labour market data shows that the impacts of the recession were first felt in the labour market from the second quarter of 2008 in terms of the claimant count, vacancy levels and redundancies (Office for National Statistics, 2009a). However, as in previous recessions, employment has proved to be a lagging indicator, with levels of output falling prior to firms shedding jobs. The data also suggests that firms responded to falling levels of confidence reported in 2007 by first restricting new employment growth (which continued, nonetheless, in the first two quarters of 2008), before beginning to make workforce reductions in the latter two quarters of 2008.

The most recent evidence suggests that the economic downturn in the UK is continuing. The most recent economic output data, an indicator that tends to presage changes in employment and unemployment, shows that output contracted in quarter 1, 2009 by 2.4 per cent. This suggests that the UK economy has seen four consecutive quarters of increasing contraction, beginning in quarter 2, 2008 (Office for National Statistics, 2009b).

Labour market trends continue to follow these trends. Employment has fallen over the year to April 2009 by just under 400,000 to 29.1m (Office for National Statistics, 2009c: Table 1). The number of people working in temporary positions because they could not find permanent employment also increased by 57,000, and the number working part-time in the absence of finding full-time employment rose to 195,000 (Office for National Statistics, 2009c: Table 3).

Overall, unemployment measured by the claimant count has increased by 726,000 over the period between May 2008 and May 2009. A change of nearly 90 per cent. The unemployment claimant count rate has risen over that period from 2.5 per cent to 4.8 per cent (Office for National Statistics, 2009c: Table 1a). Over this period the broader ILO unemployment rate has risen by 1.9 per cent points to 7.2 per cent of the population aged over 16 and stands at 2.3 million (Office for National Statistics, 2009c: Table 1). However, data on inflows and outflows from JSA showed some tentative signs of improvement between April and May with inflows reducing and outflows increasing slightly, though inflows still exceed outflows (Office for National Statistics, 2009c: Table 10).

Indicators of employment demand also demonstrate the continuing impact of the economic downturn. The number of workforce jobs fell by 108,000 between March 2008 and December 2008 and by 455,000 over the year to March 2009 (Office for National Statistics, 2009c: Table 1(a)). The number of vacancies in the economy has also fallen by more than a third over the year to May 2009. And the ratio of vacancies to employee jobs, a measure of effective relative demand, fell from 2.6 per 100 jobs to 1.7 in May 2009 (Office for National Statistics, 2009c: Table 1(a)). The biggest contraction in workforce jobs were in manufacturing (6.4 per cent), finance and business services (2.8 per cent) and hotels, distribution and catering (2.8 per cent). Only agriculture and the public sector saw job increases over the same period (Office for National Statistics, 2009c: Table 5(2)).

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This report investigates the early effects of the recent economic downturn on the 'welfare to work infrastructure' in deprived areas, in particular how it is able to continue to provide support to the most disadvantaged groups.

The report provides context that will inform the Department for Work and Pensions and Jobcentre Plus' response to the recent (and future) recessions in relation to support for disadvantaged areas and groups. The evidence presented also functions as a qualitative baseline against which the perceived success, within deprived areas, of measures to minimise the long-term impacts of the recession (e.g. the Young Person's Guarantee) can be considered.

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