

the road to work and opportunity in the 21st century

empowered, employed, enriched:
opening doors to work and benefitting the nation

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welfare to work
in the 21st century

// contents

1 executive summary	2
2 introduction	5
3 the recent history of welfare to work programmes	7
4 the nature of unemployment and the relevance of assistance to change employment	10
5 best practices in uk/usa and performance management	14
6 best practice with hard to re-employ groups	17
7 key governance issues	22
8 cases studies	25
9 conclusion	29
appendix 1: recommendations	31
appendix 2: endnotes	33



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ERSA is delighted to welcome and endorse The Road to Work and Opportunity in the 21st Century. This is an important report published at a turbulent time in the UK welfare to work market. In addition to providing a helpful policy overview, the comprehensive set of recommendations deserves to be examined very carefully by both the welfare to work industry and government. Our industry also needs to pay due heed to the report's warnings. During a time of change and substantial financial uncertainty, quality of service for the customer must never suffer. I congratulate Kennedy Scott for their farsightedness in commissioning the report at this important time.

Kirsty McHugh

Chief Executive, Employment Related Services Association
The trade association for the welfare to work industry

1 // executive summary

1 // executive summary

- 1.1 The **Introduction** to the Report highlights
- the changing nature of the welfare landscape
 - the changing nature of the labour market
 - the importance of innovative and outcome focused providers of welfare to work services.
- 1.2 **Section 3** of the Report considers the **recent development of welfare to work provision**, from the New Deal's introduction in 1997, to the Freud report in 2007, the introduction of the Flexible New Deal in 2009 and the Work Programme by the new Coalition Government in 2010.
- 1.3 It emphasises the importance of
- the 'work first approach' (improving the employability of the long-term unemployed through engagement in work);
 - payments to providers being based on people moving from dependency into employment and remaining in employment (outcome based payments);
 - those delivering welfare to work provision coming from the public, private and voluntary sectors;
 - a localised service with multiple providers.
- 1.4 **Section 4** of the Report looks at the **nature and impact of unemployment and the relevance of assistance to change employment**. It highlights a likely future increase in both unemployment and under-employment and the impact across society, including professional and 'middle class' groups. It also highlights the importance of work giving people economic stability and social identity and quotes personal testimony from someone who has directly suffered from these problems.
- 1.5 This section looks at the effectiveness of social networks and outplacement arrangements (alongside welfare to work provision) in mitigating the impact of unemployment. Shortening the period of unemployment also mitigates its impact and the report emphasises the importance of
- proactive support for workers during the period immediately before employment is lost and of
 - having a presence for welfare to work providers in Job Centres to enable assistance to be provided as early as possible.
 - providing a professional end-to-end recruitment service for Employers
- 1.6 **Section 5** of the Report looks at **best practice in the UK and US and performance management** of welfare to work provision. It considers the track records of *Kennedy Scott Ltd* in the UK and *America Works* in the U.S., two of the most innovative providers of welfare to work services. It also considers the approach of Peter Cove, the founder of *America Works*, and his belief in the clear simple model that providers should only be paid by results.
- 1.7 The Section recommends that the Government review the performance indicators in use in New York – *JobStat* and *VendorStat* – with a view to developing a similar model for the UK and reflects on the importance of outsourcing welfare to work provision to independent providers.
- 1.8 **Section 6** of the Report considers **best practice with hard to re-employ groups**. It looks closely at people with disabilities and former offenders, quoting personal testimony. It also highlights some weaknesses in the support mechanisms and support available to customers with disabilities, and one case where 70% of the workers with disabilities who were made redundant, indicated that little or no support was given to them.
- 1.9 The Report emphasises the importance of ideas recently suggested by Rt. Hon. Kenneth Clarke MP, the Secretary of State for Justice, on how best to avoid recidivism. It also notes *America Works'* very positive work with ex-offenders in the U.S. The Report argues for a Government-funded pilot project to consider how best practice in both the US and UK can be brought together to benefit hard to re-employ groups such as ex-servicemen, people with disabilities or ex-offenders. This pilot could provide a beacon of excellence for welfare to work provision in the UK.
- 1.10 **Section 7** of the Report examines **key governance issues** concerning welfare to work provision. It outlines international evidence of abuse relating to 'creaming', 'parking', misrepresentation, duplicate billing and collusion. It argues for a clear Department of Work and Pensions (DWP) strategy concerning governance issues and the clear identification of specific DWP staff within the broader Security Division, to focus in this area. It also outlines specific strategies to address governance issues and to minimise related problems.

1.11 Finally, the Report looks at the market for welfare to work provision in the UK and argues

- the importance of localism and innovation
- the importance of a more competitive Work Programme tendering process in the future.

1.12 **Section 8** of the Report quotes **powerful personal testimony** from six people who have experienced both unemployment and the welfare to work process. This testimony validates and supports the conclusions and recommendations in the Report. It includes:

- ‘Sarah’: ‘...they [Kennedy Scott] helped me with CV writing, interview techniques and confidence building, because my confidence was pretty low, having lost a job... because of my convictions (Interview).’
- ‘Gareth’: ‘...it’s difficult, life isn’t a bowl of cherries once you finish work, is it?... It’s fine for the first couple of weeks, you don’t have to get up in the morning and it’s nice and sunny or it’s in the middle of the summer, people forget about the long winters and the cold weather and the wet weather.’
- ‘Gloria’: ‘...You’re feeling down about being unemployed anyway because it’s so depressing being unemployed. It’s horrible receiving benefits in the first place, you know, you just feel like nothing and you lose your self-worth.’
- ‘Anita’: ‘...I want to work, I want to do something. I’ve been unemployed for a long time. People look at you like you are nothing, they put you down. If you’re unemployed for many years for example, you don’t see a lot of people round you all the time. You’re expected to sign on, you do this or that, but you hardly see anybody you know. So it’s like you’re on your own.’

1.13 The **Conclusion** argues that the Work Programme should be embraced and attention should be focused upon refining it, alongside other initiatives, to maximise its potential. There are opportunities to create new innovative services which lead to shorter periods of unemployment and placement in appropriate and equivalent jobs – it is surely in the national interest that this happens. The country is facing the biggest change to the welfare system in 50 years and the new Work Programme will see up to 3.2 million people (6.3% of the adult population)

go through its doors over the next five years. This is equivalent to more than 400,000 people in London alone. Not to do our best by those people would be indefensible.

1.14 **Appendix 1** lists the Report’s **recommendations**, that

- The Government should consider funding assistance to work programmes for those who are going to be made redundant before they are formally unemployed. Such provision should also be pro-active, particularly for hard-to-employ groups
- The Government should recognise that best practice is for contractors to have a presence in job centres and should facilitate and encourage such a presence to enable assistance to be provided as early as possible.
- The Government should review the experience of JobStat and VendorStat in New York with a view to developing such a model in the UK
- The Government should continue to support assisted employment for people with disabilities, particularly through models such as Workchoice and Remploy, and ensure such employment provides opportunities for them to secure a wide range of positions according to their talents.
- Given the success of *Kennedy Scott* and *America Works* with certain hard-to-employ groups and the attractiveness of their outcomes based payment regime to the public purse, the Government should consider setting up pilots with a variety of hard-to-employ groups to be based upon a system of outcome based payments.
- The Government should consider setting up pre-employment pilot programmes to identify the best possible practice in this area.
- The Government should publish a comprehensive strategy to counter fraud and error in the Work Programme, building on developments to date, and should clearly identify appropriate resources within its Fraud Investigation Service to implement it.
- The Government should robustly monitor the sub-contracting market to ensure that competition and innovation are maximised. If weaknesses do emerge in the process the Government should consider a much more open competitive process in the future.

1.15 **Appendix 2** lists **endnotes** references throughout the Report.

2 // introduction

2 // introduction

- 2.1 The welfare landscape and labour market look set to change dramatically over the next few years. The system of welfare payments is changing, many public sector workers will lose their jobs and greater private and voluntary sector involvement will emerge in the delivery of welfare-to-work services.
- 2.2 The latter will provide many opportunities for enhanced services to clients at better value to the tax-payer, but there will also be many risks. America has already had considerable experience of these initiatives and there is much to learn. This report looks at these changes, examines best practice and the experience of clients from an innovative private sector provider (*Kennedy Scott*). It maps out challenges, opportunities and some recommendations which should be considered by the Government and welfare-to-work providers in-order to maximise the benefits of the reforms taking place.
- 2.3 This report is based upon a review of the available literature and interviews with 28 individuals (including 23 clients from difficult to employ groups: 18 of who were identified via *Kennedy Scott* and 5 via the GMB and five staff who work with them drawn from *Kennedy Scott*, the GMB and *America Works*).

3 //

the recent history of welfare to work programmes

3 // the recent history of welfare to work programmes

- 3.1 The New Deal was designed by the Labour government (1997-2010) to target specific groups of the unemployed who were considered to be particularly vulnerable to flaws in the labour market, and to social and economic changes which have altered the nature of work in the last three decades.¹ The New Deal incorporated several programmes such as the New Deal for Young People (NDYP), New Deal 25 Plus, New Deal 50 Plus, New Deal for Lone Parents, and the New Deal for People with disabilities. Walker and Wiseman² argued that these programmes aimed to enhance the employability of the long-term unemployed and the economically inactive. Strategies included personal advice, training and education, job-seeking assistance, and subsidised employment. The primary concern was to prepare clients for employment and job placement, each of which can be seen as key objectives in the work and ethos of *Kennedy Scott*.
- 3.2 Kemp and Neale³ note that the New Deal became increasingly concerned with placing clients in subsidised employment rather than merely focusing upon preparation for the world of work. This trend moved clients away from education and training and instead stressed the need of improving the employability of the long-term unemployed through engagement in work. This can be termed as a 'work first' approach,⁴ and is seen as a guiding principle in the work undertaken by *America Works* (and its non-profit sister company: *Work First*). The founding principle sees states and cities pay only when people move from dependency into employment. Most other contractors are paid when clients enrol in their programmes, regardless of outcome, and whether they enter employment.
- 3.3 In 2006, the then Secretary of State for Work and Pensions, John Hutton, delivered a speech to the Institute for Public Policy Research. He signalled a desire for reform of current welfare-to-work programmes.⁵ In 2007, the Department for Work and Pensions commissioned the former vice-chairman of UBS, David Freud, to undertake an independent review of its New Deal programmes.
- 3.4 The Freud Report was concerned with the out-of-work aspects of DWP policies. Freud stressed the then government's aspiration of achieving an employment rate of 80 per cent. The report also examined how out-of-work benefits might be developed to assist the worklessness of 'hard to help' groups. These included lone parents, people with disabilities, BME people, and those with few skills and little formal education. Grover⁶ asserts that the Freud Report recommended three main changes –
- 3.4.1 Changes to the conditionality of lone parent benefits
- 3.4.2 The development of a single benefit for working age people
- 3.4.3 Divergence in the delivery of employment related services between Jobcentre Plus (short-term clients) and the private sector dealing with 'hard to help' cases
- 3.5 More simply put, the suggestion would seem to be that (1) a tightening of conditionality for lone parents; (2) a universal credit covering a number of means tested benefits; (3) reform of employability programmes. This would seem to provide a reflective benefits package, found in the Temporary Assistance for Needy Families (TANF) system in the United States.
- 3.6 The Freud Report implied that the economically inactive should be brought back into work – lone parents, incapacity benefit recipients, and older workers. Its recommendations undoubtedly influenced the revamping of DWP's welfare to work policies. Significantly DWP stressed a new personalised and responsive approach – 'We will empower advisers and give increased discretion both to Jobcentre Plus staff and to public, private and third sector providers'.⁷ The 'Flexible New Deal' was introduced in 2009 which replaced the earlier programmes. In February 2009, David Freud quit his position as a welfare reform adviser to the Labour government and became a frontbench spokesman for the Conservatives.⁸ Freud is currently serving as the Minister for Welfare Reform.
- 3.7 The 'Flexible New Deal' programmes were cancelled in October 2010 by the Coalition Government.⁹ The new Work Programme replaces existing programmes for unemployed people. Significantly, there is some continuity with previous programmes and it has much in common with the proposals from the Freud Report. In particular, through the competitive tendering process, DWP¹⁰ stressed its desire to contract delivery partners from the public, private and voluntary sectors. It has also stressed its desire for the development of the payment-by-results model¹¹ within its Employment Related Support Services (ERSS) Framework and has specified that it will 'reward

providers for keeping people in work and reward providers for helping harder-to-help customers'.¹² These are the requirements emphasised by the Human Resources Administration/Department for Social Services (HRA/DSS), New York, and the standards expected of its community partners and contractors, such as *America Works*.

- 3.8 72 organisations from across the sectors made bids with 35 named as preferred suppliers. There are to be 18 Work Programme package areas with multiple contract providers in each area.¹³ Current estimates suggest that between 2.1 million to 3.1 million 'customers' will have gone through the Work Programme by 2014/15.¹⁴
- 3.9 The suggestion of multiple providers, with a more localised flexible arrangement, has been highlighted before. Indeed, Finn¹⁵ has suggested that the importance of a localised service can be seen in the opportunities it creates to provide a more personalised '...service for the unemployed where individual action plans or 'routes' can be devised with different measures being linked to the characteristics, motivation and needs of the person.'

4 //

the nature of unemployment
and the relevance of assistance
to change employment

4 // the nature of unemployment and the relevance of assistance to change employment

- 4.1 The main risks of unemployment fall disproportionately on those who are poorly qualified and unskilled, those who are young and inexperienced, older people in the final 10 to 15 years before retirement, workers with poor health or who have a disability, and people from ethnic minorities.¹⁶ However, the conventional perception of the financial crisis and the ensuing recession is that unemployment has hit the middle classes and white collar workers. In reality, three-fifths of all net job losses have occurred in manufacturing and construction.¹⁷ Between December 2008 and December 2010 the number of professional, scientific, and technical jobs increased by 77,000.
- 4.2 Nevertheless, the forthcoming fiscal tightening does raise some pertinent questions about the level of professional employment within the public sector and those parts of the private and third sectors dependent on public contracts. Clearly the 845,000 jobs created in the public sector from 1999-2009 are going into reverse.¹⁸ The Office for Budget Responsibility's (OBR) November forecast from the Comprehensive Spending Review (CSR) estimates a reduction in general government employment of 400,000 between 2010/11 and 2015/16 which equates to a 7.3% rate of attrition.¹⁹ Total employment is forecast to rise from 29.0 million in 2010 to 30.1 million in 2015. The Treasury and the OBR are pencilling in 1.5 million new jobs to be created in the market sector by 2015 which will compensate for the decline in general government employment.²⁰ To put this into some context, 534,000 general government jobs were lost between 1992 and 1997 with an accompanying rise of 1,680,000 jobs in the private sector.²¹ Some of the churn between different sectors across this period can be accounted for through privatisation, contracting-out, and reclassification. Recently published figures indicate that 132,000 jobs were lost in 2010 with 108,000 occurring in the final three quarters of the year.²²
- 4.3 Across the public sector forthcoming staff reductions will be achieved in a number of ways. It is often contended that 'natural wastage' can take up much of the slack with mean voluntary staff turnover in the public sector standing at 5.8% in 2010.²³ This is unlikely to naturally reduce headcounts as the destinations of 'voluntary leavers' are unknown. The authors of this Report believe that many of these destinations are likely to be within the same sector. Clearly voluntary severance schemes are the obvious choice for public sector employers. 11.5 per cent of employees are aged 55-59 and may consider taking early retirement with a further 5.8 per cent of the workforce reaching the current state pension age within the next five years.²⁴ Voluntary redundancy schemes are preferable to compulsory redundancies but both are likely to be expensive with the average length of service standing at 10.5 years.²⁵
- 4.4 Significantly, general government job reductions are going to impact on forms of employment which can be defined as 'professional' or 'middle class'. For instance, 38 per cent of public sector workers have been educated to degree or equivalent level in comparison to 23 per cent in the private sector.²⁶ It is apparent that there are many more jobs within the public sector which require specialist training, knowledge, and expertise. Such jobs are not immune from public spending cuts.
- 4.5 For instance, the GMB has estimated that 226,472 public sector posts are under threat, including 170,582 in local government.²⁷ Middle and senior positions are also at risk. Liverpool City Council is seeking to cut forty-eight of its seventy-four senior management posts.²⁸ Between thirty-five to forty middle and senior management posts are being removed at Southampton City Council.²⁹ The City of Westminster is proposing to reduce the number of middle and senior managers by 50%.³⁰ Clearly professional positions are under threat in local government with potentially similar developments in other parts of general government by 2015.
- 4.6 At an individual level, redundancy can impact in different ways.³¹ It can be a hammer blow, a rollercoaster, or a once in a lifetime opportunity to start again. It is unlikely that the Jobcentre Plus will be able to provide suitable services for former professionals. They are not career advisers nor are they likely to cater for demanding individuals. Services are likely to be viewed as inadequate and generic by this group.
- 4.7 Conversely, a network is emerging which is based on voluntarism and social entrepreneurship. Individuals meet on a regular basis to provide support through the job hunting process. Groups such as the charity GB Jobs Club and Whitecollarunemployed.co.uk imply that for the 'middle-class' unemployed, self-help and networking are the ways forward. These groups provide empathy, the sharing of information, business oriented social network sites, and help with updating CVs.
- 4.8 Indeed, Grannoveter³² suggests that having a large pool of acquaintances is often much more successful in securing future employment than having 'tight' social network or a selected group of individuals. This argument stresses

the significance of weak ties for occupational mobility amongst former professional, technical, and managerial employees.³³ In fact, there is evidence to suggest that there are statistically significant relationships between weak social ties (such as transitory and non-frequent social relations) and higher earnings and re-employment rates.³⁴ The strength of weak ties is summed up by Granoveter³⁵ who argues that, 'Acquaintances, by contrast, know people that we do not, and thus receive more novel information... They may therefore be better sources when we need to go beyond what our own group knows, as in finding a new job'.

- 4.9 The pressures of public spending cuts in the current decade are going to result in large scale workforce reductions in the public sector with severance and redundancy across all levels of employees including professional and managerial positions. The reduction in headcount is equated with reductions in spending and is viewed as a way of generating reform and increasing productivity within the public sector.³⁶ However, research on 'downsizing' in the private sector across the 1980s and 1990s suggests that productivity gains were not realised.³⁷ Public sector employers need to carefully manage job reductions.
- 4.10 Work gives us economic stability and social identity. Redundancy brings about changes at the individual level for those losing their jobs and for those remaining in the organisation.³⁸ Redundancy can lead to a loss of dignity and confidence, anxiety, and depression. 'Survivors' of large-scale 'downsizing' programmes may also be affected. Reactions may range from shock and animosity to relief or fear about the future.³⁹ Good practice for public sector employers, at national and local levels, would be objectivity in redundancy selection, consultation with trade unions and professional associations, communication of proposals to the workforce, and the provision of support for those employees being made redundant before they actually are unemployed.
- 4.11 Practical and psychological support to professional and managerial employees who have been made redundant is often delivered through outplacement services as part of their redundancy packages. Outplacement is currently an accepted part of professional and executive termination and is frequently deployed when a manager's service is no longer required because of poor performance,

redundancy, workforce reduction, mergers, or political changes.⁴⁰ Outplacement programmes were originally developed in the United States during the 1960s, and services provided redundant managers with the trappings of a job, such as an office, a phone and a secretary.

- 4.12 In much the same way Doherty⁴¹ describes the loss of identity, these temporary environments provided security for the managerial professional. In this period redundancies were less common and participants needed to battle the stigma of losing a job. Consequently, by the 1990s, American outplacement firms expanded to serve everyone from CEOs to hourly paid employees.⁴² Outplacement services provide help for the individual and are delivered by an external company which is paid for by the former employer. In this way the outplacement programme seeks to help the individual through the redundancy transition and assist them in re-orientating themselves in the labour market. Support focuses upon developing or reworking CVs, reviewing employability skills, facilitating networking, providing personal counselling through the redundancy period, and delivering career counselling.⁴³
- 4.13 Outplacement programmes might be beneficial to former public sector employees, particularly those from professional positions. Assistance in managing the transition from public sector to private sector employment is going to be vital. Stigma and underemployment are going to be issues that must be challenged and overcome through career management.
- 4.14 Recent research conducted by Barclays Corporate⁴⁴ has suggested that the private sector is seeking to create new jobs in 2011. 500 executives from small to large scale companies were surveyed. 57% of companies said that they intended to create jobs over the coming 12 months. Larger companies, with turnovers of over £500m, were the most positive about job creation. 85% of them are planning to create positions, all of them full time.⁴⁵ However, almost a third of companies reported that they were 'not at all interested' in employing ex-public sector employees with a further quarter stating that they were 'not very interested' in employing this group.
- 4.15 During the recession the experience of job creation was very different. Between the end of 2009 and October 2010, over 200,000 jobs, net, were created. Over 97 per

cent of the jobs that were created were part-time.⁴⁶ The proportion of those employed who were working part-time because they could not obtain full-time work reached a record of 4 per cent (1.16 million people). The spectre of underemployment looms large.

4.16 According to Barclays Corporate, 82% of the jobs to be created in 2011, will be at junior/middle management or skilled labour level.⁴⁷ Career management is going to become increasingly important and transitional support services such as outplacement are going to become vital.

4.17 The challenge for workers finding jobs after redundancy is illustrated by the case of 'Paul'. For many workers made redundant support does not occur until they sign on and sometimes, a period after this. Some workers who have been employed for some time are not attuned to the latest requirements of the labour market (writing a CV, where to find jobs etc) as well as the benefits they maybe entitled to. 'Paul', who had a serious health condition but been in employment for 10 years, on being made redundant assumed he would find work quickly. He stated,

'I didn't think...to be quite honest, I was quite arrogant; I thought I wouldn't be out of work very long (Interview).'

4.18 'Paul' went on to argue,

'I think in that last 28 days, the employers could do more as well, like make sure you're ready to go out there, like, explaining these are the benefits that you could apply for, these are the things that you need to do, or we'll release you, and this is how you put a CV together. You know, just basic employment stuff that would make it easier for people who have been in the same job for years on end (Interview).'

4.19 The report will consider workers with disabilities later and one of the findings that will be outlined is a lack of support for many Remploy workers after losing their jobs. What stands out from this is the need to provide support earlier for workers, during the formal 'at risk' period (this relates to the formal period of consultation most people receive from when they are at risk to actually being made redundant – the period varies according to the numbers involved). Second, the need to pro-actively go out and help some of the harder to employ groups and not just expect them to seek help. This will help clients to minimise their period of unemployment and to spot opportunities to

utilise any redundancy payments to their maximum early on. Such support will be beneficial to all concerned, not least the Government, in expenditure on social security payments.

Recommendation 1

The Government should consider funding assistance to work programmes for those who are going to be made redundant before they are formally unemployed. Such provision should also be pro-active, particularly for hard-to-employ groups.

4.20 Another idea the Government should consider is encouraging welfare to work providers to have a presence in Job Centres. In New York the 'Back to Work Initiative', provides for contractors to work with clients from the point of application for social security and encourages providers to be located in (or very close) to the place where the application takes place to enable immediate assistance.⁴⁸ The authors of the Report understand that ex-offenders and ex-service men and women in the UK are fast tracked and seen immediately but all others only after more than six months unemployment.

Recommendation 2

The Government should recognise that best practice is for contractors to have a presence in job centres and should facilitate and encourage such a presence to enable assistance to be provided as early as possible.

5 //

best practices in uk/usa and performance management

5 // best practices in uk/usa and performance management

- 5.1 *Kennedy Scott*, as an independent, specialist provider of pre-employment training, and job-search training, over the course of some 22 years, have provided excellent service to hard-to-reach, hard-to-place individuals; such as the long-term unemployed, those who are lone parents, ex-services and ex-offenders, BME, and those in receipt of disability benefits. One *Kennedy Scott* programme in particular deserves a special mention because it represented best practice which could not be improved on. It was designed for future cab drivers and achieved a 100% retention rate at 52 weeks after qualification as a Green Badge holder.
- 5.2 Working with the same groups of people, and adopting a similar philosophy, is *America Works*, and New York provides an excellent example of work being undertaken in the United States of America. *America Works* was set up in 1984 and has, thus far, successfully supported 175,000 individuals into employment. Like *Kennedy Scott*, it provides employment services for businesses, organisations and government agencies, specialising in entry level and return-to-work employment placements. Research about *America Works* has found impressive employment retention rates of over 80 percent, including one finding 88 percent still in employment three years after starting with *America Works*.⁴⁹
- 5.3 In a similar vein to that of *Kennedy Scott*, *America Works* provides services to individuals and groups such as those who have been long-term unemployed, those who are lone parents, ex-services and ex-offenders, BME, and those in receipt of SSI/SSDI or TANF (Temporary Assistance for Needy Families) benefits.
- 5.4 In the United States for almost nine years, Peter Cove (founder of *America Works*) has worked with Congress to provide a 'second chance' programme for those with numerous barriers to employment, such as unskilled, under-employed, and offenders leaving custody. This programme seeks to demonstrate the value of providing employment as the first strategy to tackling social disadvantage. Indeed, this initiative is something reflected in the report of the Social Exclusion Unit⁵⁰ those of the Nescot Report,⁵¹ and conclusions drawn by Bain and Parkinson,⁵² which suggest that successful programmes of education, training and employment are key to the successful rehabilitation and desistance from offending and has the potential to reduce re-offending by up to 50%.
- 5.5 Researchers note⁵³ that where it has been traditional for employment programmes to concentrate upon the 'hard', quantitative outcomes such as the numbers going into jobs or gaining qualifications, there is recognition that such measures are inadequate in demonstrating the success of a project as a whole.
- 5.6 New York City's Human Resources Administration/ Social Services Department (HRS/SSD) contracts service providers to deliver its employment related programmes such as *Back to Work* and transitional schemes. *Back to Work* provides job readiness training, placement services and vocational training to applicants and recipients of cash assistance.⁵⁴
- 5.7 *America Works* prides itself on being paid for employment outcomes. Contracting clients such as New York City or Albany sustain no cost until the company successfully places the jobseeker in work. Furthermore, the client must normally remain in work for at least 90-180 days before payment is made.⁵⁵ *America Works* offers a simple and more effective performance contract. Given that placing people in employment is the ultimate aim of most programmes, ideally this should be the key performance criteria, upon which payment is then based. However, in the UK, it is important to take account of the more generous benefits system (and the consequential greater difficulty in getting claimants back to work) and to avoid disrupting the market by moving too rapidly towards such a system.
- 5.8 *Compstat* – the crime statistics performance model – has received a great deal of attention worldwide for its contribution to reducing crime in New York. A less well known story is the application of such models to social service agencies in New York which have been equally impressive.⁵⁶ *JobStat* is a performance management support initiative which was started in 1998 by HRA/SSD to facilitate robust management of New York's Job Centres. The *JobStat* programme provides local managers with performance data to which they are held accountable. At the centre of *JobStat* is the *JobStat Report*, in which data is compiled on a comprehensive list of performance indicators. These indicators cover the major areas of concern for centre managers and are grouped into general areas of employment and administration. Performance indicators measure processes such as applications, employment, case management, fair hearings, and placements/participation rates.⁵⁷

5.9 Similarly, HRA/SSD uses *VendorStat* to publish monthly data showing results of job placement and job retention statistics from its contractors. Indicators include the percentage of clients placed in work within 45 days of enrolment and client employment retention/recidivism rates (30-180 days continuous paid work). In some respects both *JobStat* and *VendorStat* have their roots in politically driven interactive managerial templates such as *CompStat* that the NYPD developed in the 1990s to improve performance and service delivery.⁵⁸ Therefore it is common practice for clients within the American employment related services market to be concerned with outcomes rather than processes.

Recommendation 3

The Government should review the experience of *JobStat* and *VendorStat* in New York with a view to developing such a model in the UK.

5.10 The principles of payment-by-results and outsourcing are not new to public policies within the UK. For instance, since 2002, the Department of Health has paid NHS trusts for the activity they carry out (for example, patient episodes, outpatient attendances and diagnostic tests). The 2007 Offender Management Act created six new probation trusts in England and allowed the Probation Service to pay for cost-effective services from the public, private and voluntary sector to help rehabilitate and punish offenders.⁵⁹ Outsourcing and contracting-out have a longer history, with the 1988 and 1992 Local Government Acts requiring local authorities to competitively tender services such as street cleaning and refuse collection.⁶⁰ Compulsory Competitive Tendering was repackaged as Best Value under the 1999 Local Government Act and there are substantial parts of the public sector subject to competitive tendering.

5.11 Clearly the Department for Work and Pension's Work Programme incorporates the principles of payment-by-results and outsourcing. The private and third sectors are being contracted to deliver employment outcomes to the long-term unemployed and other 'hard to reach' groups. Borrowing from employment programmes in the United States, contractors will be partially paid on the basis of performance criteria such as successful job outcomes and job sustainment.⁶¹

5.12 There are eight client groups ranging from jobseekers under the age of 25 to Employment and Support Allowance recipients who had formerly received Incapacity Benefit. Contractors will receive incentivised fees to deliver successful employment outcomes. Using the JSA aged 25 and over client group as an example, contractors will receive a maximum job outcome fee of £1,200 (if successful in years one or two, and on a sliding scale thereafter) and thirteen four weekly sustainment payments of £215 to encourage in-work support and job retention.⁶²

5.13 Performance, and therefore qualifying for sustainment payments, will be measured by the average number of weeks that the client remains in work. Successful job outcomes and retention rates are the key performance criteria within the *Work Programme*. The clear, simple, payment model offered by *America Works* will be returned to later in this report – it is one that the authors of this Report believe the *Work Programme* should evolve into as it develops over the next five years.

6 //

best practice with hard to re-employ groups

6 // best practice with hard to re-employ groups

6.1 There are a wide variety of hard-to-employ groups, such as the long-term unemployed, those who are lone parents or ex-services and ex-offenders, BME, and those in receipt of disability benefits. Some of the challenges of helping these groups, best practice and ideas for reform will be explored, with particular reference to people with disabilities and former offenders.

6.2 *Kennedy Scott* runs a hard to help Jobsearch support programme which, over the first two years, signed up 1000 participants and placed 400 customers into sustainable jobs in West London. This was achieved through a mix of one to one sessions and group training sessions with multiple simultaneous support to address the multiple barriers to employment affecting these customers. Critical to this success is their work with local employers which entails providing a full outsourced recruitment service to fill multiple vacancies with organisations such as McVities and Wilkinsons. Many *Kennedy Scott* customers have multiple barriers to employment and yet they still achieve better job outcome rates than mainstream programmes when they are coached through a pre-employment programme designed to meet the needs of the employer.

6.3 The team (including the sub-contractors) which runs this programme, represents the diverse community that it serves, with a range of languages spoken and cultures represented. The sub-contractors are all specialists in specific target areas set by DWP/ESF contract. The project works with a wide range of participants including those with disabilities or health conditions, lone parents, long term unemployed, people over 50, refugees, those with English-speaking language needs, BME, carers, ex-offenders and those with alcohol or drug mis-use problems.

6.4 The project was inspected by OFSTED in March 2010 and was subsequently commended to the OFSTED good practice website for the innovative counselling support alongside health and fitness support it provides. The report is available on their website and comments on other good practice on the project at <http://www.excellencegateway.org.uk/page.aspx?o=286395>.

6.5 The project Business Manager, Jan Townsend also spoke at the TAEN (The Age and Employment Network) conference in November 2009 on their success with 50+ participants and this led to a video interview being posted on the ESF works website. Two chapters on

working with partners and working with JobcentrePlus were also provided for their new online provider guide: www.50plusworks.com.

6.6 One hard to help group, people with disabilities, face many challenges in securing employment and, for some, assisted employment through Remploy or other comparable initiatives have been crucial in providing employment. With Remploy a number of issues have arisen with the quality and future viability of this provision.⁶³ Interviews with some former and current workers with Remploy identified a number of issues of concern, which included: A lack of opportunities at Remploy to progress to management level or as 'David' stated:

'For a disabled person to get into a managerial position was like for me or you to try and climb through the eye of a needle. Maybe, one of us would succeed one day, but I've never known it (Interview).'

6.7 'Gareth' also supported this, stating:

'The opportunity to get promotion within the company to supervisory and management levels were pretty grim, and it's very, very rare someone from the shop floor became a manager (Interview).'

6.8 The abilities of some have been demonstrated by workers in York who had lost their jobs at the Remploy factory, who were able to establish the 'York Workers with disabilities Co-operative' run by themselves.

6.9 For those seeking employment in the 'mainstream' there is often placement of people with disabilities in the lowest status jobs and those where they are hidden from public view. Interviewees suggested many were given jobs in supermarkets moving trolleys, stacking shelves (when the shop closed) or working in charity shops, when they had skills and experience which could be better utilised.

6.10 Several highlighted the social importance of work for people with disabilities. For some workers with disabilities losing work cuts off their social network which has, in the past, provided much needed help ensuring their health. As 'Gareth' described,

'...a friend of mine finished the same time as me, he's a diabetic, and in work we sort of look after each other, keep

an eye on each other, and he used to have problems but we used to look after each other. Since he's finished work he's had no contact with the company and because of his diabetes he has now lost a half of his foot on one leg and half of his leg on the other because he lost that lifeline where he had people around him who knew what was out of gas with him, and that's all gone (Interview).'

- 6.11 Of course several factors which can make it hard to find employment are not visible – especially mental health, which *Kennedy Scott* estimate affects 40% of their clients who have secondary depression of some kind, following long periods of unemployment. Also people with disabilities person is often stereotyped and they are capable of the same job goals as anyone else.
- 6.12 The demands of workers with disabilities and the prejudice they often face mean they require specialist support in securing work. A survey by the GMB of 1637 Remploy employees who had been made redundant found of the 735 responses only 14.1 per cent had received support from Remploy and 69.4 percent claimed little or no support was given.⁶⁴ This was confirmed by the interviews with Gareth stating he had received no support whatsoever since leaving Remploy.
- 6.13 The introduction of 'Work Choice' by the DWP is also to be welcomed as support for people with disabilities seeking employment, but the longer term support provided by Remploy through some of its services will always be needed for the most difficult to employ.⁶⁵ The discussion and recommendations earlier highlight the need for specialist pro-active support for people with disabilities to find meaningful employment.

Recommendation 4

The Government should continue to support assisted employment for people with disabilities, particularly through models such as Workchoice and Remploy, and ensure such employment provides opportunities for them to secure a wide range of positions according to their talents.

- 6.14 Those who have committed a criminal offence are another difficult to re-employ group. They are not the only difficult to re-employ, but also make up a significant number of those currently unemployed. For example the Bromley Briefings⁶⁶ (a series of publications from the Prison Reform Trust) suggest that around 31% are unemployed when they enter prison, and of those that had employment

before entering the prison system 40% are reconvicted within one year of release. Additionally, ex-offenders quite often exhibit a range of difficulties which can lead to their exclusion and/or isolation (in addition to the criminal record).

- 6.15 In 2002 the Social Exclusion Unit (SEU) noted that many offenders serving a custodial sentence had a deficit in numeracy (65%), writing (80%) and/or reading (50%), exhibiting skills '...at or below that of an eleven year old child'.⁶⁷ This has more recently been supported by the findings of the Nescot Report⁶⁸ which states that prisoners have 'minimal' education standards; '49% of male offenders were excluded from school... 71% of adult prisoners have no qualifications' and conclude that offenders '...not taking part in education or training whilst in custody are three times more likely to be reconvicted than those who have'.
- 6.16 To this the Bromley Briefings⁶⁹ adds that more than a third of all offenders in custody have a borderline learning difficulty. However, (ex) offenders also suffer a variety of other challenges, which can make it difficult to support change in behaviour, and certainly support their re-employment. For instance, the SEU (2002) states that a large proportion of those in custody (around 70%) have an illicit drug use habit, whilst the Bromley Briefings have noted that around 72% of male and 70% of female sentenced prisoners suffer from two or more mental health disorders and that more than a third have attempted suicide.⁷⁰
- 6.17 It would seem that there are a number of considerations requiring some further reflection if we are to identify the best way forward when working towards the re-employment of hard-to-place individuals. For instance, the Bromley Briefings⁷¹ further note that...

'Society places major obstacles in the way of offenders trying to rebuild their lives. The ability to secure employment and basic financial services has a profound impact on reoffending rates.'

- 6.18 Hedderman⁷² points to the tension between short term objectives of risk management and control, against the long term improvement in lifestyle through improving such things as employment prospects and addressing substance misuse, central to achieving the objective of reintegration.
- 6.19 The Bromley Briefings have noted the intention of the government to pay private and voluntary providers by

results for delivering reductions in reoffending, in much the same way that a number of prominent individuals have suggested could be done with the long term unemployed and hard-to-place groups. Indeed, similar work is conducted in the United States, by such groups as *America Works*, New York; their sister organisation, Work First; and Tomorrow's People (San Francisco).

6.20 In discussing the outlook for a workforce in 2020, PriceWaterhouseCoopers have stated that there is a 'talent crisis, an ageing workforce in the western world,' continuing that 'Businesses currently grapple with the realities of skills shortages...'.⁷³ Yet, Rendell is talking specifically about 'professional occupations', shortage areas, could be more widely applied to the long-term and hard-to-place groups.

6.21 For instance, in recent months, Ken Clarke – Justice Minister – has suggested offenders in prison should be provided some form of employment and (where appropriate) learn a skill which they can take back into society. Indeed, this is something which is further supported by the findings of the Alliance of Sector Skills Council, who state that 31% of the 209 companies they surveyed said that it was not possible to recruit people with the required skills.⁷⁴

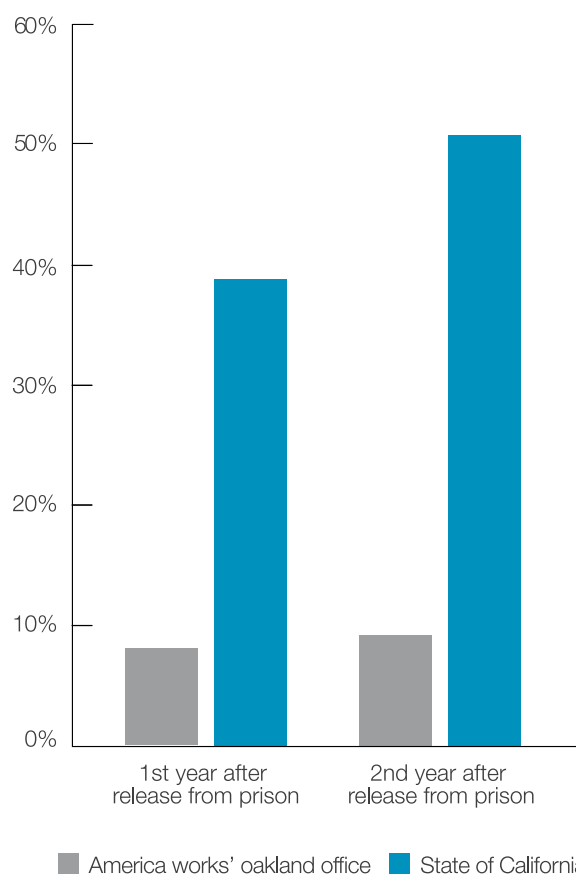
6.22 The *America Works* Criminal Justice Programme provides a good example of project to place former offenders in employment. The project is based upon an initial orientation and then placement in jobs. Eimicke and Cohen found after the first year of the programme it:

...received 891 referrals. Of those referrals, 501 completed the first day of orientation at *America Works*. Of those completing the one-day orientation, *America Works* placed 389, or 77.7%, in jobs. Of those placed, 173 (44.4%) held their job for at least 90 days. Ninety of those placed held their jobs for over six months (41.5% of the 217 who could have reached that threshold at the time of this case study).

6.23 Research on the longer term impact of this programme on recidivism are yet to be published, but are expected to show a positive impact. However, the graph beside illustrates the very positive outcomes of *America Works* in California with a substantially lower recidivism rate.⁷⁶ It is also important to note that the *America Works* programmes operate on an outcome based approach, but in the context of the job subsidies which are available

to employers in America. They take no upfront fees and income is only secured when the client has been in employment for a specific period of time, usually 30, 60 or 90 days. If the client does not achieve these outcomes, *America Works* is not paid. This is much quicker than the Work Programme proposals which suggest longer periods of sustainable employment before payment.

Recidivism rates in the state of California



Recommendation 5

Given the success of *Kennedy Scott* and *America Works* with certain hard-to-employ groups and the attractiveness of their outcomes based payment regime to the public purse, the Government should consider setting up pilots with a variety of hard-to-employ groups to be based upon a system of outcome based payments. A directly comparable pilot would need to consist of outcome only payments with a subsidy for employers which would give true comparison to what has been achieved in America.

- 6.24 *Kennedy Scott* also has several examples of pre-employment programmes which have been successful with hard to help customers including BME groups, such as the Metropolitan Police Pre-Employment contract which aimed at increasing the representation from women and BME groups in local communities. They subsequently won a National Training Award for this work in 2006 and its contribution to a more diverse Metropolitan Police force. This work shows the importance of engaging with local business in providing professional pre-employment and recruitment services which are attractive to employers.
- 6.25 The authors of this Report believe that there should be a wider piloting of pre-employment programmes because of the demonstrable value of the outcomes which have been achieved.

Recommendation 6

The Government should consider setting up pre-employment pilot programmes to identify the best possible practice in this area.

7 //

key governance issues

7 // key governance issues

7.1 The Work Programme will involve a significant amount of public money, likely to be in the region of £3 billion, which in the current fiscal climate is a huge sum of money to be at risk of fraud. Research on fraud loss rates would suggest around 4.5 percent of this money could be at risk from fraud and error, as well as the lost opportunities for the unemployed who do not receive the services they are entitled to.⁷⁷

7.2 There is evidence from the USA and Australia, as well as the experience of the UK so far, combined with comparable private sector engagements, suggest there are a number of areas at risk of fraud and other abuse. The DWP should be congratulated for attempting to design some fraud and abuse out of its processes, but it is worth listing what has been found to happen in some cases to increase awareness of these problems and the factors which lead to their manifestation. The most prominent examples of fraud and abuse found internationally are listed below:

- 'Creaming' and 'Parking'
Payment by results may tempt some providers to engage in so called 'creaming' and 'parking'. The former involves contractors concentrating their efforts on those most likely to secure work, while the latter involves those who are most difficult to place in employment been given minimal support.⁷⁸ It is worth noting that the Work Programme funding model has been designed to avoid this with hard to help customers attracting the maximum amount of funding which, in some cases, could amount to between £9,000 and £14,000 per customer with multiple barriers to work.
- Misrepresentation of client's status
With the introduction of payment by results there may be the temptation for some contractors to misrepresent their client's status, such as claiming a temporary job is a permanent job or falsifying dates of employment.⁷⁹ There is also evidence of this occurring in previous Government programmes in the UK.⁸⁰
- Misrepresentation of services offered
Another potential risk of fraud is in not providing the agreed services to clients. For example if a contractor states they will provide weekly one-to-one support or offer a particular staff-client ratio, amongst many other potential areas, there is a risk they may under-provide to cream greater profits.⁸¹ The authors of this Report have been told that this form of abuse is regularly monitored by the DWP.

- Duplicate billing
In the USA in some Welfare to Work schemes there has been evidence of some contractors submitting duplicate bills for the same individual.⁸²

- Collusion
Clearly where payment in results becomes so important there may be a risk that some contractors collude with employers to falsify data or create jobs only for the period necessary to secure payment. In the previous Flexible New Deal there were suggestions of this occurring.⁸³

7.3 There are a wide variety of strategies which can be used to ensure fraud is kept to a minimum. A holistic package of activities based upon: identifying the problem, developing a strategy to tackle the problem based upon: prevention, developing an anti-fraud culture, detection, investigation, the application of sanctions and the pursuit of redress has proved very successful in the NHS (with a 12:1 return on investment).⁸⁴

7.4 Some processes are already in place to minimise fraud in the Work Programme. The most important are:

- 7.4.1 Regular and random inspections of contractors and employers, which makes misrepresentation of services and clients status more risky.
- 7.4.2 Audit of all returns submitted by contractors, which again makes false returns more risky.
- 7.4.3 Confidential hotlines: publicising confidential hotlines where suspected abuse can be reported anonymously.
- 7.4.4 Communication with contractors: regular communication with contractors which includes an anti-fraud message.
- 7.4.5 Investigating and sanctioning fraud when detected: when fraud is discovered, it should be investigated with a full range of sanctions applied (criminal, civil and contractual) and these then publicised to all contractors.
- 7.4.6 Terminating contractors where evidence of widespread fraud: if contractors are found to have

been involved in widespread fraud and abuse their contracts should be terminated and they should be banned for a period of time for bidding for contracts.

7.4.7 Fair allocation of clients: to ensure contractors don't 'park' or 'cream' measures to ensure a fair distribution of clients should be pursued.

7.4.8 A fair distribution of clients to the agreed sub-contractors is also important as the authors of this Report have been told that a prime contractor could cite a subcontractor to win the contract and then in reality wind them down by taking more clients themselves particularly if customer numbers start to dwindle.

Recommendation 7

The Government should publish a comprehensive strategy to counter fraud and error in the Work Programme, building on developments to date, and should clearly identify appropriate resources within its Fraud Investigation Service to implement it.

7.5 The Work Programme has been created with a focus on large 'prime contractors' securing the lead. There is an expectation that these prime contractors sub-contract to other contractors. The requirements for a 'Prime' have benefited large private firms with an experience of large scale bids for public contracts. This has meant it has been difficult for many providers, particularly not-for-profit organisations, to secure contracts.

7.6 Instead these smaller providers have had to rely on becoming sub-contractors for the 'Primes'.⁶⁵ There has been concern this may lead to the exploitation of sub-contractors and may frustrate their ability to be innovative. The DWP has responded by suggesting prime contractors will lose their contracts if they do not use sub-contractors appropriately and has stated they should follow the Merlin standard (The Government's standard for managing the contractor/sub-contractor relationships).⁶⁶ Evidence from the Welfare to Work market indicates that some prime contractors who have won contracts are likely to have submitted highly competitive bids from which they will take a management fee before passing on even less money to the sub-contractors and specialists, who are then expected to deliver on a very tight budget.

7.7 Competition is essential to maximising the potential of the Work Programme. As Cove⁶⁷ argues:

'Nothing spurs innovation like competition. Exposing the welfare-to-work industry to the vagaries of the market is the best thing not only for the taxpayer but for the industry's clients, as well.'

7.8 True competition in the British market may be thwarted as there is a risk with the focus upon large prime contractors (that because of the size requirements) there is a limited pool of providers.

7.9 Secondly, that entrance to the market can only be achieved by securing work with a Prime (and their established model of working may mean innovation is less likely). In New York City – where there was open competition in providers of welfare-to-work, the market started with about 30 suppliers whose performance varied significantly to a situation today where there are 7 suppliers whose performance is comparable. The open competition has led to a diverse market where there is still competition, but the standards are higher and much more uniform.

Recommendation 8

The Government should robustly monitor the sub-contracting market to ensure that competition and innovation are maximised. If weaknesses do emerge in the process the Government should consider a much more open competitive process in the future.

8 // case studies

8 // case studies

8.1 The report will now consider some case studies of clients drawn from the interviews to illustrate both success and concern. There were 23 interviews undertaken with a range of clients drawn from *Kennedy Scott*, as well as former Remploy staff interviewed through the GMB union and people from other difficult to employ groups. Indeed, each of the eighteen interviews undertaken with clients of *Kennedy Scott*, provided similar enthusiastic and positive feedback for the work undertaken in preparation for employment. It seems that although little recognition is given to the 'soft' outcomes it is this which has proved invaluable to the individual clients, from a hard-to-place background/circumstance/life-style, and has further supported their move to employment. In this context, the multiple and simultaneous support provided by *Kennedy Scott* provides an example of best practice.

8.2 Sarah

8.3 As noted earlier, offending behaviour can be a real barrier to employment and often it is a double edged sword. The person may want to get back into employment but embarrassment about the offence and the knowledge that they may not get the opportunity if they tell the employer often prevents them from taking the first step. During this programme of research, one such example came from an interview with Sarah, who stated that it was the support and guidance she received from the staff at *Kennedy Scott*, which had led her to apply for a role supporting the resettlement of offenders.

8.4 As an adolescent Sarah had been involved in offending on a number of occasions, resulting in a number of custodial sentences (in a Youth Offenders Institution). She stated that

'...they [Kennedy Scott] helped me with CV writing, interview techniques and confidence building, because my confidence was pretty low, having lost a job... because of my convictions (Interview).'

8.5 In this instance it is the combination of work undertaken in preparation, or preparation for employment (often termed the soft outcomes), with the key worker, which has provided the stability and confidence needed to secure employment (the hard outcome). Best practice involves translating and matching job requirements with the key competences identified in the individual applicant. If there are competence gaps the client can then be coached

to achieve these within the training environment or with relevant work experience by providing a tailored and customised recruitment service which prepares the client for a specific job role.

8.6 Sarah has now been employed as a resettlement advisor with a partner company for nine months and is looking forward to building upon her new career. She said,

'I never realised that my experiences would help. I find that because I can empathise with the position they [offenders] find themselves in they are able to open up... It really is a great feeling (Interview).'

8.7 Aisha

Similar results were found in interview undertaken with the staff of *Kennedy Scott*. For instance, Aisha (Receptionist: Wembley) stated that it was the initial work which takes the time, yet puts the foundations in place:

'some people they've got low self esteem...been out of a job for so many years they don't know how to get back to work again....we boost their confidence to say that you can do it, just tell yourself you can do it and you will do it (Interview).'

8.9 Dewson et al⁸⁸ concur, noting that 'it is inappropriate... to expect to achieve 'hard' outcomes from target groups that are socially excluded and facing multiple barriers to employment', it is the hard-work and perseverance with the 'soft' outcomes which gives a complete picture of the individuals increased employability.

8.10 Aisha continued that it was the soft outcomes that made the difference for many clients, but went on to talk about hard outcomes such as creating a CV...

'they don't have a CV, so you need to make a CV, open an email account, and some of them because they haven't been working for so long they don't have no references, so you create an email address, for the employer to email them back for the job as well. [So] all this takes time... it are really working hard and we're making a big difference in somebody's life (Interview).'

8.11 Throughout the company there was a culture of support and care for clients and this contributes to their success and the commitment of staff. Teresa Scott CEO *Kennedy Scott*, says “I would rather recruit someone with little or no experience of our Welfare to Work industry, who has faith and belief in the customer than someone who is highly qualified but disaffected. Customers have lost their own self-belief and we need to have that for them for a while – we need to believe in them until they develop their confidence, re-build their self-esteem and begin to believe in their own capabilities again”

8.12 **Maria** (a manager from the *Kennedy Scott* office in Wembley) noted that...

‘It’s possibly...I don’t know how to phrase it; it’s possibly the most bizarre company that I’ve worked for... but it’s also an incredibly caring company...The MD knows everybody. I would not by choice work for anybody else now... (Interview)’

8.13 Concluding that the commitment of staff and management made for an extremely close and supportive environment...

‘Yes I probably am quite dedicated, but that’s the payback for what they’ve given me (Interview).’

8.14 This show of enthusiasm is often missing, and never more important than when working with individuals from hard-to-place groups. Mindful of the funding secured by *Kennedy Scott* in the past from European Social Funding, according to the ESF Works website⁸⁹ it is a positive and professional atmosphere, coupled with ‘...the enthusiasm, passion and positivity of staff [that] encourages participants to engage with the services available to fulfil their potential.’ That enthusiasm and passion is needed to help overcome the stigma of being unemployed and in respect of particular hard to help groups such as ex-offenders. That stigma doesn’t help providers to get employers to take a work placement or to offer vacancies.

8.15 **Paul**

8.16 Paul was a drug addict during the 1970s and had been made redundant in March 2010. 11 months prior to this he had also be diagnosed with Hepatitis C which had meant a substantial amount of sick leave in his last year of employment. On first been made redundant he was very positive, if not arrogant, as he stated:

‘I didn’t think...to be quite honest, I was quite arrogant; I thought I wouldn’t be out of work very long (Interview).’

8.17 However, because of his illness he did not present well at interviews and also found, through subtle means, prospective employers could find out about his health and long periods of sick leave during his last year. Having worked for 10 years he was also out of practice with the skills required to secure a job and felt some of his initial period of unemployment was wasted. He felt more could have been done during the last days of his previous job.

‘I think in that last 28 days, the employers could do more as well, like make sure you’re ready to go out there, like, explaining these are the benefits that you could apply for, these are the things that you need to do, or we’ll release you, and this is how you put a CV together. You know, just basic employment stuff that would make it easier for people who have been in the same job for years on end (Interview).’

8.18 He received no support to help him develop these basic job search skills and had to seek out help himself from employment agencies. After three months unemployment he did manage to secure employment but on a one year contract and at less pay to his previous employment.

8.19 **Gareth**

8.20 Gareth had worked for Remploy for around 20 years when he took voluntary redundancy in 2008. He saw this as an opportunity at the time as he was due to undergo surgery which would probably require six months off work. Since leaving the employment of Remploy he has received no support from them whatsoever.

8.21 *‘And they’ve never done anything for me whatsoever, they never kept in touch, the only time I had any contact was socially with friends and if I met them in work. I’ve seen my then manager once or twice because he gave me a letter regarding another matter and he was pretty helpful. But the company on a whole was not, I never had any letters asking me to attend the job shop, the Remploy shop for interviews, there was nothing offered to me from them, just no contact whatsoever (Interview).’*

8.22 Gareth commented upon life being out of work:

'And, yeah, it's difficult, life isn't a bowl of cherries once you finish work, is it?... It's fine for the first couple of weeks, you don't have to get up in the morning and it's nice and sunny or it's in the middle of the summer, people forget about the long winters and the cold weather and the wet weather (Interview).'

8.22 Gareth is still unemployed.

8.23 **Gloria and Anita**

8.24 As referred to in previous sections, the social and psychological damage of unemployment should not be underestimated. Unemployment can break wider bonds and ties with others leading to exclusion from accepted social and cultural systems. Beyond the obvious impact upon income and other material resources, unemployment impacts upon the individual in other ways. Unemployment often leads to depression, anxiety, and strained relationships. Gloria has been unemployed for seven years and also has to care for her disabled son. Gloria recounted her experiences of being out of work.

'You're feeling down about being unemployed anyway because it's so depressing being unemployed. It's horrible receiving benefits in the first place, you know, you just feel like nothing and you lose your self-worth (Interview).'

8.25 Unemployment can also lead to marginalisation, social isolation, dislocation, and stigma. People can lose their identity and feel that others are negatively labelling them as feckless or undeserving. The social fabric of people's lives becomes frayed. Interpersonal relationships with kin or kith become strained. Wider relationships with neighbours, acquaintances, and even strangers become problematic. Anita pointed to her experiences of being unemployed. She has been unemployed for four years and recently damaged her back.

'I want to work, I want to do something. I've been unemployed for a long time. People look at you like you are nothing, they put you down. If you're unemployed for many years for example, you don't see a lot of people round you all the time. You're expected to sign on, you do this or that, but you hardly see anybody you know. So it's like you're on your own (Interview).'

8.26 Gloria and Anita are still seeking work. They acknowledged that they faced skills barriers but expressed a strong desire to undertake training and education. Both would like to undertake NVQs in Caring and Food Hygiene to enable them to work in health and catering sectors.

9 // conclusion

9 // conclusion

- 9.1 This report is published at a time of many significant changes which provide an opportunity for lasting reform for the benefit of the unemployed and the many workers at risk of losing their jobs.
- 9.2 Unemployment has been rising and may rise even further if the private sector does not deliver on greater growth and more jobs. The change to the Work Programme alongside this also provides an opportunity to do something really different with the unemployed and particularly those in the hardest-to-employ groups.
- 9.3 There will be opportunities to create new innovative services which lead to shorter periods of unemployment and placement in appropriate and equivalent jobs - and it is surely in the national interest that this happens. There is also a major risk that this does not occur, that instead the 'deck chairs are just rearranged on the Titanic'. We must avoid the names of the providers and the services changing but the outcomes remaining the same - increasing unemployment and, just as bad, underemployment (short periods of work ending in disappointment and interspersed with repeated reliance on benefits). The human misery that is created is simply unacceptable - genuinely different outcomes are required.
- 9.4 The Work Programme should be embraced as providing an opportunity for huge flexibility – a never before chance to provide tailored, individual support for customers to meet their needs and employers needs. Attention should be focused upon refining the Work Programme, alongside other initiatives, to maximise its potential. The series of recommendations contained in this report – and repeated below – are rooted in extensive research and should be considered as a series of adjustments which could bring out the best in this initiative. As the case studies in this report testify – unemployment is no 'bowl of cherries' and it is vital that all is done to avoid this waste of human talent, to the benefit of all in society.
- 9.5 The country is facing the biggest change to the welfare system in 50 years and the new Work Programme will see up to 3.2 million people (6.3% of the adult population) go through its doors over the next five years. This is equivalent to more than 400,000 people in London alone.
Not to do our best by those people would be indefensible.

appendix 1 // recommendations

a1 // recommendations

Recommendation 1

The Government should consider funding assistance to work programmes for those who are going to be made redundant before they are formally unemployed. Such provision should also be pro-active, particularly for hard-to-employ groups.

Recommendation 2

The Government should recognise that best practice is for contractors to have a presence in job centres and should facilitate and encourage such a presence to enable assistance to be provided as early as possible.

Recommendation 3

The Government should review the experience of JobStat and VendorStat in New York with a view to developing such a model in the UK.

Recommendation 4

The Government should continue to support assisted employment for people with disabilities, particularly through models such as Workchoice and Remploy and ensure such employment provides opportunities for them to secure a wide range of positions according to their talents.

Recommendation 5

Given the success of *Kennedy Scott* and *America Works* with certain hard-to-employ groups and the attractiveness of their outcomes based payment regime to the public purse, the Government should consider setting up pilots with a variety of hard-to-employ groups to be based upon a system of outcome based payments.

Recommendation 6

The Government should consider setting up pre-employment pilot programmes to identify the best possible practice in this area.

Recommendation 7

The Government should publish a comprehensive strategy to counter fraud and error in the Work Programme, building on developments to date, and should clearly identify appropriate resources within its Fraud Investigation Service to implement it.

Recommendation 8

The Government should robustly monitor the sub-contracting market to ensure that competition and innovation are maximised. If weaknesses do emerge in the process the Government should consider a much more open competitive process in the future.

appendix 2 // endnotes

a2 // endnotes

¹ Myck, M. (2002). *How the New Deal Works*. London: Institute for Fiscal Studies.

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about University of Portsmouth

The University of Portsmouth is a leading modern university with a strong reputation for teaching and research. Many of the academics working there are international leaders in their fields and our students learn from experts who are pushing forward the boundaries of knowledge.

There are over 19 000 students, including 3 000 from over 100 countries, who are supported by over 3000 staff. The University of Portsmouth is a research-active university with wide range of activities across many subjects. Areas of international excellence include the Institute of Biomedical and Biomolecular Sciences, the Centre for European and International Research and the Institute of Cosmology and Gravitation. It also has well-developed strengths in applied research with business, industry and the public and voluntary sectors.

The university is proud of its teaching record, receiving the highest possible rating in the most recent Quality Assurance Agency audit. The 2010 National Students Survey places Portsmouth within the top 25 mainstream English universities for overall satisfaction with 85% of full-time students reporting being satisfied or very satisfied with their course, higher than the national average of 82%.

Applications to the University of Portsmouth increased by 20% (28,448) in 2010 and by 26% (23,632) in 2009 and it received a 13 per cent increase in research funding following success in last year's Research Assessment Exercise (RAE). The average increase across the sector was 8 per cent.

The University has excellent links with industry and a strong record of student employability. The University recruitment agency, Purple Door Careers and Recruitment, offers a wide range of careers resources, skills workshops, careers guidance and employer events to support students and graduates in gaining graduate employment. Our experienced recruitment consultants work in collaboration with local and national businesses, charities and organisations to source graduate opportunities and assist graduates at every step of the recruitment process.

The university has a clear focus on Enterprise, and the Centre for Enterprise, established in 2000, aims to inspire Portsmouth students to learn and succeed in entrepreneurship, offering free training and mentoring to both former and current students.

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about Kennedy Scott Limited

Kennedy Scott has been delivering welfare to work and employment training programmes since 1989, primarily for Jobcentre Plus and its predecessors. These 21 years of continuous delivery form the core of the company's business, giving the staff and management a strong base of expertise and knowledge across the full range of employment related services. Kennedy Scott has substantial experience in delivering end to end provision for the long-term unemployed in the East of England and London regions. They currently hold the New Deal Prime contract in Watford, Hemel Hempstead, St Albans and Borehamwood, we deliver Gateway as a subcontractor in Luton and Tower Hamlets and FND Phase 1 as a subcontractor in Kent.

In addition, they deliver an ESF Prime Contract in West London – Hardest to Help Brent and Harrow and two contracts in Waltham Forest that provide specialist job brokerage services for workless residents. Both these contracts work with a wide range of clients including the long term unemployed and economically inactive and those with multiple barriers to work. They offer innovative solutions to help them to find the right job and in-work support to sustain their employment.

Kennedy Scott is cited on the OFSTED Excellence Gateway as an example of best practice for our innovative approach to improving employability for the 'Hardest to Help' client groups.

KS considers pre-employment as a speciality and has run numerous programmes, most notably the Metropolitan Police Service Pre-employment which supported clients from BAME background to become Police Community Support Officers. The project achieved 60% job outcomes, attracted international research into its effectiveness and was adopted as a model for subsequent programmes. This programme won a National Training Award in 2006, Kennedy Scott won another National Training award in 2007 for their Community Jobsource project, an outreach based employment support programme for clients furthest removed from the labour market and an award of outstanding practise at the Security Industry Training Awards.

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about the GMB Union

GMB is a campaigning trade union focused on protecting GMB members in their workplaces and growing the number of GMB members in order to strengthen the Union's power. Their website (see below) reflects GMB's aims and values, and shows what GMB Workplace Organisers do every day for GMB members. GMB is a general union - which means that anyone can join them. GMB has almost 610,000 members working in every part of the economy. One in every 32 people at work in the UK is a member of GMB. GMB is organised in 34 of the UK's biggest 50 companies.

GMB has members in every part of the UK economy doing every type of job imaginable. GMB members are men and women, young and old or even retired, working full and part time, and are made up of a wide and diverse cross section of Britain's society. Every day of the year GMB offers protection at work and solves problems for GMB members. GMB provide back up, representation and advice on every issue related to members life at work. GMB employ a team of experts on a range of issues including legal specialists, health and safety experts, pension specialists, human resource management staff and experts on terms and conditions. In fact, if you need advice and support about anything to do with work GMB can help you.

GMB's fundamental approach is that together we can achieve more than we can do on our own.

GMB has been in existence for over 12 decades and has grown to be one of Britain's most powerful and forward looking forces for change. It is made up of a number of unions who have merged over the last 120 years to become GMB - Britain's General Union. Through peace and war, with and without help from Government, GMB has been winning for our members and protecting people at work. GMB is here for you - to protect you, to represent you and to make a better life for you.

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