



House of Commons

Committee of Public Accounts

**Sustainable
employment:
supporting people to
stay in work and
advance**

Thirteenth Report of Session 2007–08

The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

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Rt Hon Alan Williams MP (*Labour, Swansea West*)
Phil Wilson MP (*Labour, Sedgefield*)

The following were also Members of the Committee during the period of the enquiry:

Annette Brooke MP (*Liberal Democrat, Mid Dorset and Poole North*) and
Mr John Healey MP (*Labour, Wentworth*).

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Emma Sawyer (Committee Assistant), Pam Morris (Committee Secretary) and Alex Paterson (Media Officer).

Contacts

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Summary

Although the United Kingdom is experiencing high employment levels, many people still have difficulty staying in work. Of the 2.4 million Jobseeker's Allowance claims made each year over two-thirds are repeat claims. While some turnover is a natural feature of the labour market around 40% of people moving from Jobseeker's Allowance into work will make another claim for Jobseeker's Allowance within six months.

The Department for Work and Pensions and the Department for Innovation, Universities and Skills have been slow to develop suitable shared objectives and targets for sustained employment. To date, the Department for Work and Pensions has used 13 weeks in work as a yardstick for sustained employment, but it now accepts that this measure is too short. The Departments have a commitment to develop shared performance measures that reflect how training contributes to sustained employment, but current data systems do not allow this information to be measured for each individual client.

People increasingly need better skills and qualifications to compete in today's labour market. The Department for Innovation, Universities and Skills has successfully achieved its interim targets for boosting the basic skills of 1.5 million adults between 2001 and 2007 and increasing the number of adults in the workforce with Level 2 qualifications by 1 million between 2003 and 2006. But the Government has now set more challenging targets to be achieved by 2020: 95% of adults to achieve functional literacy and numeracy skills (the levels needed to get by in life and at work) and 90% to achieve a first full Level 2 qualification (equivalent to 5 GCSEs at grades A*-C). The Departments hope to achieve these goals by introducing skills screening for benefits recipients, relaxing rules that restrict access to training provision for people on benefits, promoting better integration and take-up of pre-work and in-work training, increasing government funding for basic skills training, and launching a new Skills Account to give adult learners greater choice and control over learning. Through Skills Accounts, learners will be able to purchase, using public money, relevant learning at an accredited, quality assured provider of their choice.

The difficulties that low-skilled employees face in competing in today's labour market are compounded by people with the lowest skills being the least likely to be trained by their employers. Around a third of employers do not invest in training, although the number of employers who say that they are training their staff has increased from 900,000 (65%) to 978,000 (67%) in the last two years.

On the basis of a report by the Comptroller and Auditor General,¹ we took evidence from the Department for Work and Pensions, the Department for Innovation, Universities and Skills, Jobcentre Plus and the Learning and Skills Council on their efforts to deliver sustainable employment, focusing on the reasons why people are unlikely to stay in work; the contribution which education is making to improving employability; and whether employment programmes reflect the needs of business and local markets.

1 C&AG's Report, *Sustainable employment: supporting people to stay in work and advance*, HC (Session 2007–08) 32

Conclusions and Recommendations

- 1. Over a fifth of people who leave benefits and enter work return to Jobseeker's Allowance within 13 weeks, and 40% are back on benefits within six months.** Despite high employment levels many people cycle between work and benefits. Improving job sustainability and reducing the time that repeat claimants spend on benefit by 50% could save some £520 million a year.
- 2. Information is lacking on how long people stay in work and the reasons why they return to benefit.** Such information should be used by the relevant departments to design programmes which better reflect the needs of those most at risk of temporary employment and in particular better matching of people to jobs and providing in-work support, such as mentoring and facilitating access to training opportunities.
- 3. Thirteen weeks is too short a time for a job to be considered sustainable.** The Department for Work and Pensions is now developing indicators to demonstrate its longer term impact on sustainable employment. Success also depends on skills development which is the responsibility of the Department for Innovation, Universities and Skills. Both Departments should implement an integrated performance measurement system that tracks the impact of their support over a longer period drawing on good practice internationally.
- 4. People with the lowest skills are the least likely to be trained by their employers.** Gaining vocational qualifications in the work place can improve the earnings and productivity of low skilled adults but depends on the willingness of employers to support such training. Train to Gain provides fully subsidised training for low-skilled workers up to a first full Level 2 qualification (equivalent to five GCSEs at grades A*-C) and has been successful in engaging hard-to-reach employers. A full evaluation is needed of how this success was achieved so that lessons learned can be applied more widely and to other business sectors particularly where there are skills shortages.
- 5. There is a risk of the regulatory burden on employers reducing the time and resources they have to train staff at work.** The Department for Innovation, Universities and Skills wants to package the in-work training it offers into more coherent programmes that are easier for employers to navigate. It needs to work with employers if it is to achieve a demand-led system that actually provides staff with the training they need.
- 6. Disadvantaged workers such as the long-term unemployed, those with poor numeracy or literacy and lone parents still encounter difficulties in accessing sound advice on local learning opportunities and how these will increase their employability.** Accessibility has improved through more advice becoming available face-to-face, on the telephone and on-line. But Jobcentre Plus needs to develop outreach networks targeted at helping disadvantaged people who are unlikely to seek advice through traditional routes.

7. **Businesses are unlikely to participate in Local Employment Partnerships if the civil service itself is reluctant to use the partnerships as a source of recruitment.** The partnerships, established by Jobcentre Plus, are intended to match up people most disadvantaged in the labour market with local job opportunities. The Department for Work and Pensions should establish a cross-Whitehall protocol on participation supported by practical advice for the wider public sector on the likely benefits.
8. **The new Skills Accounts scheme will allow learners to decide which training to purchase from a range of accredited learning providers, but it has not yet been risk-tested against malpractice.** The Individual Learner Accounts programme was terminated in 2001 following evidence of abuse and revelations about the potential scope for fraudulent claims.² The Department for Innovation, Universities and Skills' new scheme needs to be thoroughly risk-tested before being rolled-out nationally.

1 The challenge for employment and skills support programmes

1. Although the United Kingdom is experiencing high employment levels (74.5% in the quarter ended May 2007), many people still have difficulty gaining long-term work that enables them to have an income that lifts them out of poverty. Our report on Workless Households examined the Department for Work and Pensions' progress in helping those furthest from the labour market into work.³ In this report, we look at efforts to help people who cycle between work and benefits. Of the 2.4 million Jobseeker's Allowance claims made each year over two-thirds are repeat claims. Within six months of moving into employment from Jobseeker's Allowance, 40% return to benefits.

2. The National Audit Office estimates that if it were possible to reduce the time that repeat claimants spend on benefit by 50%, the Exchequer would save £520 million a year. Even if it were not possible to achieve a reduction of this magnitude, increasing the time that people stay in work can improve the benefit derived from expenditure on helping people into work. For example, **Figure 1** shows that the return on expenditure in New Deal programmes improves with increasing job duration.

Figure 1: The return on investment in employment programmes improves with increasing job duration.

Programme	Programme costs (£ million) ¹	Additional jobs ²	Net fiscal benefit (cost) to the Exchequer for different length of job outcomes (£million) ³			
			3 months	6 months	12 months	2 years
New Deal for Disabled People	74.979	11,064	(54.867)	(34.754)	5.470	83.200
New Deal for Lone Parents	77.617	15,684	(60.342)	(43.067)	(8.516)	58.248
New Deal 25 Plus	125.725	10,324	(105.900)	(86.075)	(46.425)	30.193
New Deal for Young People	204.539	17,457	(176.350)	(148.161)	(91.784)	17.160
New Deal 50 Plus	8,197	2,263	(5.325)	(2.453)	3.289	14.389
New Deal for Partners	4.689	61	(4.697)	(4.710)	(4.737)	(4.788) ⁴

Notes:

1 Programme costs are for 2005–06 and include delivery and administrative costs.

2 Additional Jobs are for 2005–06 and are estimates of the number of jobs gained that are additional to those that might have been gained without the programme. Estimates are based on programme evaluations.

3 Net fiscal benefit (cost) is the difference between the costs of the programme and the benefits that will flow back to the Exchequer in benefits saved, and increased tax revenue, less the cost of increased Tax Credits payable to people who move into work.

4 The results of New Deal for Partners are based on a low income assumption that the partner's benefit continues, less saving in housing benefit and council tax. As a result, negative gross fiscal benefit is calculated.

Source: National Audit Office analysis of Department for Work and Pensions data

3. People cycle between work and benefits for many different reasons. Some churn is natural in a dynamic labour market, with 6.5 million people moving between jobs each year. During 2005-06, around 1.6 million people entered work from unemployment, and 1.4 million people became unemployed in the same period.⁴

4. These figures on movement in and out of jobs include foreign-born workers, and data shows that in 2005-06 around 400,000 foreign-born people entered work from unemployment or inactivity. This figure is in line with the foreign-born proportion of the overall population, so it is likely that they are neither over nor under represented in the overall flows in the labour market. The available data do not allow an assessment of whether recently arrived migrants are moving into work at a disproportionately greater rate than local workers, so it is impossible to say whether, for example, skilled tradesman from Poland are increasing the competition for available jobs faced by local workers.⁵

5. One factor contributing to movement in and out of work is that around 1.5 million people are in temporary jobs: some people work in part-time and temporary jobs through choice as short-term work can provide valuable experience and is a first step into the labour market for many people. If people are only able to gain short-term work, however, then this contributes to benefit cycling and may not help them out of poverty. The Department considers that it can best maximise its impact by focusing on raising the overall employment level and by supporting people with low skills, as the lowest skilled are more likely to be limited to jobs in high turnover sectors. Although the rate of churn has remained constant since the 1980s, the absolute number of repeat benefit claims has fallen, while the average duration of a job has risen from 8 years to 8.9 years in the last decade.

6. The barriers that keep some people from finding work, such as financial concerns and caring responsibilities, can also make it difficult for them to stay in work (**Figure 2**). A number of measures are in place so that the recently in work are not financially worse off than when they were receiving benefits. Many people moving from benefits to work are eligible for Working Tax Credit and childcare support. In some regions, the Department is offering in-work credits of £40 per week for 12 months (£60 per week in London) to help people bridge the gap as they move off benefits. In addition, the Department announced in November 2007 that it will introduce a guarantee that anyone moving from benefit into work will have an income that is higher by at least £25 a week.⁶

4 Q 34; C&AG's Report, paras 1, 1.1, 1.2

5 Ev 20

6 Qq 3-4, 33, 40, 50, 53-54, 61; C&AG's Report, paras 1.3, 1.9

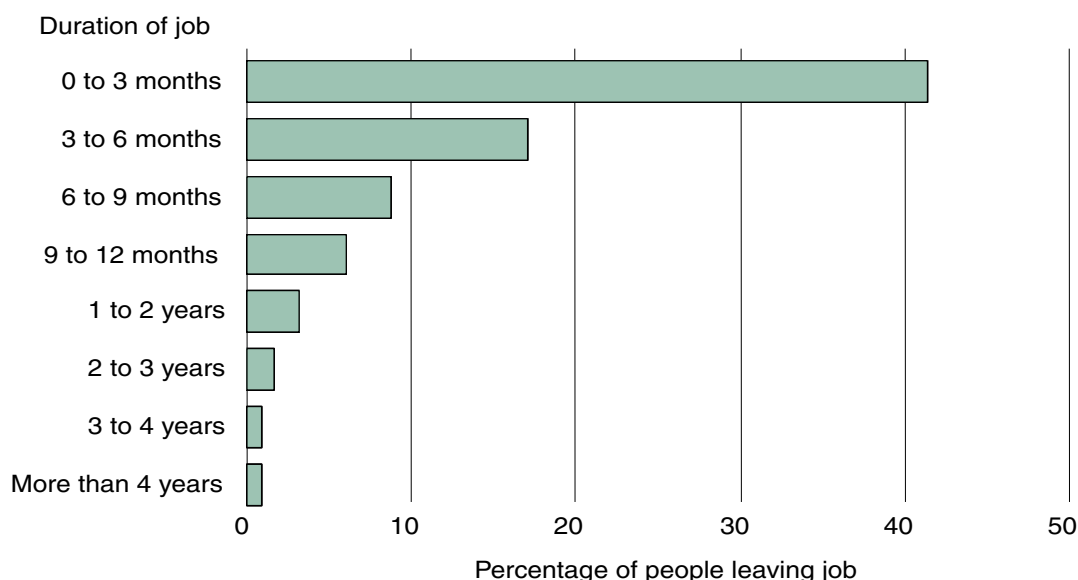
Figure 2: A number of factor appear to increase the risk that a person will leave work

Individual characteristics			Work-related factors
Age (under 25s and over 55s)	Low skills / absence of qualifications	Having entered work in the last year	Relationship with colleagues
Poor numeracy	Caring responsibilities including childcare	Poor social networks	Relationship with employer
Poor health or disability	Lack of financial gain or better standard of living	Lack of motivation to work or escape benefits	The fit of the job with other commitments and aspirations
Lack of financial savings	Living in rented properties, particularly social housing	Lack of support from family and friends	Lack of progression opportunities
Multiple benefit spells	No driving licence / no access to private transport		Working part-time for low pay

Source: National Audit Office literature review

7. The Department for Work and Pensions is reviewing the indicators used by Jobcentre Plus and Employment Zones to measure their success in helping people into sustained employment. At present, Jobcentre Plus advisers record a job 'outcome' if a person starts a job expected to last for at least 13 weeks within six weeks of finishing a training or support programme. Some groups, such as lone parents, are more likely to leave a job during the first three months of employment (**Figure 3**). As a result the Department accepts that 13 weeks is too short to be an adequate measure of sustainable employment. The Workstep programme already uses a 26 week measure, and the Department plans to simplify the current New Deal packages into a single, flexible programme, and will adopt a measure longer than 13 weeks to measure its impact.⁷

Figure 3: Job exits for lone parents are highest during the first three months in work



Note: Duration of jobs ending between April 2004 and March 2005

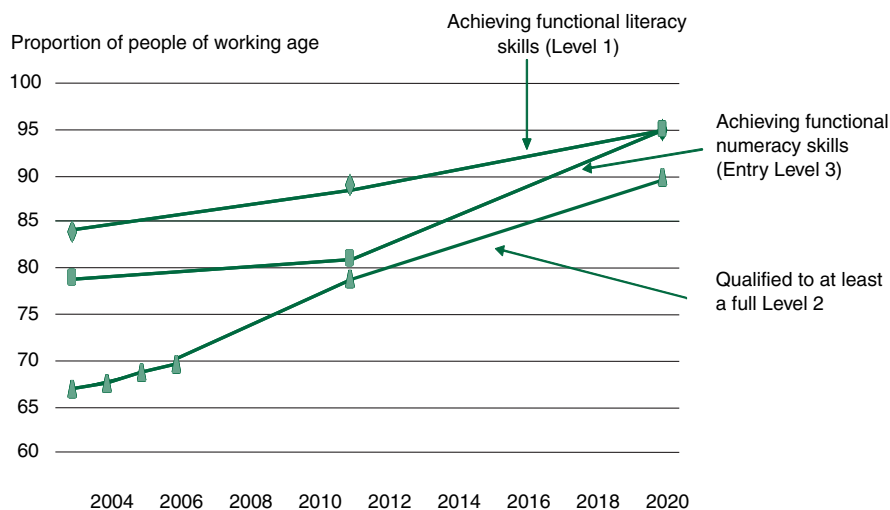
Source: *Experience of work and job retention among lone parents: an evidence review, Working paper 37, Department for Work and Pensions, 2007*

2 The role of education in improving employability and its link with employment services

8. People increasingly need better skills and qualifications to compete in the labour market. Employers want skilled employees⁸, and lack of basic skills, particularly literacy and numeracy, is a major barrier to obtaining work and to advancing at work⁹. To improve adult literacy and numeracy levels, the Department has used major advertising campaigns to promote basic skills training. Interim targets to improve the basic skills of adults and reduce the number of adults in the workforce without a full Level 2 qualification (equivalent to 5 GCSEs at A*-C grade) have been met. By the end of 2006, 1.76 million adults (target: 1.5 million) had improved their basic skills while 1.14 million more adults (target: 1 million) had achieved at least a Level 2 qualification. Many employers, however, are concerned about the number of people who leave school without basic skills.¹⁰

9. In its implementation plan for the Leitch review of skills, the Government has now set a more challenging set of targets to be achieved by 2020.¹¹ If the 2020 targets are reached, 95% of adults will have functional literacy and numeracy, up from 85% literacy and 79% numeracy in 2005 and more than 90% of adults will have gained at least a Level 2 qualification, up from 69% in 2005 (Figure 4).¹²

Figure 4: More challenging targets have been set for adult literacy, numeracy and Level 2 qualifications



Note: Entry Level 3 is the national school curriculum equivalent for attainment at 9 to 11 years of age, Level 1 is equivalent to a GCSE at grade D–G and a first full Level 2 is equivalent to 5 GCSEs at A*–C grade. Performance data for the functional literacy and numeracy will not be available until a survey is undertaken in 2008.

8 *National Employers Skill Survey, 2005*, Learning and Skills Council, 2006

9 *DfES and DWP: A shared evidence base—the role of skills in the labour market*, Department for Education and Skills the Department for Work and Pensions, 2007

10 Q 65

11 *World Class Skills: Implementing the Leitch Review of Skills in England*, July 2007

12 Qq 1, 11–13, 36–39, 42–45, 57, 59, 63, 72, 75–76, 93, 108–110; C&AG's Report, para 4.15

10. The Government is introducing Skills Accounts to give adult learners greater choice and control over learning. Learners will be able to purchase using public money relevant learning at an accredited, quality assured provider of their choice. The Accounts are being introduced on a rolling basis, starting with a pilot scheme involving 4,000 learners at a cost of £10 million. While the evaluation will not be completed until August 2009, the accounts will also build on the lessons learned from the Individual Learning Accounts programme, which closed in 2001 following evidence of abuse and revelations about the potential scope for fraudulent claims.¹³ Unlike the previous scheme, the new accounts will only offer learning at providers that are quality assured by the Learning and Skills Council. Training providers will receive their payments as part of the mainstream Learning and Skills Council funding process, whereas Individual Learning Accounts relied on a private sector contractor to handle payments.¹⁴

11. Low-skilled workers are the least likely to be trained by their employers¹⁵ perhaps because firms consider they will receive better return for their investment training those who already have some qualifications to reach a higher level. It is possible to access free basic skills training outside work, but research shows that for low-skilled adults, gaining vocational qualifications in the workplace brings the greatest improvement to earnings and productivity.¹⁶ As a result, the Department for Innovation, Universities and Skills is prioritising expenditure on free basic skills and Level 2 training provision, so that some of the financial barriers that prevent employers from training low-skilled employees are removed.¹⁷

12. Around a third of British employers do not invest in training – a proportion similar to other OECD countries.¹⁸ There are clear differences in expenditure on training between different sectors of the economy, and small and medium-sized enterprises are less likely to fund training. Some employers consider that they have to provide their employees with skills that should have acquired at school. Nevertheless, the Learning and Skills Council survey evidence indicates that employers are now spending more on training with expenditure increasing over the last two years from £33.3 billion to £38.6 billion. In the same period, the number of employers who say that they are training their staff has increased from 900,000 to 978,000.¹⁹

13. The main government initiatives to increase employer involvement in training low-qualified staff are the Skills Pledge and Train to Gain. The Skills Pledge aims to stimulate demand for training services by inviting employers to commit voluntarily to support their employees to obtain basic skills and to work toward relevant qualifications up to at least Level 2. By October 2007, over 400 private and public sector employers covering almost 2.5

13 National Audit Office, *Individual Learning Accounts*, HC (2001–02) 1235

14 Qq 94–107; C&AG's Report, paras 4.18–4.20

15 *The Labour market Impact of Adult Education and Training: A Cohort Analysis*, Feinstein, Galindo-Rueda and Vignoles, 2004

16 *The returns to qualifications in England: updating the evidence base on Level 2 and Level 3 vocational qualifications*, Jenkins, A., Greenwood, C. and Vignoles, A., London School of Economics, 2007

17 Qq 10, 72, 67; C&AG's Report, paras 4.4, 4.9–4.10

18 National Employer Skills Survey, Headline findings November 2007, Learning and Skills Council

19 Qq 9, 46–47, 64–66, 71, 85–87; C&AG's Report, para 4.4

million employees had made the pledge. Train to Gain aims to provide businesses with a simple-to-understand brokerage service, funding support for training (including free training for a first full Level 2 qualification or a Skills for Life literacy and numeracy qualification) and for small employers, wage compensation for time employees spend in training. The Department for Innovation, Universities and Skills plans to expand the Train to Gain programme with an increase in budget from £400 million this year to some £1 billion by 2010.²⁰

14. The success of Train to Gain will be measured in part by the amount of additional training that it stimulates. Evaluation of Employer Training Pilots, a similar scheme trialled from 2002 by the then Department for Education and Skills, found that only 10 to 15% of the training undertaken in the first year would not have happened without the programme. When promoting Train to Gain, the Learning and Skills Council has focused on engaging with 'hard to reach' employers who would not otherwise have invested in training. In its first year since it launched nationally in August 2006, Train to Gain has engaged with 52,730 employers, of whom 72% (target 51%) were classed as 'hard to reach'.²¹

15. There is a risk of the regulatory burden on employers reducing the time and resources they have to train staff at work. The Department for Innovation, Universities and Skills wants to reduce the administrative burdens on business by 25% by 2010. It wants to package the in-work training it offers into more coherent programmes that are easier for employers easier to navigate, shifting the whole system to a demand-led principle that is responsive to employers' priorities.²²

16. The Learning and Skills Council has only engaged with a small proportion of employers and recognises that achieving learner targets (the number of people who have signed up for and completed training) will be challenging. The Council's top-level target is to train 807,000 employees by the academic year 2010-11.²³ In its first year it trained almost 250,000 employees which was well below the planned profile, partly because it experienced some difficulties in persuading employers to co-finance higher level qualifications.²⁴

17. On 26 November 2007 the Secretary of State for Work and Pensions announced the introduction of systematic skills screening for new out-of-work benefits claimants and for claimants who reach six months on Jobseeker's Allowance. The Learning and Skills Council is developing 'Skills for Jobs', an umbrella term for their pre-employment training packages, and promoting the Train to Gain scheme. Along with Jobcentre Plus, the Learning and Skills Council is working to strengthen the links between pre-work and in-work training, for example Jobcentre Plus plans to introduce a marker on job vacancies that will allow jobseekers to see which jobs will also provide on the job training.

18. There is still a disconnect between targets for employment services and targets for skills services, even though the National Employment Panel recommended an alignment of

20 Qq 8, 14-15; C&AG's Report, paras 4.10-4.14

21 Hard to reach employers are defined as employers that are not Investors in People recognised and have not accessed substantial vocational training leading to a qualification within the last 12 months.

22 Q 8

23 *Train to Gain: A plan for Growth November 2007-July 2011*, Learning and Skills Council, 2007

24 Qq 7, 66, 68, 70, 80-81; C&AG's Report, paras 4.10-4.12

objectives and performance indicators in 2004.²⁵ Employment targets measure the number of people helped into work, without sufficient consideration of whether people enter sustained employment. Skills targets have focused on qualifications achieved, without analysing whether qualifications have helped people gain employment or advance at work. As announced in the Government's July 2007 response to the Leitch review, the Department for Innovation, Universities and Skills and the Department for Work and Pensions are currently working to develop a shared objective of sustainable employment and progression. Data limitations prevent the Departments from tracking how people progress from qualifications through to employment, although they aspire to share data and so move towards more integrated targets in the longer term.

19. Currently benefit rules prevent Jobseeker's Allowance recipients from studying for more than 16 hours per week, for more than two weeks per year, which can prevent them from completing vocational training to increase their chances of gaining a job. To allow people to undertake full-time training linked to specific job opportunities, the Secretary of State for Work and Pensions announced on 26 November 2007 that the benefit rules will be relaxed. People who have been claiming Jobseeker's Allowance for six months or more will in future be able to undertake full-time training for up to eight weeks, provided that the training is focused on a return to work.²⁶

25 *Welfare to Workforce Development*, National Employment Panel Skills Advisory Board, February 2004

26 Q 17

3 Meeting the needs of business and local labour markets

20. Linking skills and employment support to local labour market needs is of critical importance because the jobs available, the skills needed and the skills of people looking for work vary between regions and these variations can be even greater at the local level. Competition for vacancies is greatest in London, Yorkshire and Humberside, the West Midlands and the North East. In the National Audit Office's surveys of Regional Development Agencies and Local Strategic Partnerships, eight of the nine Regional Development Agencies and 78% of the Local Strategic Partnerships considered that 'skills mismatch' was one of the barriers to employment in their area.

21. At a regional level Jobcentre Plus and the Learning and Skills Council work with a range of organisations including Regional Development Agencies, Regional Skills Partnerships, and employment and skills boards to understand the future needs of local labour markets. When deciding which training to supply, the Learning and Skills Council takes a lead from Regional Development Agencies. Every Regional Development Agency has a regional economic strategy that sets out in the short, medium and long terms how it sees economic development in that region, including the priorities for jobs growth and sector growth. It is important that Jobcentre Plus and the Learning and Skills Council take full account of what employers expect by way of jobs and long-term skills needs. The Learning and Skills Council's 150 local partnership teams aim to allow the Council to keep in close touch with local employers to understand their changing needs, while the Train to Gain programme helps employers to meet their current training requirements.²⁷

22. Jobcentre Plus is establishing Local Employment Partnerships to match up the people most disadvantaged in the labour market with local job opportunities. Employers who sign up for the partnership commit to offering employment opportunities to people who are furthest from the labour market, while the Government undertakes to provide candidates who are ready to work and who have the skills needed for the specific jobs on offer. To date, over 200 companies have agreed to participate. Jobcentre Plus agrees that the public sector also has an important role to play as an employer in this initiative. A working party of Departmental Permanent Secretaries has been established to determine how the civil service will participate in Local Employment Partnerships.²⁸

23. Adult training is becoming increasingly 'demand-led' and responsive to employers' needs. This trend is reflected in the funding of adult provision (**Figure 5**). Changes to arrangements in skills provision include:

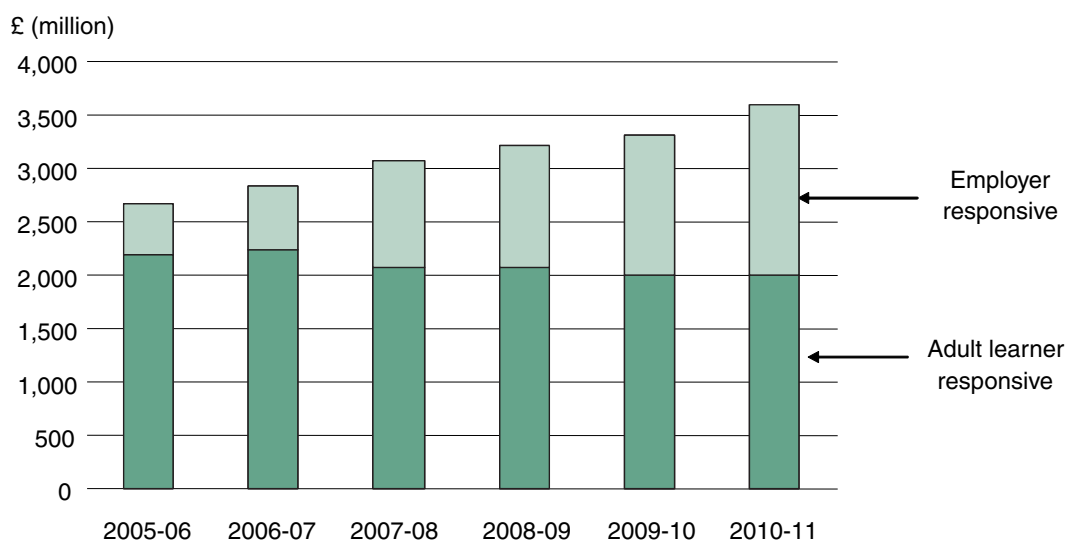
- The rationalisation of adult vocational qualifications, which began in 2003. The reforms aim to offer clear progression routes and to allow employers and providers with a greater range of options for having their own training nationally accredited.

27 Qq 27–30, 58

28 Qq 23, 56, 60; C&AG's Report, para 5.6

- The development of a standard set of indicators for assessing the quality of provision in post-16 learning providers. Responsiveness has been identified as one of the key performance areas. The framework is due to be implemented from summer 2008.
- A new standard for the employer responsiveness and vocational excellence of training providers. This new standard will provide a badge of quality for employers to look for when purchasing training.

Figure 5: An increasing proportion of adult funding is planned to be spent on employer responsive provision



Note: Employer responsive provision includes employer-based National Vocational Qualifications, Apprenticeships and work-based learning and Train to Gain. Adult learner responsive provision includes further education (19+), learndirect, employability learning, adult safeguarded learning and the Offender Learning and Skills Service.

24. The Comprehensive Spending Review 2007 announced funding for over 7.3 million training places over the period 2008-09 to 2010-11, representing a drop in the number of training places of 0.7 million compared to those available between 2005-06 and 2007-08.²⁹ Resources are being refocused on priority areas including Skills for Life, full Level 2 and Level 3 provision and all employer responsive provision, with the number of training places in these areas set to increase.

Formal Minutes

Monday 18 February 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr Ian Davidson

Mr Philip Dunne

Mr Nigel Griffiths

Mr Keith Hill

Mr Austin Mitchell

Dr John Pugh

Geraldine Smith

Mr Alan Williams

Draft Report (*Sustainable employment: supporting people to stay in work and advance*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 24 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Thirteenth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 20 February 2008 at 3.30 pm.]

Witnesses

Monday 26 November 2007

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Adam Sharples, Director-General, Work, Welfare and Equality Group, Department for Work and Pensions, **Stephen Marston**, Director-General, Further Education and Skills Group, Department for Innovation, Universities and Skills, **Mark Haysom**, Chief Executive, Learning and Skills Council, and **Lesley Strathie**, Chief Executive, Jobcentre Plus

Ev 1

List of written evidence

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| 2 | Department for Work and Pensions | Ev 19 |

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Oral evidence

Taken before the Public Accounts Committee

on Monday 26 November 2007

Members present:

Mr. Edward Leigh (Chairman)

Mr. Richard Bacon
Angela Browning
Mr. David Curry
Mr. Philip Dunne
Nigel Griffiths
Keith Hill

Mr. Austin Mitchell
Dr. John Pugh
Geraldine Smith
Mr. Don Touhig
Phil Wilson

Sir John Bourn KCB, Comptroller and Auditor General, **Mr. Tim Burr**, Deputy Comptroller and Auditor General, and **Trish Brown**, Director, National Audit Office, were in attendance.

Marius Gallaher, Alternate Treasury Officer of Accounts, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Sustainable Employment: Supporting People to Stay in Work and Advance (HC 32)

Witnesses: **Adam Sharples**, Director-General, Work, Welfare and Equality Group, Department for Work and Pensions, **Stephen Marston**, Director-General, Further Education and Skills Group, Department for Innovation, Universities and Skills, **Mark Haysom**, Chief Executive, Learning and Skills Council, and **Lesley Strathie**, Chief Executive, Jobcentre Plus, gave evidence.

Q1 Chairman: I apologise to our witnesses for starting a few minutes late. We try to avoid that. Today, we are considering the Comptroller and Auditor General's Report, "Sustainable employment: supporting people to stay in work and advance". We welcome Mark Haysom, Chief Executive of the Learning and Skills Council, Lesley Strathie, Chief Executive of Jobcentre Plus, Adam Sharples, Director General of the further education and skills group at the Department for Work and Pensions, and Stephen Marston, Director General of Further Education and Skills Group at the Department for Innovation, Universities and Skills. I want to start with the Departments for Work and Pensions, and for Innovation, Universities and Skills. We had a statement this afternoon, and I deprecate the fact that we were not given more warning of it. It was relevant to what we are discussing this afternoon, and if we had had it last week, it might have influenced our questions. I, for one, could not hear the statement because I had to be briefed by Sir John Bourn at 3.30 pm, so I have no idea of what was in it, apart from the fact that it took place. It is unusual to have a statement on the same day as a PAC inquiry, so will you please tell us how it affects our inquiry?

Adam Sharples: Perhaps I can comment on that. The background is that the Prime Minister made a speech today at the Confederation of British Industry, which was developing the theme that we need to do better with skills and to link employment and skills much more closely than in the past. Linked to that speech, the two Departments, DIUS and the DWP, published a joint document on opportunity,

employment and progression, which develops that theme. Our Secretary of State made a written statement, and the DIUS Secretary of State made an oral statement this afternoon.

It is important to stress that the content of those statements is very much in tune with the analysis in the National Audit Office Report. We welcome the Report, which is excellent. The argument is that it is not enough just to get people into jobs, and that we must think about giving them the skills to progress in work. That argument was powerfully made in the NAO Report, and was strongly echoed in the statements today.

I recognise, Chairman, that from the Committee's point of view, the coincidence of timing was not ideal, and that you would have preferred to see the content of the statements before today, but I hope that I can reassure you that the content is very much in tune with the content of the Report.

Q2 Chairman: So, basically, we have had a National Audit Office Report, you have accepted its recommendation, and this hearing is redundant. Is that right?

Adam Sharples: Not at all, Chairman. We have seen the Report, and worked with the National Audit Office on it, so we have been aware for some time that its content is very much in line with the way in which thinking in the Departments has developed. It seems to me that that is good news, rather than something we should worry about. We are delighted to have the opportunity this afternoon to respond to questions on the NAO Report.

Q3 Chairman: Some 40% of people who leave Jobseeker's Allowance to enter employment are back on benefits within six months. Obviously, it is good that people get short-term jobs, but it is more important to get people jobs with a sustainable future. How are we going to stop that merry-go-round? It may be an impossible job and an impossible question, but I had to ask.

Adam Sharples: As you say, it is a complex matter, and the Report brings out well the complexity of the issues. There are a number of reasons why people leave a job after only a short period. Sometimes, the job is temporary—there are almost 1.5 million temporary jobs in the economy. In those cases, the reason why people come back on to benefit has nothing to do with choice; it is simply that the job has come to an end. In other cases, there might be an element of choice involved.

We need to recognise that, within a healthy labour market, there is a lot of turnover, which tends to be highest in lower-skilled occupations and among younger people. Therefore, it is a common pattern for younger people to go through a series of relatively short-term jobs before they settle down and find something that suits them. Clearly, we have a strong interest in getting people into sustained jobs, which is why the Departments have been working closely together to ensure that, as people look for work, they get the skills not only to get into work, but to progress to higher-skilled and more long-term jobs. Many of today's announcements relate precisely to that objective.

Q4 Chairman: If we look at paragraph 1.1 of the Report, which leads to paragraph 1.3, we will see that repeat claims have not gone down since the 1980s, despite the £5,350 million spent on new deal programmes. Why is that? Why are we in the same situation as in the 1980s, despite all the money that is being spent?

Adam Sharples: It is important to understand that statistic. The Report says that the proportion of repeat claims has not changed, but the number of people who are suffering a spell of unemployment has come down dramatically. In the 1990s, in the five-year period that the NAO looked at, around 10.5 million people suffered a spell of unemployment; in the equivalent period between 2002 and 2006, that dropped to about 6.4 million. The number of people flowing through the system, therefore, is falling quite dramatically, which is welcome. The proportion of people who have repeat spells has stayed the same, but the numbers going through the system have fallen dramatically.

Q5 Chairman: I do not know whether there was a statement—perhaps you will tell us—but if we read paragraph 18, we see that in 2004, it was recommended that you develop a shared target for skills and employment. In July 2007 and again in October 2007, you announced that you planned to develop one. This is addressed to both Mr. Haysom and Mr. Sharples. You are supposed to have a shared target for skills and employment, so why is it

taking so long? Perhaps the House was enlightened on the matter this afternoon, or you could perhaps enlighten us now.

Adam Sharples: Perhaps I could begin to answer that point and then hand over to Stephen Marston, who is my opposite number on the skills side.

The answer is that we have been working extremely closely together on aligning the targets that we adopt for employment and skills. We would like to get a measure of how people progress through the system, so we can find out how far a person who is out of work and looking for work progresses through skill levels to acquire qualifications that help them move into work and to increase their income. In a perfect world, we would have the data to allow us to follow that chain through. Unfortunately, we do not have those data sets at the moment. As an interim measure, we have adopted a measure of retention—how long people stay in jobs. To measure that, we use the inverse, which is to say the amount of time that people stay on benefits. From next April, we will publish an indicator of that measure of retention. On the skills side, we will use a measure of progression from skills into employment that is based on the new survey—the framework for excellence destinations survey—which will produce results from October 2008. For the interim we will have those two measures, but what we would like to do is establish gateways for data sharing between the Departments, which will allow us to move towards a more integrated target in the longer term.

Q6 Chairman: If we look at appendix 3, we see that you have got more than 25 programmes in this area. Is not that very expensive—to run so many programmes? Could you not simplify matters, or simplify your approach, to reduce transaction costs?

Adam Sharples: We think there are too many programmes, and that is why the Government proposed in the Green Paper, published in July, *In work, better off: next steps to full employment* a fairly radical simplification and rationalisation of the employment programmes. The particular proposition on which we have been consulting, about the various programmes for the long-term unemployed—at the moment, there are four or five of those: the new deal 25-plus, the new deal for young people, employment zones and private sector-led new deals—is that we should take those four variants of support for the long-term unemployed and put them into a single package, which we have called the flexible new deal. Consultation closed at the end of October, and the Government will be publishing their response to that consultation shortly, but the thrust of what we are trying to do is very much to simplify that. There is simplification going on in other areas as well, but that is the main one.

Q7 Chairman: Okay. I have got a couple more questions, before I let other members of the Committee come in. If you read paragraph 4.10, it says: "Evaluation of the first year of the programme"—that is Train to Gain—"estimated that only about 10–15% of the training would not

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have taken place without the programme, and that it was reaching relatively few employers who would not normally provide training.” Are you not paying employers to do something they would do anyway?

Stephen Marston: We very much hope not. That evaluation related to the employer training pilots, when we first started. A major part of what we were trying to do was evaluate carefully year by year how the pilots worked. It is true that in the pilots we found quite a high level of dead weight. When we rolled out the national programme from last year we precisely and deliberately took account of that so that there is a target within the brokerage system that focuses on hard-to-reach employers. Currently we are exceeding the target that we set for working with hard-to-reach employers.

Q8 Chairman: Well, the statement this afternoon, as I understand it, and the Report, are about improving skills. That is all fine, but there is another side to the coin. If you lessened the regulation burdens on employers, would that not give them more scope to improve training on the job? The burden of regulation might militate against this process.

Stephen Marston: One part of today’s statement is the further development of Train to Gain to try to make it a single coherent programme, which supports employers. It is a very important part of what we are trying to do to shift the whole system to a demand-led principle that takes what employers see as their priorities and responds to that.

Chairman: Thank you very much.

Q9 Mr. Touhig: The Comptroller and Auditor General’s Report confirms a view I have long held, that the best way to help low-skilled people to upskill, gain qualifications, earn more money, and become more productive is workplace training. Why do so few British companies recognise that?

Stephen Marston: We think from the data we have that about one third of employers do not train, and about two thirds do train. The majority of employers recognise exactly the point that you are making, but there is an issue about whether an employer who wants to train finds the publicly-funded service helpful and responsive, or not. What we have been trying to do over several years now—and today is a further big step—is make sure that where an employer wants to train, it is easy, straightforward and convenient to secure that training in the workplace. That is the fundamental principle of the Train to Gain programme.

Q10 Mr. Touhig: Two thirds of companies, you say, engage in training, but the Report also confirms that low-skilled, low-qualified people are much less likely to be trained by their employers.

Stephen Marston: Yes. Hence the focus of what we are doing, which is in effect to prioritise public funding into those areas of low skill. That is the top priority for the investment of public funds, so that we are removing at least a significant part of the financial barrier for employers to invest in those low-skilled employees.

Q11 Mr. Touhig: A few years ago, I remember seeing a Report that said that in the United States about 80% of people in work had been back in a learning situation since they left school; 56% had done so in Germany and Japan; and 30% had done so in the United Kingdom. Has that improved, do you think? Are we getting better?

Stephen Marston: We are certainly getting better. Year by year, the number of adults with qualifications is going up—at levels 2 and 3 and in higher education—and, year by year, the investment made by employers in training increases steadily.

Q12 Mr. Touhig: A full-page advert in tonight’s *Evening Standard*—maybe you have seen it—for Skills for Business states that “by 2020, over 40% of UK jobs will need to be degree-equivalent and above”, that “one in four employers can’t move upmarket because of skills issues”, and that “companies which don’t train staff are twice as likely to go out of business as those which do”. Do we need to focus hugely on upskilling and retraining?

Stephen Marston: Absolutely. That was the key message in Sandy Leitch’s Report last year, which we picked up on and responded to in our July Report, and today’s statement is another big move on.

Q13 Mr. Touhig: Do you think that it is a big move on? I appreciate what you have done, but it seems that you are just tinkering around the edges.

Stephen Marston: The scale of our ambition represents a lot more than just tinkering around the edges. The targets set for 2020 are benchmarked against the Organisation for Economic Co-operation and Development upper quartile, which would mean, for example, 95% of adults securing literacy and numeracy skills and equivalents at levels 2, 3 and 4, which is very ambitious. Similarly ambitious is the shift in effort and money going into the Train to Gain programme, which, by the end of this CSR period, in 2010–11, will account for more than £1 billion. This is a major and ambitious reform programme.

Q14 Mr. Touhig: Have you looked at what the Irish did with their objective 1 money, which we are not doing quite as well in Wales unfortunately. They upskilled people for jobs that they did not have, but when they got that skills base, they could attract companies. Has the Department considered such long-term investment in upskilling, even though the jobs are not there yet?

Stephen Marston: The balance between demand and supply is one of the hardest things to gauge accurately. We could take a supply-push agenda, which would mean securing more skills in the hope that employers would draw on them productively. However, that has not always worked in other countries. Our goal is to boost demand, particularly from employers and learners, through a range of interventions. We want employers to call for higher skill levels, and for us to manage the further education service to respond to that.

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Q15 Mr. Touhig: Do you not have to make your support as simple as possible? As I know well, about 97% of companies in Wales are small and medium-sized enterprises. I ran a number of small companies before coming to the Commons, but had very limited time in which to consider new initiatives for publicly-funded training.

Stephen Marston: You are right. It has been a long-standing concern that the system is complicated to understand. A major part of the Train to Gain programme is to ensure that the employer only needs to know that they can work with a skills broker who understands where the company is trying to get to and the skills needs involved in getting there, and who can source and organise the training programme to support it.

Q16 Mr. Touhig: Paragraph 5.5 on page 29 highlights the problem of people who start training in order to improve their skills, but then often have to choose between ongoing training and a job. Is there a way in which we could have more out-of-hours study, or flexible working hours, so that people can continue their training and get a job?

Stephen Marston: Yes there is, and again today is an important step on that journey. In particular we want to support those without a job so that they can gain at least the initial skills for effective job entry, and then to place them with employers, which can be supported through the Train to Gain programme, and to take them on to full qualifications. That integration is at the heart of what we are trying to do.

Mark Haysom: The other dimension to that is the need to ensure that our providers of the Train to Gain service—colleges and others—work as flexibly as employers need. That is crucial.

Q17 Mr. Touhig: Very often, however, people have their own ideas and ambitions for upskilling, and it does not matter what the employer has. The Report mentions a marker whereby those looking for jobs will know what jobs will add to their skills base and value as an employee. Should you be doing more of that? Should you be signposting it effectively in order to make it clear that there is upskilling in a job—that people will be able to train and reskill?

Adam Sharples: I think that the reference in the Report is to a marker in the Jobcentre Plus system. When vacancies are taken, a marker is now put on them to indicate that training will be available with that employer. It is helpful for jobseekers to see where there are links between a job opportunity and a training opportunity.¹

One other strand of the announcements today is a flexing of what is commonly known as the 16-hour rule. At the moment, the rule states that a jobseeker on Jobseeker's Allowance cannot train for more than 16 hours a week for longer than a very short period. We are broadening the opportunities there so that longer-term unemployed people will be able

to do full-time training, if it is geared to specific job opportunities. We are trying to flex that regime so that we can steer people into training opportunities that are clearly linked to a job opportunity at the end.

Q18 Mr. Touhig: That is interesting, and I noted that little bit in the statement. I have a lady in my constituency—I have known the family for years—who has not worked until the past few years, because she has been caring for elderly parents. She now has a job as a lollipop lady, seeing children safely across the road. She enjoys it very much indeed but, because of the hours that she is working, she is now going to have her benefits reduced because she is earning too much money on this little lollipop lady's job to qualify for the benefit. Having had the benefit reduced, the job itself is not sufficient to keep her. What incentive is that to keep that woman in work?

Adam Sharples: I would point there to another element of the announcements today. I apologise, because there is lot of material that is relevant to the Report and has only today been made available. Another important strand of what the Prime Minister and our Secretary of State announced was that we will introduce a guarantee that anyone moving from benefit into work will have a higher income; not just higher, but higher by at least £25 a week. There will be a commitment that anyone moving into full-time work will be—

Q19 Mr. Touhig: But the lollipop lady doing a few hours a day would not qualify as being in a full-time job, I take it.

Adam Sharples: No. Under 16 hours, she would not qualify.

Q20 Mr. Touhig: So she would be no better off than at the moment. She will either have to give up the job or try to persuade the council to job share so that she can keep the little job that she loves, which has changed her life. She has had a difficult life caring for elderly parents, and if she loses her benefit, she cannot afford to live.

Adam Sharples: That would depend on which benefit she was on. Each benefit has different rules on the income that a person is allowed to generate without—

Q21 Mr. Touhig: I should write to the Secretary of State—that is your advice, is it?

Adam Sharples: Do please write, and we shall try to provide a detailed answer.

Q22 Mr. Touhig: One final question before my time is up. In my part of South Wales we had an organisation called HOVAC—the Heads of the Valleys and Caerphilly standing conference on the new deal. As we got more and more young people into work, we were left with a reservoir of young people who lacked basic literacy and numeracy skills. They were kids who had been expelled from school and were never going to go back into a classroom situation. How do you go about giving them the basic skills to get a job?

¹ *Correction by witness:* We are in the process of introducing a marker on our computer systems to indicate job vacancies when training is available with the employer. My answer to the Committee implied that this marker had already been introduced. I apologise for any confusion.

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Adam Sharples: That is exactly what our programmes are designed to deliver. At the moment, the main programme for helping those people is the new deal for young people, which, as part of the reforms that I was talking about earlier, will become part of the flexible new deal. The idea is that we will increasingly try to provide a more targeted and personalised service that takes account of the particular needs of each jobseeker. So, if somebody has serious skill needs, we will try to identify them right at the beginning. Another commitment from today's statements is that every benefit claimant will get a skills screen when they apply for benefit. Those who need support on skills will be pointed quickly towards either basic skills courses or—

Q23 Mr. Touhig: But you are not going to get these people back into a classroom situation, are you? They are kids who have dropped out of school and have all sorts of difficulties.

Adam Sharples: It is a very good point that trying to get people back into formal education in those circumstances will almost certainly not work. That is why our approach to local employment partnerships is an attempt to link between Jobcentre Plus and local employers to identify vacancies when the employer is prepared to consider applicants on benefit. Jobcentre Plus can then work with the benefit claimants to try to give them the skills for those jobs.

Q24 Mr. Touhig: My time is up. Are you aware of the scheme in the southern United States of using computer games to help kids get basic literacy?

Adam Sharples: No, but we would be delighted to hear about it.

Q25 Mr. Touhig: Are you aware of a scheme in Hainault in southern Belgium about getting young people into work?

Adam Sharples: Again, we would be delighted to see the details.

Mr. Touhig: I shall come and have a chat with you.

Chairman: Thank you. I call Angela Browning.

Q26 Angela Browning: Can you tell us more about the marrying of skills and skills training with regional vacancies, and the skills that employers want? We heard a lot in the statement earlier—you have touched on it—and I do not dismiss the importance of numeracy and literacy. There is also the big question of interpersonal skills, which are enormous but rather vacuous. That apart, how do you find out what skills are needed in a locality to train people for appropriate jobs that they might apply for locally? May I draw your attention on page 47 to figure 15? The south-west is right at the top of the list for vacancies as a percentage of the unemployed and workless, which makes me wonder whether there are people who would work but who are not being trained in the right skills. How do you do that?

Stephen Marston: We try to do that by working with regional development agencies, and locally with employment and skills boards. Every RDA has a

regional economic strategy that sets out in the short, medium and long terms how it sees economic development in that region, including the priorities for jobs growth and sector growth. The RDAs, with the Learning and Skills Council, get together to say, "Okay, that is the demand-side need, those are the priorities and that is where we expect the jobs to go," and that feeds into the way we work with colleges and training providers to expand and change the supply of training places over time. We work particularly with the RDAs to get that sense of growth in a region and what jobs will come through, so that colleges and training providers know what they should train people for.

Q27 Angela Browning: So what is going wrong in the south-west? The region stretches from Swindon on the M4 corridor to the Isles of Scilly, so I suspect that what is relevant in Bristol or Swindon is not relevant to my people living on the edge of Exmoor. Do you never talk to people who employ people, to the representatives of employers' forums and so on?

Stephen Marston: Yes.

Q28 Angela Browning: Are they not the people who would know what skills they want?

Stephen Marston: Yes. In each region, I think it is true that there is a disaggregation to a more local level. Several regions have employment and skills boards more locally, and Bristol is one example. We are trying to operate at several different levels to find out what employers expect by way of jobs and long-term skills needs. In the immediate term, the Train to Gain programme also tries to respond directly to what employers say about their vacancies and skills needs today. We are simultaneously trying to match the aggregate level, and for the long term, where the jobs are expected to be. And today, we can support the training that an employer wants for their local area.

Q29 Angela Browning: Can you look at page 34, which is in appendix 1, on the case studies? They are very interesting and cover a big spread from Merseyside to London, but they are urban examples. How will you deal with the more fragmented problems of rural communities?

Stephen Marston: One important development over the past few years has been the way in which the Learning and Skills Council has established its regional and local presence. In 150 different local areas, there are local partnership teams for it, and their role is to keep close to local circumstances. In rural areas—rural counties—there are local partnership teams whose job is to understand the skills needs and the training supply in that local area.

Mark Haysom: Perhaps I can build on that a little. It is no coincidence that the examples given are from urban areas, because that is where the greatest number of workless people are and where the greatest issue is. However, we are very conscious of the fact that that is not the whole issue and that there are real issues for us to confront in rural communities up and down the land. Stephen makes the point that we have organised ourselves in that

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way—to work very locally, with local authorities and others, to understand the requirements of each area of the country, and then to work with learning providers as well, because often learning providers, as we have discussed previously, have the greatest understanding of the needs of their area.

Q30 Angela Browning: I am a little disconcerted. You mention local authorities. I have to say, with no disrespect to the local authorities I deal with in my job, they would not be the people I would go to if I wanted information on skills shortages in the work force in my locality. They would perhaps be interested as an employer in the public sector, but I would not expect them to have the sort of expertise that I hear three times a year when I host a business breakfast for all my key local employers. I get a lot more tangible information there. Why do you not take an approach more like that?

Mark Haysom: Forgive me, we do. I was building on the point that Stephen was making, because he rightly said that we talk to local employers, employer and skills boards where they exist, and so on. I was just adding another dimension to that. Yes, we spend a lot of time working with employers at local level.

Q31 Angela Browning: Would any of you like to venture a suggestion as to why the south-west of England is at the top of the list for skills mismatch?

Mark Haysom: Is that not in some ways a measure of success? I was just looking at the chart and they are the most successful regions in terms of growth, aren't they?

Q32 Angela Browning: May I come to that, because the next point I want to discuss is how you measure success? Do you really believe that in terms of sustainability, 13 weeks is a good figure to use, bearing in mind that, certainly in the south-west of England, there will be many jobs in hospitality, tourism and retail at this time of year that will probably last only for 13 weeks? If you are to measure your success more accurately, should you not be looking at a period of, say, six months minimum rather than 13 weeks? Do not the 13-week people who go into your statistics just mop up seasonal jobs?

Adam Sharples: Could I start on that question? I am sure that others will want to come in. I think the best way of understanding the 13-week point is to look on page 14 of the Report, where a very interesting chart shows the duration of a job for lone parents who go into work. It shows clearly that the real risk point in the life of a job is the first three months—the first 13 weeks. In that time, more than 40% of lone parents who go into work exit from the jobs. The risk factor in each of the subsequent three-month periods is very much lower. That is probably typical of other groups as well, such as jobseekers and incapacity benefit claimants, so it is one reason why 13 weeks is quite a reasonable threshold to focus on.

However, in each of our employment programmes, we weigh up quite carefully what the most appropriate definition is of a sustained job, so for

example in the Workstep programme, the definition is a 26-week rather than a 13-week job. We will almost certainly be using a longer period as we move towards the flexible new deal, so we are very open to the discussion about what the most appropriate definition is of a sustained job when we are incentivising and rewarding providers.

Q33 Angela Browning: I think we are still waiting for a note on Workstep from a previous session, because I asked about it last time. May I bring you back to something that has been raised today, particularly in the light of the statement in the House, which I listened to? We welcome the fact that, for those on incapacity benefit, the housing benefit rules will be changed to abolish the 16-hour rule, but is not one of the triggers that really hits hard when people move from benefits to work the situation with income support, because it carries with it so many things, including prescription charges and council tax benefit? To me, the real measure of whether the action is successful is how it impacts on income support, because such a lot is riding on that. What consideration have you given to exemptions from people having to pay? Has anyone done any work on that?

Adam Sharples: You are absolutely right to focus on what the financial incentives are for someone on income support moving into work. However, if you look across the range of measures that the Government have adopted to address that issue, you will see that many people moving from income support into work will now qualify for working tax credit and will get help with child care. In some parts of the country, we also have an in-work credit for longer-term claimants, which pays £40 a week for a year—£60 a week in London—on top of tax credits. From next April, that credit will be available nationwide for lone parents. Those are just two examples of the steps that the Government have taken to try to improve that financial incentive in the first year of moving off benefits and into work.

Angela Browning: My time is up, thank you.

Q34 Mr. Mitchell: I see from the Report's summary, on page 7, that: "in 2005–06 over 1.6 million people entered work from unemployment and almost two million entered work from economic inactivity." Do we know how many people left work to either of those two more sedentary categories?

Adam Sharples: I can tell you the answer to that: 1.4 million people left work for unemployment and just more than 2 million left work for inactivity.

Q35 Mr. Mitchell: So there is a substantial turnover.

Adam Sharples: There is, and that reinforces a point that comes out strongly from the Report. The labour market is very fluid, with a lot of churning and people moving between jobs—about 6.5 million a year.

Q36 Mr. Mitchell: So, 1.6 million entered work from unemployment and 2 million from economic inactivity; how many entered from Poland?

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Adam Sharples: I am afraid that I do not have the answer at my fingertips. It is a sensitive area on which I would not want to make any mistakes.²

Q37 Mr. Mitchell: Could immigrants have been in either of those categories?

Chairman: You must have statistics on immigration; you cannot just brush aside this question. Surely, you have done work on this. You might not have the figures for Poland, but you must have broad statistics on immigration from which to give us a proper answer, or send us a note.

Adam Sharples: We have some data based on the labour force survey on the number of employed people who are either foreign nationals or foreign born. We will be happy to try to answer specific questions based on that data.

Q38 Mr. Mitchell: It would be nice if you had some figures on it.

Chairman: But can you do that?

Adam Sharples: We will try to provide answers to questions based on that data. Until we know what the questions are, I cannot be absolutely certain that they are answerable.

Chairman: Do you want to make sure, Mr. Mitchell, that he knows what you want?

Q39 Mr. Mitchell: I want to know the figures on people entering work from either of those two categories who are immigrants.

Adam Sharples: We will do our very best to provide an answer on that.

Q40 Mr. Mitchell: From the facts and figures in the Report, I get the impression that there is a fringe of marginally unemployable people or people whom it would be difficult to employ. It would be nice to have some sort of estimate of its size—have you any figures on that?

Adam Sharples: It all depends on how you define “difficult to employ”. As you know, there are nearly 4.5 million people of working age on benefits or welfare, many of whom have been on welfare for quite a long time. That is one measure of the difficulty of moving into work. The whole thrust of Government policy at the moment is to try to raise the overall rate of employment by reducing the level of inactivity.

Q41 Mr. Mitchell: So, we cannot put a figure on the fringe of people who would be difficult to place?

Adam Sharples: You would have to define the fringe, or the difficulty. I would be happy to help with information about particular benefit groups and on the numbers of people who have been on benefits for lengthy periods.

Q42 Mr. Mitchell: Perhaps Mr. Marston can tell us. Is there a substantial proportion of people not in education, employment or training? Is the proportion high or low? Are people under the school

leaving age who are not in education, training or employment more likely to be unemployable when they are working-age?

Stephen Marston: “Unemployable” is a stark word—such people may well be less likely to be attractive to employers.

What you try to do—it can be done only on an individual basis—is match the person to the job that the employer offers. Certainly—it comes through in the Leitch Report and in today’s package—those with low skills and no qualifications will find it harder to get jobs in the labour market, which is why we strongly emphasise getting such people to train and to acquire skills that are economically valuable, so that employers would be more interested in employing them.

Q43 Mr. Mitchell: Does it not follow that it will be more difficult to get such people into work if they are in competition with a better-trained, better-educated number of healthy immigrants?

Stephen Marston: Yes.

Q44 Mr. Mitchell: So is life becoming more difficult for those people?

Stephen Marston: Life will become easier for those people if we are successful in providing better support.

Q45 Mr. Mitchell: That is the point—it will be more difficult to get them into work.

Adam Sharples: It is worth saying that unemployment is falling quite sharply at the moment—it is down to 825,000 on the Jobseeker’s Allowance unemployment register, which is close to the lowest level for some decades. If your question implicitly refers to migration, I should say that it is striking that while a reasonably large number have joined the labour force from outside the UK in recent years, the numbers on benefit and unemployment benefit have been falling. That would seem to be evidence that the indigenous population has not been seriously disadvantaged.

Q46 Mr. Mitchell: That is good to know. Does it follow from the same facts that if it is difficult to get some people into work, there must be a class of employers—cheap-jack chiselling employers—for whom nobody in their right mind would want to work?

Adam Sharples: Sorry. Will you ask that question again?

Q47 Mr. Mitchell: I am asking whether there must be a fringe of undesirable employers as well as marginally viable workers.

Adam Sharples: Indeed, one has only to look around to see that employers are not equally attractive, and it is true that some offer pretty duff jobs.

Q48 Mr. Mitchell: Do you exercise any form of discrimination against, or encouragement for, such employers? Do you encourage them to upgrade their offerings or to behave better?

² Ev 19–20

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Adam Sharples: Obviously, the whole thrust of Jobcentre Plus offices—Lesley may want to expand on this—is to get people well matched to good jobs. We want to see people moving into work, acquiring skills and progressing in work. The discussions that personal advisers have with jobseekers in Jobcentre Plus offices are about what skills a person has, what they are looking for, what jobs are available, and how to make a good match.

Q49 Mr. Mitchell: That task must surely be more difficult now, given the proliferation of agencies. I have been struck by the increasing number of job agencies in Grimsby. People are often sent to those agencies, and they are unsatisfactory because they provide only intermittent work, abuse people by keeping them hanging around and by doing nothing for people's future prospects. How far are agencies making your job more difficult?

Adam Sharples: I do not think that they are making my job more difficult. I am not sure that the picture you paint is true of the economy as a whole.

Q50 Mr. Mitchell: Am I wrong to be critical of agencies?

Adam Sharples: I cannot really comment on agencies in general. I was making the point that the economy as a whole is becoming more stable and jobs are becoming longer-term—the average length of a job 10 years ago was eight years; it is now around 8.9 years.

Q51 Mr. Mitchell: Would I be wrong in saying that there is a tendency to send unemployable people to agencies and count yourselves as successful in getting them off your books?

Adam Sharples: No. We count them as successful once they are in jobs, not when they get sent to agencies.

Q52 Mr. Mitchell: But if they worked for an agency on a fairly small scale—part-time, a few days a week, or whatever—would that be a success?

Lesley Strathie: We would count it a success when somebody entered the tax system and the P45 system and was above the tax threshold. I think it is fair to say that Jobcentre Plus works in partnership with a number of agencies, because we measure the success of Jobcentre Plus by people being signposted to the right place, and by when they go into work. In many cases, depending on the skill level and the type of work people are looking for, working in partnership with an agency may be the best route for them. We do not see ourselves in competition. Jobcentre Plus wants to get people into employment, and sustainable employment, through any route.

Q53 Mr. Mitchell: A useful way of achieving a placement. I am not quite clear how the benefit system works. Is there something inherent in the benefit system, or Jobseeker's Allowance, that encourages people to take a job for a short period and then leave and move on to something else—back on to Jobseeker's?

Lesley Strathie: There is a variety of reasons why people move. People sometimes go into work and do not stay in that job but move on to another. That is part of the labour market. There are other people who go into a job—particularly young people finding their feet in the labour market—who come back when a job does not really suit them. There are also quite often people who have a temporary job as a stepping stone. It may be the first job that they have had, or the first that they have had in that sector. Often they will start with any job—their aspiration is just to work.

Q54 Mr. Mitchell: If they are coming to the end of Jobseeker's Allowance, is there a tendency to get a job briefly and then go back on to it?

Lesley Strathie: No. That is not something I recognise.

Q55 Geraldine Smith: There appears to me to be a group of people for whom it is very hard to find employment. They may just have come out of prison; they may have drug-related or alcohol-related problems; they may not have basic literacy and numeracy skills. Employers probably do not want them and the employment they can find is probably with unscrupulous employers; therefore it may not last long, and they will be in and out of jobs. What can you do about this group of people, who are very hard to place in employment, and the people—let us be honest—who sometimes do not want to be in employment?

Adam Sharples: Perhaps I can start to answer that, and Lesley may want to elaborate. Obviously, within the range of employment programmes, which the Chairman was suggesting earlier might be too wide and complicated, we have specialist employment programmes designed to help people with particularly serious problems with alcohol or drugs. Progress2work and Progress2work-Link Up are two.

Q56 Geraldine Smith: How do you do that? How do you find an employer that wants to take on an alcoholic?

Adam Sharples: Obviously the individual needs a lot of support, and those programmes are able to give quite intensive personal support to people in overcoming problems, linking up to health and other forms of support.

You asked how to get an employer to take on those people. I think that is exactly where the local employment partnership concept is so powerful. There the discussion with employers, at national level, is, "Are you prepared to sign up to work with us—Jobcentre Plus?" At local level it is, "Are you prepared to take and consider seriously people who have been on benefit, maybe for some time? Are you prepared to consider them seriously for your vacancies?" The commitment from employers is that they will. The deal from us is that we will help to get those people ready.

It seems to me that within the framework of local employment partnerships, with specific vacancies targeted at the end, there is a real opportunity to see

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what steps you need to take with an individual to get them ready for that type of job. We have got the general programmes, which try to help people who are hard to help; but increasingly local employment partnerships provide a framework for channelling people towards specific vacancies.

Q57 Geraldine Smith: Does the public sector not need to do a lot more in this area? If an employer is faced with someone with a host of problems who has been in and out of work or even on benefits for a long time, and a young, highly qualified Polish person, which one will they choose? Let us be honest. There is an issue here, and immigration has an impact.

Lesley Strathie: It is important that by the time a customer—a jobseeker—is put in front of an employer for a job opportunity interview, they are not labelled with any of the barriers to employment they might have had. If we are all doing our job properly in our organisations, we put people forward only when they are ready, because we have been working with them. We work on a global level with employers in a partnership agreement, and we ask for things in return. When we submit jobseekers, we do not say that this person has been unemployed for five years, or that that person has a drug and alcohol problem; we say that we believe that they match the employer's need in the vacancy and that they will be able to perform, and to manage their health condition or whatever other barriers they have had.

Q58 Geraldine Smith: So what happens to the other people whom you do not put forward?

Lesley Strathie: We need to keep working with them. You have seen from the Report just how many different programmes there are. Jobcentre Plus is part of an integrated system. We have various programmes for various people, but we work in a broad partnership with others, whether the health service, the probation service, local authorities, or small niche providers who help people. Over the years, the numbers have shown the success that we have had, but of course there is much more to do.

Q59 Geraldine Smith: Do you think an element of compulsion is necessary with benefits?

Lesley Strathie: That strays into policy areas that Jobcentre Plus delivers. I do not make those decisions.

Adam Sharples: Well, there is an element of compulsion at the moment in the sense that someone who wants to apply for Jobseeker's Allowance must show that they are actively seeking work, and are available for work. To go on receiving it, they must comply with the conditions: sign on fortnightly, and attend work-focused interviews. That is mandatory within the system, and there are similar mandatory requirements in each of the other benefit regimes.

An interesting debate at the moment concerns the balance, and how much should be mandatory. For example, should people be required to attend training if the employment adviser identifies a training need that is an obstacle to finding work? The statements today show that we have taken some

small steps in the direction of greater requirements. If someone is still out of work, having been on Jobseeker's Allowance, after six months, we propose that we should be able to require them to have a thorough health check on their skills, and in the light of that perhaps to require them to attend training to address any skills needs. There is a genuine debate about where the balance should be struck, and the statements today show that it is being adjusted a little in the direction of requiring a bit more.

Q60 Geraldine Smith: Going back to my point about the public, could not more be done in that way to provide jobs for people, particularly people who are hard to place in employment?

Lesley Strathie: What is the public sector doing as an employer, or through procurement routes to work in partnership? Is that the question?

That is a fair question, and one area of work that we have focused on. Indeed, I am involved with a small group of permanent secretaries, led by a Permanent Secretary in another Department, who will oversee the civil service as an employer in our Departments in terms of how we can deliver against the local employment partnership agenda.

Q61 Geraldine Smith: You mentioned in-work credit, and the issue is difficult. Quite a few people will leave work because it is not in their interests to stay if they think they can get as much on benefits, and perhaps work at all sorts of things on the side. If someone has an in-work credit, I guess the difficulty is that they might be working side by side with people who do not receive such a credit. Have you found any issues about resentment or unfairness?

Adam Sharples: That is an interesting question, and it is not something that has come out of the evaluations that I have seen so far. Often, colleagues would not know that an individual was getting that particular payment, unless that individual wanted to volunteer the information, so that may help to deal with the resentment issue. But this is a payment for 12 months maximum, so it is focused very much on the transition into work, getting over the hump of getting used to work and getting a secure income, and easing people through that transition.

Q62 Geraldine Smith: Do people not think, "Okay. I'll stick it out for 12 months while I'm getting this extra money"? Is not that where you get your issues of sustainability?

Adam Sharples: It would be a concern if we saw people staying in jobs for 12 months and then slipping back on to benefit as soon as the credit stopped, but my understanding of the evaluation so far is that there is no evidence of that happening. By the time somebody has been in a job for 12 months, they are up and flying, they are used to being in work, they have a steady income and they are not going to give that up to go back on to benefit, which is not an easy life.

Lesley Strathie: In my experience, if they are in work for a year, they tend to stay. We are much more likely to get people falling in and out of work at certain times of year and perhaps taking temporary jobs for Christmas or the summer holidays and school holidays. Faced with other things to manage, people are more likely to come out of work.

Q63 Geraldine Smith: Turning to training and the impact of immigration, I can think of one care home in my area that a number of British employees have left and where a number of immigrants are working. A lot of these immigrants are highly trained and highly skilled and they are hard workers, but the employers seem to be getting away without having to train people, because they have a pool of ready-trained people. Is that not having an impact on British workers with low skills, because employers do not need to provide training if they can find people who are highly qualified—and sometimes over-qualified—for the jobs that they are doing?

Stephen Marston: I think that Adam mentioned that the research evidence we have shows no direct and immediate impact of that form. It is clearly in the interests of those employers—it is good news in an economic sense—that they are able to recruit good, well-trained, highly motivated people. The issue for us is what support we can best provide for the people who have not got those skills and are not as attractive to employers, because there will be other jobs, and we need to help people get the qualifications and skills to fill such jobs successfully. That is why we are putting so much emphasis on enabling people who have not got the skills and qualifications to get some that are of economic value to get the jobs that employers are offering. It cannot be either/or—we cannot block off migration in the hope of reserving jobs for people here.

Q64 Geraldine Smith: I am not suggesting that we should—I am just suggesting that we should be aware of possible implications. In particular, I am thinking of employers looking for an easy option, rather than training British people.

Mark Haysom: May I make a point on that? We do a massive survey of employers every other year, and our latest survey demonstrates that more employers are training people now than before. Two years ago, 900,000 employers said they were training people and that is now 978,000. The amount being spent on training by employers has gone up from £33 billion to £38 billion. I recognise that what you are saying is a danger, but the evidence is to the contrary.

Geraldine Smith: Well, not the evidence on the ground.

Chairman: Thank you, Ms Smith. Keith Hill.

Q65 Keith Hill: Thank you, Chairman. As the NAO Report indicates, the record of the new deals, employment zones and the rest of it has been very impressive in terms of getting people into work. However, your agencies and administrations, which are involved in welfare to work, really do find themselves between a rock and a hard place, do they not? They are caught between an education system

that, at least historically, has delivered an army of the functionally illiterate and innumerate and a tradition among British employers of not investing highly in training. Is it still the case that British employers as a whole invest less in training than employers in other countries?

Stephen Marston: No, our data suggest that British employers, relative to those in most other countries, are actually good at investing in training. The latest national employers skills survey data show that expenditure on training continues to go up.

What is true is that employers have a concern that sometimes they are having to make good a skills base that they think should have been sorted out before they got into this territory at all. Hence, the importance of the 14-to-19 reforms to try to ensure that in future the flow of young people coming into the labour market is better skilled and highly trained, with the qualifications and skills that employers really want. We need action on both: the young people coming into the labour market and the stock of adults already there.

Q66 Keith Hill: Mr. Haysom made the point that investment in training seems to be significantly increasing, but is it not still the case that about one third of employers do not invest in training? Have you worked out why they do not want to do that?

Mark Haysom: As an employer most of my life in different businesses, there are any number of different reasons at any time. Our challenge is to work with small employers in particular and make it easier for them to engage with the system to improve their productivity, and to get them to understand the link between skills and the bottom line. That is our particular challenge, and that is why Train to Gain is so important.

In the first year, we managed to engage with 52,000 employers, which is an extraordinary number of employers, from almost a standing start. Most of them—72%—were what we would call hard to reach. Almost all the hard to reach are small businesses. The programme is hitting those businesses and getting them to understand the links between productivity, skills and the bottom-line impact that they can get.

As I said, there is any number of reasons at any given time. Some of them are about being small, or not really understanding the flexibilities that are now in the system. Employers may not understand that they can get training hours and places to suit them and so on. There are a lot of those kinds of barriers that we need to break down.

Q67 Keith Hill: It is common currency between us in this discussion and the NAO Report that those with good skills do best if they get their training in work.

Mark Haysom: Absolutely.

Q68 Keith Hill: Yet the Report also draws attention to the fact that many employers are reluctant to invest in basic skills such as literacy and numeracy.

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Is that the case across the board, or is it primarily the case with small and medium-sized enterprises?

Mark Haysom: It comes back to what Stephen was saying a minute ago about the assumption by employers that people should have those basic skills by the time they arrive in the labour market. They assume that they should not end up paying for basic skills. However, they do not have to, as there are entitlements for employees for basic skills training. Again, Train to Gain delivers that. It can deliver the entitlement for a first level 2.

Nearly 250,000 employees trained during the first year of Train to Gain. Within a year, the service was equivalent in volume to the apprenticeship service. That is an extraordinary achievement in one year, and the programme will get bigger and bigger. As Stephen said, more than £1 billion will be spent on it in three years' time.

Q69 Keith Hill: In three years' time there will be what?

Mark Haysom: More than £1 billion spent on the Train to Gain service, addressing precisely the issues that you are raising.

Q70 Keith Hill: Let me come on to the Train to Gain scheme. The Report says that the public service delivery agreement last month identified a number of risks, including, as I understand it, problems with employer co-financing. What does that mean?

Stephen Marston: What that is getting at is that some components of the training we support are fully funded—we pay the full cost. However, that is not true of all the training, because the higher up the qualification ladder you go, the stronger the return to the employer and the individual, so they get a direct wages and productivity benefit. At level three, for example, which is equivalent to A-level, we have an assumption of matched funding: we pay some and the employer pays some. It can be a challenge for some employers to accept their contribution to the overall cost. That is what the point was getting at.

Q71 Keith Hill: Again, does that depend on the scale of the enterprise?

Stephen Marston: Not really, no. We see good employers—whether large or small—training across the piece and across all different sectors, so it is not a direct function of size.

Q72 Keith Hill: But if they are reluctant, despite your best efforts, to provide basic numeracy and literacy training, who delivers it and what happens to the individual? They are taken out of work presumably.

Stephen Marston: We can do it in two ways. Wherever an employer sees a case for helping their employee get basic literacy and numeracy skills, we can do that through Train to Gain. But the individual, if they do not get help from their employer, can go to a college or a training provider, all of which is free, and enrol on a skills for life

literacy or numeracy programme. So wherever the motivation of the employer or the individual exists, we can help and it will be free.

What is much more difficult to crack is if neither the individual nor the employer want to do it. What do you do then? We are working within a voluntary system. We give all the encouragement, and we have a big advertising campaign that is trying to draw people's attention to the value of the scheme. You may remember the gremlins advertising scheme that ran for some years on television. We are doing as much as we can do to incentivise people, to say, "The provision is here, it's free, it has benefits for you," and year by year the numbers are going up. We are meeting and exceeding our targets for literacy and numeracy skills. It is going well, but it would be foolish to deny that there is a big pool of people whom we are still trying to get through to.

Q73 Keith Hill: May I return to the issue of the social composition of claimants? You have obviously analysed patterns of repeat claims from the 1980s to the present. Have you considered the social indicators, such as age, sex, marital and family status, ethnicity, regional, urban and rural location, to tell you whether there have been any changes in the composition of the claimant pool over the period?

Adam Sharples: We have some data on those characteristics. For example, if you look at JSA claimants, 40% of claims each year come from people who are under 25, so the chances of you coming on to JSA are quite high if you are young, but they rapidly fall off and are low when you get older. That is an example of the analysis that we can do. If there were specific questions you wanted to follow up, we would be happy to see whether we would be able to provide answers.

Q74 Keith Hill: It is not just vulgar curiosity, because if you were to find changes—and who knows, you may—that would be quite helpful to your potential strategies for dealing with that group of claimants.

Adam Sharples: Indeed. The policies that have been adopted for each benefit have been guided by some understanding of those changes. For example, incapacity benefit 10 years ago was quite regional: it was concentrated in south Wales, Glasgow and the north-east, and there were rather lower incapacity benefit claim rates in the south-east. In the past 10 years, the pattern has shifted, partly reflecting the conditions that bring people on to benefit. Some of that analysis and thinking has gone into the design of the new work capability assessment, which is the new test of eligibility, and into the pathways to work programme. So yes, we do try to understand those trends and build them into policy thinking.

Q75 Mr. Dunne: I have been trying to get my mind around the complex set of different programmes that you have. The complexity of the schemes is illustrated clearly by the NAO. What is not clear, at least to me, is how effective you are in delivering schemes against target. There are references in

paragraph 4.15 to the achievement of certain milestones towards some of the basic targets. If you try to map across the whole pool of opportunities available to encourage people into work, are you able to quantify how you are doing in relation to the pool of those who are currently not in education, employment or training?

Stephen Marston: In relation to the skills and training targets, the major ones relate to basic skills in literacy and numeracy. We had an interim target for 2006, which was—

Chairman: Everybody has dropped their voice now, so can you raise it?

Stephen Marston: I apologise, Chairman. The target for literacy and numeracy is a 2010 target, but the interim target that we had for 2006 was exceeded by some way. Similarly, we have an interim level 2 target set for 2007, which has been exceeded. More than 1 million adults have gained level 2 qualifications. In the CSR (Comprehensive Spending Review) that was published just last month, those targets rolled forward again, and we are now hooking into targets that were set in the Leitch Report for 2020. When we track progress over the past three or four years, we know that we are doing what we set out to do in that period. However, the trajectory gets steeper from here, so the ambition in the targets remains enormous and there is a lot to do to achieve all the way through to 2020.

Q76 Mr. Dunne: Is there something that you can provide to us that would set that in context? Since the NAO prepared the Report, we have had the CSR. Would it be possible for our Report to be able to roll those targets forward, so that we can lay out a timeline of what the targets are and where you are against them?

Stephen Marston: Yes, I would be happy to do that.³

Q77 Mr. Dunne: That would be helpful. Thank you. On 16 November the Department for Innovation, Universities and Skills announced 7 million new training places. There was some question mark about the extent to which they were new or merely recycled. Could you help to clear that up by telling us, to start with, whether you recognise that figure of 7 million?

Stephen Marston: I very much do. The announcement was of the budget allocations in the CSR for the three-year period through to 2010–11. We were saying that that 7 million figure is the number of places that public funds will support over the CSR period. It is rolling forward. We had not previously known those figures and could not have said how many places we would be able to buy with the CSR budget. That was the significance of the 7 million figure.

Q78 Mr. Dunne: How many of those are new or additional places compared with what was funded before the CSR?

Stephen Marston: There is a rebalancing going on within those figures. In this CSR we have identified clearly the priorities for investing public funds, so we are putting in additional funds to pay for additional places in literacy and numeracy, in full level 2 and level 3 programmes and the apprenticeships programme.

Q79 Mr. Dunne: So you could quantify for us, again in a tabular form, how many of the places that add up to 7 million are in each of those categories—apprenticeships, online courses, college courses and so on. You could also show for us, perhaps, those that applied under the previous CSR and those that are new going forward.

Stephen Marston: We can certainly project the distribution of funds and the level of places paid for under the previous CSR and the next one, yes.⁴

Q80 Mr. Dunne: It would be very helpful if we could include that in our Report, Sir John.

How many employers are offering training under Train to Gain? You have talked about the 47,000 mentioned on page 26; is that the universe, or are there more to go for?

Stephen Marston: The latest figure for Train to Gain employer engagement is that 52,000 are working with the scheme.

Q81 Mr. Dunne: Do you have a much larger universe out there? There are 4.5 million small and medium-sized businesses in this country, so, at first sight, 52,000 seems like a small drop in the ocean when you compare it with the total number of businesses in the country, although I think it is quite an impressive number.

Mark Haysom: It is a small drop in the ocean. That is why, as Stephen and I have said, there is this huge ramping up of the Train to Gain programme over the next three years. I have the learner numbers that we hope to achieve, but not the number of employers. We can get that for you.

Stephen Marston: Our top-level target is for the number of employees who have been supported through training. From memory, that is something over 800,000 by the end of the CSR period.

Q82 Mr. Dunne: Finally, I come to the learner support funds, on which a commitment has been made in the CSR for £600 million a year, to include the educational maintenance allowance (EMA). How successful has that allowance been in encouraging those aged 16-plus to stay in school?

Stephen Marston: The evidence is that it has been successful. I apologise that I do not have specific figures with me, but I can certainly get them. In the past two years, we have seen a very welcome increase in participation rates at age 16. Those rates have, for many years, been one of our weakest elements in the whole service, compared with other countries. Just in the past two years, we have seen a significant increase in participation and willingness to stay on at 16, and we believe that a significant factor in that

³ Ev 15–17

⁴ Ev 17–18

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is the availability of EMAs. We have an evaluation on that, and I would be happy to provide that evaluation evidence.⁵

Q83 Mr. Dunne: Thank you. If the Government succeed in increasing the school-leaving age to 18, is it anticipated that the EMA will be available for all 16 to 18-year-olds who remain in education?

Stephen Marston: It is certainly anticipated that there will be a continuing need for financial support for those young people who need it.

Q84 Mr. Dunne: Has that been taken into account? Is it assumed that that will apply in the course of the CSR, or is it due to come in after the CSR period?

Stephen Marston: It would come in after, because the current expectation is that the rise in the participation age would take effect from 2013, which is well beyond the end of this CSR period.

Q85 Phil Wilson: Has the figure that 35% of companies and employers do not offer any training decreased in the past 10 years or remained static?

Stephen Marston: I think that the latest national employer survey data show a small decrease in the proportion of employers who are not training.

Q86 Phil Wilson: Over the past 10 years?

Stephen Marston: No; from 2005 to 2007.

Q87 Phil Wilson: Is there any particular sector of the economy in which there is a lack of training and employers are less likely to train their staff?

Stephen Marston: Yes, there certainly are differences between sectors. I am sorry to put it the other way around, but the sectors that have the highest skill and qualification requirements include health, education and ICT. There is quite a distinct sectoral pattern of highly skilled and low-skilled sectors.

Q88 Phil Wilson: How do the figures break down regionally—in the north-east of England, for example, where I represent? Is there a lack of training there compared with other regions?

Stephen Marston: I am sorry. I do not have that breakdown.⁶

Q89 Phil Wilson: One of the big issues, especially in the north-east, is the need to match skills with what the labour market requires. Has that improved in the north-east, or overall, in the past few years?

Stephen Marston: Yes, the situation has improved very significantly. The north-east is one of the areas that was in the vanguard of the employer training pilots. There is a very good relationship between the regional development agency—One NorthEast—and the Learning and Skills Council. We would consider it one of the better regions, where you see that integration between the regional economic strategy, the big employers in the area and the Learning and Skills Council, trying to understand

what those employers are looking for and where the growth in jobs will come, and then managing to work with colleges and providers to meet those needs.

Q90 Phil Wilson: I want to ask about the 13-week measure of a sustainable job. I noticed in the Report that in New Zealand, for example, the figure is six months. Have you any plans to change that measure or to look at it again?

Adam Sharples: We touched on this point earlier and I explained that some of our programmes, such as workstep, use a six-month definition. In pathways to work, the big programme for IB claimants, which will be rolled out nationally by next April, we are looking at the whole of the first six months and counting the 13 weeks of work of at least 16 hours a week in that first six months, so we look for sustainability over that whole period. That is the definition used to make outcome payments to the providers who are delivering those programmes. There is definitely a debate about the best measure to use. On the whole, we are tending to look for longer definitions of a sustained job.

Q91 Phil Wilson: The Report says that you are hitting all the interim targets for the number of people who are being skilled up. You said that there has been an increase in the number of places. Are all those places filled, or does a proportion of them remain empty during the year? The aim is to improve the basic skills levels of 2.25 million adults. According to diagram 13 on page 27 of the Report, the number of course places available continues to rise. Are those places always filled?

Mark Haysom: During the period, we have been busy building capacity so that we can respond to this huge challenge. Particularly successful has been capacity building in terms of basic skills. Yes, the supply is at the moment struggling to keep up with the demand, because the needs are so great, as you can see.

Q92 Phil Wilson: And the targets will be met for 2010? The interim figures are being passed.

Stephen Marston: That is right. We will do our best to ensure that in 2010 we meet those targets.

Q93 Phil Wilson: You might not be able to answer this question, but then what happens?

Stephen Marston: Then we roll on to 2020. The work that Sandy Leitch did was all focused on the longer term, towards the economy's skills needs for 2020. So the targets that we set for this Comprehensive Spending Review period are for a block of the next three years towards those longer-term targets. We have a trajectory that takes us through to 2020 and, in response to Mr. Dunne's question, we will try to show that trajectory and how far we are on course towards that.⁷

⁵ Ev 18

⁶ Ev 19

⁷ Ev 15–17

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Mark Haysom: It doesn't get any easier.

Q94 Mr. Bacon: Mr. Marston, I would like to ask you about the learner account. In 2001, there was the individual learning accounts (ILA) fiasco. Seventy civil servants spent two years afterwards trying to figure out how much of it involved fraud—£300 million or so was spent, or at least that is what was reported. Were you one of them?

Stephen Marston: No.

Q95 Mr. Bacon: You were very carefully somewhere else for much of that time—you were in HEFCE—but you returned to the Department in June 2002. We took evidence on individual learning accounts in November 2002—so after you were back in the Department—at which time you were Director of the Skills Group. Do you remember whether you were one of the folk sitting behind Sir David Normington at that hearing?

Stephen Marston: I do not remember the occasion, but yes, I was certainly working with Sir David on the consequences of that set of issues.

Q96 Mr. Bacon: Sir David sat here and apologised profusely to the Chairman in his opening answer. After about the fifth answer, there was not much more to hit him with, because he had apologised so profusely. When he walked out, a colleague was heard to say, "Well, I think you got away with murder there." That was not you, by any chance?

Stephen Marston: I certainly did not make that comment.

Q97 Mr. Bacon: Paragraph 4.19 of the Report refers to a 2006 Education and Skills Committee Report on returning to individual learner accounts, which said that the problem with the ILAs was one of maladministration, rather than the concept of such accounts. That was a very sensible conclusion. Did you read the earlier 2002 Education and Skills Committee on ILAs?

Stephen Marston: Yes, because through my work since 2002 I have been very much involved with the consequences of ILAs and with ensuring that we learn the lessons from them. As David said, we very much regret what happened in that area.

Q98 Mr. Bacon: Did you read the Public Accounts Committee Report on the ILAs?

Stephen Marston: Yes.

Q99 Mr. Bacon: This is very encouraging. I thought that they were excellent Reports: the Education and Skills Committee Report was extremely thorough and detailed, and the other made some valuable points as well, although it concentrated more on the financial aspects. However, I want to explore how you will do things differently. On quality assurance, there were, notoriously and designedly, no quality controls, in an effort to boost the number of training providers. Is there a lack of training providers?

Stephen Marston: No, there is not. You are right: that is one of the most significant lessons that we learned and the most significant change to the way in which we are designing skills accounts.

Q100 Mr. Bacon: The Report refers to learning providers who have met quality assurance standards. Mr. Haysom and I are having an off-line conversation about career development loans. I do not want to go into that now, because it is a separate issue, but one issue is common: the idea that there should be a training provider, with a kitemark, so that potential providers know that it is okay, because it has the LSC badge. People have borrowed money and then thought, "Oops, perhaps the training provider was not so good after all." We are not in that position here, and I do not want to talk about career development loans now, but how can people be sure that the quality assurance standards, and the kitemark that you issue, are worth it?

Stephen Marston: Under the way in which we intend to operate skills accounts, you could use it only with a provider that is quality-assured and funded by the LSC. Our providers consist of approximately 400 colleges and 800 work-based learning providers. That is the pool of providers with which you could use your account. If we find that someone not funded by the LSC wants to take part in the scheme, we will use that quality-assurance process. For me, that will be the single biggest change from ILAs to skills accounts: you will not be able to use your account anywhere that you choose, but only within a defined set of quality-assured providers.

Q101 Mr. Bacon: Another issue with ILAs was weak contractual arrangements with Capita—the IT services provider. Is there an analogous arrangement and set of contracts with an intermediary supplier, or is the contract with the training colleges and FE providers only?

Stephen Marston: Certainly not in the way that we did it with Capita. This is another significant difference: ILAs were a self-standing programme, and we contracted Capita to run and manage pretty much the whole operation. Here we are keeping everything closely integrated within the mainstream LSC operation. Money will not flow to the account holder; instead, they will know the value of the public subsidy to which they are entitled, and go to a provider—a college or work-based training provider—which will draw down that money from the LSC as part of the mainstream funding method.

Q102 Mr. Bacon: But the ILA holders could not draw down real money either. Only training providers could do that, for which purpose many more were set up. The students themselves could not draw down the money.

 Department for Work & Pensions, Learning & Skills Council and Jobcentre Plus

Stephen Marston: But the difference here will be that the funding method aggregates up the number of accounts that a given college or provider has, and it will be paid by the LSC as part of the normal funding system.

Q103 Mr. Bacon: Okay. I have one other question about this. Paragraph 4.19 states: “The publicly funded contribution toward tuition costs will be though”—I think it means through—“secure and tested mechanisms.” What are those secure and tested mechanisms? The bankers automated clearance system is a secure and tested mechanism, but it allowed money from ILAs—£2 million in one case—to be transferred to an account in a Caribbean tax haven with no let or hindrance. What does the Report mean when it says secure and tested mechanisms?

Stephen Marston: It means what I was just trying to describe. What you will have in every case is a provider with a grant or a contract relationship with the LSC. The money will flow using those tried and tested methods that we use now for the LSC to fund colleges and training providers. So this is not just a BACS system; the whole audit, financial control and financial memorandum system will be backing up the accounts mechanism. That is the system that we will use to ensure that the money gets to the right provider.

Q104 Mr. Bacon: Paragraph 4.18 refers to pilots that will provide “around 4,000 Learner Accounts at a cost of £10 million.” May I take it that that is roughly £2,500 each? That is the standard amount per student, is it? That is how it works.

Stephen Marston: Yes.

Q105 Mr. Bacon: How long will it be before you are in a position to assess how successful those pilots have been? Over how long a period will they run before you can say, “We did those pilots, they’re finished now, and we can evaluate them”?

Stephen Marston: Those pilots are starting off in parts of two regions and they are testing the use of accounts at level 3. We are evaluating those as we go along, and the evaluation programme will be finished in August.

Q106 Mr. Bacon: In August next year?

Mark Haysom: I thought it was August 2009.

Stephen Marston: Yes, in August 2009.

Q107 Mr. Bacon: Am I right, then, in thinking that until the pilots are finished, you will not be rolling the scheme out further? Or will you?

Stephen Marston: It is our intention to develop the skills accounts programme on a rolling basis so that it starts at level 3—

Q108 Mr. Bacon: So you have rolling evaluation effectively?

I have one other question, and the Clerk has kindly informed that I am running out of time, but I have two minutes, so you can give a long answer if you want. If there were one thing that this group of hard-to-employ people could have that would change their likelihood of being employed—I am talking not about motivation, but a skill—what would it be? What is the single biggest skill that they need but which they lack?

Stephen Marston: Personally, in terms of skill, I would point to literacy and numeracy.

Q109 Mr. Bacon: That is exactly what I thought you would say.

Stephen Marston: Is that the right answer or the wrong answer?

Q110 Mr. Bacon: It was the expected answer, which has huge implications for every other part of the system, does it not?

Stephen Marston: Yes, it does.

Q111 Chairman: That concludes our hearing. Thank you very much for your attendance. I have just one other point. Could you give us a note on the employment retention and advancement programme, which is mentioned in appendix three? You seem to spend £25 million on 8,000 participants, and I would like you to justify that, please.⁸ Thank you very much.

⁸ Ev 20–21

Supplementary memorandum submitted by the Department for Innovation, Universities and Skills

Questions 76 (Mr Philip Dunne) & 93 (Phil Wilson): *Basic Skills and Level 2 Targets*

1. SKILLS FOR LIFE TARGETS

1a *Skills for Life 2010 target*

The 2010 Skills for Life target is to improve the basic skills of 2.25 million adults between 2001 and 2010, with an interim milestone of 1.5 million adults in 2006.

The target is measured by adding up the number of different learners who achieve a recognised Skills for Life qualification each year. There is an assumption that 10% of these learners had achieved in previous years.

The progress towards the target is shown below.

Table 1

CUMULATIVE SKILLS FOR LIFE ACHIEVEMENTS FROM 2000–01 ONWARDS

	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Cumulative achievements (actual)	159,000	345,000	521,000	762,000	1,137,000	1,610,000	
Cumulative achievements (forecast)							2,121,000

The table shows that the 2006 milestone of 1.5 million has already been met. Current forecasts suggest that the 2010 target should be met early.

1b *Skills for Life 2011 targets and Leitch 2020 ambition*

The Delivery Agreement for the Skills Public Service Agreement (PSA) was published with the Comprehensive Spending Review in October 2007. It describes the measure as the Proportion of people of working age (ie aged 16–64) achieving functional literacy and numeracy skills.

The 2011 National Target is for 597,000 people of working age to achieve a first Level 1 or above literacy qualification, and 390,000 to achieve a first Entry Level 3 or above numeracy qualification in the three academic years 2008–09, 2009–10 and 2010–11.

The most recent baseline for the percentage of the population with Level 1 literacy and Entry Level 3 numeracy is the Skills for Life Survey carried out in 2003. At that time there were 84% with literacy Level 1 and above, and 79% with numeracy at Entry Level 3 and above. The 2011 targets are consistent with 2011 rates of 89% for literacy level 1 and 81% for numeracy Entry Level 3. The ambition for 2020, set in the Leith Review of Skills and endorsed by the Government, is 95% of adults to achieve Level 1 literacy and Entry Level 3 numeracy.

Table 2

BASELINE, TARGET AND AMBITION DATA FOR SKILLS FOR LIFE

	2003 survey (%)	2011 target (%)	2020 ambition (%)
Level 1 Literacy	84	89	95
Entry Level 3 numeracy	79	81	95

2. LEVEL 2 TARGETS

2a *2010 Level 2 Target*

The target that was set in previous Comprehensive Spending Reviews is for the number of economically active adults without a full level 2 qualification (equivalent to five GCSEs at grades A*–C) to fall by 40% by 2010. Adults were defined for this target as 18–59 for women and 18–64 for men. In order to meet the target, the number of economically active adults with a level 2 or higher qualification needs to increase by 3.6 million between the fourth quarter of 2001 and the fourth quarter of 2010 as measured by the Labour Force Survey. There was also an interim target of an increase of one million between the fourth quarter of 2002 and the fourth quarter of 2006. This was exceeded by 141,000.

Table 3**PROGRESS TOWARDS 2010 LEVEL 2 TARGET AND 2006 INTERIM TARGET**

<i>Cumulative increase:</i>	2002	2003	2004	2005	2006	2010 target
since Q4 2001 for 2010 target	405,000	599,000	785,000	1,228,000	1,546,000	3,500,000
since Q4 2002 for 2006 interim target		194,000	380,000	823,000	1,141,000	Not applicable

2b. 2011 Level 2 Target and Leitch 2020 ambition

The Skills PSA Delivery Agreement describes the measure as the Proportion of working age adults qualified to at least full Level 2.

In this instance working age is defined as 19–59 for women and 19–64 for men.

The national target is for 79% of working age adults in England to be qualified to at least full Level 2 by the fourth quarter of 2011 as measured by the Labour Force Survey (LFS).

The ambition in the Leitch Review of Skills, and endorsed by the Government, is for over 90% to reach that level by 2020 and 95% as soon as possible thereafter.

The table below shows actual performance up to 2006 and the 2011 target and 2020 ambition. The figures up to and including 2006 are quarter 4 LFS actual estimates and later figures are projections.

Table 4**ADULTS AGED 19–59/64 QUALIFIED TO AT LEAST LEVEL 2**

2003 (%)	2004 (%)	2005 (%)	2006 (%)	2011 target (%)	2020 ambition (%)
67.1	67.5	68.8	69.7	79.0	Over 90.0

Question 78–9 (Mr Dunne): CSR Increases in priority learning 2005–11

Tables 5 and 6 below show how public funding has been allocated for the previous Comprehensive Spending Review period (2005/06–2007/08) and the next Comprehensive Spending Review period (2008/09–2010/11), and the number of learner places associated with that funding. They show how funding has been allocated to support expansion of places in the identified priority areas. Further detail is given in the LSC report, “Our Statement of Priorities”, published in November 2007.

Table 5**ADULT FUNDING 2005–06 TO 2010–11**

<i>Subject area</i>	2005–06 £000's	2006–07 £000's	2007–08 £000's	2008–09 £000's	2009–10 £000's	2010–11 £000's
Adult Learner Responsive						
19+ Further Education	1,731,703	1,785,188	1,612,655	1,576,452	1,504,867	1,510,199
Ufl/learnirect	189,834	129,049	113,625	122,100	122,000	122,000
Employability Learning	0	1,713	24,409	29,102	35,529	41,770
Adult Learner Responsive Sub Total	1,921,537	1,915,950	1,750,689	1,727,653	1,662,396	1,673,968
of which for planning purposes:						
Foundation Learning Tier	267,493	254,931	230,051	243,262	274,962	289,738
Skills for Life	576,800	567,365	539,082	568,337	590,037	606,114
Full Level 2	165,483	179,629	197,233	217,064	233,293	259,521
Full Level 3	248,061	253,928	268,392	313,141	372,842	412,374
Developmental Learning	729,524	659,727	515,931	385,850	191,263	106,222
Employer Responsive						
Employer based NVQs	101,177	174,370	194,287	208,275	214,352	230,559
Apprenticeships and work based learning	232,157	216,884	275,010	290,068	317,024	333,646
Train to Gain	137,256	194,060	520,527	657,073	777,287	1,023,240

<i>Subject area</i>	<i>2005–06</i> <i>£000's</i>	<i>2006–07</i> <i>£000's</i>	<i>2007–08</i> <i>£000's</i>	<i>2008–09</i> <i>£000's</i>	<i>2009–10</i> <i>£000's</i>	<i>2010–11</i> <i>£000's</i>
Employer Responsive Sub Total	470,590	585,314	989,824	1,155,416	1,308,663	1,587,445
of which for planning purposes:						
Foundation Learning Tier	19,133	16,483	16,703	15,515	14,718	14,681
Skills for Life	13,415	27,445	47,767	51,794	56,994	61,997
Full Level 2	228,016	306,196	570,864	666,969	769,563	834,683
Full Level 3	35,612	41,557	88,309	142,531	167,659	362,081
Apprenticeships (Excluding Skills for Life)	161,015	178,895	250,542	269,715	297,286	313,795
Developmental Learning	13,399	14,737	15,638	8,893	2,443	208
Adult Safeguarded Learning	228,577	222,004	210,000	210,000	210,000	210,000
Offender Learning & Skills Service	34,781	100,748	113,038	122,203	124,770	127,933
Total Adult Participation (DIUS)	2,721,308	2,823,646	3,063,551	3,215,272	3,305,830	3,599,346

Notes to Table 5

1. Main subject areas (or “budget lines”) for 2005–06 and 2006–07 are from LSC published accounts. The more detailed breakdown of the figures shown as “for planning purposes” for 2005–06 to 2007–08 under the learner responsive and employer responsive models are based on estimated activity in each of the areas for the corresponding year.
2. Employer based NVQ figures are estimates based on funding for the academic year
3. A change in the classification of costs occurred for UFI learndirect between 2005–06 and 2006–07
4. Train to Gain figures for 2005–06 and 2006–07 include funding for the Employer Training Pilots
5. Developmental learning constitutes learning below level 2 and outside the national qualifications framework, and learning that is above Level 3. Figures are indicative and subject to further modelling

Table 6

FUNDED ADULT LEARNER PLACES FOR PERIOD 2005–06 TO 2010–11

<i>Subject Area</i>	<i>2005–06</i>	<i>2006–07</i>	<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>
Adult Learner Responsive						
19+ Further Education	2,465,000	1,679,000	1,451,000	1,372,000	1,127,000	1,154,000
UFI/learndirect	344,000	217,000	217,000	204,000	179,000	152,000
Employability Skills Programme	0	4,000	13,000	24,000	29,000	37,000
Adult Learner Responsive Sub Total	2,809,000	1,900,000	1,681,000	1,600,000	1,335,000	1,343,000
of which for planning purposes:						
Foundation Learning Tier	397,000	361,000	364,000	368,000	372,000	374,000
Skills for Life	1,175,000	822,000	845,000	923,000	914,000	904,000
Full Level 2	105,000	108,000	126,000	133,000	143,000	161,000
Full Level 3	116,000	109,000	122,000	137,000	157,000	165,000
Developmental learning	–	–	–	497,000	216,000	116,000
Employer Responsive						
Employer based NVQs	145,000	155,000	177,000	185,000	195,000	216,000
Apprenticeships	96,000	92,000	106,000	114,000	124,000	125,000
Train to Gain	197,000	256,000	461,000	600,000	638,000	872,000
Employer Responsive Sub Total	442,000	505,000	745,000	899,000	958,000	1,214,000
of which for planning purposes:						
Foundation Learning Tier	13,000	11,000	11,000	10,000	10,000	10,000
Skills for Life	274,000	316,000	302,000	304,000	313,000	323,000
Full Level 2 (Excluding Apprenticeships)	294,000	319,000	505,000	603,000	637,000	664,000
Full Level 3	–	–	–	–	–	–
(Excluding Apprenticeships)	47,000	51,000	88,000	136,000	144,000	356,000
Apprenticeships	96,000	92,000	106,000	113,000	123,000	125,000
Developmental learning	–	–	–	11,000	3,000	0
Total Adult and Employer Responsive excluding Safeguarded Adult Learning	3,251,000	2,405,000	2,426,000	2,499,000	2,293,000	2,557,000
Adult safeguarded learning	786,000	658,000	666,000	630,000	605,000	585,000
Total Adult and Employer Responsive including Safeguarded Adult Learning	4,037,000	3,063,000	3,086,000	3,129,000	2,898,000	3,142,000

Notes to Table 6

1. Figures for Train to Gain include National Employer Service 24+ and Additional Sector Activity learners
2. Figures for Employer Responsive Sub-Total also include learners on Entry to Employment provision.
3. Developmental learning constitutes learning below level 2 and outside the national qualifications framework, and learning that is above Level 3. Figures are indicative and subject to further modelling

Question 82 (Mr Philip Dunne): *Evaluation of the Education Maintenance Allowance programme*

The Education Maintenance Allowance (EMA) programme has been subject to a comprehensive evaluation. The results indicated that EMA increased participation of eligible young people in the pilot areas by 5.9 percentage points. This is equivalent to an increase in participation of all 16 year olds across the whole country of 3.8 percentage points. There was particularly strong impact for key target groups, such as young males, low-to-middle achievers, and those from lower socio-economic groups. The results also showed positive impacts on retention from year 13 to year 14, and also on an individual's attachment to education as measured by the number of terms in which they stay in education to age 19.

In the first two years since national roll out of EMAs there have been increases in participation. It is not possible to say that all these increases are attributable to EMA, but this was the most significant programme operating in this area. Since the national scheme was launched in 2004–05 for 16 year olds, 16 year old participation in full-time education has increased by 6.0 percentage points. Since the national scheme was launched in 2005–06 for 17 year olds, 17 year old participation in full-time education has increased by 4.5 percentage points.

The Learning and Skills Council published a report in early December 2007 looking further at the impact of EMA on participation, as well as attainment, by comparing EMA pilot areas with those where EMA was not available. When controlling for background characteristics, the analysis found positive and statistically significant impacts of EMA on participation and attainment across the board. EMA was found to increase attainment at Level 2 and Level 3 by around 2 percentage points for male learners and 2.5 percentage points for female learners. The report suggests that to calculate the impact on those who actually received EMA, these results should be multiplied by 2.5 for outcomes at 16 and three for outcomes at 17. This suggests the impact of EMA on attainment at level 2 and 3 to be 7 percentage points for female EMA recipients and 5 percentage points for male EMA recipients. The report presents further analyses that highlight varying impact for different groups of learners.

Question 88 (Phil Wilson): *Employer training, regional analysis*

The data in Table 7 below are headline findings from the Learning and Skills Council's National Employer Skills Survey which involved interviews with around 79,000 employers (establishments) in England during April-July 2007. The proportion of employers providing any training at all varies from 65% in the West Midlands to 70% in the North East.

The North East performs best (or joint top) on all these four indicators and West Midlands performs worst. Between these, there are some variations in performance—eg Eastern and Yorkshire & The Humber regions have higher than average proportions of employers providing some off-the-job training but slightly lower than average proportions providing training overall.

On average, just under half of employers have a formal training plan, varying from 45% in East of England and South West to 52% in North East.

Formal budgets for training are less common. Only just over a third of employers have these in place and there is relatively little regional variation (34–37%).

More detailed analyses will be available in the full report of the survey in spring 2008.

Table 7

EMPLOYER TRAINING—REGIONAL BREAKDOWN

	<i>Establishments providing any training in last 12 months</i>	<i>Establishments providing any off-the-job training in last 12 months</i>	<i>Establishments with a training plan</i>	<i>Establishments with a training budget</i>
	%	%	%	%
ENGLAND	67	46	48	35
East	66	48	45	34
East Midlands	68	45	48	34
London	67	47	46	37
North East	70	52	52	37
North West	68	48	51	36
South East	69	45	48	37
South West	68	45	45	35
West Midlands	65	43	47	34
Yorkshire & The Humber	66	48	49	34

Source: National Employer Skills Survey, 2007

Supplementary memorandum submitted by the Department for Work and Pensions

Question 36 (Mr Austin Mitchell): *Number of migrants entering work*

Numbers derived from responses to the Labour Force Survey, which are then grossed up to make estimates for the overall labour market, show that in 2005–06 over 1.6 million people entered work from unemployment and almost two million entered work from economic inactivity. At the same time 1.4 million people left work for unemployment and just more than two million left work for inactivity. Over 2.9 million people moved between jobs. This reflects the fluidity of the labour market.

The Labour Force Survey provides a breakdown by country of birth to indicate the number of migrants in the UK. The data available indicates that around 0.2 million of the 1.6 million people who entered work from unemployment in 2005–06 were foreign born, while over 0.2 million of the almost 2.0 million people who entered employment from inactivity were foreign born. The results shown broadly reflect the proportion of the overall working age population in the UK that the foreign born represent so they are neither over nor under represented in the overall flows within the labour market.

It should be noted that these results are intended to provide a broad picture of the flows within the labour market and are not an exact estimate. The robustness of the estimates provided relating to only foreign born people, while still within ONS guidelines for publication, is lower than the overall figures provided previously as it represents less than 1% of the dataset. Due to the small sample size we are unable to provide a more detailed breakdown. These figures relate to people who are foreign born, or those who are born outside of the UK, rather than those who are foreign nationals.

The data does not allow us to identify time of arrival in the UK for those who are foreign born and so, for example, it is not possible to identify recent Polish migrants within these figures. A respondent will only be picked up in the analysis if they provide a response in two consecutive quarters of data. This means that, for example, a Pole arriving in the country and quickly finding employment will not be picked up in a flow between employment statuses. If the Pole had been in the country for enough time (at least six months) to take part in the survey and he was initially in inactivity in the first quarter he is asked, but in the next quarter was in employment then he would be picked up in the flow from inactivity to employment.

Detailed analysis (eg on migrants) on LFS microdata are less reliable than aggregated statistics. All figures above are weighted to population estimates made in 2003 (whereas headline statistics are grossed to 2006 estimates), and may undercount the number of people born overseas for the following reasons:

- it excludes those resident in the UK less than six month;
- it excludes people in most communal establishments;
- it excludes students in halls who do not have a UK resident parent; and
- results are weighted to estimates of the “usually resident” UK population living in private households, which do not include people moving to the UK for less than 12 months.

Question 111 (Chairman): *Employment retention and advancement demonstration project (ERAd)*

The ERA demonstration project was implemented in 2003 in six Jobcentre Plus districts in order to test the effectiveness of a package of support in helping customers sustain and progress in employment.

ERA is targeted at three groups:

- lone parents on Income Support, who volunteer for the New Deal for Lone Parents (NDLP) programme;
- JSA customers that are mandated to New Deal 25+ (ND25+); and
- lone parents who are already working part time (between 16 and 29 hours a week) and are receiving Working Tax Credit (WTC).

The full programme lasts 33 months. Customers on the ERA programme receive up to nine months pre-employment assistance (largely following the same procedures as the regular New Deal programme). They are offered the following support once in employment:

- In-work advisory support from Jobcentre Plus: to help customers with the transition into work, and to help them advance to positions of greater job security and better pay and conditions;
- an employment retention bonus for staying in full-time work for 13 out of every 17 weeks. The bonus of £400 is available up to six times;
- access to emergency payments to overcome short-term barriers to staying in work; and
- training tuition assistance (up to £1,000) and a training bonus for completing training while employed (also up to £1,000).

There is a budget of £30 million to implement, deliver and evaluate ERA. Sixteen-thousand individuals were randomly assigned to either a programme or control group. The ERAd intervention was delivered to 8,000 individuals over a period of four years, providing intensive pre and post-employment support to help them remain and advance in work. At its inception, ERA was the largest experimental research design of a social programme in the UK.

The ERAd evaluation will continue until 2010. However, evidence on the outcomes one year after entering the programme was published in March 2007, and is extremely encouraging. Key emerging findings are:

- After one year on the programme, NDLP customers earned substantially more than they would have had they not received the ERA service (£811 pounds more—a 29 percentage point increase).
- For the ND25+ group customers receiving ERA earned 12 percentage points more (a £291 increase) than those that did not. This difference was only statistically significant in one district.
- ERA did not substantially increase first year earnings among the WTC LP customer group, but did increase their likelihood of working full time (a 10 percentage point increase). ERA also increased the likelihood of lone parents working full-time (seven percentage points increase).
- NDLP and ND25+ customers were less likely to be in receipt of benefit after one year on the programme. NDLP customers were 4 percentage points less likely to receive IS, and ND25+ customers were 5 percentage points less likely to be in receipt of JSA.
- ERA customers were more likely to combine education or training with employment than they would have without the programme: 58% of WTC customers (a 14 percentage point increase), 21% of NDLP customers (5 percentage point increase), and 11% of ND25+ group (3 percentage point increase).

The emerging ERA evidence has been central to developing the Department's understanding of "what works" in aiding customers to sustain and advance in employment, and evidence is being used to inform the design of a package of retention support for lone parents, announced in the joint DWP and DIUS publication "Opportunity, Employment and Progression: making skills work" (November 2007).

We will continue to learn lessons from the ERA evaluation as evidence emerges over the course of the next two to three years, and evidence of the impacts 24 months after customers entered the programme will be published in early 2008.

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