



Centre for Local  
Economic Strategies

# bulletin

## Adopting New Approaches to Complex Issues: Worklessness and The Cities Strategy

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### **Introduction**

When reading and analysing any Government publication on the issue of the economy and employment you cannot fail to notice the positive tones. The key messages portrayed are that the economy is booming, sustained economic growth is at its highest levels and employment levels are on the increase. Similarly, the economy is being boosted by enhanced skills levels; increasing levels of productivity; and increased innovation and enterprise.

However, this positive picture is often masked by a complex reality in the most deprived areas, many of which are located in our major towns and cities. Within these areas there are significant economic inequalities, histories of long-term unemployment and a stagnant population of workless and long-term benefit claimant individuals, families and communities. Worklessness and unemployment is increasingly evident in geographic terms in previously industrial centres, in ex-coalfield areas, and in coastal towns; and in demographic terms among Black and Minority Ethnic Communities; those aged over 50; those described as NEET (16-18 years olds Not in Employment, Education or Training); and those with physical and mental disabilities.

Worklessness in the UK has reached a stagnant point. Latest figures from the Department for Work and Pensions highlight that there were 2,447,960 Incapacity Benefit claimants in August 2006<sup>1</sup>. Compare this with the August 1999 figure of 2,355,240 it is clear that programmes such as Pathways to Work have not really had the desired effect. Couple these figures with the large number of 'hidden workless' individuals (those who do not work, but do not claim any form of benefit entitlement) it is clear that we have a significant problem in the UK

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<sup>1</sup> For these figures in further detail visit: [http://193.115.152.21/100pc/ib/tabtool\\_ib.html](http://193.115.152.21/100pc/ib/tabtool_ib.html)

which not only impacts on the quality of life experienced by the individuals concerned but also the wider local and national economy as a whole.

Central Government, local authorities and agencies such as Jobcentre Plus and the Learning and Skills Council have increasingly adopted programme and project approaches to tackling worklessness. These, however have often been individual in nature and not drawn on the collective skills, knowledge and delivery expertise of these organisations. The Cities Strategy pilot initiative launched in July 2006 and formally accredited with £32million of Deprived Area Fund resources in April 2007 seeks to provide a joined up approach to tackling worklessness, unemployment and related issues such as child poverty in the areas seen as most behind the Government's 'employment for all' target of 80%.

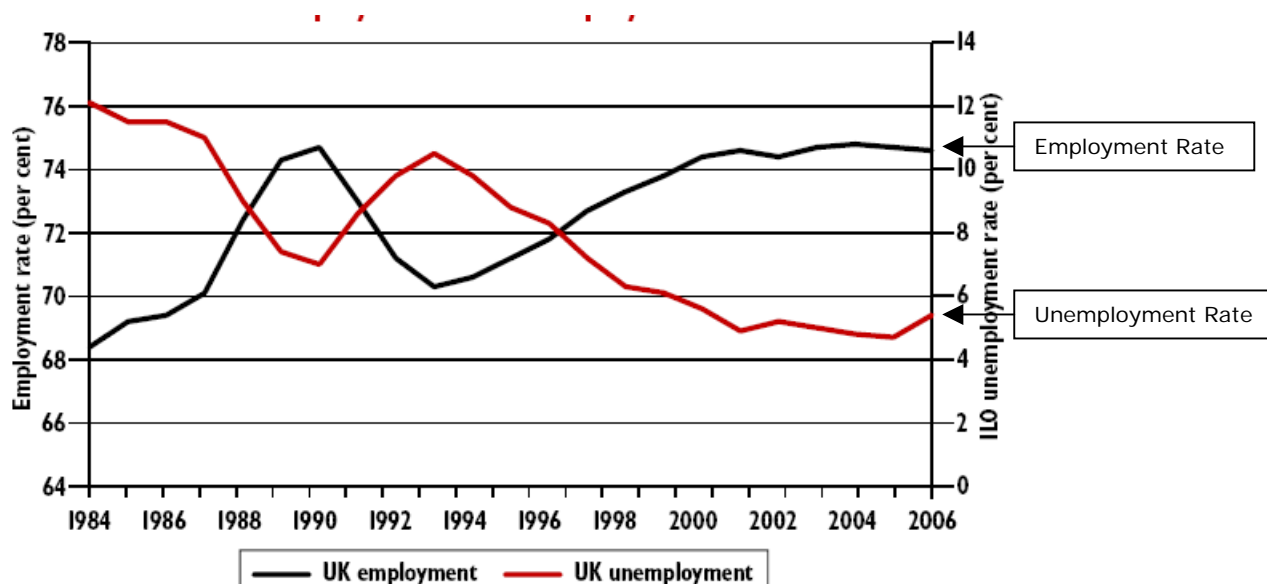
The purpose of this bulletin is fourfold:

- ❑ It looks at the key aims of the Government's employment strategy;
- ❑ It assesses the extent of worklessness in the UK and its impact on local economies;
- ❑ It introduces the principles of the Cities Strategy;
- ❑ It provides two case studies of how local areas have adopted approaches to the Cities Strategy.

### **Employment Opportunity for All**

The 2007 Budget<sup>2</sup> reiterated the Government's long-term commitment to 'employment opportunity for all'. A figure of 80% employment is now seen as the modern definition of full employment. The UK is moving towards this figure slowly. Employment in the UK reached 29million in 2006 for the first time and as figure 1 demonstrates employment rates continue to rise and unemployment rates continue to fall.

*Figure 1 – UK Employment and Unemployment Rates*



Source of Figure: HM Treasury (2007) Budget 2007

<sup>2</sup> View the employment section of Budget 2007 at [http://www.hm-treasury.gov.uk/media/73B/65/bud07\\_chapter4\\_267.pdf](http://www.hm-treasury.gov.uk/media/73B/65/bud07_chapter4_267.pdf)

The improvements in the performance of the labour market and increases in employment rate and employment opportunities have been particularly felt by groups traditionally disadvantaged in the labour market and those which have been the focus of the Government's flagship New Deal programme. Since 1997, the employment rate of lone parents has risen by 11.8 percentage points; of working age people over 50 by 6.4 percentage points; of people with a health condition or disability by 9.8 percentage points; and of ethnic minority groups by 2.5 percentage points.

Unemployment has also decreased from the peak of over 11% in the early 1990s to the current rate of around 5.5%. This can in part be attributed to the changing focus of unemployment benefits and Jobseekers Allowance (JSA) in particular. Designed to provide financial support in a way that encourages a quick return to work, JSA has directly contributed to a fall in the claimant count from 1,662,600 in 1997 to 922,200 in February 2007.

The Government is seeking to build on these achievements to ensure 'employment opportunity for all' becomes a reality. There are a range of employment programmes that have two goals at their heart and five delivery and project principles. The two aims are:

***'to ensure employment opportunity for all, giving everyone the opportunity to fulfil their individual, social and economic potential'***

***'to foster a world class skills base, equipping everyone with the means to find, retain and progress in work, and the ability to adapt to and benefit from a globalising labour market'***

The five delivery and project principles can be grouped under the following headings.

- ❑ ***Rights and Responsibilities*** – programmes and projects are based on the premise that everyone should have the opportunity to work. To make this work the welfare reform agenda and employment projects need to be supported by access to appropriate training, information and advice, action to prevent or remedy advice, and by actions to make work pay.
- ❑ ***Retention and Progression*** – programmes and projects should not just be focused upon job entry and improving figures but be about ensuring that particularly the most disadvantaged remain and advance in work, through advice, incentives and training opportunities.
- ❑ ***Personalised and Responsive*** – programmes and projects should tailor as the New Deal programme has, employment policy to particular groups and where possible integrate this with support with regard to other themes such as skills and health.
- ❑ ***Joining Up*** – programmes and projects should utilise the expertise of organisations across the public, private and voluntary and community sectors.
- ❑ ***Devolution and the Locality*** – programmes and projects should recognise the strategic role regions, cities and localities can play in identifying priorities and delivering solutions.

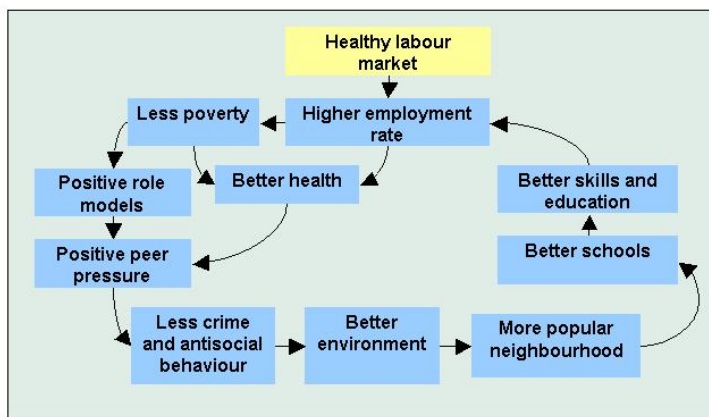
A number of measures have been introduced in an attempt to adopt these principles and increase employment rates, particularly amongst the most deprived groups and in the most disadvantaged societies. Jobcentre Plus is increasingly working in partnership with large retail employers for example at the local level to help the long term unemployed and economically inactive back to work. The Cities Strategy, as will be discussed later is a programme, which has

enabled local partners tackling employment related issues to align priorities and resources.

### **The Employment and Worklessness Challenge**

Employment and a healthy labour market are crucial to so many quality of life issues. As figure 2 highlights higher employment rates in localities can lead to less poverty, better health and more popular neighbourhoods.

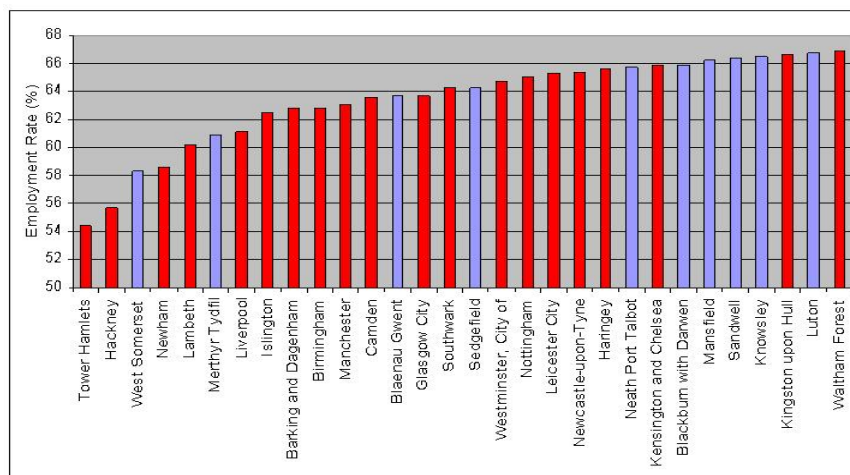
*Figure 2 – Jobs and the Cycle of Deprivation*



*Source of Figure: Adam Sharples – Department for Work and Pensions*

There are a significant number of areas in the UK however predominantly in our towns and cities, where a healthy labour market is not evident as a result of poor business/community links, as a result of a lack of skills, as a result of a lack of employment opportunities and ultimately and often as a result of a lack of aspiration and a culture of worklessness. Figure 3 highlights the towns and cities with the lowest employment rates.

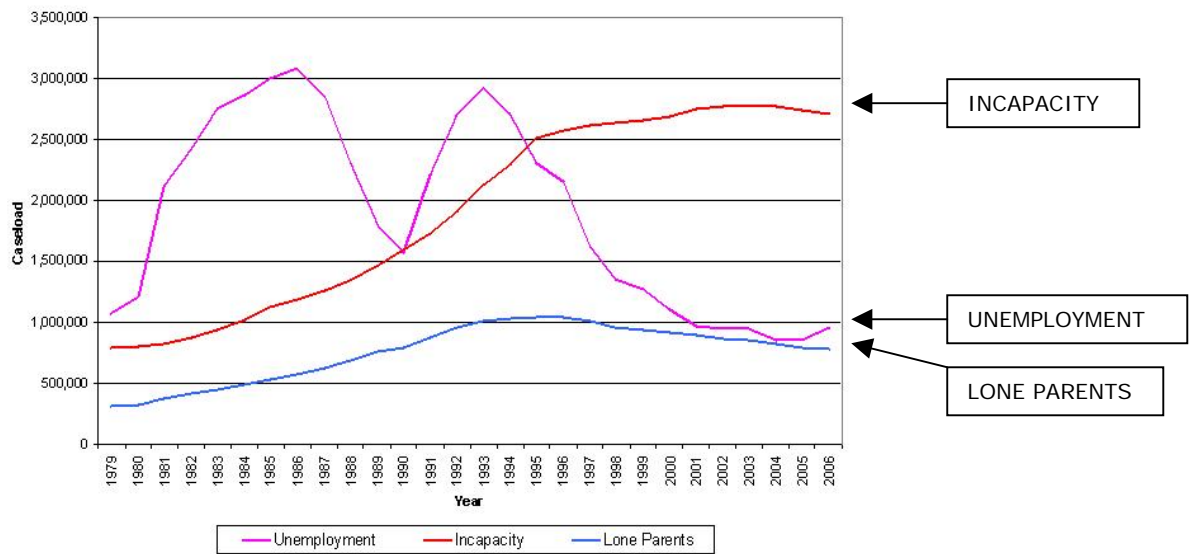
*Figure 3 – Employment Rates in UK Cities*



*Source of Figure: Adam Sharples – Department for Work and Pensions*

These are areas of the UK, which are counter to the national employment rate growth described earlier. These are areas where a stock of workless households have built up over the course of the 1980s and 1990s and where individuals lack the required skills and support required to access new job opportunities leading to the current stagnation in worklessness. Figure 4 highlights the increase and stagnation of incapacity benefit claimants against falling unemployment figures.

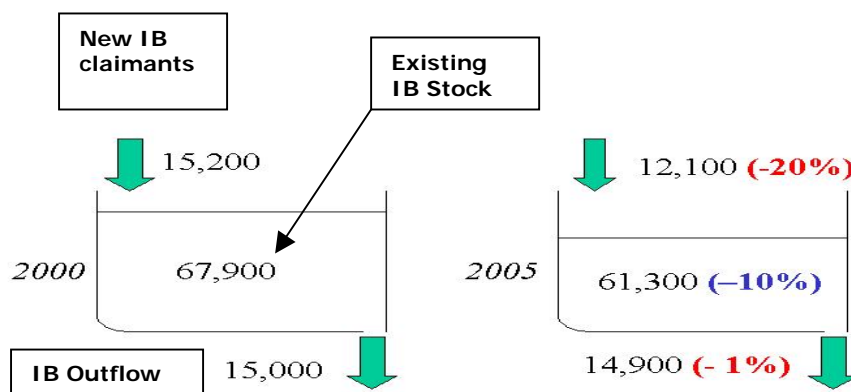
*Figure 4 – Numbers on Welfare Benefits*



Source of Figure: Adam Sharples – Department for Work and Pensions

It is when the in and out flows of new incapacity benefit claimants are analysed against existing stock where the real issue of worklessness becomes evident. Figure 5 looks at the flow of incapacity benefit claimants in Glasgow in 2000 and 2005. While new incapacity benefit claimants flow through the system and receive support and training to return to work, the stock of claimants remains largely the same.

*Figure 5 – Stock and Flows: Incapacity Benefit claimants in Glasgow*



Source of Figure: Ivan Turok – University of Glasgow

A number of social reasons can be attributed to the stagnation of worklessness in many towns and cities. These include the fact that many incapacity benefit claimants have:

- No or low qualifications;
- A lack of recent work experiences and routines;
- Sickness, disability or mental illness;
- Addictions such as drug abuse;
- Fears and uncertainties about returning to work;
- Been trapped in poverty and perceive incentives of returning to work as weak;
- Are lone parents with other caring responsibilities;
- Are BME groups, which are vulnerable to discrimination and cultural issues.

Reasons for the stagnation of worklessness in many towns and cities can also be cumulative and locality based, especially at the neighbourhood level. For example, many incapacity benefit claimants:

- Live in social housing which 'screens in' people with greatest needs;
- Live in areas with poor transport links to work places;
- Have more limited commuting range anyway;
- Have weaker social networks to hear about jobs;
- Live in areas with poorer schools and other services.

Policy and Governance reasons can also be attributed to the stagnation of worklessness. The Incapacity Benefit regime has been long deemed to not be entirely successful and fails to place significant emphasis on training and job brokerage elements required for a return to work.

### **A New Approach to Tackling Worklessness – The Cities Strategy<sup>3</sup>**

A range of initiatives and interventions have been developed at the central level in recent years in an attempt to increase employment rates and reduce worklessness and inactivity. These include:

- In-Work Credit;
- New Deal
- Working Tax Credit;
- Local Employment Partnerships;
- National Minimum Wage;
- Pathways to Work;
- Employment and Support Allowance (to replace Incapacity Benefit from 2008);
- Partners Outreach;
- Age Discrimination Act 2006;
- Gender Discrimination Act 2007.

Whilst many of these initiatives have focused on particular target groups or particular agencies or organisations, the Cities Strategy seeks to tackle worklessness through a consortium of agencies and an aligned approach to intervention and delivery.

Introduced as part of the Welfare Reform Green Paper, 'A new deal for welfare: empowering people to work', Cities Strategy is a pilot programme seeking to tackle the highly localised pockets of worklessness, poverty, low skills and poor

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<sup>3</sup> Guidance on the Cities Strategy can be viewed at:  
<http://www.dwp.gov.uk/welfarereform/docs/Guidance.pdf>

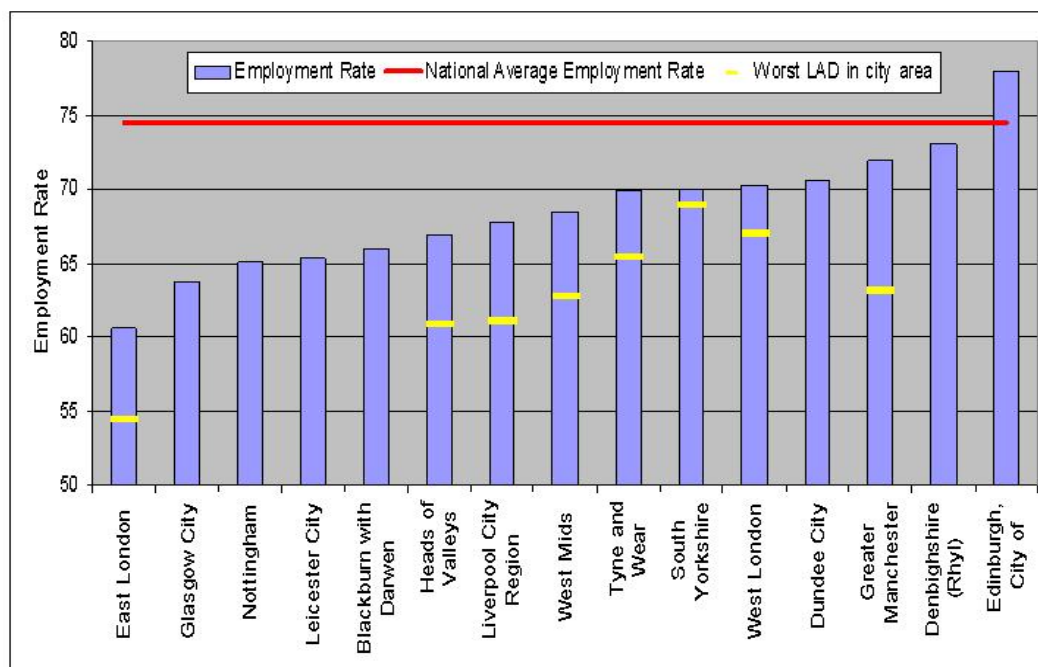
health that can be found across the UK. The overarching purpose of the initiative is to deliver a significant improvement in the working age employment rate, particularly for disadvantaged groups such as benefit claimants, lone parents, disabled people and those with health conditions, older people and people from ethnic minority groups.

The Cities Strategy operate utilising a partnership or consortium model. It is based on the premise that local stakeholders can deliver more effective worklessness interventions if they combine and align their efforts behind shared priorities, and are given more freedom to innovate, and to tailor services in response to local needs. Consortia to date operate at a range of geographical levels from local authority, to city regional, to Jobcentre Plus boundary and include a range of partners including:

- Local authorities;
- Learning and Skills Council;
- Primary Care Trust;
- Jobcentre Plus;
- Regional Development Agencies;
- Employers;
- The Voluntary and Community Sector.

The pilot stage of the Cities Strategy programme is based on the areas that are currently furthest from the Government's 80% employment rate aspiration. These authorities submitted official Expressions of Interest and are in the process of moving from strategic priority setting to collaborative delivery. The 15 successful Cities Strategy areas and their current employment rates are detailed in figure 6.

*Figure 6 – Cities Strategy Pilots*



Source of Figure: Adam Sharples – Department for Work and Pensions

The Cities Strategy programme is based around seven principles:

- Employment Rates** – the key objective of the programme is a measurable improvement in employment rates. As consortia develop their plans they will

need to consider the reasons why local people do not get, and keep jobs and develop appropriate responses to these issues.

- ❑ **Alignment and Sharing** – the Cities Strategy seeks to build on existing local strategy by putting strong emphasis on aligning local efforts on employment and skills behind shared priorities.
- ❑ **Localised Partnership and Delivery** – each Cities Strategy consortium is different and it is up to the pilots to decide upon appropriate structure, membership and leadership.
- ❑ **Associations rather than statutory bodies** – each Cities Strategy consortium will not be statutory bodies in their own right but associations of organisations brought together by a shared aim of improving outcomes for priority disadvantaged groups.
- ❑ **Not new money** – the Cities Strategy programme is not a major source of new money but is designed to make consortia of organisations make better use of existing resources through alignment and shared targets. Limited money is provided through the Deprived Area Fund, which is determined on the relative labour market disadvantage of each pilot area.
- ❑ **Flexibility** – the Department for Work and Pensions encourages Cities Strategy pilots to be viewed as an opportunity to gain flexibility and remove a number of barriers.
- ❑ **Outcome Focus** – the Cities Strategy is focussed on outcomes and not processes. It is designed to test the impact not of individual flexibilities, policies or interventions, but of devolving more responsibilities to local partnerships to identify and tackle local priorities.

The 15 Cities Strategy pilots moved from strategy to delivery stage on 2<sup>nd</sup> April 2007. The Secretary of State for Welfare announced that pilot areas would receive:

- ❑ Control of a £32million Deprived Areas Fund in 2007/08 and 2008/09;
- ❑ Promise of at least £5million reward funding for improved outcomes;
- ❑ A package of flexibilities including: improved access to training; improved data sharing; and improved transitions to employment programmes and work.

### **The Cities Strategy in East London<sup>4</sup>**

#### ***Who***

The East London Cities Strategy consists of a consortium of the five local authorities of Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest, as well as the Greater London Authority, the London Development Agency, Jobcentre Plus, the Learning and Skills Council and the East London Business Alliance.

#### ***Why***

Despite their proximity to the City of London and other significant areas of economic growth, the five boroughs of the East London Cities Strategy have the highest levels of worklessness in the UK. (job growth in the area increased by 15% between 1998 and 2004). Newham and Hackney have the highest levels of worklessness in the UK. Additionally in Tower Hamlets, Newham and Hackney, the employment rate is below 60%. The five boroughs also have some of the highest levels of child poverty. There are 46,000 workless households with children in the five boroughs. 19% of couples with children and 60% of lone parents are workless. In the five boroughs there are currently 37,000 JSA

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<sup>4</sup> The East London Cities Strategy Expression of Interest can be viewed at:  
<http://www.dwp.gov.uk/welfarereform/docs/EastLondon.pdf>



claimants, 67,000 sick or disabled people claiming benefit and 34,000 lone parents claiming benefit. Estimates also suggest in addition to this there are a staggering 138,000 non-benefit claiming workless individuals.

### ***Aim***

The overarching aim of the Pilot is to increase employment rates within the five boroughs by ensuring residents are able to access jobs both locally and within the wider labour market. To date a growth in employment opportunities within the five boroughs has not led to a commensurate reduction in worklessness.

### ***Focus***

The East London Cities Strategy core focus is on worklessness and its linkages to child poverty. It is therefore working towards the national targets of an employment rate of 80%, and a reduction in child poverty levels by 50% by 2010, and 100% by 2020.

### ***Strategy***

The consortium brings together the main strategic and delivery partners in East London whose activities are related to and impact upon worklessness. It seeks to build on successful joint working that has commenced through Local Strategic Partnerships and Local Area Agreements in the five boroughs and is in particular based around shared understanding of local factors, the promotion of setting joint priorities, targets and commissioning, and alignment and pooling of funds. Particular collaborative activities will include joint commissioning between the members of the consortium to enhance use of good models and eradicate duplication; and work with partners and colleagues involved in developing other key local initiatives such as London 2012 Employment and Skills Taskforce (LEST) and Local Employment and Training Framework (LETF), again to ensure alignment and coverage of activity.

### ***Delivery***

The delivery activities of the Consortium are based around three top line thematic priorities: reduction in child poverty levels; transition from education to training and employment; and worklessness. Delivery activities will seek to build on the many examples of good practice and projects within the five boroughs such as the Greenwich Local Labour and Business project and roll them out across a wider area.

## **The Cities Strategy in Greater Manchester<sup>5</sup>**

### ***Who***

The Greater Manchester City Strategy Consortium comprises the ten local authority districts (Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan), the Greater Manchester Learning and Skills Council, two Jobcentre Plus Districts (GM Central and GM East and West), the North West Development Agency, Manchester Enterprises, the Regional Strategic Health Authority, the Greater Manchester Transport Executive, the Greater Manchester Employer Coalition Board, Greater Manchester Chamber of Commerce, and the Greater Manchester Council for Voluntary Service.

### ***Why***

While Greater Manchester is producing thousands of new jobs per year these jobs are largely out of reach of workless communities. Also despite the rapid expansion of the Greater Manchester economy, the employment rate in Greater

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<sup>5</sup> The Greater Manchester Cities Strategy Expression of Interest can be viewed at: <http://www.dwp.gov.uk/welfare-reform/docs/GreaterManchester.pdf>

Manchester has stagnated with the patterns and pockets of severe worklessness remaining the same over the last five years.

### ***Focus***

The Greater Manchester Cities Strategy is focused on the 58 wards in the city region with the worst labour market conditions. Collectively these wards have a workless rate of 27.7%. More specifically, 40% of Greater Manchester's out of work benefit claimants are resident within these wards, 44% of the Job Seekers Allowance claimants, 38% of Incapacity Benefit claimants and 48% of Greater Manchester's Lone Parents. The Consortium's primary aim is to reduce the volume of residents on such benefits in these targeted wards and to assess specific barriers to employment amongst BME groups, Over 50's, people with no qualifications, and ex-offenders.

### ***Strategy***

The strategy of the consortium is to build on existing collaborative arrangements in the city region and apply them more specifically to worklessness. Therefore Greater Manchester has been chosen as the geographical area for the Cities Strategy because:

- ❑ It is a coherent economic area with a strong track record of collaborative working and with existing economic strategies in place;
- ❑ It is the area that has been proposed for new governance arrangements under the New Deal for Towns Cities and Regions;
- ❑ It provides a coterminous fit with the existing management boundaries for key partners including Jobcentre Plus and the Learning and Skills Council;
- ❑ It is the appropriate level to build the competitiveness of the labour market by raising skills and employability thereby improving economic performance and productivity;
- ❑ It offers the opportunity to spread the benefits of new job opportunities and economic growth amongst disadvantaged neighbourhoods and communities.

### ***Delivery***

The delivery plan of the Greater Manchester Cities Strategy is split into 2 phases. Phase 1 activity predominantly focuses on the worst performing wards in the Manchester Central Jobcentre Plus District and will seek to build on a number of existing initiatives and projects including Pathways to Work, the Stepping Stones Incapacity Benefit project, and good practice developed by Action Teams. Phase 2 of the Consortium will take place from 2008 to correspond with the extension of Pathways to Work when activity will be rolled out across the sub region. The delivery framework is based on three linked principles of: improved engagement of workless residents; co-ordinated delivery of employment support and training services; and supporting employers to recruit workless residents and retain people in work.

### **Conclusion**

Worklessness is one of the key challenges facing policy makers and local strategists and deliverers. Partnership and collaboration in strategy and delivery have become key concepts in 21<sup>st</sup> century governance with mechanisms such as Local Strategic Partnerships and Local Area Agreements changing the ways in which previously separated organisations and authorities work to deliver programmes, projects and services. Increasingly resources, skills and knowledge are being aligned to meet shared priorities and targets. The issue of welfare reform is one which in the past has been very one-size-fits-all, Whitehall and single agency led. The Cities Strategy, as has been explored in this bulletin offers the opportunity for local collaborations and partnerships to more effectively tailor local delivery solutions to address 'wicked issues' such as worklessness. The

Cities Strategy programme is in its very early stages with funding allocated on 2<sup>nd</sup> April and delivery activity only now beginning to take place in the 15 pilot areas. It will be interesting to revisit the Strategies in the near future to assess whether they are working in ensuring collaborative approaches and more importantly whether they are achieving significant change in the most employment deprived areas.

The government has a commitment of 80% employment. In recent work commissioned by Department of Work and Pensions<sup>6</sup>, it was highlighted that this aspiration is a stretching target. However to achieve this target, evidence to date would suggest that the private sector employment or indeed third sector employment are unlikely to do this on their own. Even significant economic growth is unlikely to achieve this target as the stock of incapacity benefits, as demonstrated by Professor Ivan Turok's work in Glasgow has shown is largely static<sup>7</sup>. It would appear therefore that the public sector and public sector employment is a key aspect to achieving this target.

***Worklessness, welfare reform and child poverty are themes that CLES will be researching further in the coming 12 months. If you have any thoughts on worklessness or examples of good practice delivery activity or collaborative working in your area, please contact Matthew Jackson on 0161 236 7036 or [matthewjackson@cles.org.uk](mailto:matthewjackson@cles.org.uk)***

**Bulletin** is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Rapid Research and bespoke Briefings on a range of issues.

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<sup>6</sup> Freud, D (2007) *Reducing dependency, increasing opportunity: options for the future of Welfare to work*, Presentation to CLG/DWP worklessness conference, Manchester April 2007.

<sup>7</sup> Turok, I (2007) *Delivering Full Employment: Challenges Facing Cities*, Presentation to CLG/DWP worklessness conference, Manchester April 2007.