



Understanding and Tackling Worklessness Volume 1:  
Worklessness, Employment and Enterprise: Patterns  
and Change

**Evidence from the New Deal for Communities Programme**





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The findings and recommendations in this report are those of the authors and do not necessarily represent the views of the Department for Communities and Local Government.

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# Abbreviations

A8	Eight EU accession states (May 2004)
ABI	Area-Based Initiative
APS	Annual Population Survey
BERR	Department for Business, Enterprise & Regulatory Reform
CLG	Communities and Local Government
CRESR	Centre for Regional Economic and Social Research
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
ESRC	Economic and Social Research Council
EU	European Union
IAG	Information Advice and Guidance
IB	Incapacity Benefit
IBCO	Incapacity Benefits Credits Only
IS(LP)	Income Support for Lone Parents
JCP	Jobcentre Plus
JSA	Jobseeker's Allowance
LAA	Local Area Agreement
LFS	Labour Force Survey
LSOA	Lower Layer Super Output Area
LSP	Local Strategic Partnership
NDC	New Deal for Communities
NINO	National Insurance Number
ONS	Office for National Statistics
PCT	Primary Care Trust
SDA	Severe Disablement Allowance
SDRC	Social Disadvantage Research Centre
UK	United Kingdom
VAT	Value Added Tax
WNF	Working Neighbourhoods Fund
WPLS	Work and Pensions Longitudinal Study

# Executive summary

## Chapter 1: Introduction

The NDC Programme is one of the most important area-based initiatives (ABIs) ever launched in England. The Programme's primary purpose is to reduce the gaps between some 39 deprived neighbourhoods and the rest of the country. In these 39 areas, each on average accommodating about 9,800 people, NDC Partnerships are implementing approved 10 year Delivery Plans. Each Delivery Plan has attracted approximately £50m of Government investment.

This report is one of two designed to explore aspects of worklessness within the Programme. A complementary report is based on evidence emerging from six case study NDC areas<sup>1</sup> in relation the types of interventions Partnerships have put in place, partnership working with relevant agencies, perceptions of what works well in particular contexts, etc.

Evidence developed in this report is based on administrative data on benefit claimants from 1999 to 2008 and also household survey data for 2002 and 2006<sup>2</sup>. These data cover a period of sustained national economic and employment growth.

## Chapter 2: Worklessness in NDC areas over time: a Programme-wide perspective

Worklessness combines two key groups: Jobseekers Allowance (JSA), and Incapacity Benefit/Severe Disablement Allowance (IB/SDA) claimants. As of February 2008 the worklessness rate amongst working age residents across all 39 NDC areas was 18.4 per cent; this equates to about 45,800 workless residents. The NDC worklessness rate is double the national (England) equivalent benchmark of 8.9 per cent.

Programme-wide NDC worklessness rates mask considerable variation at the NDC area level. Lambeth has the lowest rate at 10.8 per cent, Sunderland's at 29.8 per cent is almost three times greater.

The extent of worklessness in NDC areas is broadly the same as that in similarly deprived comparator areas, but 6.1 percentage points higher than a benchmark for the 38<sup>3</sup> parent local authorities within which they are located. No NDC area has a lower rate of worklessness than its parent local authority, region or the national equivalent.

<sup>1</sup> CLG (2009a) *New Deal for Communities: Understanding and Tackling Worklessness Volume 2: Neighbourhood-level Problems, Interventions, and Outcomes: Evidence from six case study NDC areas.*

<sup>2</sup> Results from the 2008 household survey will be included in final evaluation reports to be published in 2010.

<sup>3</sup> Birmingham contains two NDC areas: Aston and Kings Norton.

The NDC Programme-wide worklessness rate has in the main fallen year on year. There were 6,000 fewer workless residents in NDC areas in 2008 compared with 1999. All 39 NDC areas experienced a fall in their worklessness rate between 1999 and 2008. Those areas with the highest rates of worklessness at the beginning of the period tended to see the biggest falls. The reduction in worklessness across NDC areas was 0.4 percentage points less than in the comparator areas, but 1.2 percentage points more than in parent local authorities.

The balance between JSA and IB/SDA claimants provides an indication of the nature of worklessness in an area: whereas JSA claimants are economically active and looking for work, IB/SDA claimants are not required to be. Across all NDC areas the ratio of IB/SDA claimants to JSA claimants in 2008 is 2.2:1: more than twice as many out of work residents are claiming incapacity, rather than unemployment, benefits.

Over half of all households in the social rented sector have no members in paid work, compared with one in seven owner-occupier households.

Nearly two thirds of lone parent families are in workless households, compared with just over a fifth of couples with or without dependent children.

In 2008 a third worklessness benefit, IS(LP), was claimed by 5.6 per cent of the total NDC working age population. This translates to roughly 13,960 NDC claimants, a similar sized group to those claiming JSA.

Current levels of worklessness come at a considerable direct cost: JSA and IB/SDA benefit payments in NDC areas amount to about £179,300,000 per year; if payments to IS(LP) claimants are included this rises to about £240,691,000 per year.

## Chapter 3: The unemployed: JSA claimants

In February 2008, the NDC Programme-wide aggregate unemployment rate amongst the working age population was 5.7 per cent. This translates to roughly 14,100 JSA claimants in the 39 areas. The rate in Birmingham Aston is 9.1 per cent, more than three times Salford's rate of 3 per cent. Half of London's ten NDCs are in the ten areas with the lowest JSA rates.

There has been a convergence across NDC areas. In 1999 there was an 11.4 percentage points gap between the highest and lowest unemployment rates across NDC areas. By 2008 this had almost halved to 6.1 percentage points.

No NDC area has a JSA rate lower than for its parent local authority, the region or England as a whole.

Between 1999 and 2008 the overall NDC Programme-wide JSA rate fell by 3.1 percentage points. This compares with a fall of 3.4 percentage points in the comparator areas, 2 percentage points in the parent local authorities and 1.1 percentage points nationally.

There is a correlation between the unemployment rate in NDC areas at the beginning and the end of the period: areas with higher rates in 1999 were still in that position

by 2008. But there is also a strong relationship between levels of unemployment in an area and the scale of change: areas with higher unemployment rates to begin with tended to see the greatest falls. Those NDC areas with higher rates of unemployment in 1999 saw greatest change; but this was still not sufficient to change their position relative to other NDC areas.

Unemployment rates in the NDC areas also are positively related to those in the surrounding parent authority and this relationship has strengthened over time.

Eighteen NDC areas saw more positive change than their comparator areas, 21 less. But only seven NDC areas saw less change than in their parent local authority, and for only one of these was this by over 1 percentage point. Thirty-six NDCs had greater positive improvement than was true for either their region or nationally.

Sixty-five per cent of NDC area claimants have been on JSA for less than 6 months; nationally this figure is 71 per cent. Only 1 per cent of claimants have been on JSA for five years or more. National figures suggest that about 4,500 people flow onto, and 4,200 flow off, JSA in NDC areas each month.

## Chapter 4: Incapacity benefits

In February 2008 12.7 per cent of all NDC working age residents were on incapacity benefits, equivalent to just under 31,700 individuals. This rate was slightly higher than amongst comparator area residents (12.4 per cent), but larger than in parent local authorities (8.8 per cent), and almost double the national benchmark (6.8 per cent).

There is an 11.4 percentage points gap separating NDC areas with highest and lowest rates. Seven of the 10 NDCs with the lowest rates are located in London.

There is a strong correlation between the levels of IB/SDA in NDC areas and in their parent authority.

The fall of 0.9 of a percentage point in NDC areas from August 1999 to February 2008 was more than double the national reduction: 0.4 of a percentage point.

In 19 NDC areas the IB/SDA rate improved but in twenty it worsened.

Between 1999 and 2008, 18 NDC areas saw a relative worsening of their position compared with each of their four benchmark geographies: comparator areas, local authority districts, regionally and nationally. On the other hand, ten saw improvements against all four comparator geographies.

A high proportion of NDC residents have been on either IB or SDA for some considerable time, 54 per cent for five or more years. The most common medical reason for entitlement is mental and behavioural disorders which accounts for 47 per cent of claimants, somewhat higher than the national equivalent. Reducing IB/SDA, or now ESA, in NDC areas will involve Partnerships and other delivery agencies addressing issues surrounding mental health.

A separate ESRC funded survey of IB claimants across England allows for more detailed consideration of IB claimants in the Knowsley NDC, and its comparator, area. IB claimants in these localities are very detached from the labour market, have low skills and are in poor health. In 2006–07 a third had been on IB for more than 10 years and nearly one in five had never had a job. Over 70 per cent had no formal qualifications and only one in five said they wanted a job either now or in the future.

## Chapter 5: Employment in NDC areas

Employment rates are lower and economic inactivity rates higher for NDC residents than is the case for either the comparator areas or nationally. In 2006 just over half (53.6%) of all working-age NDC residents were in employment, more than 20 percentage points lower than the national average. The employment rate ranged from 39.6 per cent in Nottingham NDC to 68.2 per cent in Southampton.

Full-time working in NDC areas is less prevalent than nationally.

Some 9.5 per cent of working NDC residents were self-employed in 2006, hardly any change on 2002 and about three percentage points lower than the national equivalent.

The effect of having large concentrations of students on individual NDC areas can be considerable: for 37 out of 39 NDC areas once full-time students are excluded, the employment rate is at least one percentage point higher than overall employment rates. For the NDC area with the highest proportion of students (Nottingham), this difference is over 18 percentage points.

The NDC employment rate increased by 2.1 percentage points between 2002 and 2006, this improvement was slightly higher than that seen in comparator areas and resulted in NDC areas closing the gap with national levels by 2.4 percentage points.

Fifteen NDC areas saw a decrease in their employment rates, while 24 experienced an increase. Nineteen of the latter improved by more than the comparator aggregate. Change varied from a 16.2 percentage point increase (Liverpool) to a 6.7 percentage point decrease (Islington).

Just over half of all NDCs (21) saw an improvement in their employment rate relative to their respective local authorities, with three closing the gap by more than ten percentage points.

In relation to socio-demographic characteristics (2006):

- employment rates were highest amongst white residents (55.8%), as is the case nationally
- 72.2 per cent of owner-occupiers, but only 39.6 per cent of social sector renters, were in employment
- only one in three lone parents were in employment compared with a half nationally

- NDC residents with qualifications were far more likely to be employed than are those with no qualifications; there was a differential of fully 25.7 per cent between NDC employed residents having qualifications compared with those having none.

In relation to change between 2002 and 2006 for different socio-demographic groups:

- change was greater for Asian (5.5 percentage points), than for either white (1.7 percentage points) or black people (3.1 percentage points)
- all three tenure groups saw an increase, but this was greatest for private renters (4.9 percentage points)
- those with higher level qualifications saw more improvement in employment rates than those with lower level qualifications; there was no change for those without qualifications.

In 2006 just over one fifth of working people in NDC areas were employed in elementary occupations, higher than in comparator areas and approximately nine percentage points more than nationally; this is likely to impact of on wage levels NDC residents can hope to command. Nationally, 28.8 per cent of workers are in professional or managerial occupations; this compares with only 13.6 per cent of NDC residents, a lower proportion than the 17.4 per cent of workers in the comparator areas.

## Chapter 6: Employment: supply-side barriers

Of all working age respondents not currently in work in 2006, fully 47.1 per cent had either never worked or been out of work for ten or more years; this equates to 22.1 per cent of the working age population or approximately 55,000 people Programme-wide. It will be a major challenge to move many of these people into paid employment.

Those in paid work in 2004, but not 2006, were asked why they had left paid employment:

- the most common reason was retirement (19%)
- but health-related reasons were mentioned almost as frequently (18.9%)
- and 13.9 per cent were made redundant.

Potential barriers to work include:

- 42 per cent of those not currently working had no qualifications, compared with 20.3 per cent of those in work
- 31.7 per cent of people out of work had a long-standing limiting illness, compared with only 9.6 per cent of those in work
- 27.3 per cent of those not in work were lone parents, compared with 12.8 per cent of people in work.

Those seeking employment think the main barriers preventing them from working include:

- 29.1 per cent highlight skills or training issues, such as having insufficient or inappropriate experience and qualifications
- 29.1 per cent make reference to the limited availability of work or the lack of suitable jobs
- 24.4 per cent cite personal reasons including age, availability of childcare, other caring responsibilities, language difficulties, and long-standing health problems.

Some barriers, such as those revolving around health issues and the type of work available, probably cannot be addressed to any significant degree at the neighbourhood level. But others including the provision of training for generic skills, access to English courses, and appropriate childcare facilities, whilst needing to be informed by the wider city-regional context, can nevertheless be addressed at least in part at the local level.

In 2004, respondents who were looking for work were asked to identify the lowest net wage after tax for which they would be prepared to take. Just over half (52.9%) were willing to return to work for less than the national median wage (£250).

Although non-UK registrations rose considerably between 2002–03 and 2007–08 in some NDC parent local authorities, it seems unlikely that this represents a major, additional, barrier for NDC residents.

## Chapter 7: Demand in the local economy

NDC areas are not necessarily geographically isolated from existing employment. It is possible to estimate employees in Lower Super Output Areas (LSOAs) covering NDCs and comparator areas, the 38 parent local authorities and nationally:

- there are just under half a million employee jobs in LSOAs containing an NDC; the corresponding working age population is 399,678
- there is no significant correlation between the number of employee jobs in LSOAs containing an NDC and an NDC's employment or worklessness rate
- in aggregate, NDC residents have a higher number of employee jobs on their doorsteps per 1,000 of their working age populations than is true for their comparators areas, their parent local authorities, or the national benchmark figure (720).

It seems probable that it is not so much the availability of local jobs which matters here, but rather a mismatch between prevailing skill levels amongst NDC residents and those required by local businesses.

Estimates of the numbers of enterprises registered/registering for VAT is a guide to patterns of business start-ups, closures and entrepreneurship in NDC parent local authority districts:

- in relation to **entrepreneurship**:
  - the level of entrepreneurship across aggregated NDC parent local authorities (390 VAT registered businesses per 10,000 working age residents at the end of 2006) is below the national level (528 VAT registered businesses per 10,000 working age residents)
  - this is also true for new registrations: NDC local authorities saw 42 new registrations per 10,000 working age residents in 2006, compared with 50 per 10,000 nationally
- relationships between **worklessness and VAT registrations**:
  - there is a significant negative correlation between NDC area worklessness rates in 2006 and VAT registered businesses per 10,000 working age residents in parent local authorities: the lower the rate of entrepreneurship in the local economy, the higher the levels of worklessness
- **change through time**:
  - between 2002 and 2006 the 38 NDC local authorities saw an increase in their stock of VAT registered business from 370 to 390 VAT registered businesses per 10,000 working age residents; this was less than the comparable England wide figure of 26 VAT registered businesses.

## Chapter 8: Modelling worklessness, employment, and change

Modelling techniques can help explain both levels and change in worklessness for both areas and individuals.

In relation to area-level rates, variables significantly associated with employment rates in NDC areas in 2006 include:

- areas with higher concentrations of residents with no qualifications tend to have lower employment rates
- areas with more residents in full-time education have lower employment rates
- areas with a greater incidence of long-standing limiting illness, disability or infirmity amongst working age residents have lower employment rates
- areas with a higher proportion of owner occupiers have higher employment rates
- these factors explain just over four-fifths of the variation in employment rates across the 39 NDC areas.

With regard to change in relation to employment and worklessness across the 39 areas between 2002 to 2006, key findings include:

- associations between change at the local authority district level and change at the NDC area level: NDCs are part of wider city-regional labour markets

- associations between socio-demographic variables and change, including negative associations with increasing long-standing limiting illness and social rented housing
- positive associations between employment growth and/or falling worklessness, on the one hand, and growth in larger households and black populations, on the other: NDC areas accommodating largely static populations with entrenched worklessness problems are less likely to see positive change
- evidence of relationships between NDC-level spend and change at the local level; persistence is now paying dividends.

With regard to **predictors of employment for individuals**, findings include (2006):

- those aged 16 to 24, and also 55 to retirement age, are significantly less likely to be in employment than those in other age bands; those aged 44 to 54 are on average most likely to be in employment
- females are 1.8 times less likely to be in employment than men
- Asian residents are significantly less likely to be in employment compared with both white and black residents
- individuals who are part of a couple with no children are more likely to be in employment than other household types; those in lone parent households are on average significantly less likely to be in employment
- compared with owner occupiers, social renters (3.4 times) and private renter (2 times) are significantly less likely to be in employment
- residents with no formal qualifications are least likely to be in employment
- residents with a long-standing limiting illness are 5.8 times less likely to be in employment compared with those that do not have one
- as would be expected residents in full-time education are significantly less likely to be in employment compared with those not in full-time education (13.5 times less likely).

And on average, all other things being equal:

- residents in Brighton, Southampton, Lambeth, Southwark and Bristol are significantly more likely to be in employment than the NDC average; residents in Brighton and Southampton are each 1.7 times more likely than the NDC average to be in employment
- residents in Sandwell, Birmingham Aston, Hartlepool, Bradford, Sunderland, Walsall and Knowsley are significantly less likely to be in employment than the NDC average.

And in relation to **individual-level change** (2002 to 2006) attributes associated with making a transition from not being in, to being in, employment include:

- social and private renters are less likely to make the transition compared with owner occupiers

- residents with no qualifications are less likely to make the transition compared with those having qualifications
- being out of work for two or more years at 2002 reduces the likelihood of becoming employed compared with those who had worked in the previous two years
- having a long-standing limiting illness in 2002 made a transition into work less likely than those without such an illness
- compared with the average across the 39 Partnerships, out of work residents in Brighton NDC were significantly more likely to make the transition into employment between 2002 and 2006 after all other individual characteristics were taken into account.

There are **no** significant differences between the likelihood of an NDC resident entering work compared with a counterpart living in similarly deprived comparator areas.

On average, beneficiaries of an NDC-funded employment project were significantly more likely than non-beneficiaries to make a transition from being not in employment in 2002, to being in employment by 2004: NDC worklessness projects do appear to have positive benefits for participating individuals.

## Chapter 9: Concluding observations and policy implications

Overarching findings include:

- there are consistent and significant relationships between a number of socio-demographic variables, on the one hand, with rates of worklessness and employment in and around 2006, on the other:
  - age: older residents are less likely to be in work
  - health: those in poor health are less likely to be in work or to make a transition back into employment
  - tenure: rates of worklessness are higher amongst renters than owner-occupiers
  - qualifications: those with few if any qualifications have a much higher probability of being workless
- residential segregation means that groups whose members are more likely to be workless are concentrated in some neighbourhoods, such as the 39 NDC areas
- consistent relationships have emerged between a range of variables on the one hand, with area and individual-level change, on the other:
  - socio-economic factors such as having no qualifications, poor health, being a social or private renter are associated with lower likelihoods of entering employment or improving employment rates at an area level

- the strength of the wider labour market consistently comes through as an important factor in relation to both levels of worklessness and also change to rates of worklessness within NDC areas
- employment spend is significantly associated with NDC area change: on average, greater employment spend is associated with greater improvement in employment rates
- beneficiaries of NDC employment projects are significantly more likely to make a transition from being out of, to into, work
- labour markets do not primarily operate at the neighbourhood level but at wider spatial scales; the strength of the wider labour market consistently emerges as being significantly related to both levels of, and change in relation to, worklessness and employment; neither supply-side interventions, nor welfare reform, are of themselves likely to reduce levels of worklessness seen in some NDC areas unless there is sufficient demand for labour to absorb additional supply; instigating higher spatial level interventions to stimulate economic growth across regions is therefore likely to be an essential component in strategies designed to reduce levels of worklessness in deprived local neighbourhoods such as the 39 NDC areas.

The policy context is evolving rapidly. Welfare reform, institutional change, the 'Sub-National Review' and the 'Transforming Places' agendas will all impact upon the design and delivery of strategies to tackle worklessness in deprived neighbourhoods. Evidence from the NDC Programme shows that neighbourhood-based supply-side interventions are, unlikely of themselves, to raise levels of employment to any significant extent. For this reason, the shift in focus within regeneration and worklessness agendas towards emphasising the importance of addressing economic development and worklessness at different spatial scales seems appropriate. Tackling worklessness in deprived neighbourhoods such as the NDC areas will depend upon a continuing commitment towards aligning worklessness, skills, regeneration and economic development agendas through multi-agency, cross-thematic approaches, operating at different spatial scales. The neighbourhood level may be an appropriate locale within which to implement specific projects, but these need to be informed through partnership-driven strategic planning, devised at local authority district, or even sub-regional, scales.

# 1. Introduction

- 1.1. The New Deal for Communities (NDC) Programme is one of the most important ABIs ever launched in England. The Programme's primary purpose is to **reduce the gaps between some 39 deprived neighbourhoods and the rest of the country**. In these 39 areas, each on average accommodating about 9,800 people, NDC Partnerships are implementing approved 10-year Delivery Plans. Each Delivery Plan has attracted approximately £50m of Government investment. This translates to an NDC average per capita investment between 1999 and 2006 of about £400 per annum.
- 1.2. The NDC Programme is based on a number of key principles:
- the 39 NDC Partnerships are carrying out 10 year strategic programmes designed to transform these deprived neighbourhoods and to improve the lives of those living within them
  - decision-making falls within the remit of 39 Partnership Boards, consisting of agency and community representatives
  - the community is 'at the heart' of the Programme
  - in order to achieve their outcomes, the 39 Partnerships are working closely with other delivery agencies such as the police and Primary Care Trusts
  - the Programme is designed to achieve holistic improvement of these 39 areas by improving outcomes in relation to six areas:
    - three '**place-based**' issues: crime, the community, and housing and the physical environment
    - and three '**people-based**' considerations: education, health, and worklessness.
- 1.3. The 39 NDC areas are all relatively deprived. On the basis of the 2007 Index of Multiple Deprivation, 26 would fall in the most deprived decile of neighbourhoods, the remaining 13 in the second most deprived decile.
- 1.4. These areas vary considerably. In some instances worklessness may be a key element in a Partnership's overall strategy; in others it may be less of an issue. For example the worklessness rate<sup>4</sup> varies from one in ten of the working age population in one NDC area to just under a third in another.
- 1.5. It should also be noted that the NDC Programme is not finished. Programme expenditure is available until the end of 2010–11.

<sup>4</sup> Worklessness rate measured as the proportion of working age population in receipt of JSA or IB/SDA.

## The National Evaluation

- 1.6. In 2001 a consortium headed up by the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University was commissioned to undertake the 2001–2005 Phase 1 of a Programme-wide evaluation. This work culminated in the 2005 Interim Evaluation<sup>5</sup>. The first 2001–2005 phase of the evaluation also produced a large number of other public outputs which can be accessed via the national evaluation team’s website<sup>6</sup>.
- 1.7. In 2006 CRESR was commissioned to undertake Phase 2 of the national evaluation working with a similar, albeit smaller, consortium<sup>7</sup>. **Key objectives of the evaluation include:**
- identifying outcome change across the 39 NDC areas
  - assessing the Programme’s overall Value for Money
  - identifying good practice in relation to neighbourhood renewal.
- 1.8. In recent years the evaluation team either has explored, or is addressing, each of the Programme’s six key outcome areas. These studies involve a synthesis across quantitative data, complemented by qualitative evidence drawn from detailed case study work in six or seven NDC areas. Two of these studies have been published on crime<sup>8</sup> and community engagement<sup>9</sup>. During 2009 an overview of Housing and the Physical Environment will also be published. Work undertaken in 2009 on health and education will inform the evaluation’s final reports due to be published in 2010. The evaluation’s methodology and final reports will be peer-reviewed prior to publication.
- 1.9. This report is one of two designed to explore all aspects of worklessness within the Programme. A complementary report examines qualitative evidence emerging from six case study NDC areas<sup>10</sup> with regard to issues such as the types of local interventions Partnerships have put in place, partnership working with relevant agencies, and perceptions of what works well in particular contexts.
- 1.10. This approach of producing two reports for the broad outcome of worklessness has been adopted for two reasons. First, there is simply more evidence in relation to this outcome area than for any other. Second, it seems important to reflect at depth on this extensive evidence base because of the emphasis which has recently been placed on regeneration addressing the broad worklessness agenda. This was first flagged up in the Government’s

<sup>5</sup> NRU/ODPM (2005) *New Deal for Communities 2001–2005 An Interim Evaluation: Research Report 17*. [www.neighbourhood.gov.uk/publications.asp?did=1625](http://www.neighbourhood.gov.uk/publications.asp?did=1625)

<sup>6</sup> <http://extra.shu.ac.uk/ndc/>

<sup>7</sup> Consortium members are: Cambridge Economic Associates, European Institute for Urban Affairs at Liverpool John Moores University, Geoff Fordham Associates, Ipsos MORI, Local Government Centre at the University of Warwick, School of Health and Related Research at the University of Sheffield, Social Disadvantage Research Centre at the University of Oxford, Shared Intelligence, and SQW

<sup>8</sup> CLG (2008a) *Delivering safer neighbourhoods: experiences from the NDC Programme*. [www.communities.gov.uk/documents/communities/pdf/737976.pdf](http://www.communities.gov.uk/documents/communities/pdf/737976.pdf)

<sup>9</sup> CLG (2008b) *Community Engagement: Some lessons from the NDC Programme*. [http://extra.shu.ac.uk/ndc/downloads/general/community\\_engagement\\_NDC\\_programme.pdf](http://extra.shu.ac.uk/ndc/downloads/general/community_engagement_NDC_programme.pdf)

<sup>10</sup> CLG (2009b).

2007 'Sub-national review'<sup>11</sup> .and then in turn developed within CLG's 'Transforming places; changing lives'<sup>12</sup>. This latter strategy suggests that regeneration needs to be more tightly focused on improving economic outcomes in deprived areas. To achieve this objective three priority outcomes have been identified: improving economic performance in deprived areas; improving rates of work and enterprise; and creating sustainable places where people want to live and can work, and businesses want to invest. Both qualitative and quantitative evidence from the NDC evaluation informs the agendas laid out in 'Transforming places; changing lives', a theme returned to in the final chapter.

- 1.11. Lessons from the NDC Programme are also timely given the government's recent white paper<sup>13</sup> focussing on delivering welfare reform, and which builds on earlier green papers 'Ready For Work'<sup>14</sup> and 'No One Written Off'<sup>15</sup>. Themes developed within the white paper include:

*'Keeping people engaged with the labour market will help them to take advantage of employment opportunities, make them better off and enable them to contribute to their community through employment'. (p7)*

*'that no one should be left behind ... virtually everyone should be required to take up the support that we know helps people to overcome barriers to work' (p8)*

*'a welfare state where everyone is given the help they need to get back to work, matched by an expectation that they take up that support.' (p9)*

- 1.12. A focus on tackling worklessness has therefore become increasingly prominent within both regeneration, and also welfare reform, policy agendas.
- 1.13. These two NDC reports on worklessness are also timely given the major downturn in the national, and indeed world, economic climate which became apparent during 2008. One obvious implication of the current recession is, that whatever progress NDC areas may have made in the period up to 2008, in the medium term at least, labour market trajectories in these areas are likely to be adversely affected by wider national economic processes.

<sup>11</sup> HM Treasury, BERR, CLG (2007) *Review of sub-national economic development and regeneration*. [www.berr.gov.uk/files/file45468.pdf](http://www.berr.gov.uk/files/file45468.pdf)

<sup>12</sup> CLG (2008c) *Transforming places; changing lives; a framework for regeneration*. [www.communities.gov.uk/publications/citiesandregions/transformingplaces](http://www.communities.gov.uk/publications/citiesandregions/transformingplaces)

<sup>13</sup> DWP (2008a) *Raising Expectations and Increasing Support: reforming welfare for the future*. [www.dwp.gov.uk/welfarereform/raisingexpectations/](http://www.dwp.gov.uk/welfarereform/raisingexpectations/)

<sup>14</sup> DWP (2007) *Ready for Work: full employment in our generation*. [www.dwp.gov.uk/welfarereform/readyforwork/](http://www.dwp.gov.uk/welfarereform/readyforwork/)

<sup>15</sup> DWP (2008b) *No one written off; reforming welfare to reward responsibility*. <http://dwp.gov.uk/welfarereform/noonewrittenoff/>

## Data sources

- 1.14. Evidence developed in this report is based on benefit claimants' data covering the period 1999 to 2008 and also household survey data for 2002 and 2006<sup>16</sup>. These two complementary data sources are important as they measure different aspects of the labour market in contrasting, if complementary, ways. Full details of all data sources and definitions used in this report are contained in Appendix 1. It is, however, worthwhile briefly highlighting key aspects of these data sources here.

### Administrative data

- 1.15. Administrative data sources are of immense value in exploring worklessness. The data provide information in relation to the numbers and basic characteristics of working-age benefit claimants living within specific NDC areas. This report draws on data in relation to two key, mutually exclusive, benefit claimant groups:
- **JSA** is payable to unemployed people; in general, to be entitled to JSA, a person must be available for work for at least 40 hours a week, be actively seeking work, and have entered into a Jobseeker's Agreement with JCP
  - claimants of **IB** or **SDA**<sup>17</sup> incapacity benefits are certified as incapable of, and are not required to look for, work; figures include the IBCO claimants who claim IB but actually receive Income Support (usually with a disability premium) due to an insufficient National Insurance contribution record; nationally the composition of this group consists of about 60 per cent IB claimants, 30 per cent on IBCO, and 10 per cent SDA claimants.
- 1.16. For the purposes of this report '**worklessness rates**' are calculated by combining these two benefit groups and expressing this as a percentage of the working age population. Both groups are key target groups for Government policy initiatives to help people back into work<sup>18</sup>. This wider view of worklessness rather than a narrower focus solely on the unemployed is important: nationally, those on IB/SDA outnumber JSA claimants by just over three to one.
- 1.17. Administrative data also allow for a consideration of those claiming IS(LP). Members of this group are unavailable to work due to caring responsibilities for a child under the age of sixteen<sup>19</sup>. IS(LP) does not figure to any large extent in this report primarily because this group of claimants was not originally a key target group for NDC worklessness initiatives. This reflected the then prevailing policy context. However, government policy is to reduce numbers on this benefit by encouraging claimants to look for work. IS(LP) data is therefore examined briefly below (2.26).

<sup>16</sup> Data from the 2008 survey will be incorporated into final evaluation reports due to be published in 2010.

<sup>17</sup> SDA has been closed to new claimants since April 2001.

<sup>18</sup> DWP (2008a)

<sup>19</sup> In November 2008 this was changed to a child under the age of twelve.

- 1.18. The dataset underpinning benefits data examined in this report is the WPLS constructed by DWP. This dataset allows individual-level benefits data to be aggregated for all claimants with an NDC postcode.
- 1.19. Geo-coded benefits data also makes it possible to create counts for similarly deprived comparator areas within the same parent local authorities. Other benchmarks are also available including national, regional and parent local authority claimant rates.
- 1.20. The WPLS benefits data used in this report are derived from two sources. The SDRC at Oxford University, a constituent member of the national evaluation team, has collated a wide range of administrative data throughout the lifetime of the national evaluation. In addition supplementary evidence has been drawn from NOMIS, a labour market data service provided by the ONS.
- 1.21. Administrative data is thus an extremely useful tool for exploring trends through time on working age residents who are eligible for, and claim, work replacement benefits. However, one drawback with this data is that it contains only a limited number of individual-level characteristics, notably age, sex and duration of claim. Eligibility rules for accessing means tested benefits means that some non-employed individuals are not recorded within these data series due to having other sources of income or savings, for example women with a partner in work.

### **The household survey**

- 1.22. A large scale household survey of residents aged 16 and over has been carried out in all NDC areas by Ipsos MORI on a biennial basis as part of the national evaluation. Data examined in this report covers that period from 2002 to 2006.
- 1.23. The survey sample ranges from 500 face to face interviews per area in 2002 to 400 in 2006. In total this provides a substantial sample of 19,574 residents in 2002 and 15,792 in 2006. Sample sizes for subgroups contained within the data tables presented in this report are also included in Appendix 1.
- 1.24. The household survey collects information across all of the six outcomes the NDC Programme is designed to address. In relation specifically to worklessness and employment it provides detailed information on residents' economic and employment status. Data is also available on various aspects of work history including whether respondents have ever had a job, reasons for exiting paid employment, length of time since last job, time in last job, methods of job search, and barriers to work. For those in employment, the survey also collects information on occupation, hours worked, self employment, qualifications, and how their current job was obtained.
- 1.25. As well as the main household survey a comparator areas survey has also been undertaken every two year period. This has been conducted in similarly deprived neighbourhoods in the same local authorities as the relevant NDC. To avoid issues of contamination, comparator areas do not share

any boundaries with NDCs. Despite a number of caveats<sup>20</sup>, this is a good benchmark against which to identify 'net' NDC change: what happens in the 39 NDC areas is being assessed against what occurs in similar localities.

- 1.26. Compared with administrative data, the household survey provides evidence in relation to all those who regard themselves as 'unemployed', some of whom may have no direct relationship with the benefits system. It also allows a greater number of individual characteristics to be considered, such as ethnicity and qualifications.
- 1.27. It is important to stress here that the two key data sources used in this report, administrative data and the household survey, provide complementary evidence in relation to worklessness and employment. In broad terms administrative data identifies trends in worklessness and the household survey is central in helping to explain and understand questions surrounding employment.

### **Other data sources**

- 1.28. In addition, other data sets are drawn upon to provide contextual information on the strength of the local and wider labour markets within which the NDC areas are located. These include:
  - the Annual Business Inquiry which provides estimates of the number of employee jobs located in an area
  - VAT registration data on the stock and registration of new businesses at the local authority district level
  - DWP data on the number of migrant workers registering for National Insurance numbers in an area
  - an ESRC funded national survey of IB claimants some of whom live within NDC areas
  - the NDC Programme-wide System K data which provides data in relation to spend on worklessness, and numbers of worklessness and employment projects each Partnership has funded.
- 1.29. The remaining chapters of this report are laid out as follows:
  - Chapter 2 looks at the scale and dynamics of worklessness as a whole across the Programme and variations across NDC areas over time
  - Chapter 3 examines trends in JSA claimant unemployment in NDC areas: the economically active element of the non-employed

<sup>20</sup> For instance the comparator areas are not regeneration free controls: many will have received regeneration funding, although this will rarely if ever be on the same scale as that allocated to the 39 NDC areas. In practice NDCs also tend to be slightly more deprived than the comparator areas; this may have implications for rates of change: evidence from across the evaluation suggests that the more the deprived an area or an individual is at the baseline, the more change they are likely to make through time. Administrative data can be used to construct comparator areas for each NDC area; because of sample size the comparator areas household survey can only be considered at either the Programme-wide level or for five clusters of NDC areas.

- Chapter 4 considers trends in IB/SDA; members of this group are more detached from the workforce and hence may be more difficult to re-engage within the labour market
- Chapter 5 examines employment trends amongst residents in the 39 NDC areas
- Chapter 6 considers supply-side barriers to employment
- Chapter 7 explores demand in the local economy
- Chapter 8 uses modelling techniques to help understand levels of, and change in relation to, worklessness and employment
- Chapter 9 provides a concluding overview, including a discussion of key policy implications.

## 2. Worklessness in NDC areas over time: a Programme-wide perspective

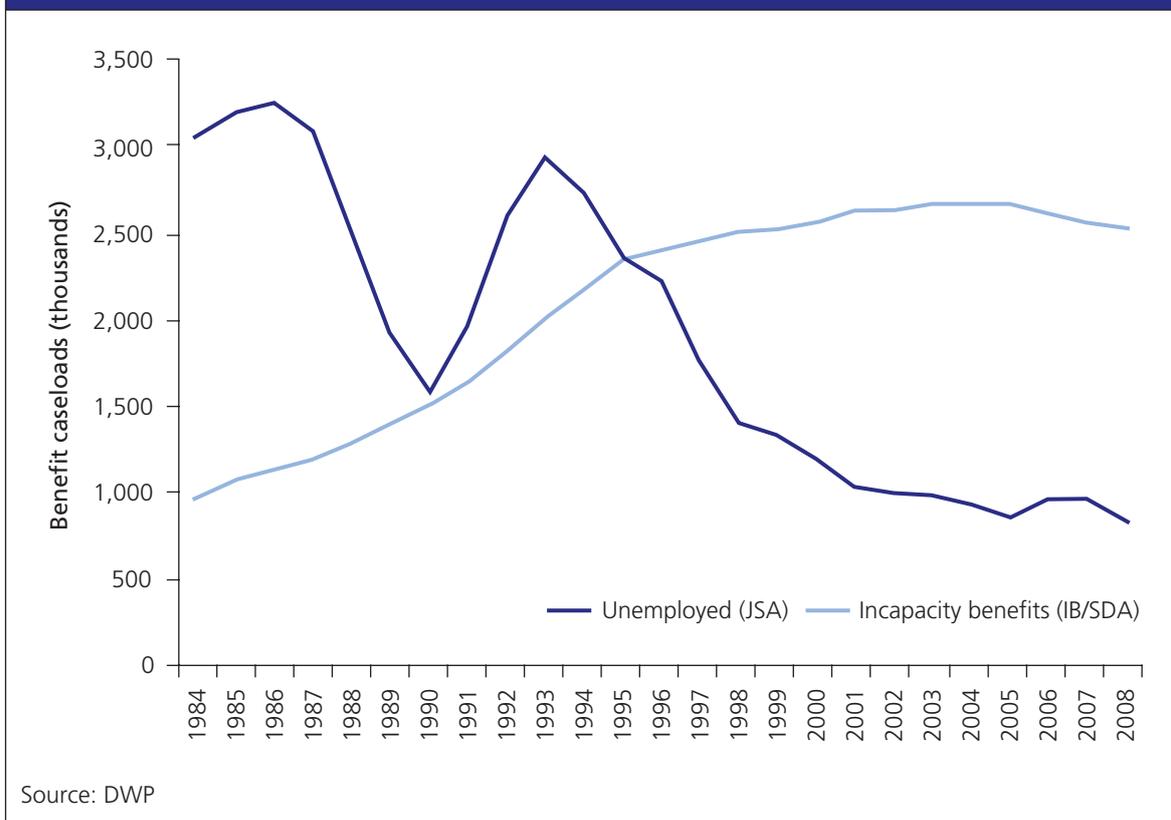
- 2.1. This chapter explores the scale and dynamics of worklessness in NDC areas over time, as reflected in DWP administrative data on benefit claimants. **Throughout the evaluation worklessness has been defined on the basis of combining two key groups:** those claiming unemployment benefits (JSA), who are considered in more detail in the next chapter, and those claiming incapacity benefits (IB/SDA), who are discussed separately in chapter 4.
- 2.2. Evidence in relation to worklessness as a whole is developed within four themes:
- the national context
  - rates of worklessness: a Programme-wide overview
  - patterns of change: 1999 to 2008
  - composition of worklessness: ratio IB/SDA to JSA claimants.
- 2.3. The final section of this chapter considers a third group of out-of-work claimants: those claiming IS(LP). Although this group is not included within worklessness measure used here, increasingly government policy is to encourage IS(LP) claimants to re-engage with the workforce.

### The national context

- 2.4. Nationally, long term trends in relation to key out-of-work benefits have changed dramatically over time (Figure 2.1). Until the mid 1990's unemployment formed the largest component of worklessness. Unemployment figures, which are responsive to the economic cycle, rose to over three million in the recession of early 1980s and to almost that level again a decade later. Since 2000 the number of JSA claimants in Great Britain has been consistently below one million. However, as the effects of the current recession became more pronounced the unemployment figure rose to over a million in November 2008.
- 2.5. Over the past 30 years incapacity benefits have increasingly formed a larger element in overall levels of worklessness. Claimant numbers rose rapidly in the 1980s and early 1990s. Not until benefit reforms in 1995 did the rate of increase begin to slow, figures reaching a plateau around 2000, then gradually falling from around 2004. Totals have been largely unresponsive

to the economic cycle: they barely fell in that decade of sustained economic growth from about 1997 onwards.

**Figure 2.1: Great Britain unemployment and incapacity benefit claimants: 1984 to 2008**



- 2.6. IB/SDA claimants are unevenly distributed across the country<sup>21</sup>, being concentrated in older industrial areas of Britain (See Figure 4.1). In large parts of southern England numbers on incapacity benefits are low and unemployment is more likely to account for a larger proportion of overall workless totals.
- 2.7. By 2008 the number claiming incapacity benefits was more than two and a half times that seen in 1984. IB/SDA claimants in 2008 also outnumbered JSA claimants by three-to-one. This shift from unemployment to incapacity benefits has been well documented<sup>22</sup>.

## Rates of worklessness: a Programme-wide overview

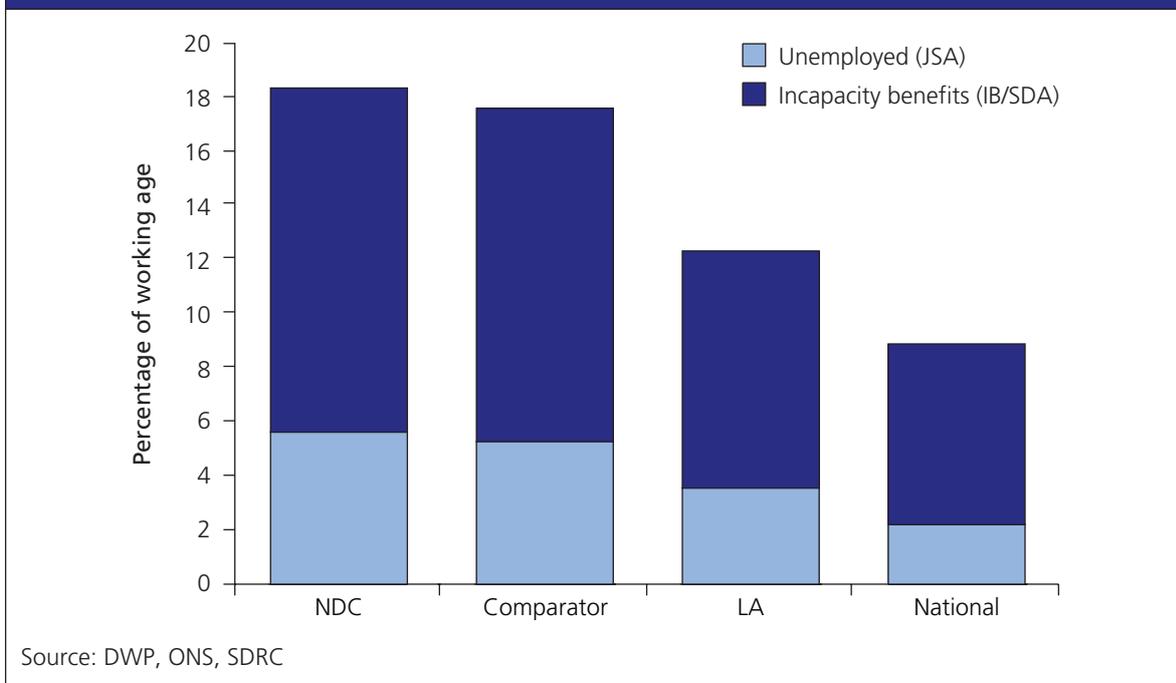
- 2.8. As of February 2008 the worklessness rate amongst working age residents across all 39 NDC areas was 18.4 per cent. In terms of total NDC claimants this equates to about 45,800 workless residents, of whom 14,100 are on JSA and 31,700 on IB/SDA. The NDC worklessness rate is substantially higher than the national (England) equivalent benchmark of 8.9 per cent.

<sup>21</sup> Beatty, C., Fothergill, S., Gore, T. and Powell, R. (2007) *The Real Level of Unemployment 2007*.

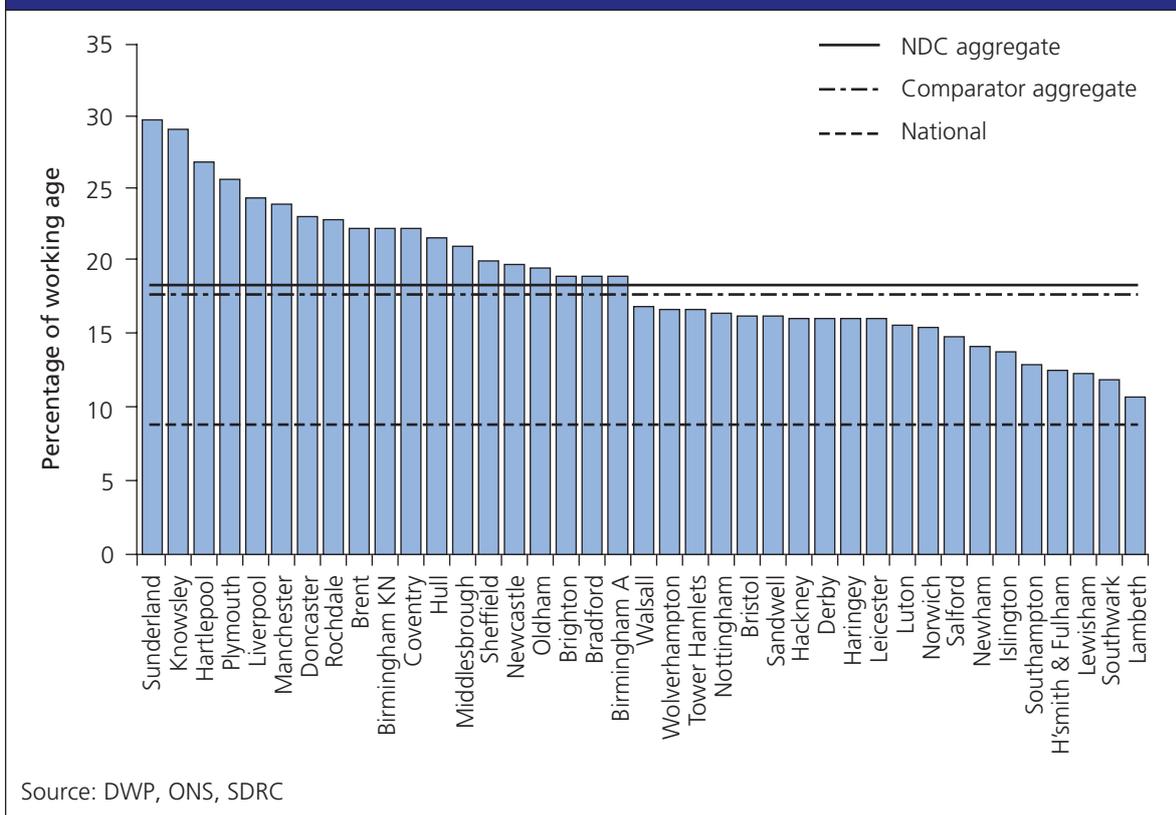
<sup>22</sup> Beatty, C. and Fothergill, S. (2005) The diversion from 'unemployment' to 'sickness' across British regions and districts, *Regional Studies*, vol 39, pp.837–854.

2.9. The extent of worklessness in NDC areas is broadly similar to the comparator areas but 6.1 percentage points higher than the benchmark for the 38<sup>23</sup> parent local authorities within which they are located (Figure 2.2).

**Figure 2.2: NDC aggregate and benchmarks worklessness rates: 2008**



**Figure 2.3: NDC area-level worklessness rates: 2008**



<sup>23</sup> Birmingham contains two NDC areas: Aston and Kings Norton

- 2.10. Inevitably aggregate Programme-wide NDC worklessness rates mask considerable variation at the NDC area level<sup>24</sup> (Figure 2.3). Lambeth has the lowest rate at 10.8 per cent, whereas Sunderland's at 29.8 per cent, is almost three times greater. Of the ten NDC areas with the highest worklessness rates, seven are located in the North West, the North East or Yorkshire and the Humber. On the other hand six of the ten with the lowest rates are in London. This pattern mirrors regional disparities seen across the country.
- 2.11. No NDC area has a lower rate of worklessness than its parent local authority, region or the national equivalent:
- 21 NDC areas have a worklessness rate over five percentage points higher than that for their parent local authority; for seven of these the difference is more than 10 percentage points
  - 34 have a worklessness rate more than five percentage points higher than their regional benchmark; for 14 of these the difference is more than 10 percentage points
  - 33 have a worklessness rate more than five percentage points higher than for England as a whole, for 19 of these the difference is more than 10 percentage points.

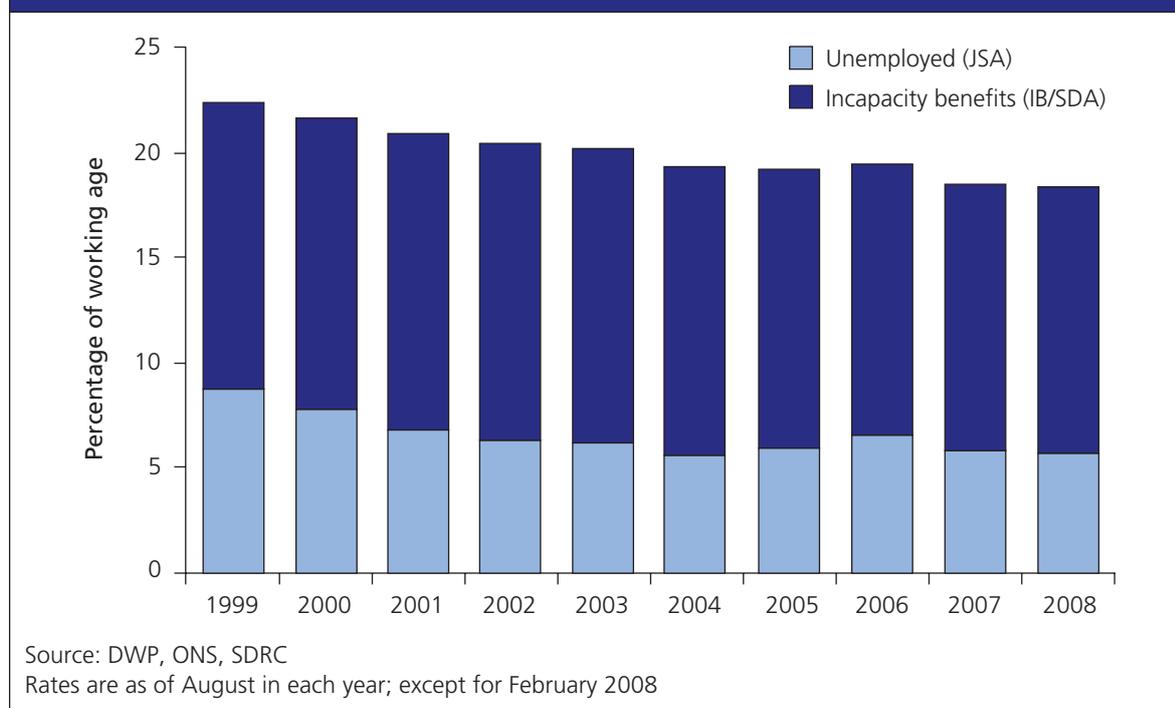
## Patterns of change: 1999 to 2008

- 2.12. The NDC Programme-wide worklessness rate has in the main fallen year on year. There is one small exception: between August 2005 and August 2006 there was a slight increase (0.3 percentage points) reflecting a rise in unemployment rate and mirroring national trends over the same period (Figure 2.4). Over the entire time series the worklessness rate has fallen by four percentage points from 22.4 per cent to 18.4 per cent. There were 6,000 fewer workless residents in NDC areas in 2008 compared with 1999.
- 2.13. All 39 NDC areas experienced a fall in their worklessness rate between 1999 and 2008. These reductions were most marked in Liverpool and Manchester which saw a 10.6 and a 10.2 percentage points reduction respectively. The worklessness rate in Tower Hamlets fell the least: 0.2 of a percentage point. Those NDC areas with the highest rates of worklessness at the beginning of the period tended to see the biggest falls; this correlation is significant at the 0.01 level.
- 2.14. The fall in the rate of worklessness in NDC areas to a certain extent reflects national trends over the period, but was more rapid. NDC areas also saw a greater decrease in worklessness than amongst their parent authorities. However, this decrease was less than that achieved in similarly deprived comparator areas within the same local authority areas. In summary, the NDC Programme-wide worklessness rate fell by:

<sup>24</sup> For NDC area-level rates of: worklessness; lone parents; unemployment; incapacity benefits; and employment, see supplementary tables provided with this report.

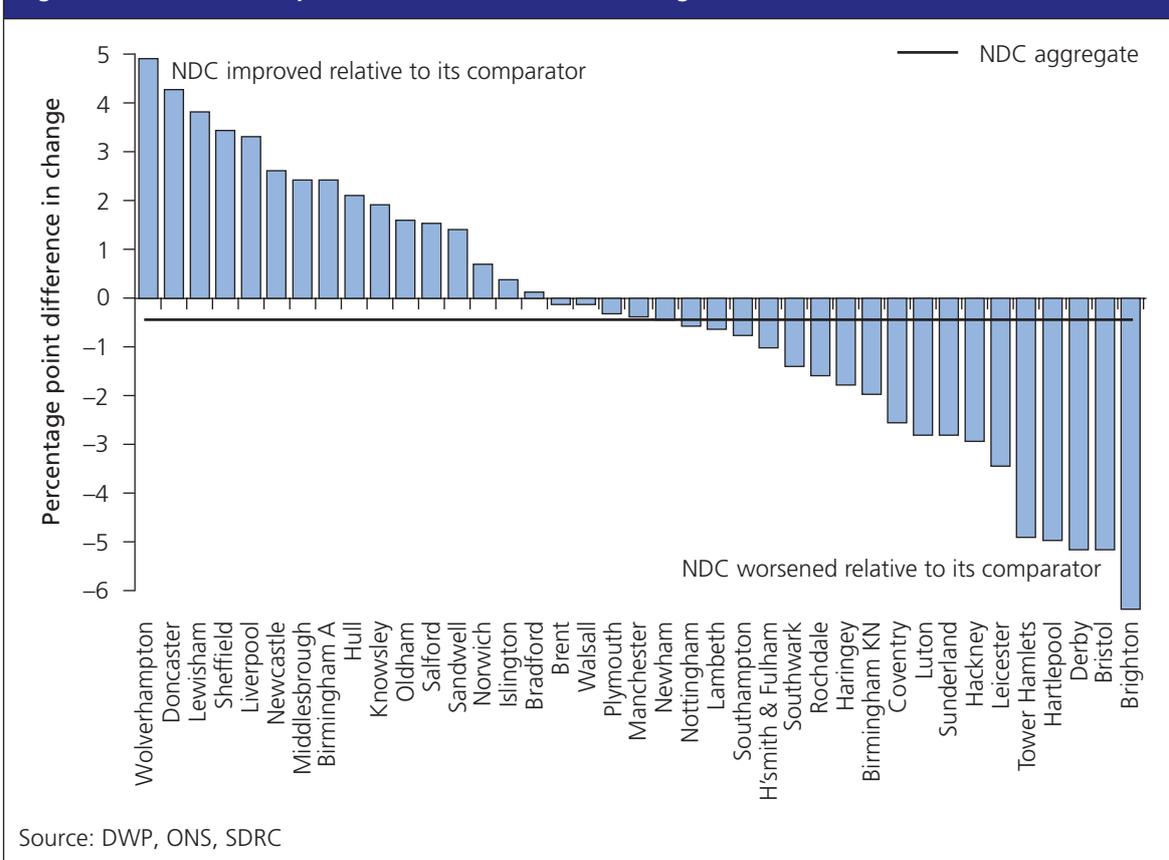
- 0.4 percentage points less than in comparator areas
- 1.2 percentage points more than in parent local authorities
- 2.4 percentage points more than nationally.

**Figure 2.4: NDC aggregate worklessness rates: change 1999 to 2008**



- 2.15. The slower rate of decline at the Programme level in worklessness rates relative to comparator areas hides considerable variation at the level of the individual NDC area. Sixteen areas saw an improvement in their worklessness rate against their comparator area; 23 a relative worsening (Fig 2.5). Eight of the ten London NDCs experienced less positive change than did their comparators; Islington and Lewisham being the exceptions.
- 2.16. Benchmarking change at the individual NDC level against other geographies provides a more positive picture:
- 24 NDC areas saw more positive change than was the case for their parent local authority
  - 29 had more positive change than did their region
  - 31 had more positive change than that seen nationally.

Figure 2.5: NDC and comparator areas: differences in change in worklessness rates: 1999 to 2008



## Composition of worklessness: ratio IB/SDA to JSA claimants

- 2.17. As mentioned earlier (2.6) the distribution of IB/SDA claimants across the country is uneven. The composition of the stock of workless claimants in any NDC area will vary depending on its location within England. The overarching worklessness rate in one NDC may be similar to another but actually reflect quite different types of challenges. To some extent this is reflected in evidence outlined in the complementary worklessness report which highlights how different case study NDCs have prioritised different groups within their neighbourhood.
- 2.18. The balance between JSA and IB/SDA claimants provides an indication of the nature of worklessness in an area. This ratio highlights the extent to which worklessness in an area is concentrated amongst economically active, as opposed to inactive, groups. Whereas JSA claimants are economically active and are required to be looking for work, IB/SDA claimants are not. The economically inactive are therefore more detached from the workforce and are inevitably likely to constitute a harder-to-reach group. There is also evidence from previous NDC research that some employers are reluctant to recruit individuals with health problems<sup>25</sup>.

<sup>25</sup> Devins, D., Halliday, S. A., Bickerstaffe, T., Hanson, S., Darlow, A. (2004) *Availability of Jobs: The recruitment and retention practices of employers in two NDC areas*. <http://extra.shu.ac.uk/ndc/downloads/reports/RR26.pdf>

- 2.19. Recently introduced welfare reform has sought to tackle this by introducing an element of conditionality for new claimants of incapacity benefits<sup>26</sup>. Since October 2008 IB has been closed for new claimants being replaced by the ESA, the rationale for which is:

*“everyone should have the opportunity to work and that people with an illness or disability should get the support they need to engage in appropriate work, if they are able”<sup>27</sup>.*

- 2.20. It is proposed that all IB/SDA claimants are eventually transferred onto ESA and be subject to the same rules of conditionality. It should be noted here however that ESA came into effect after the period covered by change data analysed in this study.
- 2.21. Higher ratios of IB/SDA to JSA claimants in an area is likely to impact on the ability of NDCs, and their partner agencies, to reduce worklessness rates. Many of the interventions rolled out in NDC areas address supply-side issues and are designed to improve employability and skills, as highlighted in Chapter 2 of the complementary worklessness report. In that context, it will be easier for Partnerships to achieve positive outcomes by engaging with JSA claimants, who are closer to the labour market and who are seeking work.
- 2.22. Alternatively, to date IB/SDA claimants have not been required to look for work. The majority will not be seeking support to help move them towards work and many do not want employment now or in the future<sup>28</sup>. More expensive support and interventions which address issues of health as well as employability will be required to help move these claimants closer to the labour market. It also needs to be remembered that even with intensive support some will never be well enough to take up work opportunities. Evidence emerging from the complementary report<sup>29</sup> exploring worklessness in six NDC case study areas indicates that at least one Partnership has majored on ‘easier to reach’ JSA claimants and that, in general, there has not been a particular emphasis on health related interventions targeted at IB/SDA claimants. Chapter 4 below examines the key characteristics of IB/SDA claimants in more depth.
- 2.23. Across all NDCs the ratio of IB/SDA claimants to JSA claimants in 2008 is 2.2:1. More than twice as many out of work residents are claiming incapacity benefits than are claiming unemployment benefits. This ratio is similar to but slightly lower than that seen in comparator areas (2.4) and combined parent local authorities (2.5), and considerably lower than the national ratio (3.1). The lower NDC ratio when compared with the national benchmark partly reflects the geographic spread of these 39 areas, a quarter of which are located in London where IB/SDA levels tend to be lower than is the case for the older industrial areas of the north of England<sup>30</sup>.

<sup>26</sup> DWP (2008a, 2008b).

<sup>27</sup> [www.dwp.gov.uk/esa/](http://www.dwp.gov.uk/esa/)

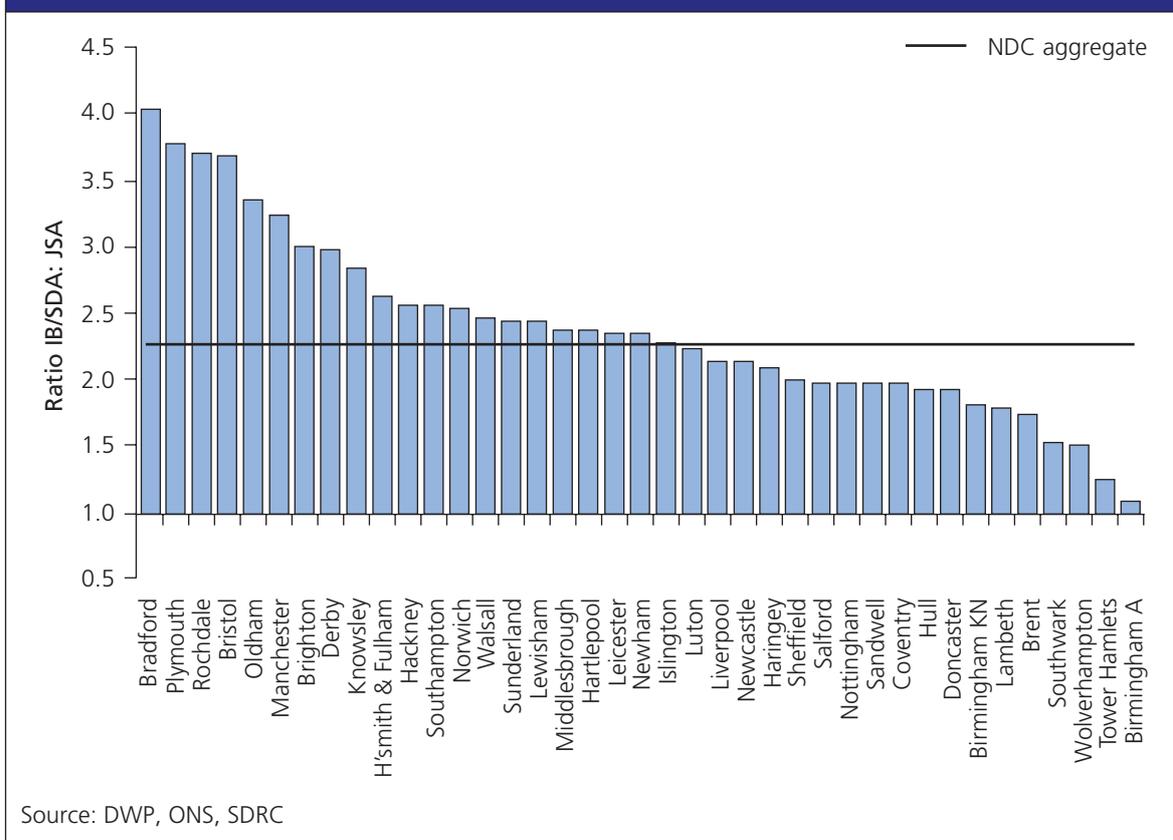
<sup>28</sup> Beatty, C., Fothergill, S. and Powell, R. (2008a) *Women on Incapacity Benefits: New Survey Evidence*. [www.geographyandgender.org/](http://www.geographyandgender.org/)

<sup>29</sup> CLG (2009b): p30

<sup>30</sup> Beatty, C. Fothergill, S., Houston D., Powell R. and Sissons, P. (2009) *Women on Incapacity Benefits: A statistical overview*. [www.geographyandgender.org/](http://www.geographyandgender.org/)

2.24. Not surprisingly this ratio varies considerably at the level of the individual NDC area, (Figure 2.6). For all 39 areas the ratio is greater than one: IB/SDA claimants outnumber those on JSA in all of these locations. The ratio is lowest in Birmingham Aston (1.1:1) and highest in Salford, where there are four times more IB/SDA, than JSA, claimants. Comparing the IB/SDA to JSA ratio at the NDC-level with that for respective parent local authorities reveals a significant positive correlation (correlation coefficient of 0.841 significant at a 0.01 level). NDCs with relatively higher proportions of incapacity benefits to unemployment benefit claimants are, on average, located within local authorities with similar patterns across the two benefit groups.

Figure 2.6: NDC area-level ratio of IB/SDA to JSA claimants: 2008



## Characteristics of workless households

2.25. Although evidence outlined in this chapter is based to a large extent on government administrative data, it is worth pointing out here that household survey data is also useful in one respect: it helps identify key socio-demographic characteristics of 'workless households' (Table 2.1). The definition of 'worklessness' here is not driven by relationships with the benefits system as is true for other evidence in this chapter. Here workless households are those where at least one member of the household is of working age and no members of the household are in work<sup>31</sup>. Definitional

<sup>31</sup> defined as in paid work, on a local government training scheme involving paid work or on a modern apprentice involving paid work

issues are less important than are some of the overarching conclusions with regard to both tenure and household composition:

- over half of all households in the social rented sector had no members in paid work, compared with one in seven owner-occupier households; other studies have also found that working-age social renters are more likely to be workless than are working-age owner-occupiers or private renter residents<sup>32</sup>; this is not to imply, however, that living in social housing is, in itself, a key contributing factor to worklessness; other research suggests that the social rented sector<sup>33</sup> does not generate significant additional barriers
- nearly two thirds of lone parent families were in workless households, compared with just over a fifth of couples with or without dependent children
- when compared with national equivalents, one group of NDC residents which appears to be disproportionately disadvantaged are couples with children.

<b>Table 2.1: Workless households by household characteristics: 2006</b>		
	Workless households as a percentage of all households in each group	
	NDC	National
<b>Tenure</b>		
Owner occupier	14.1	7.2
Social renter	55.1	46.1
Private renter	39.3	20.0
<b>Household composition</b>		
Couple, no dependent children	22.4	11.1
Couple with dependent children	23.5	5.2
Lone parent family	65.4	39.8
All households	39.1	15.4
Source: Ipsos MORI NDC Household Survey 2006, LFS April-June 2006		
Base: All working age households (at least one household member of working age)		

## Income support for lone parents

- 2.26. NDC-level estimates of benefit claimants using data available on NOMIS also allow a third out-of-work benefit group to be considered: IS(LP). Historically this economically inactive group of claimants has not been required to look for work due to caring responsibilities for dependent children under the age of 16. Participation in the New Deal for Lone Parents introduced in 1998 was

<sup>32</sup> Centre for Analysis of Social Exclusion (2007) *Ends and means: the future roles of social housing in England (The Hills Report)*, CASE Report 34, p100. <http://sticerd.lse.ac.uk/dps/case/cr/CASereport34.pdf>

<sup>33</sup> Fletcher, D. R., Gore, T., Reeve, K., Robinson, D., Bashir, N., Goudie, R. and O'Toole, S. (2008) *Social housing and worklessness: Qualitative research findings*.

voluntary. However, changing policy agendas have resulted in this claimant group being increasingly the attention of labour market activation measures. Since October 2008, lone parents are expected to look for work when their youngest child reaches 12<sup>34</sup>; by 2010 this condition will apply when the youngest child reaches seven. The government has also announced plans to pilot a Progression to Work model for lone parents whose youngest child is aged between one and seven which includes mandatory steps designed to make claimants more work ready<sup>35</sup>.

- 2.27. When the NDC national evaluation was launched in 2001 it was decided not to include IS(LP) in assessments of worklessness. This reflected debates surrounding the compilation of the 2000 Index of Deprivation, which itself formed part of the evaluation's baseline. IS(LP) has therefore never been central to definitions of worklessness adopted within the NDC evaluation.
- 2.28. However, new estimation procedures using NOMIS data mean it is now possible to get a sense of the scale of this group. In 2008 IS(LP) was claimed by 5.6 per cent of the total NDC working age population. This translates to roughly 13,960 NDC claimants, a similar sized group to those claiming JSA.
- 2.29. The percentage of working-age residents who are IS(LP) claimants in NDC areas is higher than for any of the benchmark geographies. Whilst not dissimilar to comparator areas (the NDC rate being only 0.6 of a percentage point higher), the combined parent local authority rate is 2.5, and the England wide rate, 3.6 percentage points, lower than the NDC aggregate. The England-wide average payment of IS(LP) is £84.57 per week. Multiplying this by the number of claimants gives a total estimated benefit payment of £1,181,000 per week or £61,391,000 annually to NDC residents.
- 2.30. As with other worklessness indicators, the Programme-wide aggregate masks considerable variation across NDC areas. NDC area-level IS(LP) rates range from 3.1 per cent in Sandwell, Nottingham and Doncaster to nearly three and a half times that in Coventry (10.6%). Housing allocation policy within NDC areas may provide an explanation for some of this variation. Claimants of IS(LP) tend to have good access to, and are often housed in, social rented accommodation. There is a significant positive correlation between the percentage of working-age residents claiming IS(LP) in NDC areas in 2006 and the proportion in social renting (0.631 sig at a 0.01 level).
- 2.31. When individual NDC area-level rates are assessed against benchmarks:
- only two areas, Nottingham (an area with an especially high proportion of students) and Sandwell, have IS(LP) rates which are slightly lower than for their parent local authorities (0.1 percentage points)

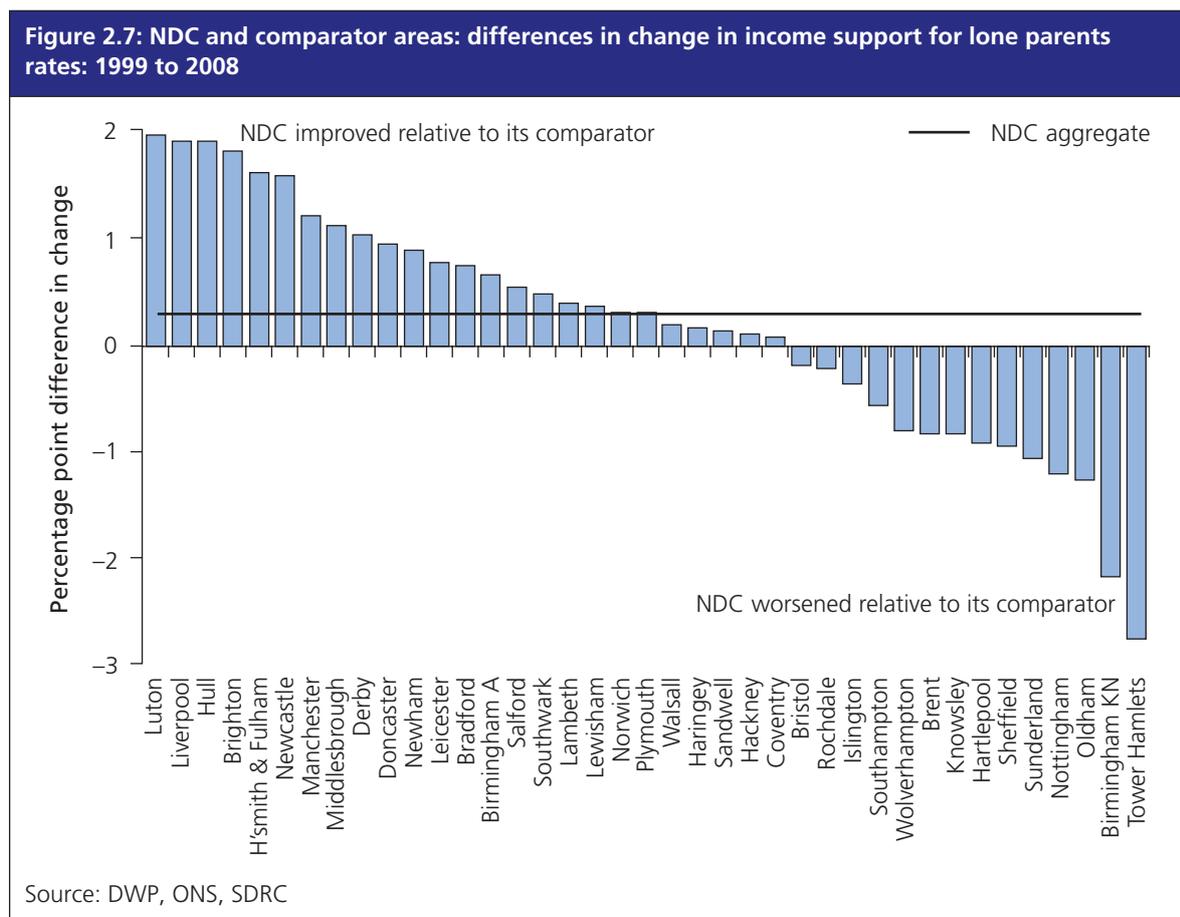
<sup>34</sup> These conditions will be applied by transferring lone parents from IS to JSA or, if they have a health condition that limits their ability to work, to ESA. Both benefits require claimants to take active steps to look for work.

<sup>35</sup> DWP (2009) *Realising potential: developing personalised conditionality and support. A discussion paper on next steps in implementing the Gregg review*. [www.dwp.gov.uk/welfare-reform/gregg-review-discussion-paper-Jan09.pdf](http://www.dwp.gov.uk/welfare-reform/gregg-review-discussion-paper-Jan09.pdf)

- no NDC area has an IS(LP) rate lower than for their region or for England
- Coventry's rate is 8.4 percentage points higher than for West Midlands and 8.6 percentage points higher than for England.

2.32. Reflecting national trends, the percentage of NDC working-age residents claiming IS(LP) fell year on year from 7.5 per cent in August 1999 to 5.6 per cent in February 2008. The Programme-wide rate fell by 0.3 of a percentage point more than was the case for the comparator areas, one percentage point more than for parent local authorities, and 1.4 percentage points more than nationally. Only one area, Tower Hamlets, did not see a decline in its rate between 1999 and 2008. Knowsley saw the largest decline: a 4.3 percentage points fall to 9.5 per cent.

2.33. Twenty-five NDC areas achieved more positive change than their comparator area between 1999 and 2008 (Figure 2.7). Of the 14 areas seeing less positive change, for nine this amounted to less than one percentage point. Birmingham Kings Norton and Tower Hamlets declined relative to their comparator areas by 2.2, and 2.7 percentage points respectively.



2.34. A number of key points emerge when benchmarking change against wider geographies:

- 31 NDC areas improved relative to their parent local authorities; of the eight that did not only Tower Hamlets saw more than one percentage point less change

- 33 NDC areas improved their position against the regional benchmark; of the six that did not none saw more than one percentage point less change
  - 34 NDC areas achieved more positive change than that occurring nationally.
- 2.35. Twenty-two NDC areas saw their IS(LP) rate fall between August 1999 and February 2008 by a greater amount than in any of their four comparator geographies. Four NDCs did worse than all their comparators Birmingham KN, Islington, Hartlepool and Tower Hamlets, which was the one NDC area to see its rate increase. The overall message here is positive, NDC areas are improving compared with their benchmarks.

## The worklessness evidence: key conclusions

- 2.36. A number of key conclusions should be stressed at this stage:
- there is considerable variation in the scale of worklessness across NDC areas, with a nearly 20 percentage points difference between areas with highest and lowest rates
  - problems are especially acute in some areas: in Sunderland nearly a third of all working age residents are workless as defined by JSA and IB/SDA claimants
  - but if IS(LP) is included in the equation some 39 per cent of Knowsley's working age residents claim either JSA, IB/SDA or IS(LP); in addressing the scale of worklessness apparent in at least some NDC areas policy makers are having to face up to especially entrenched problems
  - Programme-wide worklessness rates have fallen, and more rapidly than national trends, but the fall is slightly less than that seen in similarly deprived comparator areas
  - on average there are more than two IB/SDA claimants for every JSA claimant; in some areas this ratio rises to more than four to one: issues of inactivity driven by health considerations are central to the worklessness narrative in many NDC areas
  - current levels of worklessness come at a considerable direct cost: JSA and IB/SDA benefit payments in NDC areas are in the order of £3,448,000 per week and £179,300,000 per year; if payments to IS(LP) claimants are included this rises to about £240,691,000 per year.
- 2.37. The next two chapters analyse worklessness in more depth in relation to each of the two key benefits groups: JSA and IB/SDA claimants.

## 3. The unemployed: JSA claimants

### Introduction

- 3.1. Evidence developed in the previous chapter examines worklessness as a whole across the Programme, within individual NDC areas, and against other benchmark geographies. However, worklessness data also allows for a separate detailed exploration of both IB/SDA, the focus of the next chapter, and, as is developed here, of JSA claimants as well. This chapter is structured around four themes:
- the national context
  - JSA claimants: a Programme-wide overview
  - patterns of change: 1999 to 2008
  - the characteristics of JSA claimants.

### The national context

- 3.2. As highlighted in the previous chapter, those registered as unemployed dropped consistently from 1994 to 2005. Figures then rose slightly over the 2005 to 2006 period and then fell back again until 2008. By February 2008 only 689,300 or 2.2 per cent of the working age population were registered unemployed. This compares with a peak of 2.9 million or 8.7 per cent of the working age population in January 1993. National figures available via NOMIS indicate a rise of just over 250,000 claimants between February and December 2008, equating to a rise in the national unemployment rate from 2.2 to 3 per cent. This upward trend is likely to continue. Although data outlined in this report do not cover the latest economic downturn, it can safely be predicted that claimant counts will rise in NDC areas.
- 3.3. Regional disparities in unemployment rates narrowed over time. Between 1993 and 1996 there was at least four percentage points difference between regions with the highest and lowest unemployment rates. By 2003 this gap had narrowed to two percentage point or less. This situation prevailed until December 2008 when rates once more begin to diverge.
- 3.4. Nationally, a number of factors helped reduce JSA claimants in the decade before 2008 including:
- a sustained period of economic growth

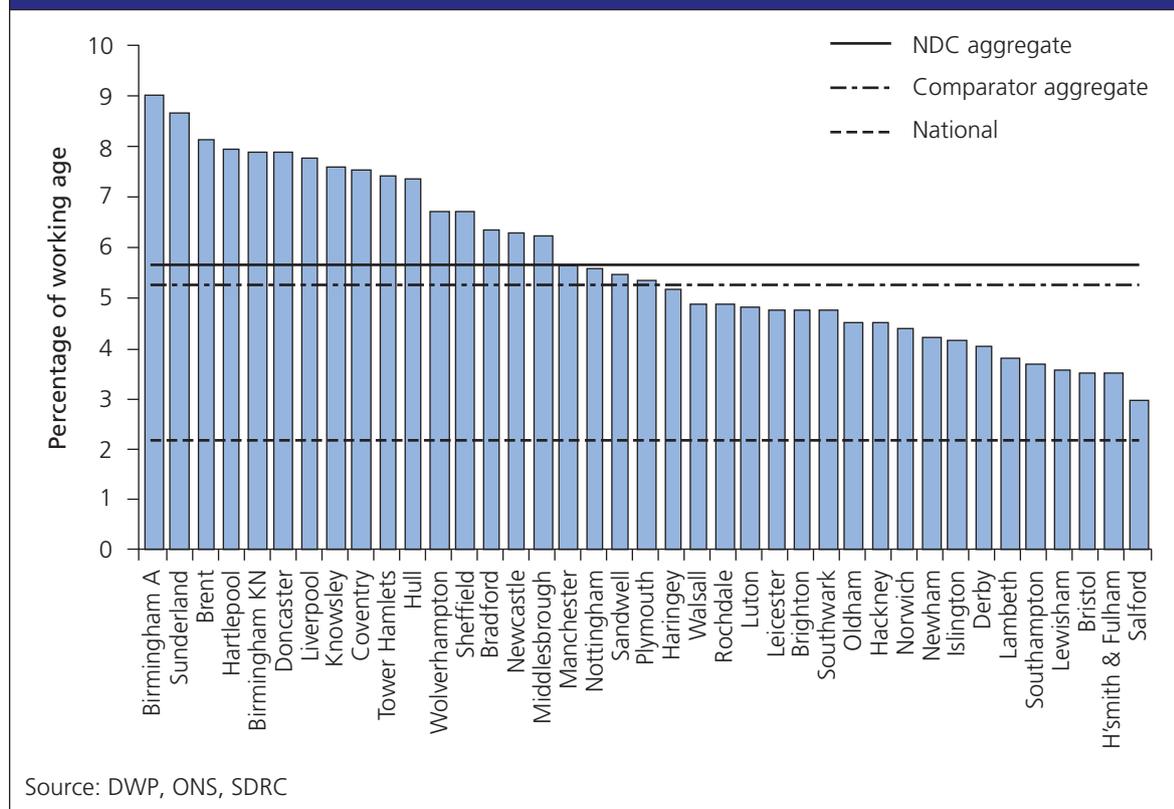
- JCP was created from a merger of the Benefits Agency with the Employment Service, resulting in a more focused back-to-work service
  - the introduction of New Deal strengthened the obligation on claimants to take active steps towards returning work
  - policies to make 'work pay' were implemented, including the National Minimum Wage and the Working Tax Credit.
- 3.5. JSA claimants comprise that element in the headline workless figures who are closest to the jobs market. They have to demonstrate that they are actively looking for, available for, and making moves towards returning to, work. They are more likely therefore to lead to positive outcomes if they become participants in local worklessness projects. As is developed in the complementary worklessness report based on evidence from six case study NDCs, it is not surprising to find that some NDC Partnerships such as for instance Knowsley, have majored on moving JSA claimants into jobs<sup>36</sup>.

## JSA claimants: a Programme-wide overview

- 3.6. In February 2008, the NDC Programme-wide aggregate unemployment rate amongst the working age population was 5.7 per cent. This translates to roughly 14,100 JSA claimants in the 39 areas. This rate is slightly higher than that for the comparator areas: 5.2 per cent. The 38 parent local authorities exhibit a lower unemployment rate of 3.5 per which in turn is higher than the national equivalent of 2.2 per cent.
- 3.7. By using the national average weekly 'JSA benefit' payment (£54.23) and multiplying this by the total number of NDC claimants, it is possible to indicate both weekly, £764,000, and also annual, £39,748,000, payments of JSA benefits to NDC residents. This excludes other benefits JSA claimants may also receive such as Housing Benefit or Council Tax Benefit.
- 3.8. At the NDC area level claimant level unemployment rates vary substantially (Figure 3.1), although there has been some convergence over time. The rate in Birmingham Aston is 9.1 per cent or more than three times that in Salford. Half of London's 10 NDC areas fall within those 10 areas with the lowest JSA rates.
- 3.9. No NDC area has a JSA rate lower than for its parent local authority, the region or England as a whole. In many cases differences between prevailing rates in NDC areas and in other geographies is considerable. For example the rate in Birmingham Aston (9.1%) is over four times the national rate, three times that for the West Midlands region, and nearly three percentage points higher than for Birmingham as a whole.

<sup>36</sup> CLG (2009b): 30.

Figure 3.1: NDC area-level unemployment rates: 2008



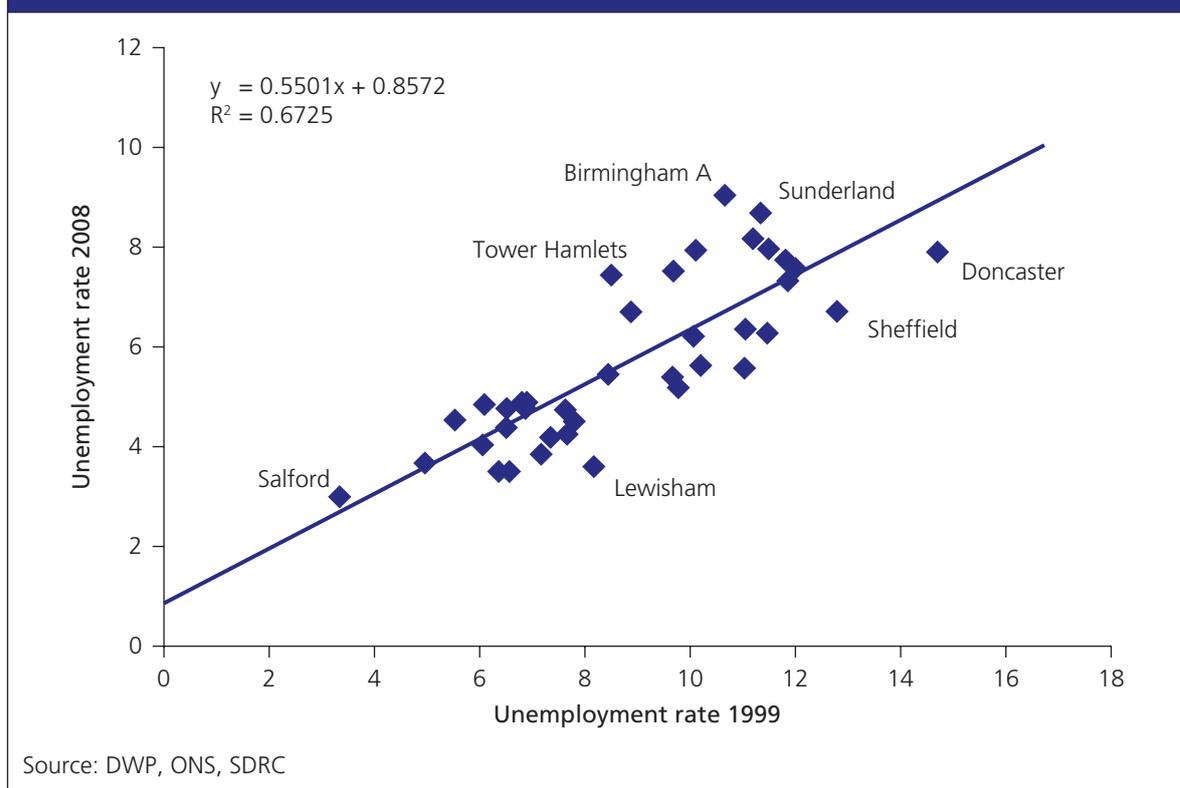
## Patterns of change: 1999 to 2008

- 3.10. The overall NDC Programme-wide JSA rate fell between 1999 and 2008, in line with what happened in each of the comparator geographies. The NDC rate fell by 3.1 percentage points. This compares with a fall of 3.4 percentage points in the comparator areas, 2 percentage points in the parent local authorities, and 1.1 percentage points nationally.
- 3.11. The NDC trend-line has not been consistently downwards:
- from August 1999 to August 2004 the rate fell sharply by 3.3 percentage points to 5.5 per cent
  - it then rose a percentage point in the next two years to August 2006
  - from that date it receded back to 5.7 per cent by February 2008
  - these variations reflect national trends over the same period (see 3.2).
- 3.12. All 39 NDC areas saw a decrease in their unemployment rate between 1999 and 2008. South Yorkshire's two NDC areas, Doncaster and Sheffield, saw the largest falls of 6.8 percentage points and 6.1 percentage points respectively. This may well reflect in part substantial economic development funding from EU Objective 1 resources. Salford experienced the smallest fall: 0.4 percentage points. Given the scale of unemployment in the Salford NDC area was less than in any other NDC area at both the beginning and the end

of that 1999–2008 period, the limited scale of this change is understandable. By 2008 Salford NDC's unemployment rate was within 0.8 percentage points of the national figure.

- 3.13. There has been a considerable convergence across NDC areas over time. In 1999 there was 11.4 percentage points gap between the highest and lowest unemployment rates across the 39 areas. By 2008 this had almost halved by 6.1 percentage points. There was far less convergence across the 38 parent authorities over the same period: 1.4 percentage points.
- 3.14. As with the overall worklessness rate (see 2.13), **there is a strong correlation between the unemployment rate in NDC areas at the beginning and at the end of the period** (0.82, significant at 0.01 level). Areas with higher rates in 1999 were still in that position by 2008 (Figure 3.2). Two thirds of the variation in rates by the end of the period can be explained by the rates at the start. This pattern replicates, but is slightly stronger, than that seen in their parent authorities (0.74, significant at 0.01 level).

Figure 3.2: NDC area-level unemployment rates: 1999 and 2008

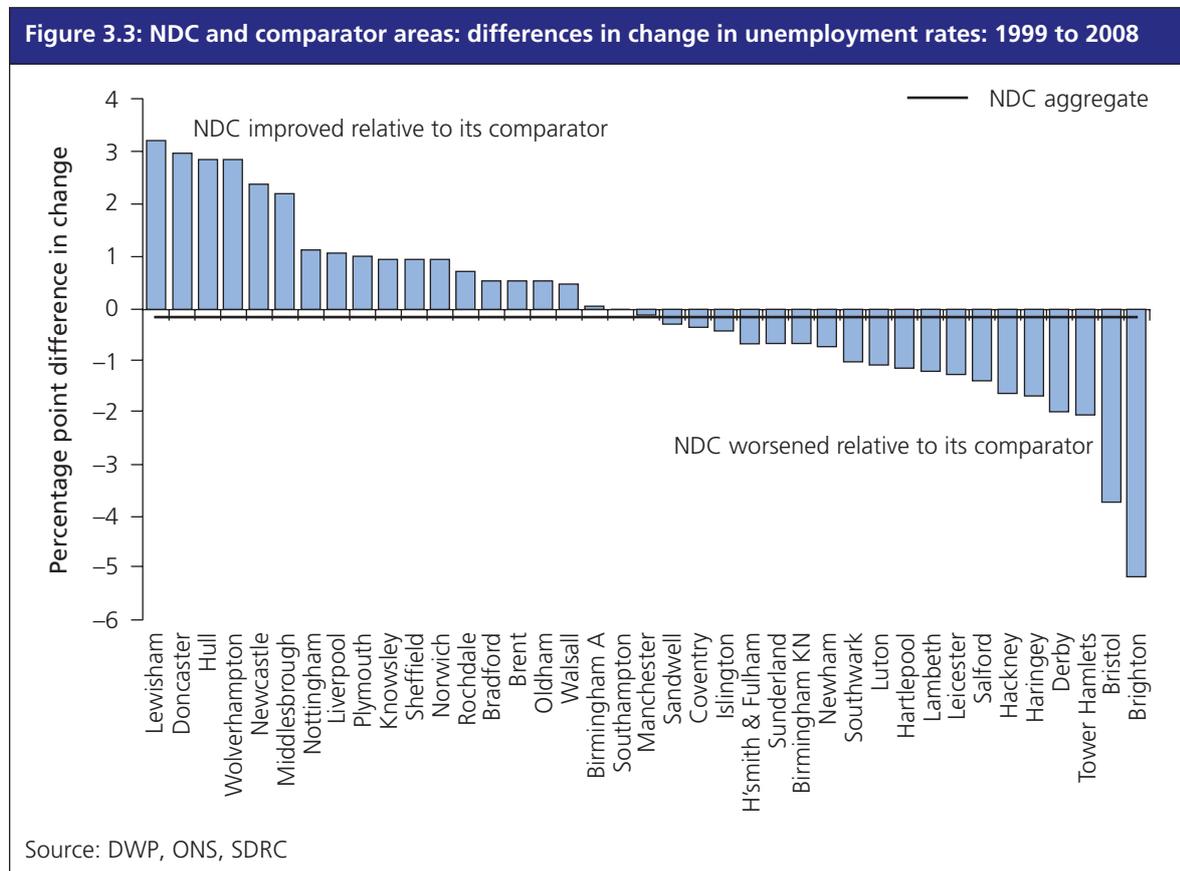


- 3.15. **A strong relationship is also apparent between levels of unemployment in an area and change.** Areas with higher unemployment rates to begin with tended to see greatest falls (−0.76, significant at 0.01 level). Once again similar patterns are evident across parent authorities (−0.70, significant at 0.01 level). In essence those NDC areas with higher rates of unemployment in 1999 saw greatest change. But this was still not sufficient to change their position relative to other NDC areas.

3.16. Change in NDC areas is also associated with that occurring in parent local authorities. There is a tendency towards greater improvements in those NDC areas located in parent authorities which also saw more positive change (0.48, significant at the 0.01 level). Unemployment rates in the NDC areas also are positively related to those in the surrounding parent authority and this relationship has strengthened over time (0.42 in 1999 significant at the 0.01 level; 0.56 in 2008 significant at the 0.01 level).

3.17. Change at the NDC area level can be benchmarked against that occurring in the comparator areas (Figure 3.3):

- 18 NDC areas saw more positive change than their comparators, 21 less
- for half of the areas seeing greater change, this was by less than 1 percentage point
- Lewisham improved most against its comparator, closing the gap by 3.2 percentage points
- interestingly, only two London NDC areas, Lewisham and Brent, saw greater improvement than their comparators
- Brighton and Bristol saw the lowest change relative to their comparators; 5.2 percentage points and 3.7 percentage points less respectively; in both cases they went from having a lower rate in 1999 to a higher one by 2008.



- 3.18. Benchmarking change in JSA rates at the NDC-level with wider geographies paints a more positive picture than is the case for the comparator areas:
- only seven NDC areas saw less change than in their parent local authority, and for only one of these was this by more than one percentage point
  - 36 NDC areas had greater positive improvement than was true for either their region or nationally
  - the same three NDC areas, Salford, Tower Hamlets and Oldham, experienced less change than occurred in either their region or for England as a whole.
- 3.19. Overall the situation in terms of change is fairly positive in relation to claimant unemployment. Seventeen NDC areas saw greater improvement in their unemployment rates than in each of their four comparator geographies (comparator areas, local authority districts, the region, England). These tended to be located in older industrial cities with the exceptions of Lewisham, Brent and Norwich. A further fourteen improved relative to three of the four benchmarks. Only two NDC areas saw a decline relative to all four benchmark geographies: Tower Hamlets and Salford.

## The characteristics of JSA claimants

- 3.20. Benefits data available from NOMIS provides details in relation to key characteristics of claimants. JSA claimants in NDC areas tend to have age and gender profiles which are similar to national figures (Table 3.1), although women and those over 50 make up a slightly smaller proportion of the stock than is the case nationally.

**Table 3.1: Characteristics of NDC JSA claimants: 2008**

	Percentage of JSA claimants	
	NDC	National
<b>Age</b>		
16 to 24	30.9	31.2
25 to 49	57.2	53.6
50 and over	11.9	15.2
<b>Gender</b>		
Male	75.1	73.0
Female	24.9	27.0
<b>Duration (claimant count)</b>		
Up to 6 months	65.3	71.3
6 months up to 1 year	18.5	15.2
1 year up to 2 years	11.6	9.6
2 years up to 5 years	3.9	3.2
5 years and over	0.7	0.7

Source: DWP, ONS, SDRC

- 3.21. As with all of the indicators explored in this chapter there is considerable variation across the 39 areas. Oldham has the highest proportion of male claimants (82%), Hammersmith and Fulham the lowest (63%). The percentage of JSA claimants aged 16 to 24 ranges from 42 per cent in Brighton to 16 per cent in Lambeth. All 10 London NDCs feature in the 16 NDCs with the lowest proportions of 16–24 year old claimants.
- 3.22. In NDC areas 65 per cent of claimants have been on JSA for less than 6 months, a slightly lower proportion than is the case nationally (71%). In both NDC areas and nationally only 1 per cent of claimants have been on JSA for five years or more.
- 3.23. However, whilst nationally half of all new JSA claimants leave benefits within three months, and around three-quarters within six months, of claiming<sup>37</sup> there are still large numbers of people moving onto, as well as off, JSA each month. Nationally, in February 2008, the on-flow of new JSA claimants was equivalent to 32 per cent, and the off-flow to 30 per cent, of the stock<sup>38</sup>. If this pattern were to be replicated across the 39 NDC areas this would lead to somewhere in the order of 4,500 new JSA claimants each month and 4,200 leaving benefit in the previous accounting month. **Over the space of a year this may mean there are in the region of 54,000 new JSA claimant 'starts' in NDC areas who may require support to get back into work.** As the economy slows down on-flows are likely to increase and off-flows decrease.
- 3.24. Many individuals may therefore be helped back into work by specific NDC projects but the ability of NDCs to make a significant and lasting impact on employment or unemployment rates are likely to be masked by the sheer scale of other 'macro' trends occurring in the local area. And of course JSA claimants represent only one specific component of the local labour market: those having a particular relationship with the benefits system.

## JSA claimants: key conclusions

- 3.25. A number of key conclusions can be drawn from analyses outlined above:
- the age and sex profile patterns of JSA claimants in NDC areas are similar to the national picture, although there are slightly fewer women or clients aged over 50
  - in February 2008 unemployment rates in NDC areas (5.7%) were more than double the national figure; the NDC overall rate is likely to rise again in the current economic climate
  - the stock of unemployed in an area masks the actual number of individuals who may require support over the space of a year; there are constant, on-flows, and off-flows of claimants; in 2008 there were

<sup>37</sup> DWP (2008a): p9.

<sup>38</sup> Claimant count data held on NOMIS

approximately 14,100 JSA claimants in NDC areas at any point in time, but potentially about 54,000 new claims were made over the entire year

- unemployment rates in NDC areas have followed national trends in declining over the 1999 to 2008 period; but the decrease has been more rapid: 3.1 percentage points in NDC areas compared with 1.1 per cent nationally
- this decrease was however marginally less than that seen in comparator areas which fell by 3.4 percentage points; however 18 NDC areas saw more positive change than did their comparators
- there are a number of relationships between levels of unemployment and change at the NDC area level relative to those occurring in parent local authorities:
  - unemployment rates in NDC areas are positively related to those in parent authorities and this relationship has strengthened over time
  - areas with the highest unemployment rates in 1999 are likely to have seen the largest decreases by 2008; this relationship is consistent for both NDC areas and parent authorities
  - NDC areas are more likely to have experienced falls in their unemployment rates if this trend is also apparent in their parent authorities
- on average the total of weekly 'JSA benefit' payments to NDC residents is likely to be in the region of £764,000; annually this amounts to £39,748,000 excluding other possible benefits such as Housing Benefit or Council Tax Benefit.

3.26. The next chapter considers changing trends in relation to an economically inactive group, members of which are more detached from the labour market and who therefore constitute a harder group to reach and facilitate back into work: IB/SDA claimants.

## 4. Incapacity benefits

### Introduction

4.1. The previous chapter explored the scale and dynamics of unemployment in NDC areas over time. This next section shifts the focus towards an examination of those who are out-of-work and have a sufficient level of ill health or disability to entitle them to claim incapacity benefits (IB/SDA). This chapter examines five themes:

- the national context
- incapacity benefits: a 2008 Programme-wide overview
- patterns of change: 1999 to 2008
- the characteristics of IB/SDA claimants
- aspirations and barriers to work: IB claimants.

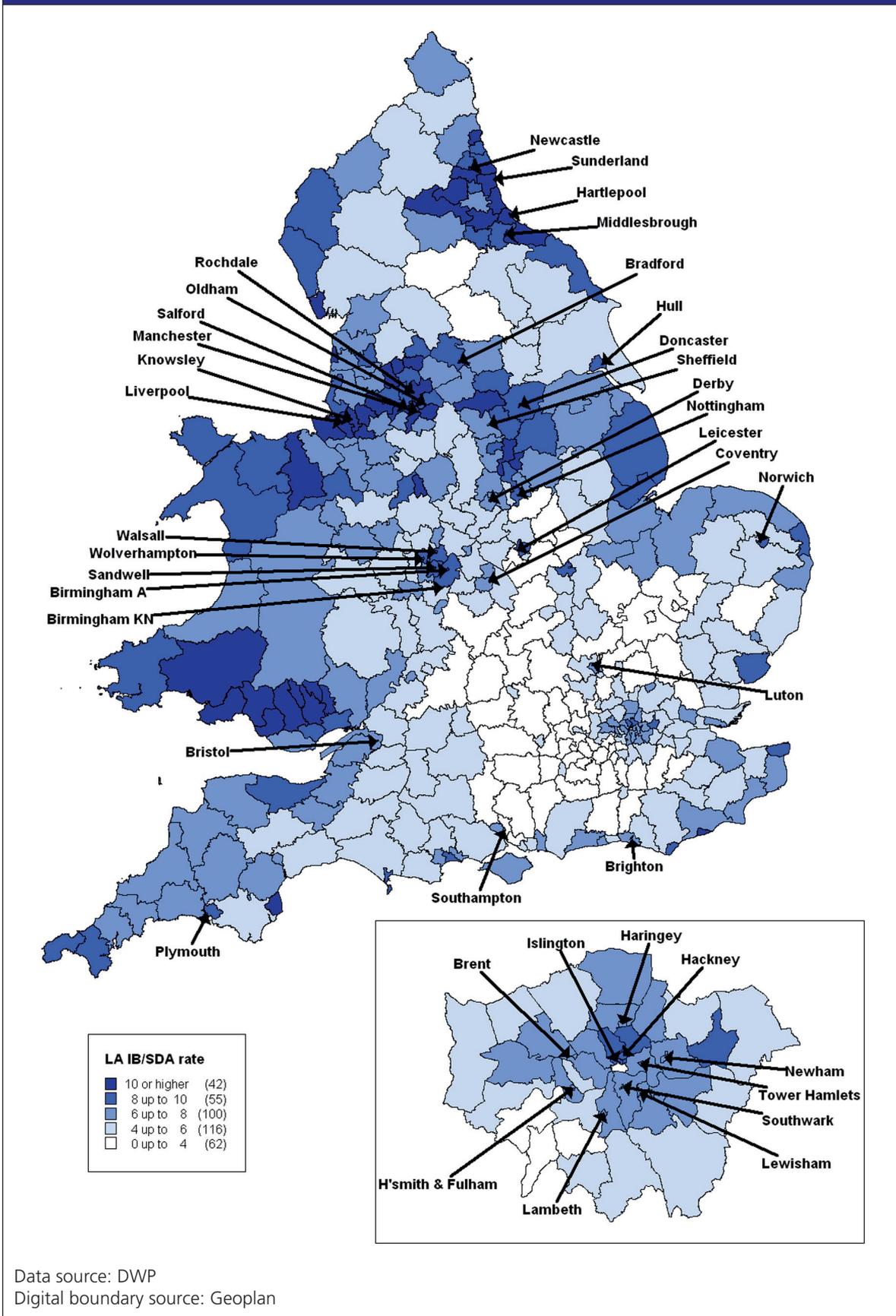
### The national context

- 4.2. The important distinction to make between JSA claimants and those on IB/SDA is that whilst the former group are economically active, the latter are economically inactive. JSA claimants have to demonstrate they are available for, and actively seeking, work. To date IB/SDA claimants do not have to look for work as a requirement of their benefit entitlement. Hence those on incapacity benefits are more detached from labour market participation than the unemployed<sup>39</sup>. The need to consider trends in economic inactivity and specifically those classified as not in work due to long-term sickness or ill health is therefore important<sup>40</sup>.
- 4.3. Earlier a number of key national trends in IB/SDA were highlighted (see 2.5). Issues worth re-iterating include: the numbers claiming incapacity benefits more than doubled over the past 25 years; by 2008 IB/SDA claimants outnumber JSA claimants by three-to-one; and claimants are unevenly distributed across the country, but primarily concentrated in older industrial areas of Britain (Figure 4.1). Trends in incapacity benefits indicate that re-engaging this economically inactive group back into the workforce is difficult even in periods of sustained economic growth: nationally claimant numbers barely fell in the period 1997 to 2008.

<sup>39</sup> Alcock, P., Beatty, C., Fothergill, S., Macmillan, R. and Yeandle, S. (2003) *Work to Welfare: How Men Become Detached from the Labour Market*.

<sup>40</sup> This was a point first recognised in the mid- to late 1990s as labour market economists began to highlight that high levels of economic inactivity relative to unemployment were not reflected in policies to tackle worklessness that focused exclusively on the unemployed. See for example Gregg, P. and Wadsworth, J. (1998) *Unemployment and Non-Employment: Unpacking Economic Inactivity*; Green, A.E. and Owen D. (1998) *Where are the Jobless? Changing unemployment and non-employment in cities and regions*.

Figure 4.1: Local authority incapacity benefits claimant rates: February 2008



- 4.4. Current welfare reform proposals in a recent DWP white paper<sup>41</sup>, and also suggestions outlined in the Gregg Review<sup>42</sup>, both stress the importance of increased conditionality, as well as active support for people with health conditions in order to help them move towards work as soon as possible. IB/SDA has been closed to new claimants since October 2008 and replaced with ESA. DWP considers that a new Work Capability Assessment will result in an immediate 10 percentage point increase in those moved to JSA<sup>43</sup>. There will now be a maximum of two years between medical assessments. New ESA claimants<sup>44</sup> will take part in a series of Work Focused Interviews, develop an action plan in conjunction with their personal adviser, and be provided with support to manage health conditions, improve skills and prepare for a return-to-work. Eventually, it is proposed that the entire stock of existing IB/SDA claimants will be transferred over to ESA.
- 4.5. The national Pathways to Work programme is also based on a twin-track approach of providing Work Focused Interviews with new claimants as well as a Condition Management Programme as a way of re-engaging claimants with work. An evaluation of the impact of this programme indicates that it improves the chances of a new claimant being in work after 18 months by 25 per cent<sup>45</sup>.

## Incapacity benefits: a 2008 Programme-wide overview

- 4.6. In February 2008 12.7 per cent of all NDC residents of working age were on incapacity benefits, equivalent to just under 31,700 individuals. This rate was only slightly higher than amongst comparator area residents (12.4%). The rate in NDC areas was greater than in parent local authorities (8.8%) and almost double the national figure (6.8%). Average England-wide benefit payments to IB/SDA claimants<sup>46</sup> suggest that weekly payments to NDC residents amounts to £2,684,000 or £139,551,000 per annum.
- 4.7. There is considerable variation in IB/SDA rates across the 39 NDC areas: an 11.4 percentage points gap separates areas with highest and lowest rates. This is more than the variation in JSA figures across NDC areas of 6.1 percentage points. Individual NDC-level IB/SDA rates show that seven of the 10 NDCs with the lowest rates are located in London (Figure 4.2), Lambeth being the lowest (6.8%). The highest IB/SDA claimant rates are found in NDCs located in older industrial areas. Of the 10 areas with the highest rates only Plymouth is not located in the North West, North East or Yorkshire and the Humber. In Knowsley more than one in five of all working

<sup>41</sup> DWP (2008a).

<sup>42</sup> DWP (2008c) *Realising potential: A Vision for Personalised Conditionality and Support*.

<sup>43</sup> DWP (2008a): 87.

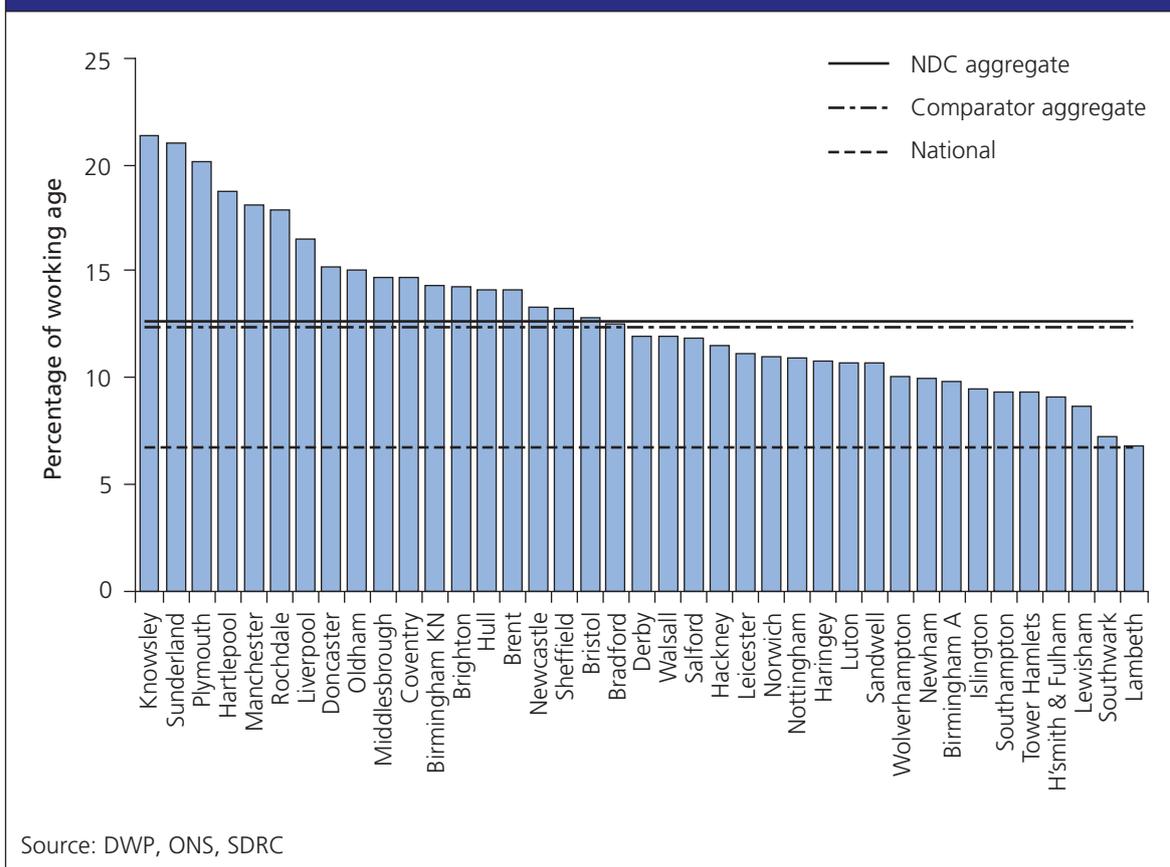
<sup>44</sup> Only those with the most severe disabilities or health conditions will be placed in a separate Support Group within the ESA regime and not expected to take part in work-related activity.

<sup>45</sup> Bewley, H., Dorsett, R., Haile, G. (2007) *The impact of Pathways to Work, Report to: Department for Work and Pensions, Research Report 435*.

<sup>46</sup> This includes IBCO claimants with a poor National Insurance record who claim IB but actually receive Income Support, often with a Disability Premium. See fuller explanation of IB/SDA eligibility rules in Appendix 1.

age residents are on IB/SDA. This finding replicates the national picture with IB/SDA claimants concentrated in older industrial areas<sup>47</sup>. There is a strong correlation between the levels of IB/SDA in NDC areas and their parent authority (0.71, significant at the 0.01 level).

Figure 4.2: NDC area-level incapacity benefits rates: 2008

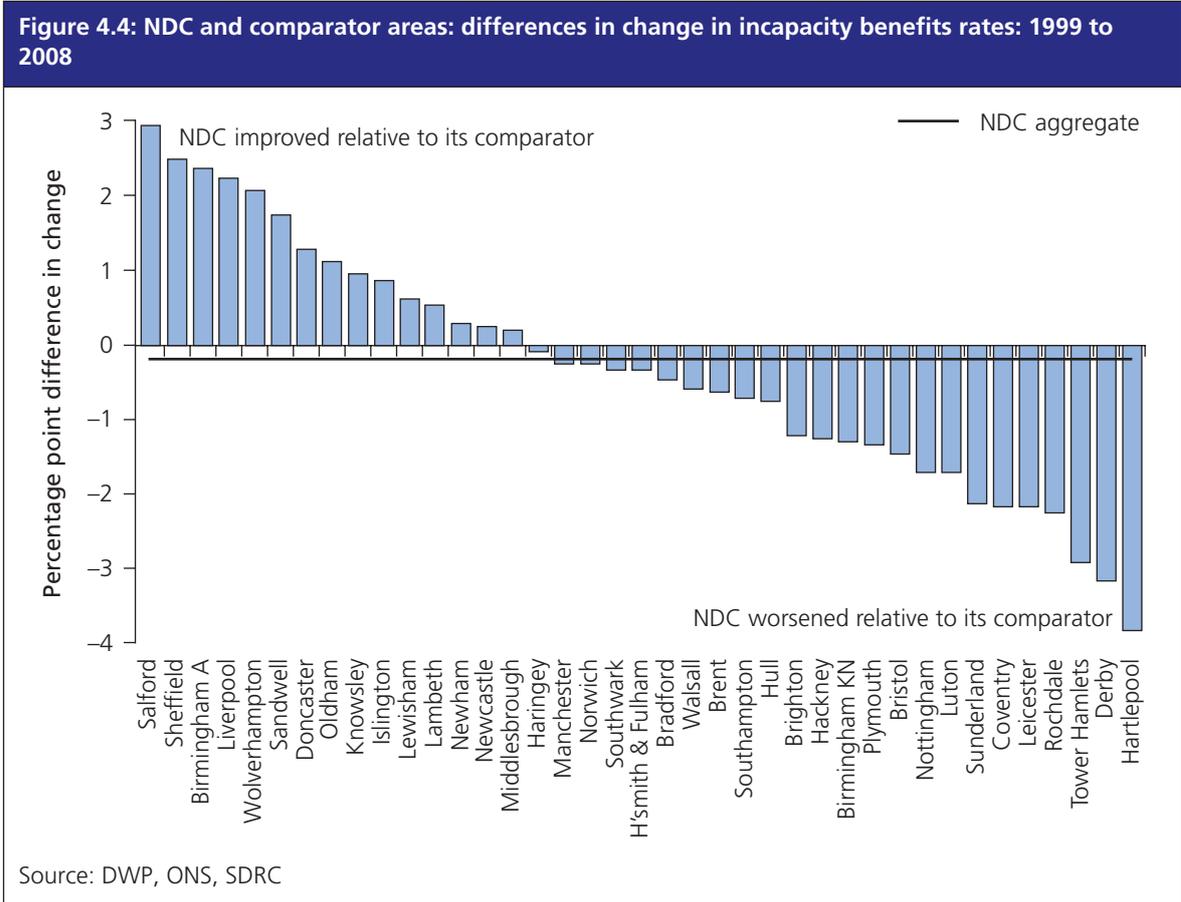
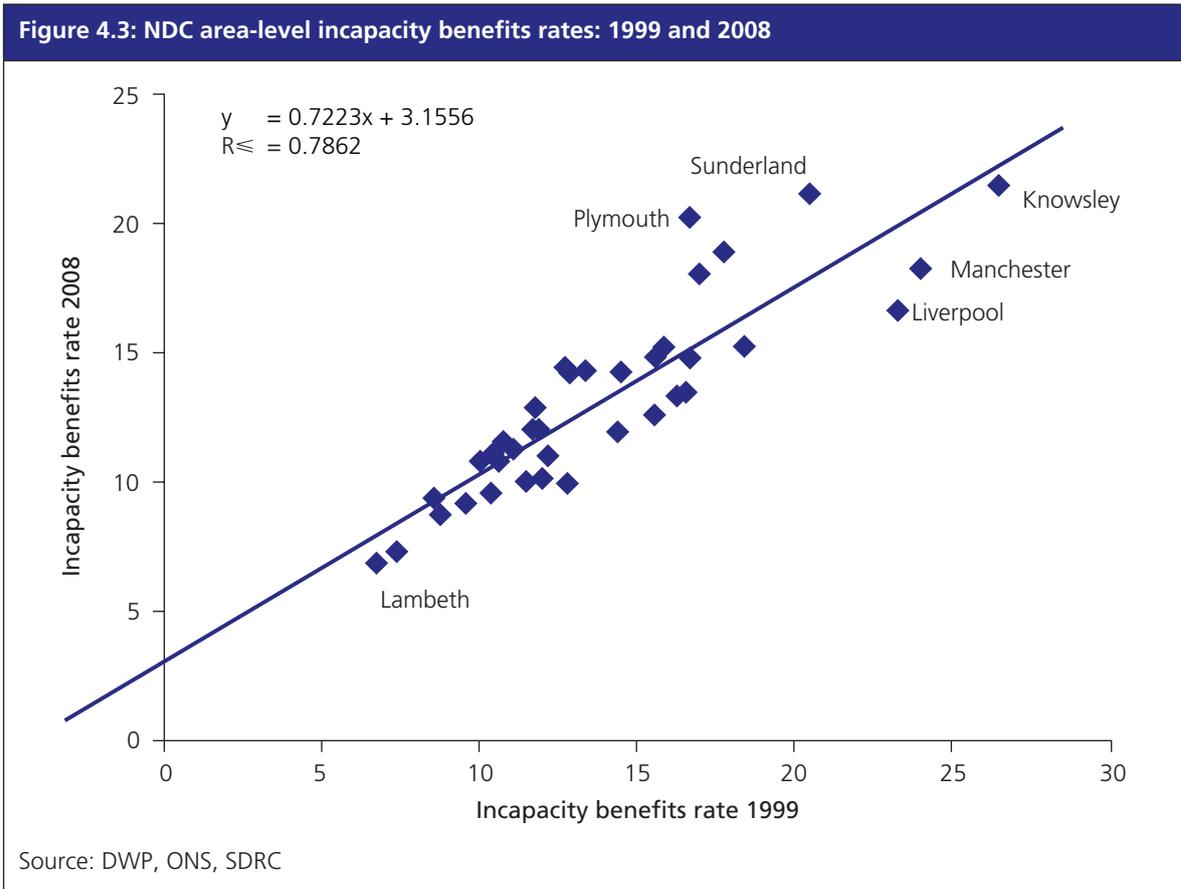


4.8. When individual NDC areas are compared with those for parent local authorities, regional or national equivalents in all but one instance, NDC areas have higher incapacity benefits claimant rates. The one exception is Lambeth which has a rate 0.1 percentage points lower than that for its parent local authority. Fifteen NDCs have an IB/SDA claimant rate 5 percentage points or more than their parent local authority. This is also the case for 21 areas when compared with their regional, and 22 when compared with the national, figure. Plymouth shows the greatest difference between its rate and that for both its parent local authority (11.4 percentage points higher), and its region (13.9 percentage points higher). Knowsley has the largest difference between its rate and the national benchmark (14.7 percentage points).

<sup>47</sup> Beatty and Fothergill (2005), Beatty *et al.* (2009).

## Patterns of change: 1999 to 2008

- 4.9. There has been little change in the NDC IB/SDA rate. The fall of just 0.9 of a percentage point from August 1999 to February 2008 was however more than double the national reduction of 0.4 of a percentage point. The trend in NDC areas closely followed the national trajectory, continuing to rise until 2001 and then experiencing a gradual decline year on year.
- 4.10. Unlike JSA rates in NDC areas where all 39 areas experienced a fall over the period, there was a mixed picture in relation to IB/SDA rates. In 19 areas the IB/SDA rate improved and in 20 areas it worsened. As is the case nationally, areas experiencing increases tended to be those with the lowest rates to begin with whilst the largest falls were in areas with the highest rates (correlation coefficient of 0.59, significant at the 0.01 level). The three NDC areas experiencing the greatest improvements were all in the North West: Liverpool (6.6 percentage points), Manchester (5.6 percentage points), and Knowsley (4.9 percentage points).
- 4.11. The strength of association between IB/SDA rates at the start, and at the end, of the period is shown in Figure 4.3. In line with similar patterns for JSA (3.15), although NDC areas with higher rates of IB/SDA claimants tended to see greater improvements over time, they still have the highest rates at the end of the period. The  $R^2$  of 0.7862 indicates that over three quarters of the variation in the IB/SDA rates in 2008 across NDC areas can be explained by levels at the start of the period. Changes in IB/SDA rates in NDC areas in the main reflect national trends: if the national IB/SDA rates for 1999 and 2008 were plotted the observation would also fall close to the best-fit line. Manchester and Liverpool NDC areas can be seen to have improved more than might have been expected. Alternatively, it might have been expected that Sunderland and Plymouth would have seen greater reductions in IB/SDA claimants in their areas.
- 4.12. Over time there has been some degree of convergence in IB/SDA rates across NDC areas. In 1999 there was 19.7 percentage points between the NDC areas with highest and lowest IB/SDA rates. By 2008 this had narrowed to 14.7 percentage points.
- 4.13. Compared with similarly deprived comparator areas the NDC aggregate IB/SDA rate actually fell by a slightly smaller amount: 0.2 of a percentage point less change. At the Partnership level, 15 NDC areas experienced a relative improvement and 24 a relative deterioration compared with their comparators (Figure 4.4). Interestingly, Manchester's position slightly worsened against its comparator despite seeing the second largest absolute reduction of all NDC areas.



- 4.14. Summarising NDC area change against other benchmarks:
- 20 NDC areas improved their relative position; 19 saw a deterioration, against their parent local authority
  - compared with change in the region, 15 improved their relative position and 24 saw a deterioration
  - 16 NDC areas saw more positive change than that seen nationally; 23 saw less positive change.
- 4.15. Across the 39 NDC areas there has not been a consistent story of closing the gap with their benchmark geographies. Change achieved in 18 NDCs meant that their relative position worsened compared to each of their four benchmark geographies. On the other hand, 10 NDC areas saw improvements against each of their four comparator geographies.

## The characteristics of IB/SDA claimants

- 4.16. Data held on NOMIS enables estimations to be made as to the characteristics of the stock of IB/SDA claimants in NDC areas (Table 4.1). Nationally, claimants are skewed towards older age groups. This is also the case in NDC areas but somewhat less so with 39.6 per cent aged 50 or over compared with 45.6 per cent nationally.
- 4.17. The duration of claimants on IB/SDA benefits in NDC areas is similar to the national profile. A high proportion of NDC residents have been on either IB or SDA for some considerable time, 54 per cent for five or more years. In only eight NDCs does this group constitute less than half of all claimants. Knowsley (62.9 per cent) and Liverpool (62.4 per cent) have the highest proportions of 'five or more years' claimants. Previous studies have pointed out that once an individual has been on IB for two or more years they are more likely to retire or die than to re-enter work<sup>48</sup>. Three quarters of all NDC IB/SDA claimants fall into this category or the equivalent of nearly 24,000 residents across all 39 areas.
- 4.18. NOMIS also provides information on the medical reason<sup>49</sup> for entitlement to IB/SDA where the numbers involved are large enough under disclosure controls (Table 4.1). The most common medical reason for entitlement is mental and behavioural disorders which accounts for 47 per cent of claimants, somewhat higher than the national equivalent. This is a broad category, encompassing stress and depression as well as more serious psychological conditions, and it also includes drug and alcohol addiction. A national study of IB claimants<sup>50</sup> has shown that amongst female claimants three-fifths of the group with mental and behaviour disorders were classified as having 'mood (affective disorders)', which includes 'depressive episodes', and a further quarter were classified as having 'neurotic, stress-related and

<sup>48</sup> Beatty, C., Botterill, K., Fothergill, S. and Powell, R. (2008b) *Knowsley's Incapacity Claimants*.

<sup>49</sup> Based on the International Classification of Diseases (ICD), tenth revision, World Health Organisation

<sup>50</sup> Beatty *et al.* (2008a)

somatoform disorders'. Claims which are classified as due to 'mental and behavioural disorders' have increased as a proportion of the total stock of IB/SDA claimants over time. Reducing IB/SDA, or now ESA, in NDC areas will involve Partnerships and other delivery agencies prioritising issues surrounding mental health.

**Table 4.1: Characteristics of NDC IB/SDA claimants: 2008**

	Percentage of IB/SDA claimants	
	NDC	National
<b>Benefit</b>		
Incapacity Benefit	93.4	90.1
Severe Disablement Allowance	6.6	9.9
<b>Gender</b>		
Male	59.4	57.6
Female	40.6	42.4
<b>Age</b>		
16 to 24	7.0	6.3
25 to 49	53.4	48.0
50 to 59	30.4	32.7
60 and over	9.2	12.9
<b>Duration</b>		
up to 6 months	9.4	9.4
6 months to 1 year	6.7	6.3
1 year and up to 2 years	8.9	9.1
2 years and up to 5 years	20.7	19.5
5 years and over	54.3	55.7
<b>Disease</b>		
Mental and behavioural disorders	46.9	41.7
Musculoskeletal	16.3	17.3
Respiratory or circulatory	7.3	7.3
Nervous system	4.7	6.3
Injury, poisoning	4.7	5.6
Other	20.1	21.8
Source: DWP, ONS, SDRC		

- 4.19. As with JSA, national data sets identify flows as well as stocks of claimants. Flows are far smaller than is the case for JSA claimants (see 3.22). Nationally, in the first quarter of 2008<sup>51</sup> the on-flow of new claimants was equivalent to 5.3 per cent, and the off-flow 5.8 per cent, of the total stock. If this trend were to be replicated in NDC areas this would mean approximately 6,700 new claimants and 7,300 leaving the benefit over a year. Nationally there has been a trend towards declining on-flows and a relatively stable pattern in

<sup>51</sup> February 2008

relation to off-flows, a pattern which is contributing towards claimants being on average on incapacity benefits for longer periods of time<sup>52</sup>.

## Aspirations and barriers to work: IB claimants

- 4.20. This chapter has so far drawn on benefit claimant data. This gives a good picture of numbers of IB/SDA claimants in NDC areas over time and how this compares with change in other similarly deprived areas, parent local authorities, regionally and nationally. This evidence is also useful in exploring issues such as the duration of claims, age profiles of claimants, and the nature of illness.
- 4.21. However examining issues such as work history, qualifications and claimant aspirations requires other evidence. This is possible via a separate ESRC funded survey of IB claimants across England<sup>53</sup>. Conducted in 2006–07, it covers more than 3,600 women claiming IB, spread across eight districts in five GB regions. This survey undertaken by Sheffield Hallam University used a sample frame taken from DWP records. Cross-checking key variables including age and duration on benefits against DWP administrative data shows this data to be representative not only of the survey areas but also, broadly, of Britain as a whole.
- 4.22. Knowsley is one of the localities included in this survey. Analysis of administrative data outlined previously in this chapter shows that the Knowsley NDC area has the highest rates of IB/SDA of all the 39 localities. It is possible from this ESRC funded survey to identify the responses for 125 working-age residents who either lived in the NDC area or in the Knowsley comparator area.
- 4.23. This survey evidence indicates that IB claimants are very detached from the labour market, have low skills and are in poor health<sup>54</sup>. Respondents within Knowsley NDC, or its comparator area, are more disadvantaged than IB claimants as a whole. A third had been on IB for more than 10 years and nearly one in five had never had a job. Over 70 per cent of claimants in this NDC or its comparator area had no formal qualifications. Only one in five of respondents in Knowsley said they wanted a job either now or in the future. Moving many of this group into work is likely to prove a major challenge.
- 4.24. For nearly two thirds of the Knowsley sample ill health or injury had been the main factor in their loss of their previous job<sup>55</sup>. The level of ‘mental or behaviour disorders’ amongst Knowsley residents was particularly high, accounting for over half the IB claimants surveyed in the area. On a slightly more positive note, 16 per cent of respondents in Knowsley had taken part in some type of rehabilitation programme and 35 per cent of these felt this had

<sup>52</sup> Beatty *et al.* (2009)

<sup>53</sup> The survey is reported in detail in Beatty *et al.* (2008a).

<sup>54</sup> In combination, poor health and low skills can create significant barriers to returning to work. Berthoud’s work on multiple disadvantage shows how each additional labour market barrier further reduces the chances of finding work: Berthoud, R. (2003) *Multiple disadvantage in employment: A quantitative analysis*.

<sup>55</sup> A further 12 per cent cited compulsory redundancy as the main reason.

helped their condition either a little or a lot. Only 12 per cent of the sample said they could not do any work, half the level seen in the survey as a whole.

<b>Table 4.2: Characteristics of IB claimants: survey evidence</b>		
	Percentage of IB claimants	
	Knowsley NDC/Comparator areas	National IB survey
Never had a job	18	7
Duration of claim 10+ years	33	30
No qualifications	71	60
Main reason job ended: ill health or injury	63	72
Mental or behaviour disorders	54	38
Taken part in rehabilitation programme	16	13
Can't do any work	12	25
Want a job now or in the future	20	27

Source: Incapacity Benefit survey, 2006/7

## Concluding comments

4.25. This chapter has explored IB/SDA claimants in NDC areas. Drawing on this evidence as a whole six key points are worth stressing:

- IB/SDA is a much larger component to overall worklessness totals in NDC areas than is JSA – claimants make up just over one in eight of the working age population in NDC areas: equivalent to just under 31,700 residents
- claimant levels are generally higher in NDCs located in the older industrial areas of the north of England
- not a lot of change occurred in relation to IB/SDA claimants in NDC areas between 1999 and 2008 either in absolute terms or relative to benchmark geographies
- more than half of NDC IB/SDA claimants have been on benefit for more than five years
- mental and behavioural disorders are the most common reason for claiming IB/SDA; 46.9 per cent of cases
- detailed work in one NDC area and its comparator, indicates how far away from the labour market are many IB/SDA claimants: in Knowsley 80 per cent of this sample do not want a job either now or in the future.

## 5. Employment in NDC areas

5.1. Using nationally collated administrative data, the three previous chapters explore aspects of worklessness in NDC areas. **This chapter shifts the emphasis from aspects of worklessness to examining aspects of employment amongst NDC residents, drawing on evidence from the 2006 household survey.** Five issues are explored below:

- economic status of working-age residents: an overview 2006
- employment: patterns of change 2002–2006
- benchmarking against parent local authorities: levels and trends
- socio-demographic characteristics: levels and trends
- occupational structure: levels and trends.

### Economic status of working-age residents: an overview

5.2. Bearing in mind evidence developed earlier in relation to worklessness as defined by administrative data, it is not surprising to see that amongst working-age residents in NDC areas, employment rates<sup>56</sup> are lower and economic inactivity rates higher than is the case for either the comparator areas or nationally (Table 5.1)<sup>57</sup>. Economic inactivity refers to those who are neither working nor actively seeking work. This includes the long-term sick or disabled such as IB/SDA claimants, those who retired early, those in full-time education or people at home looking after a family.

5.3. The household survey data also includes a measure of unemployment. The definition of unemployment is broader than for administrative data, in that it includes both JSA claimants and those not registered unemployed, but who are nevertheless looking for work. The key difference here is that these measures of economic status are self-reported and not reliant on eligibility rules for entitlement to particular benefits.

5.4. In 2006, using this self-reported data:

- just over half (53.6%) of all working-age NDC residents were in employment, more than 20 percentage points lower than the national average
- 9.8 per cent of residents considered themselves to be unemployed; higher than the 6.5 per cent JSA registered claimant unemployed for the same point of time

<sup>56</sup> In employment used here includes all those in paid work, plus those in local or government training schemes and those taking part in Modern Apprenticeships.

<sup>57</sup> Columns for NDC and Comparator survey do not sum to 100 per cent, due to the existence of an 'Other' category. This is the case for many of the indicators included throughout this chapter.

- a further third of the working-age population were economically inactive compared to one in five nationally
  - the comparator areas' employment rate was 60.3 per cent, 6.7 percentage points higher than the NDC equivalent
  - both unemployment and inactivity rates were lower in the comparator areas as a whole than in NDC areas by 1.4, and 5.2, percentage points respectively.
- 5.5. Evidence from household survey data on self-reported economic status therefore confirms the gaps between NDC areas and national averages highlighted in the previous chapters which draw on administrative data. **Household survey data also indicates more entrenched problems in NDC areas than those evident in the comparator areas as a whole.**

**Table 5.1: NDC and comparators: self-reported employment, unemployment and economic inactivity rates: 2006**

	Percentage of working-age		
	NDC	Comparator	National
In employment	53.6	60.3	74.7
Unemployed	9.8	8.5	4.4
Economically inactive	34.6	29.4	20.9

Source: Ipsos MORI NDC Household Survey 2006, LFS April-June 2006  
Base: All working-age respondents

- 5.6. The wide range of local labour market circumstances across NDCs becomes apparent when data for individual NDC areas are considered. In 2006, the employment rate ranged from 39.6 per cent in Nottingham to 68.2 per cent in Southampton (Figure 5.1). No NDC area had an employment rate higher than the national employment rate of 74.7 per cent.
- 5.7. The household survey also provides evidence in relation to three auxiliary employment-related issues:
- hours worked per week
  - self-employment
  - resident student populations.
- 5.8. First, evidence in relation to **hours worked per week** (Table 5.2) indicates that there is little difference between the proportions of NDC residents who work part-time<sup>58</sup> compared with the comparator areas. However, full-time working in NDC areas is less prevalent than nationally. Given part-time working is associated with lower rates of pay this is likely to impact on household income levels in NDC areas. The 2007 Annual Survey of Hours and Earnings indicates that nationally the median gross hourly pay for full-time workers is £11.60 compared with £7.30 for part-time workers.

<sup>58</sup> 30 hours or less a week

Figure 5.1: NDC area-level employment rates: 2006

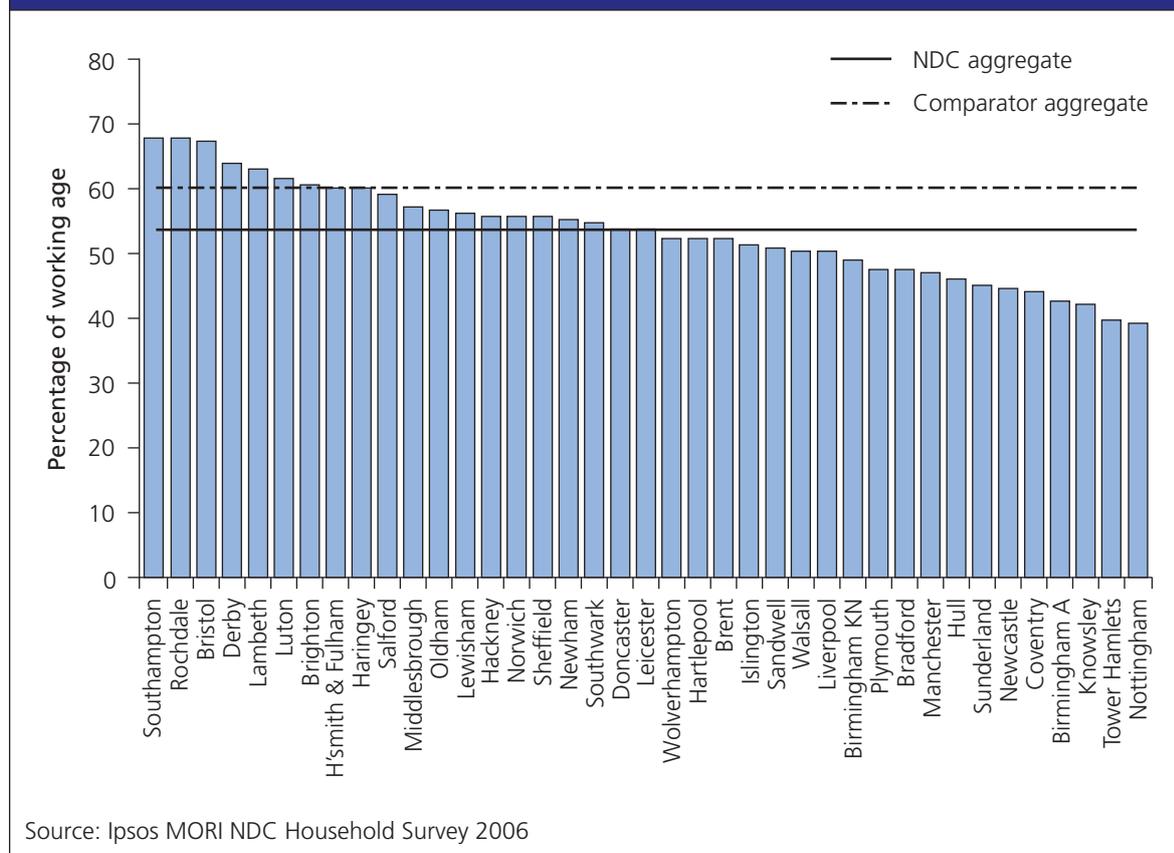


Table 5.2: NDC and comparators: hours worked per week: 2006

	Percentage of those in employment		
	NDC	Comparator	National
Up to 16 hours	7.1	8.7	9.0
16–30 hours	23.1	20.8	17.5
31–45 hours	58.3	59.0	52.7
Over 45 hours	10.1	10.2	20.9
Part-time	30.1	29.5	26.4
Full-time	68.4	69.2	73.6

Source: Ipsos MORI NDC Household Survey 2006, LFS April-June 2006  
Base: All currently working

5.9. Second, **self-employment** is of interest in that any increase in this type of employment as a proportion of overall employment, might be seen as one indication of increased entrepreneurial activity amongst local residents. However, at least some other evidence suggests that levels of self-employment tend to be lower in deprived areas due a lack of an entrepreneurial tradition among resident and high rates of attrition among

start-up businesses<sup>59</sup>. In practice some 9.5 per cent of working NDC residents were self-employed in 2006, hardly any change on 2002 (Table 5.3). Self-employment is marginally higher than in the comparator areas, but lower than the national equivalent.

Table 5.3: NDC and comparators: self-employment rate: 2002 and 2006			
	Self-employment as a percentage of all in employment		
	2002	2006	Change 2002–2006
NDC	9.4	9.5	0.0
Comparator	8.5	8.2	–0.4
National	12.0	12.9	0.8
Source: Ipsos MORI NDC Household Survey 2002 and 2006, LFS April-June 2002 and April-June 2006 Base: All currently working			

- 5.10. Third, one issue which needs to be aired when exploring variations across the 39 NDC areas is that of the **resident student population** (Table 5.4). In 2006 across all 39 NDC areas 10 per cent of the working age population was in full-time education. This proportion varied widely with the highest rates found in Nottingham (39 per cent) and Newcastle (23 per cent). At the other end of the scale some 13 NDCs had negligible student populations accounting for less than 5 per cent of total adult population of working age.
- 5.11. Taking the resident student proportion into account can make a significant difference to the employment rate:
- the overall NDC employment rate was 53.6 per cent; but the employment rate for all of those not in full-time education was four percentage points higher (57.6%)
  - the overall economic activity rate was 63.4 per cent: whereas the economic activity rate for all those not in full-time education was five percentage points higher (68.4%).

Table 5.4: NDC employment and economic activity rates: total and not in full-time education: 2006		
	Percentage of working age	
	Not in full time education	Total
In employment	57.6	53.6
Economically active	68.4	63.4
Source: Ipsos MORI NDC Household Survey 2006 Base: All working-age respondents		

<sup>59</sup> North, N., Smallbone, N., Lyon, F. and Potts, G. (2003) *Business-led regeneration of deprived areas: a review of the evidence base*; Syrett, S. and North, D. (2008) *Renewing neighbourhoods: Work, enterprise and governance*; p236.

- 5.12. The effect of having large concentrations of students on individual NDC areas can be considerable<sup>60</sup>. For instance:
- for 37 out of 39 NDC areas, once full-time students are excluded, the employment rate is at least one percentage point higher than overall employment rates
  - for the NDC area with the highest proportion of students (Nottingham), this difference is over 18 percentage points; if students are included in analyses this NDC area has the lowest employment rate, whereas if excluded it ranks 21st
  - for all but two of the nine NDC areas accommodating more than 15 per cent full-time students, removing these from the base improves their 'position' relative to other NDC areas.

## Employment: patterns of change 2002–2006

- 5.13. The household survey provides evidence in relation to employment change between 2002 and 2006. Key elements in relation to Programme-wide change include (Table 5.5):
- between 2002 and 2006 the NDC employment rate increased by 2.1 percentage points; though not significant, this was a greater increase than was the case for comparator areas (1.6 percentage points)
  - the NDC self-reported employment rate increased by 2.1 percentage points between 2002 and 2006, this improvement was slightly (not significantly) higher, than that seen in comparator areas and it also resulted in NDC areas closing the gap with the national level by 2.4 percentage points because a small decrease was seen nationally over the same period
  - NDCs saw a 1.6 percentage point reduction in self-reported unemployment between 2002 and 2006, whilst unemployment rates rose by 2.1 percentage points in comparator areas and 0.5 percentage points nationally<sup>61</sup>
  - economic inactivity rates fell by 0.6 percentage points in NDC areas, slightly more than nationally, but lower than for comparator areas where the rate fell by four percentage points.

<sup>60</sup> See supplementary tables provided with this report.

<sup>61</sup> This compares to a reduction in JSA claimants between 1999–2008 of 3.1 percentage points for NDC areas and 3.4 percentage points for comparator areas – see para 3.10.

- 5.14. A generally positive picture emerges for NDC areas in relation to change over time relative to national trends. The picture is more mixed with regard to the comparator areas. NDC areas experienced more change than comparator areas in relation to economic activity but the reverse is the case with regard to inactivity.

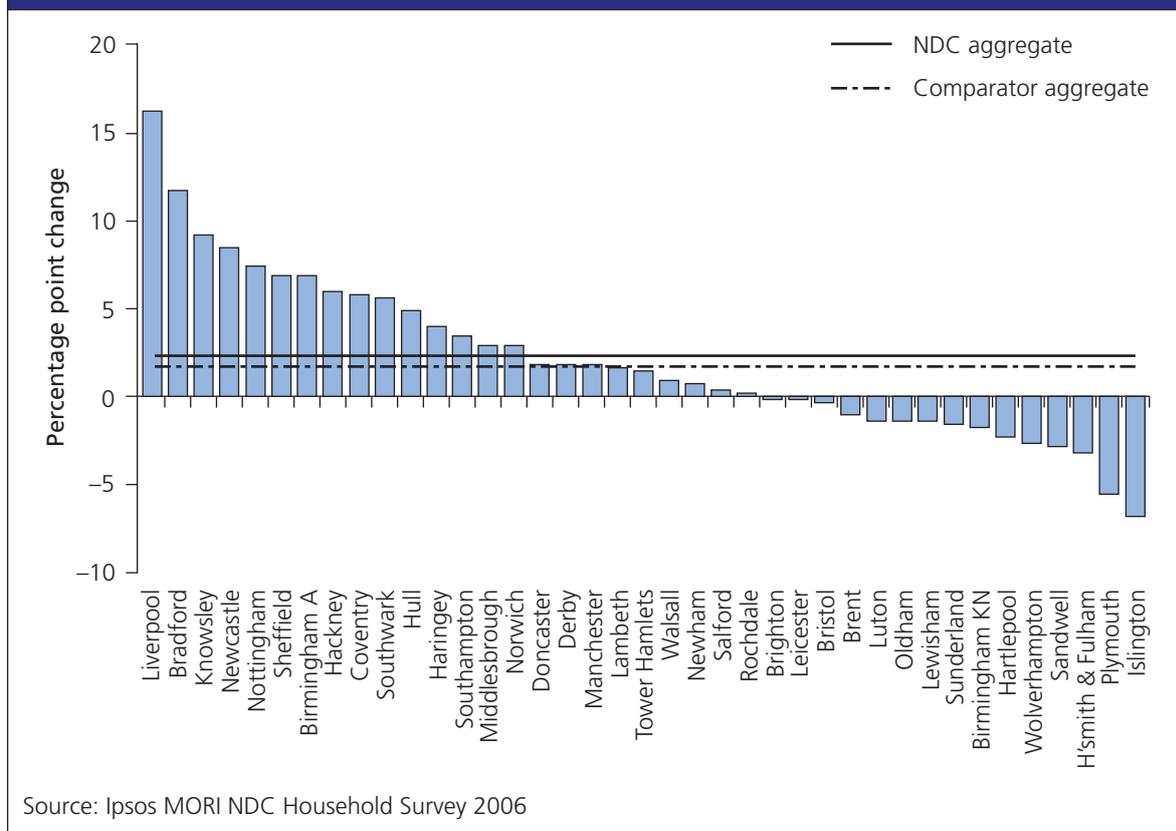
**Table 5.5: NDC and comparators: employment, unemployment and economic inactivity rates: 2006 and change 2002 to 2006**

	Percentage of working age					
	NDC		Comparator		National	
	2006	Percentage point change 2002–2006	2006	Percentage point change 2002–2006	2006	Percentage point change 2002–2006
In employment	53.6	2.1	60.3	1.6	74.7	–0.3
Unemployed	9.8	–1.6	8.5	2.1	4.4	0.5
Economically inactive	34.6	–0.6	29.4	–4.0	20.9	–0.2

Source: Ipsos MORI NDC Household Survey 2002 and 2006, LFS April-June 2002 and April-June 2006  
 Base: All working-age respondents  
 Note: Columns do not sum to 100 per cent, due to the existence of an 'Other' category

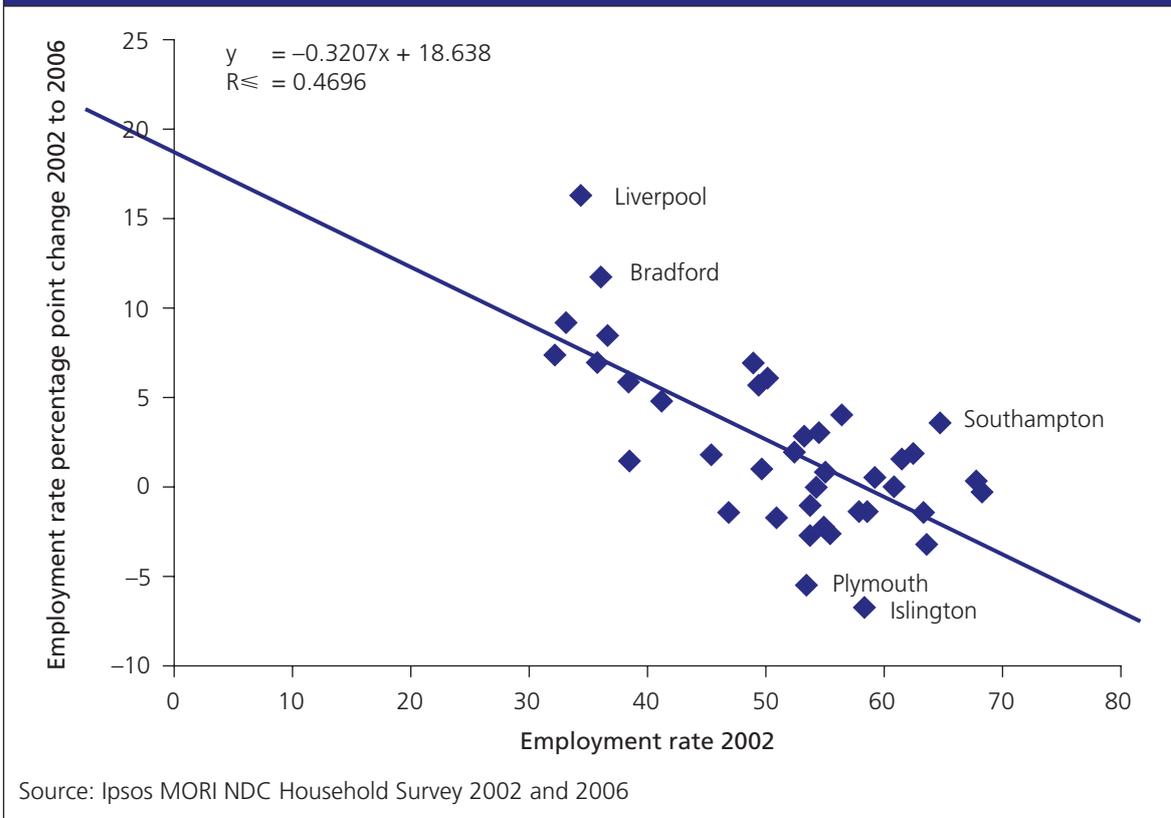
- 5.15. At the NDC area level change in employment rates varied considerably between 2002 and 2006 (Figure 5.2):
- 15 saw a decrease in their employment rates, 24 an increase; 19 of the latter improved by more than the comparator aggregate
  - change varied from a 16.2 percentage point increase (Liverpool) to a 6.7 percentage point decrease (Islington)
  - there was a convergence in employment rates across NDC areas between 2002 and 2006, with the range between highest and lowest rates decreasing from 36.0 to 28.6 percentage points.

Figure 5.2: NDC area-level employment rates: change 2002 to 2006



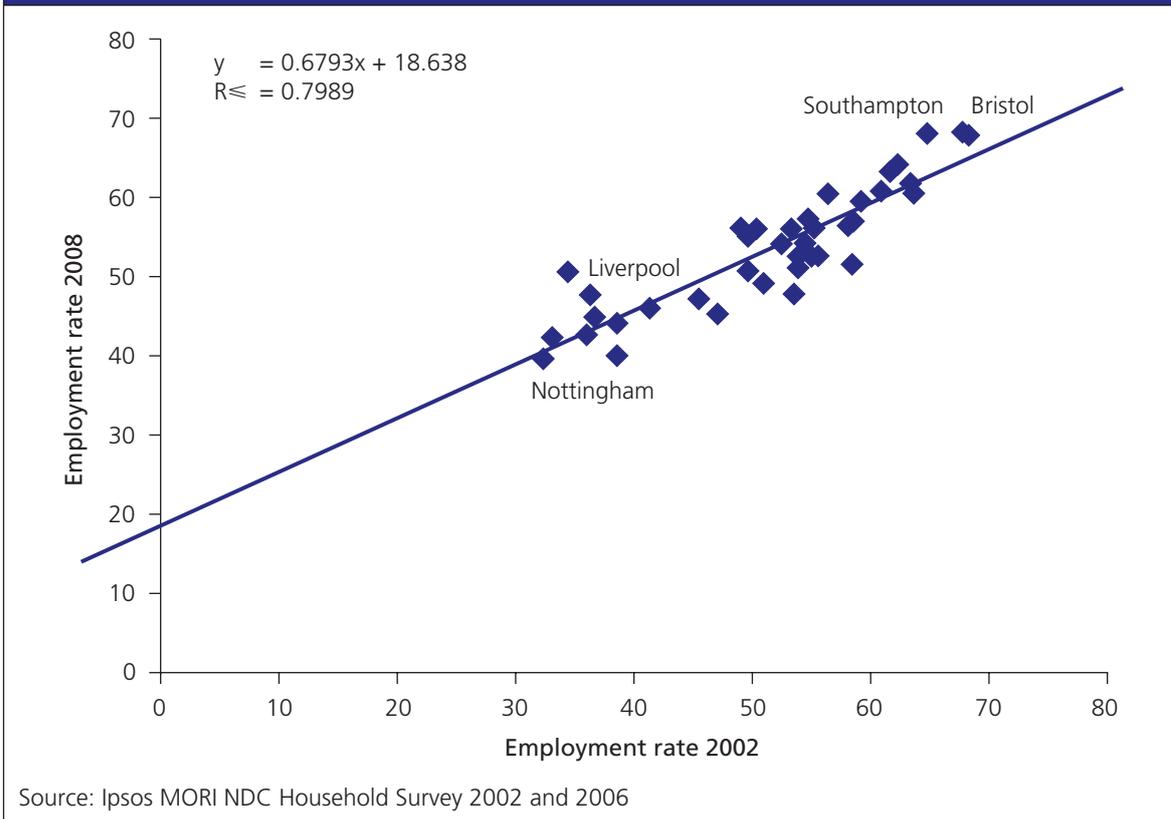
- 5.16. Because data is available in relation to employment for all 39 NDC areas at both 2002 and 2006, it is possible to explore relationships between where NDC areas started off from in 2002 and where they finished in 2006. There is a distinction here to make between relative rates of change over this four year period and absolute position at both dates. In relation to the former, there is an inverse relationship between starting position and change in Partnership-level employment rates (Figure 5.3). NDCs with a lower employment rate in 2002 tended to see more improvement by 2006 than those with a higher rate in 2002; they had more 'headroom for change' than did those already benefiting from relatively higher employment rates in 2002. The  $R^2$  of 0.4696 indicates that the employment rate in 2002 explains 47 per cent of the variation in change achieved.
- 5.17. There is, however, a stronger, positive association between employment rates at the start, and at the end, of the period ( $R^2=0.7989$ ). NDC areas with a higher employment rate in 2002 tended also still to have a higher employment rate in 2006 (Figure 5.4). This implies that although those NDC areas with lower employment rates in 2002 tended to see greatest positive change, this was still not sufficient to see them move up the 'NDC ladder'. Of course there are exceptions; for example Liverpool NDC, moved from having the third lowest employment rate in 2002 to the thirteenth lowest in 2006. But in general, and as was also the case with regard to NDC-level worklessness data (see 3.13/3.14), there are associations between where an area started off at in 2002 and the scale of its absolute and relative change in the succeeding four years.

Figure 5.3: NDC area-level employment rates: 2002 and change 2002 to 2006



Source: Ipsos MORI NDC Household Survey 2002 and 2006

Figure 5.4: NDC area-level employment rates: 2002 and 2006

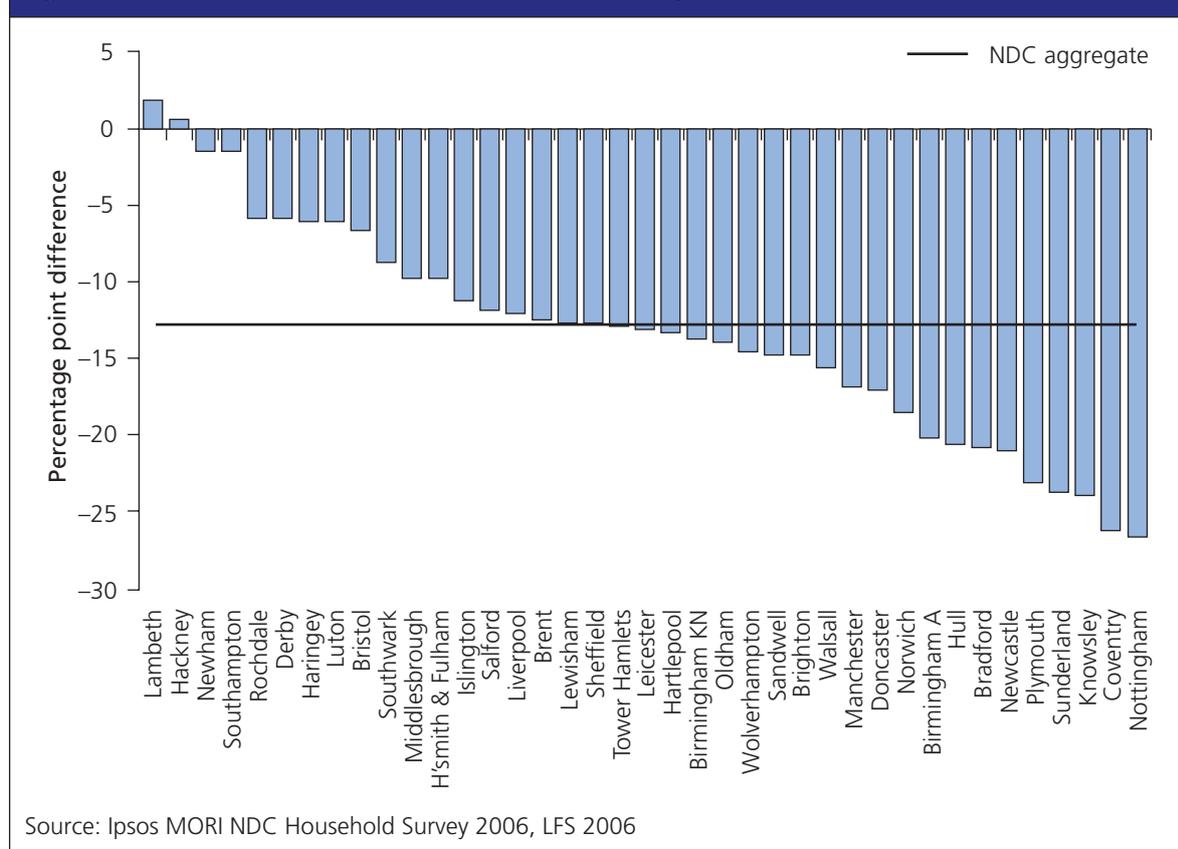


Source: Ipsos MORI NDC Household Survey 2002 and 2006

## Benchmarking against parent local authorities: levels and trends

- 5.18. Because of sample sizes, it is not possible to use household survey data to assess individual NDC areas against their comparator areas. It is however possible to compare NDC area employment rates with those prevailing in parent local authorities using national LFS data (Figure 5.5). Only two NDC areas had a higher employment rate than their parent local authority in 2006 (Lambeth and Hackney). For nine the employment rate was more than 20 percentage points lower than their respective local authorities. But across the Programme as a whole, and as would be expected, there is a significant positive correlation (0.410, significant at the 0.01 level) between the NDC area employment rate and that in the wider local authority: NDCs with higher levels of employment tend to be in districts with higher employment rates. This positive relationship between performance at the NDC-level and across parent local authorities is one that emerges in other analyses developed throughout this report (see for instance 3.15).

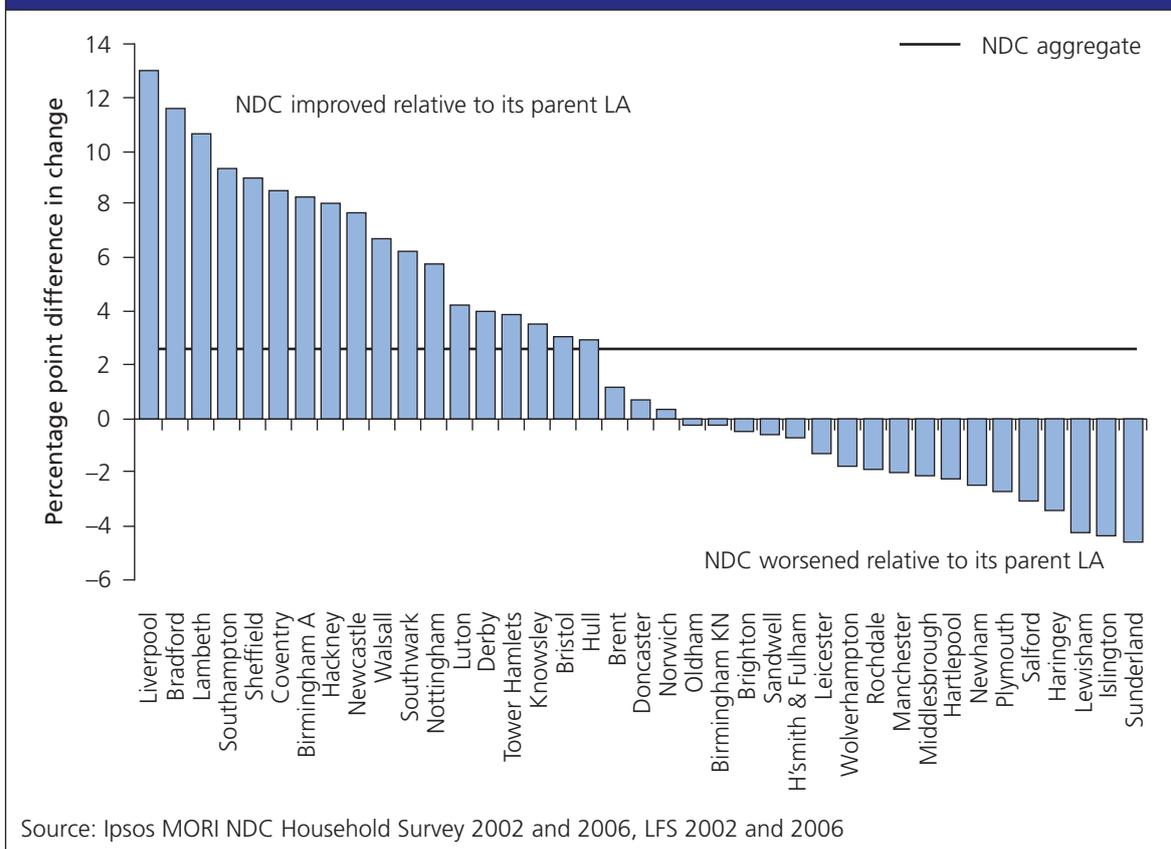
**Figure 5.5: NDC area and local authority: difference in employment rates: 2006**



- 5.19. How did change in NDC areas between 2002 and 2006 compare with that occurring in parent local authorities (Figure 5.6)? Just over half of all NDCs (21) saw an improvement in their employment rate relative to their respective local authorities, with three closing the gap by more than 10 percentage points. Employment rates in the remaining 18 NDC areas decreased relative to parent local authorities. The biggest relative decrease was in Sunderland

where the NDC rate fell by 1.5 percentage points, whereas the local authority rate increased by 3.2 percentage points.

**Figure 5.6: NDC area and local authority: difference in change in employment rates: 2002 to 2006**



## Socio-demographic characteristics: levels and trends

5.20. Evidence from the 2006 household survey also provides a breakdown of economic status by socio-demographic characteristics (Table 5.6). Employment rates across all of the groups examined here were lower than national equivalents. However, differences were more marked for some groups than for others. For instance:

- the male employment rate in NDC areas was 60.3 per cent, 13.2 percentage points higher than the female equivalent; this gender differential is wider than that seen nationally, and reflects particularly low employment rates amongst women in NDC areas
- the lower employment rate amongst 16–24 year olds reflects the greater propensity for this group to still be in full-time education or training; this figure will be affected by large student populations within some NDC areas (5.10)
- however the difference in employment rates for 16–24 year olds between NDC and the national average was less than that for older age groups

- employment rates were highest amongst white residents (55.8 per cent), as is the case nationally; but differences across ethnic groups in NDC areas are somewhat less than is the case for the population nationally
- 39.6 per cent of social sector renters in NDC areas were in employment, only 7.1 per cent lower than nationally; this was the smallest differential relative to the national figures for the three main tenorial groups
- only one in three lone parents were in employment in NDC areas compared with a half nationally
- as nationally, NDC residents with qualifications were far more likely to be employed than were those with no qualifications; there was a differential of fully 25.7 per cent between NDC employed residents having qualifications compared with those having none.

<b>Table 5.6: NDC employment rates by socio-demographic groups: 2006</b>		
	Percentage of working age in employment	
	NDC	National
<b>Sex</b>		
Male	60.3	79.1
Female	47.1	70.0
<b>Age</b>		
16–24	43.5	57.7
25–49	58.5	81.6
50–59/64	49.1	71.8
<b>Ethnicity</b>		
White	55.8	76.6
Asian	44.3	60.0
Black	53.9	64.7
<b>Tenure</b>		
Owner occupier	72.2	81.4
Social renter	39.6	46.7
Private renter	54.0	69.9
<b>Household type</b>		
Lone parent family	33.8	50.9
<b>Education</b>		
Has qualifications	61.4	78.9
No qualifications	35.7	47.2
<b>Total</b>	<b>53.6</b>	<b>74.7</b>
Source: Ipsos MORI NDC Household Survey 2006, LFS April-June 2006		
Base: All working-age respondents		

5.21. Using survey data it is also possible to explore the degree to which employment rates changed between 2002 and 2006 for different socio-demographic groups within NDC areas and compare this with changes occurring nationally (Table 5.7):

- employment rates increased more for men in NDC areas between 2002 and 2006 than women: 2.7 percentage points, compared with 1.7 percentage points for women

- 16–24 year olds in NDC areas saw slightly less improvement than did older age groups, but employment rates increased more amongst this younger age group than they did nationally
- amongst NDC residents, change was greater for Asian (5.5 percentage points), than for either white (1.7 percentage points) or black, people (3.1 percentage points); although as is developed in Table 5.6 above, in absolute terms Asian people were still less likely to be in employment than those from the two other major ethnic groups
- all three tenure groups in NDC areas saw an increase, but this was greatest for private renters (4.9 percentage points)
- the proportion of lone parents in employment increased by 2.9 percentage points; couples both with, and without, children, each saw an increase of around two percentage points
- those with higher level qualifications saw more improvement in employment rates than those with lower level qualifications; there was no change for those without qualifications.

**Table 5.7: NDC employment rates by socio-demographic groups: 2006 and change 2002 to 2006**

	Percentage of working age in employment			
	NDC		National	
	2006	Percentage point change 2002–2006	2006	Percentage point change 2002–2006
<b>Sex</b>				
Male	60.3	2.7	79.1	–0.5
Female	47.1	1.7	70.0	–0.1
<b>Age</b>				
16–24	43.5	1.4	57.7	–4.1
25–49	58.5	2.0	81.6	0.2
50–59/64	49.1	2.0	71.8	2.4
<b>Ethnicity</b>				
White	55.8	1.7	76.6	–0.1
Asian	44.3	5.5	60.0	2.3
Black	53.9	3.1	64.7	3.3
<b>Tenure</b>				
Owner occupier	72.2	1.1	81.4	–0.1
Social renter	39.6	0.8	46.7	–1.5
Private renter	54.0	4.9	69.9	0.5
<b>Household composition</b>				
Couple, no dependent children	67.6	2.2	80.6	0.5
Couple, with dependent children	54.6	1.9	75.8	–0.6
Lone parent family	33.8	2.9	50.9	–0.3
<b>Education</b>				
Has qualifications	61.4	2.1	78.9	–0.6
No qualifications	35.7	0.0	47.2	–3.1
<b>Total</b>	<b>53.6</b>	<b>2.1</b>	<b>74.7</b>	<b>–0.3</b>

Source: Ipsos MORI NDC Household Survey 2002 and 2006, LFS April-June 2002 and April-June 2006  
 Base: All working-age respondents

## Occupational structure: levels and trends

- 5.22. Evidence from the household survey allows for an analysis of the occupational structure of working residents in both NDCs and comparator areas relative to national trends (Table 5.8):
- in 2006 just over one fifth of working people in NDC areas were employed in elementary occupations<sup>62</sup>, higher than in comparator areas and approximately nine percentage points more than nationally; this is likely to impact of on wage levels residents can hope to command<sup>63</sup>
  - the proportion of jobs within sales and customer service occupations is similar to the comparator areas and nationally
  - nationally, 28.8 per cent of workers are in professional or managerial occupations; this compares with only 13.6 per cent of NDC residents, a lower proportion than the 17.4 per cent of workers in the comparator areas
  - in 2006 the NDC areas' occupational structure was not dissimilar to that for the comparator areas, but bearing in mind that the latter are relatively less disadvantaged it is not surprising to see comparator areas accommodated rather more residents in professional and managerial occupations
  - between 2002 and 2006 there were only relatively minor changes in relation to occupational structure in either NDC or comparator areas.

**Table 5.8: NDC and comparators: occupational structure: 2006 and change 2002 to 2006**

	Percentage of those currently working					
	NDC		Comparator		National	
	2006	Percentage point change 2002–2006	2006	Percentage point change 2002–2006	2006	Percentage point change 2002–2006
Elementary	20.6	0.3	17.1	1.1	11.4	–0.8
Skilled trades	11.3	–0.9	10.3	–1.5	10.6	–0.9
Personal service	11.1	1.8	9.9	2.7	7.7	0.5
Associate professional & technical	11.0	0.4	13.4	–0.2	14.5	0.5
Administrative & secretarial	10.2	–0.7	10.7	–1.1	12.0	–1.2
Process, plant & machine operatives	10.1	–1.4	10.6	0.0	7.3	–0.8
Sales & customer service	8.7	–0.1	8.6	0.9	7.7	–0.1
Managers & senior officials	7.3	–1.4	8.8	–1.8	15.6	1.0
Professional	6.4	0.3	8.6	–1.4	13.3	1.7

Source: Ipsos MORI NDC Household Survey 2002 and 2006, LFS April-June 2002 and April-June 2006  
Base: All currently working

<sup>62</sup> Elementary jobs require no formal skills and often little prior knowledge or expertise. Examples include labourers, warehouse packers, shelf fillers, security guards, waiting staff, bar staff, postal workers and cleaners. A full list can be found at: [www.statistics.gov.uk/methods\\_quality/ns\\_sec/downloads/SOC2000.doc](http://www.statistics.gov.uk/methods_quality/ns_sec/downloads/SOC2000.doc)

<sup>63</sup> Analysis shows that workers in elementary occupations are significantly more likely to be low-paid than counterparts in higher level occupations (see Lawton, K. (2009) *Nice Work if You Can Get It: achieving a sustainable solution to low-pay and in-work poverty*). [www.ippr.org.uk/publicationsandreports/publication.asp?id=641](http://www.ippr.org.uk/publicationsandreports/publication.asp?id=641)).

## Concluding comments

- 5.23. In relation to issues of employment examined in this chapter, a number of key overarching conclusions can be drawn many of which mirror those arising from the overview of worklessness data developed in Chapter Two:
- NDC areas collectively show slightly lower levels of employment than is the case in the comparator areas, or especially, nationally
  - self-employment is less evident than is the case nationally
  - resident student populations can have a considerable impact on employment rates of individual NDC areas; 26 NDCs have student rates of 5 per cent or more
  - change in employment in NDC areas between 2002 and 2006 was on a par with that occurring in similarly deprived comparator areas, and somewhat higher than national trends
  - virtually all 39 areas had lower employment rates than their parent local authority in 2006; just over half saw a relative improvement against this benchmark between 2002 and 2006
  - some socio-demographic groups improved their employment rate relative to others between 2002 and 2006 including men, Asian people, private renters, lone parent households and those with qualifications
  - NDC areas accommodate more working-age people in elementary, and fewer people in managerial and professional, occupations than is the case for the comparator areas, or more especially nationally; there was only limited change in relation to occupational structure between 2002 and 2006
  - a number of indicators confirm the particularly difficult problems faced by NDC Partnerships and other agencies in addressing employment related issues: low rates of self-employment, high relative rates of part-time employment, and occupational patterns of employment dominated by sectors within which employees are more likely to be in low-paid jobs.

## 6. Employment: supply-side barriers

6.1. Earlier chapters outline the position in relation to worklessness and employment within NDC areas and across comparator geographies. **Here the emphasis switches to a consideration of individual-level supply-side barriers to employment faced by NDC residents** such as skills, qualifications, and attitudes to work. Questions surrounding demand in the local economy are addressed in the next chapter. Supply-side barriers are considered within the following themes:

- the scale of the problem
- reasons for leaving work
- barriers to employment
- self-reported barriers to employment
- prevailing wage rates
- job-search patterns
- the impact of immigration.

### The scale of the problem: a Programme-wide overview

6.2. Using data from the 2006 household survey it is possible to set supply-side barriers within a Programme-wide context (Table 6.1). For example:

- in 2006 21.2 per cent of NDC residents of working age, but not currently in paid work, were looking for a job or training scheme
- almost one third (32.8%) of this group had never had paid work, a one percentage point fall on 2002
- 25.5 per cent of working age residents not in work or full-time education had never worked, a slight decrease on 2002
- 77.8 per cent of those registered unemployed had been so for six months or more, an increase of 6.4 percentage points since 2002: a substantial number of currently workless people have been out of work for a considerable period of time
- NDC Programme-wide statistics point to a more disadvantaged population than national figures would suggest: a quarter of working age residents not in work or full time education had never had a job, the national equivalent in 2006 was 16.7 per cent.

**Table 6.1: Worklessness: categorisation: 2002 and 2006**

	NDC			National		
	2002	2006	Percentage point change 2002–2006	2002	2006	Percentage point change 2002–2006
Looking for work	21.5	21.2	–0.3	17.8	19.6	1.8
Never had paid work	33.9	32.8	–1.0	25.5	30.2	4.7
Never had paid work (excl. full-time students) (a)	26.4	25.5	–1.0	13.4	16.7	3.3
Unemployed six months or more (b)	71.4	77.8	6.4	50.9	53.2	2.3

Source: Ipsos MORI NDC Household Survey 2002 and 2006, LFS April-June 2002 and April-June 2006  
Base: All working age and not currently working (a) All working age, not currently working, not in full time education (b) All registered unemployed

6.3. The increase in the longer-term unemployed is in part confirmed when those out of work, but who had been in paid employment, were asked the length of time since their last job (Table 6.2). When comparing results for 2006 with those for 2002:

- some 11.5 per cent reported that they had worked within the last six months, three percentage points less than in 2002
- there was an increase of about 2.2 percentage points on those who had last worked between six months and two years ago
- 40 per cent had been out of work for five years or more in 2006, compared with 39.2 per cent in 2002; over half of this group had left their last job ten years ago or more
- of all working age respondents not currently in work in 2006, fully 47.1 per cent had either never worked or been out of work for ten or more years: this equates to 22.1 per cent of the working age population or approximately 55,000 people Programme-wide; it will be a major challenge to move many of these into paid employment.

**Table 6.2: Length of time since last job: 2002 and 2006**

	Percentage of working age not currently working but have in the past		
	2002	2006	Percentage point change 2002–2006
Less than 6 months	14.4	11.5	–3.0
6 months but less than 1 year	8.5	9.9	1.5
1 year but less than 2 years	10.5	11.2	0.7
2 years but less than 5 years	22.0	19.6	–2.5
5 years but less than 10 years	16.5	17.7	1.1
10 years or more	22.7	22.4	–0.3

Source: Ipsos MORI NDC Household Survey 2002 and 2006  
Base: All working age, not currently working but have had paid work in the past

## Reasons for leaving work

- 6.4. Having identified the Programme-wide context, remaining sections of this chapter explore supply-side barriers to employment. One useful initial source of evidence arises from household survey data highlighting factors which local residents themselves identify as being responsible for their leaving their previous job. Those in paid work in 2004, but not 2006, were asked why they had left paid employment (Table 6.3):
- the most commonly cited reasons were retirement (19%) and health related reasons (18.9%)
  - 13.9 per cent were made redundant, while 7 per cent came to the end of a temporary contract, and 3.9 per cent got the “sack”
  - 8.8 per cent left to further their studies.
- 6.5. Many of those who become unemployed will be seeking to re-enter the labour market and thus may well encounter the kinds of barriers discussed below. Equally so, however, a number of previously employed people will:
- not be re-entering the labour market at all, such as the retired
  - have a considerable gap before again seeking jobs, because of caring for young children or for other relatives
  - be entering a period of uncertainty in relation to future employment, because of issues such as poor health.

**Table 6.3: Reasons for leaving work between 2004 and 2006**

	Per cent
Retired	19.0
Poor health	18.9
Made redundant	13.9
Became a student	8.8
Temp/short term contract	7.0
Became pregnant	6.9
Looking after a relation	5.3
Got sack	3.9
Childcare unsuitable/don't want to leave child with others	3.7
Disliked type of work	3.2
Childcare too expensive	1.8
Childcare unavailable/unable to find childcare	1.6
Hours unsuitable	0.8
Better job offer	0.6
Pay inadequate	0.5
Other	9.7

Source: Ipsos MORI NDC Household Survey 2006  
Base: All longitudinal respondents in paid work in 2004 but not in 2006

## Barriers to work

6.6. Potential barriers to work can be explored more 'objectively' through identifying the proportion of respondents having characteristics which are likely to act as a disadvantage in the labour market (Table 6.4). This evidence thus indicates how widespread barriers are for all, rather than as is discussed immediately below, amongst those who actually recognise personal barriers to employment. Key issues here include:

- 42 per cent of those not currently working (29% of those actively seeking work) had no qualifications, compared with 20.3 per cent of those in work
- 31.7 per cent of people out of work had a long-standing limiting illness, compared with only 9.6 per cent of those in work
- 27.3 per cent of those not in work were lone parents, compared with 12.8 per cent of people in work
- 26.4 per cent of non-workers did not speak English as their first language, slightly higher than the equivalent proportion for working residents (20.8%); not having English as a first language in itself need not be a barrier to work since many such residents will be bilingual.

**Table 6.4: Potential barriers to work: 2006**

	Percentage of working age		
	Not in work	Not in work, but looking	In work
No qualifications	42.0	29.0	20.3
Long-standing limiting illness	31.7	15.4	9.6
Lone parent	27.3	23.5	12.8
English not first language	26.4	25.4	20.8
Workless household	77.5	76.0	n/a

Source: Ipsos MORI NDC Household Survey 2006  
Base: All working-age respondents

## Self-reported barriers to employment

6.7. What do those seeking employment think are the main barriers preventing them from working? In 2006 (Table 6.5):

- 29.1 per cent highlight skills or training issues, such as having insufficient or inappropriate experience and qualifications
- but 29.1 per cent also make reference to the limited availability of work or the lack of suitable jobs
- 24.4 per cent cite personal reasons including age, availability of childcare, other caring responsibilities, language difficulties, and long-standing health problems.

- 6.8. Between 2002 and 2006 the proportion hindered by skills or training increased by 1.4 percentage points, whereas the impact of all other barriers decreased. Since respondents were asked to give as many reasons as they thought applicable, this suggests a slight decrease in most barriers to work over this four-year period. It is questionable whether this decline will continue in what has become a markedly less favourable national economic context.

<b>Table 6.5: Self-reported barriers to work: 2002 and 2006</b>			
	Percentage of working age not in work but looking for work		
	2002	2006	Percentage point change 2002–2006
Skills/training	27.7	29.1	1.4
Type of work available	31.6	29.1	–2.5
Personal reasons	27.6	24.4	–3.2
Financial reasons	9.7	6.8	–2.9
Information	5.1	3.4	–1.7
Discrimination	2.1	1.9	–0.2
Other	26.3	17.6	–8.7

Source: Ipsos MORI NDC Household Survey 2002 and 2006  
Base: All working age, not currently working and looking for work

- 6.9. At least one obvious policy implication for NDC Partnerships and other delivery agencies arises from evidence in relation to both more ‘objective’, but also self-reported, barriers to work. Some barriers, such as those revolving around health issues and the type of work available, probably cannot be addressed to any significant degree at the neighbourhood level. But other barriers including the provision of training for generic skills, access to English courses, and appropriate childcare facilities, whilst needing to be informed by the wider city-regional context, can nevertheless be partly addressed at the local level.
- 6.10. It is also interesting to note that those out of work are just as likely to identify a lack of suitable jobs as a barrier to work as they are to point to having a lack of appropriate skills for the available jobs. Workless residents in NDC areas are clearly not all convinced that high levels of worklessness are attributable to a lack of suitable workers, rather than to a lack of suitable jobs<sup>64</sup>. This dichotomous position represents differences in demand and supply side theories of labour economics: should jobs be located so as to match local residents skill set or should residents adapt their skill set to the jobs locally available?

<sup>64</sup> See for example see HM Treasury and DWP (2003) *Full employment in every region*, p46; SEU (2004) *Jobs and Enterprise in Deprived Areas*, p39.

## Wage rates accepted by jobseekers

- 6.11. Data from the 2004 household survey on the lowest net wage after tax that those NDC residents looking for work would be prepared to accept suggests that those jobseekers are not unrealistic in their expectations (Table 6.6):
- of all working age respondents out of, but looking for, work, 11.4 per cent were prepared to take a job for less than £150, equal to that earned by the bottom 20 percentile nationally
  - just over half (52.9%) were willing to return to work for less than the national median wage (£250).

**Table 6.6: Lowest weekly wage (after tax) to return to work: 2004**

	Percentage of working age not in work but looking for work
Less than £100	4.3
£100 but less than £150	7.1
£150 but less than £200	18.6
£200 but less than £250	22.9
£250 but less than £300	13.6
£300 but less than £400	10.3
£400 but less than £500	1.9
£500 or above	1.3
Don't know/depends, refused or other	20.0
Mean expected wage	£224.20
England 20th percentile wage (a)	£150
England median wage (a)	£250

Source: Ipsos MORI NDC Household Survey 2004; (a) gross weekly wages from Annual Survey of Hours and Earnings 2004 (NOMIS), approximated to net wage using income tax and national insurance rates and allowances from 2004/05, rounded to 2 s.f.  
Base: All working age, not currently working and looking for work

## Job search patterns

- 6.12. In common with other evidence exploring job search patterns for those in deprived areas<sup>65</sup>, the most commonly cited mechanism through which residents access jobs is by hearing about opportunities from someone already working at their current place of employment (Table 6.8). One potential implication of depending on more informal mechanisms such as this is that NDC residents may have only limited awareness of jobs within the wider city-region, especially if friends, family or neighbours in social networks are also

<sup>65</sup> One study of social housing tenants in London found that well-connected networks of family, friends and acquaintances can play a crucial role in securing work: Watt, P. (2003) *Urban Marginality and Labour Market Restructuring: Local Authority Tenants and Employment in an Inner London Borough*, *Urban Studies*, Vol. 40 (9), pp.1769–1789.

out of work<sup>66</sup>. But it is interesting to note that about half of those in work obtained their present job via three more formal mechanisms: replying to an advertisement, a direct application, or through JCP or similar organisation.

**Table 6.8: How present job was found: 2006**

	Percentage of those currently working
Hearing from someone who worked there	24.5
Replying to a job advertisement	23.2
A direct application	16.5
A Jobcentre/Jobmarket or Training and Employment Agency Office	10.3
In some other way	7.7
A private employment agency or business	6.4
A local scheme or project	1.5
A Government training scheme e.g. New Deal	1.5
A Careers Office	1.5
A Jobclub	0.5

Source: Ipsos MORI NDC Household Survey 2006  
Base: All currently working

## The impact of immigration

- 6.13. One labour market constraint potentially impacting on NDC residents may be increasing competition for available jobs arising from immigration into the UK. On the other hand it could also be true that EU immigration into NDC areas may lead to improvements in NDC employment rates. Recent research suggests that migrant workers from the EU accession states have intensified competition in the lower skilled occupations<sup>67</sup>, although this view is challenged by quantitative analysis showing no statistically significant impact of 'A8 migration' on levels of claimant unemployment or wages<sup>68</sup>.
- 6.14. It is not possible to establish the scale of immigration into individual NDC areas. However, it is possible to identify numbers of new non-UK national insurance registrations within the 38 parent local authorities<sup>69</sup> (Table 6.9). Key findings include:
- all 38 saw an increase in non-UK NINO registrations between 2002–03 and 2007–08, by which time non-UK registrations amounted to at least 5 per cent of working-age residents in nine NDC parent local authorities, all in London

<sup>66</sup> For evidence on the constrained jobseeking networks of workless residents in deprived areas see Sandersonl. (2006) *Worklessness in Deprived Neighbourhoods: A review of Evidence, Report for the Neighbourhood Renewal Unit.*

<sup>67</sup> Syrett and North (2008): pp.107–108.

<sup>68</sup> Lemos, S. and Portes, J. (2008) *The impact of migration from the new European Union member States on native workers.*

<sup>69</sup> Birmingham contains two NDC areas: Aston and Kings Norton.

- however, non-UK registrations amounted to less than 2 per cent of the working age population in some 14 NDC parent local authorities, many of which are located in the north of England and in the West Midlands.

**Table 6.9: NDC parent local authorities: new non-UK national insurance number registrations: 2002–03 and 2007–08**

Local authority	Count		Percentage of local authority working age population	
	2002/03	2007/08	2002/03	2007/08
Newham	8,750	20,510	5.3	12.3
Brent	9,590	19,240	5.3	10.6
Haringey	6,040	13,650	3.9	8.8
Tower Hamlets	6,510	13,210	4.6	8.7
Hammersmith & Fulham	6,380	9,410	5.2	7.6
Hackney	4,970	8,530	3.6	6.0
Lambeth	7,020	11,130	3.6	5.6
Islington	4,520	7,470	3.5	5.4
Southwark	6,050	9,980	3.5	5.1
Luton	2,420	5,040	2.1	4.2
Lewisham	4,580	6,990	2.7	3.9
Leicester	3,780	6,860	2.1	3.6
Manchester	5,900	11,230	2.1	3.6
Coventry	3,160	6,030	1.7	3.1
Southampton	1,810	4,740	1.2	3.0
Nottingham	1,860	5,620	1.1	2.8
Brighton	2,290	4,530	1.4	2.7
Newcastle	1,770	4,400	1.0	2.5
Derby	1,390	3,570	1.0	2.4
Bristol	3,230	6,450	1.3	2.3
Salford	1,110	3,180	0.8	2.3
Norwich	960	1,920	1.2	2.1
Birmingham	9,270	13,120	1.5	2.1
Bradford	2,790	6,170	1.0	2.0
Hull	1,320	3,200	0.8	1.9
Wolverhampton	1,820	2,710	1.3	1.9
Sandwell	1,350	3,260	0.8	1.9
Liverpool	2,140	5,190	0.8	1.8
Sheffield	2,710	5,280	0.8	1.6
Plymouth	800	2,270	0.5	1.4
Doncaster	830	2,300	0.5	1.3
Rochdale	670	1,370	0.5	1.1
Middlesbrough	560	900	0.6	1.0
Oldham	900	1,350	0.7	1.0
Walsall	790	1,300	0.5	0.9
Sunderland	570	1,300	0.3	0.7
Hartlepool	120	190	0.2	0.3
Knowsley	170	230	0.2	0.2
<b>38 NDC local authorities</b>	<b>120,900</b>	<b>233,830</b>	<b>1.8</b>	<b>3.3</b>

Source: DWP, Neighbourhood Statistics

- 6.15. Although non-UK registrations rose considerably between 2002–03 and 2007–08 in some NDC parent local authorities, it would be hard to argue that this is likely of itself to be a major, additional, barrier for NDC residents seeking employment. Even in London where there was a considerable increase between 2002–03 and 2007–08, it should be stressed too that many non-UK workers will be working throughout the city and indeed across the whole of the South East, and not necessarily in the local authority within which they reside<sup>70</sup>.

## Concluding comments

- 6.16. A number of key overarching conclusions can be drawn from this overview of supply-side barriers to employment:
- not surprisingly NDC residents are encountering a range of supply-side barriers when seeking to re-enter the labour market
  - some of these such as lack of generic skills, inadequate English, poor childcare facilities, and limited job search patterns are issues which can be addressed by neighbourhood regeneration agencies; indeed, the evidence from the companion worklessness report suggests that these are precisely the kinds of barriers that NDC interventions are seeking to address<sup>71</sup>
  - there is no conclusive evidence to suggest that NDC residents are seeking wages likely to price themselves out of the labour market, or that immigration into the UK is accentuating labour market competition within most, if not all, NDC parent local authorities.

<sup>70</sup> These data provide evidence in relation to the local authorities within which immigrants reside at the point of registration, not necessarily where they are working.

<sup>71</sup> CLG (2009b): Chapter 3.

## 7. Demand in the local economy

- 7.1. Much of the evidence developed in this report relates to aspects of labour supply. NDC Partnerships, as would be the case for any neighbourhood renewal agency, are more likely to be able to effect change in relation to labour supply considerations, rather than with regard to demand<sup>72</sup>. Nevertheless, two data sources allow for reflections on aspects of demand in local economies: **Annual Business Inquiry employee jobs** and **VAT registered business**.

### Annual Business Inquiry employee jobs

- 7.2. Employee jobs<sup>73</sup> provide an indication of demand for labour in a given geography. Estimates of employee jobs have been obtained from the Annual Business Inquiry, a survey based on a sample of approximately 78,000 businesses<sup>74</sup>. It is possible to establish estimates of employees in LSOAs which cover NDCs and comparator areas<sup>75</sup>, the 38 parent local authorities and nationally. To aid comparison between geographies, employee jobs are expressed as a rate per 1,000 of working age residents. Several issues emerge from this evidence (Table 7.1):

- there are just under half a million employee jobs in LSOAs containing an NDC; the corresponding working age population is 399,678
- there is no significant correlation between the number of employee jobs in LSOAs containing an NDC or the parent local authority and an NDC's employment or worklessness rate
- in aggregate, NDC residents have a higher number of employee jobs 'in their immediate area' per 1,000 of their working age populations than is true for their comparators areas, their parent local authorities, or the national benchmark figure (720)
- Islington NDC and its immediate surrounding area has the highest level of employee jobs per 1,000 of the working age population: 5,306 per 1,000 of the working age population or just over 60,000 employee jobs; Lambeth has the lowest: 88 per 1,000 of the working age population or 930 employee jobs
- 22 NDCs have a higher number of employee jobs per 1,000 of the working age population than their comparator areas

<sup>72</sup> On the limitations of stimulating demand at the neighbourhood level see North *et al.* (2003); Syrett and North (2008): p236; Martin cf. Campbell (2001) *New Deal for Communities: National Evaluation Scoping Phase: Worklessness: The Evidence Review*, p34; Ritchie, H., Casebourne, J. and Rick, J. (2005) *Understanding workless people and communities: A literature review*, p51; North, D. and Syrett, S. (2006) *The dynamics of local economies and deprived neighbourhoods*, p41, 78.

<sup>73</sup> This is the number of jobs in a given locality rather than the number of persons with jobs; so for example a person with two part time jobs would count as two employee jobs

<sup>74</sup> This survey data is subject to sampling errors.

<sup>75</sup> LSOAs are the lowest geographic unit for which data is available. LSOAs range in population size between one and two thousand, with an average population of 1,500. These areas are not an exact match for NDCs as they also include jobs in the immediate vicinity.

- 19 NDCs have a higher number of employee jobs per 1,000 of the working age population than their parent local authority.

**Table 7.1: Number of employee jobs per 1,000 of the working age population: 2006**

	Number of employee jobs per 1,000 working age population		
	NDC	Comparator	Local Authority
Islington	5,306	409	1,233
Wolverhampton	4,129	302	772
Newcastle	3,165	571	1,020
Doncaster	3,084	325	659
Sheffield	2,354	275	742
Bradford	2,260	2,346	630
Hackney	2,179	298	552
Sandwell	2,173	458	723
Plymouth	1,931	141	656
Bristol	1,799	1,005	828
Sunderland	1,752	984	674
Oldham	1,438	349	580
Hartlepool	1,301	226	593
Liverpool	1,108	325	798
Manchester	1,055	781	990
Derby	1,019	326	814
Birmingham Aston	1,019	364	786
Nottingham	885	1,400	928
Birmingham Kings Norton	651	193	786
Tower Hamlets	646	611	1,293
Salford	610	931	826
Newham	513	240	427
Rochdale	487	767	599
Haringey	415	170	389
Middlesbrough	394	1,169	738
Coventry	375	516	719
Brighton	358	2,749	689
Walsall	353	1,252	710
Brent	342	648	501
Hammersmith & Fulham	340	807	935
Lewisham	313	136	340
Hull	298	221	721
Norwich	242	1,852	1,147
Leicester	231	3,032	849
Southwark	225	445	822
Southampton	161	339	730
Luton	149	294	731
Knowsley	149	1,346	595
Lambeth	88	163	603
<b>Aggregate</b>	<b>1,239</b>	<b>796</b>	<b>750</b>

Source: Annual Business Inquiry 2006

- 7.3. It is important here to stress that **labour markets do not primarily operate at the neighbourhood level but at wider spatial scales**. The availability of jobs in and around NDC areas is not an accurate gauge of employment opportunities available to residents. An NDC may be located on the edge of a city centre close to a substantial pool of job opportunities. However many such jobs will be taken, or competed for, by residents from across entire city-regions: jobs are not ring-fenced for those who happen to live nearby. It is possible to live close to a large number of jobs but in reality be located within a weak labour market, where relatively more people will be competing for a limited pool of jobs. Individuals who are more motivated, younger, fitter, better qualified and with more recent relevant experience are most likely to obtain any available jobs whether or not they live nearby.

## VAT registered business

- 7.4. Estimates of the numbers of enterprises registered/registering for VAT in NDC parent local authorities and regions are collected on the Inter-Departmental Business Register, published by BERR and held on NOMIS<sup>76</sup>. Data presents stock and new VAT registered businesses as a rate per 10,000 working-age population. This evidence is regarded as the best official guide to patterns of business start-ups and closures and therefore of levels of entrepreneurship in NDC parent local authority districts<sup>77</sup>.
- 7.5. A number of key points arise from this evidence in relation to:
- overall entrepreneurship:
    - the level of entrepreneurship across aggregated NDC parent local authorities (390 VAT registered businesses per 10,000 working age residents at the end of 2006) is below the national level (528 VAT registered businesses per 10,000 working age residents)
    - this is also true for new registrations: NDC local authorities saw 42 new registrations per 10,000 working age residents in 2006 compared with 50 per 10,000 nationally
    - seven of the 10 NDC local authorities with the highest stock rates are in London; Islington has the highest stock rate 830 VAT registered businesses per 10,000 working age residents and the highest rate of new registrations, 100 VAT registered businesses per 10,000 working age residents
    - conversely, six of the ten NDC local authorities with the lowest stock rates are in the North East, North West or Yorkshire and the Humber

<sup>76</sup> For full guidance see <http://stats.berr.gov.uk/ed/vat/VATGuidance2006.pdf>

<sup>77</sup> It should be noted that there are VAT exempt sectors and business operating below the threshold (£60,000 in 2006); some registered business are also excluded due to unknown location or date of de-registration.

**Table 7.2: NDC parent local authorities: VAT registered business: stock in 2002 and 2006 and new registrations in 2006**

NDC name	New Registrations per 10,000 working age residents	Stock per 10,000 working age residents		
	2006	2002	2006	Change 2002–2006
Islington	100	782	830	48
Hammersmith & Fulham	81	642	727	85
Hackney	70	528	593	64
Tower Hamlets	79	510	580	70
Brighton	59	505	540	36
Brent	62	468	509	41
Southwark	57	452	486	33
Bristol	48	441	447	6
Haringey	50	415	438	23
Leicester	45	429	430	1
Salford	48	387	416	29
Norwich	35	413	403	-10
Walsall	37	386	403	17
Lambeth	50	348	403	55
Manchester	45	411	384	-27
Bradford	39	369	381	12
Oldham	39	349	380	31
Wolverhampton	38	351	378	27
Rochdale	38	346	376	31
Birmingham Kings Norton	37	377	376	-2
Birmingham Aston	37	377	376	-2
Sandwell	36	350	372	22
Sheffield	32	352	359	7
Luton	33	325	350	25
Derby	34	312	341	29
Doncaster	33	313	341	28
Coventry	34	312	336	24
Nottingham	32	344	327	-17
Newcastle	31	305	319	14
Southampton	31	319	314	-5
Liverpool	32	281	305	25
Hull	28	273	289	16
Lewisham	36	261	289	28
Plymouth	30	257	276	19
Newham	37	218	259	41
Hartlepool	31	229	250	22
Sunderland	26	224	245	21
Middlesbrough	22	208	226	18
Knowsley	22	190	210	20
NDC local authorities	42	370	390	20
England	50	502	528	26

Source: Inter-Departmental Business Register

- relationships between worklessness and VAT registrations:
  - there is a significant negative correlation (–0.515 sig at 0.01 the level) between an NDC worklessness rate in 2006 and the number of VAT registered businesses per 10,000 working age residents in its parent local authority: the lower the rate of entrepreneurship in the local economy, the higher the levels of worklessness
  - six of the ten NDC areas with the highest worklessness rates in 2006 were in the 10 local authorities with the lowest stock rates; these include Knowsley where the local authority stock rate is the lowest (210 VAT registered businesses per 10,000 working age residents) and the NDC worklessness rate the highest (31 per cent) in 2006
- change through time:
  - between 2002 and 2006 NDC local authorities saw an increase in their stock of VAT registered business from 370 to 390 VAT registered businesses per 10,000 working age residents; this was less however than the comparable England wide figure of 26 VAT registered businesses
  - 33 NDC parent local authorities saw their relative stock of VAT registered business increase in this four year period; six saw a decrease
  - 16 parent local authorities saw a larger increase than the national benchmark, nine of which are located in London.

## Concluding comments

- 7.6. Two concluding observations can be made with regard to issues of demand in the local economy. First, as is discussed throughout this report, a number of labour supply side factors, such as lack of skills, appear to be driving the generally higher relative rates of worklessness and lower employment rates in NDC areas when assessed against their comparator areas. But one factor which at first glance does not appear to be as relevant here is the availability of local jobs. There are more jobs within, or close to, NDC areas than is true for other geographical benchmarks such as the comparator areas and parent local authorities. However, as others have pointed out, it is not so much the availability of local jobs which matters, but rather the mismatch between prevailing skill levels amongst NDC residents and those required by local businesses<sup>78</sup>. NDC residents may for instance lack 'softer' interpersonal skills increasingly required in certain service industries<sup>79</sup>. Perhaps too there is an understandable unwillingness on the part of NDC residents to accept work which they perceive as inherently unattractive because of low pay,

<sup>78</sup> On the lack of formal skills or qualifications see Green, A. E. and Owen, D. (2006) *The geography of poor skills and access to work*, p6 [www.jrf.org.uk/knowledge/findings/socialpolicy/0046.asp](http://www.jrf.org.uk/knowledge/findings/socialpolicy/0046.asp); Faggio, G. and Nickell, S. (2003) The rise in inactivity among older men, in Dickens, R., Gregg, P. and Wadsworth, J. (eds.) *The Labour Market under New Labour: The state of working Britain*; Nickell, S. (2005) *Poverty and Worklessness in Britain*, page C9

<sup>79</sup> See for example McDowell, L. (2003) *Redundant masculinities: Employment change and white working class youth*; Nickson, D., Warhurst, C., Witz, A. and Cullen, A-M. (2001) *The Importance of Being Aesthetic: Work Employment and Service Organisation*. See also Syrett and North (2008): p112.

uncertain prospects and poor working conditions<sup>80</sup>. As is developed in the complementary case study based worklessness report, locality based evidence points to new employment opportunities in, or close to, many NDC areas<sup>81</sup>. However local residents are not always able, or willing, to meet the formal and inter-personal skill levels demanded of employers<sup>82</sup>.

- 7.7. Second, on the basis of VAT registration data there is evidence that NDCs are generally located in local authorities with lower levels of new entrepreneurial activity. On average NDC parent local authorities had fewer VAT registrations in 2006, and saw less positive change between 2002 and 2006, than was the case nationally. These findings need to be treated with caution. For example, VAT registrations do not cover all enterprises. But if this evidence is taken at face value, it is possible then to point to a statistically significant inverse relationship between VAT registrations in parent local authorities and NDC worklessness rates. As would be expected, and as other evidence in this report suggests, there are consistent associations between wider city-regional trends in relation to worklessness and employment, on the one hand, and change at the NDC area level, on the other.

<sup>80</sup> Fletcher *et al.* (2008): p40; Sanderson (2006): p43–45; TUC (2008) *Hard Work, Hidden Lives: The Short Report of the Commission on Vulnerable Employment*; McDowell (2003); Syrett and North (2008): p62; Watt (2003).

<sup>81</sup> CLG (2009b): pp.24–26.

<sup>82</sup> See CLG (2009b): pp.12–17 for discussion on some of the key supply-side barriers to work.

## 8. Modelling worklessness, employment, and change

- 8.1. Previous chapters provide a broad overview of patterns inherent to, and change within, worklessness and employment. Using modelling techniques, this chapter moves the debate forward by examining the extent to which a range of variables can help explain the dynamics of worklessness and employment in NDC areas over time. The first two sections help explain levels and change observed at the area level. The second two focus on factors associated with the labour market status of individuals in NDC areas and change to individuals through time. The four sections are developed as follows:
- explaining area-level variations in worklessness and employment: 2006
  - explaining area-level change: 2002–2006
  - individual-level factors associated with being in employment in 2006
  - individual-level transitions: from not in, to being in, employment: 2002 to 2006.
- 8.2. Modelling techniques generate a great deal of evidence and it may at times be difficult to identify key conclusions from what can appear an overwhelming body of evidence. For that reason this chapter identifies the key findings to emerge from modelling<sup>83</sup>.

### Explaining area-level variations in worklessness and employment: 2006

- 8.3. Analysis is designed to help explain variations across the 39 NDC areas in 2006 in relation to four indicators<sup>84</sup>:
- employment rate
  - worklessness rate (IB/SDA and JSA)
  - unemployment rate (JSA)
  - incapacity benefits rate (IB/SDA).
- 8.4. Multiple regression models<sup>85</sup> have been developed which seek to identify which explanatory factors are associated with higher or lower levels of each of these four indicators across the 39 NDC areas. Possible explanatories include a range of socio-demographic variables drawn from the household

<sup>83</sup> Fuller details of all models are available in the supplementary tables accompanying this report.

<sup>84</sup> In each case the rates are for working-age individuals only.

<sup>85</sup> See Appendix 2 for details of multiple regression methodology.

survey such as age, ethnicity, tenure, household composition, and so on. Additionally several contextual variables are included which reflect on the health of local and wider labour markets:

- number of employee jobs in the NDC as a proportion of the working-age population
- number of employee jobs in the local authority as a proportion of the local authority working-age population
- the parent local authority employment rate September 2006
- the number of non-UK NINO registrations 2005–06 to 2006–07 as a proportion of the local authority working-age population
- the stock of VAT registered businesses as a proportion of the local authority working-age population.

8.5. The first model identifies the following factors as being significantly associated with **employment rates in NDC areas in 2006**. On average areas with:

- higher concentrations of residents with no qualifications tend to have lower employment rates
- more residents in full-time education have lower employment rates
- a greater incidence of long-standing limiting illness, disability or infirmity amongst working-age residents have lower employment rates
- a higher proportion of owner occupiers have higher employment rates
- the model has an  $R^2$  of 0.813. This 'goodness of fit' statistic indicates these factors explain just over four-fifths of the variation in employment rates across NDC areas.

8.6. Second, in relation to the **worklessness rate based on JSA and IB/SDA claimant data**, significant associations are that, on average:

- areas with greater concentrations of working-age residents with no qualifications or with a long-standing limiting illness, disability or infirmity are more likely to have higher worklessness rates
- areas with **more single person households** have higher worklessness rates
- NDCs located in local authorities with more VAT registered businesses per capita have lower worklessness rates
- the  $R^2$  statistic is 0.653 which implies that the model is on average good at explaining worklessness rates across NDC areas and these four factors account for nearly two thirds of the variation observed.

8.7. Third, with regard to **unemployment rates** in NDC areas only one significant association emerges: **higher levels of working-age residents with no qualifications are associated with higher unemployment rates**. The  $R^2$  of 0.323 shows that this factor alone accounts for nearly a

third of the variation in unemployment rates across all 39 areas. Other socio-economic characteristics of residents in these areas or indicators of health of the wider labour market do not explain area-level variations. One potential explanation, as noted in Chapter 3 (paragraph 3.8) is that JSA rates have converged over time with fewer differences across NDC areas or nationally on this measure.

8.8. Fourth in relation to **incapacity benefits rate (IB/SDA)**:

- areas with more lone parent families, single person households, older residents (the proportion aged 50 to pensionable age), private rented tenants, and residents with no qualifications are more likely to have higher IB/SDA rates
- areas with weaker wider labour markets as measured by local authority VAT registered businesses are also more likely to have higher IB/SDA rates
- there is a significant association between areas with higher proportions of black residents and lower IB/SDA rates; this may reflect a London influence: eight of the ten NDCs with the highest proportions of black residents, and seven of the ten with lowest IB/SDA rates, are in London
- the  $R^2$  of 0.831 indicates that the model is a good fit and these factors identified explain over 80 per cent of the variation in IB/SDA rates at the NDC-level.

8.9. Summarising evidence in relation to **levels of employment and worklessness in 2006**:

- as would have been expected, a clear message emerges in relation to the disadvantaging effects of having few, if any, skills
- there are significant relationships between worklessness (and its component parts) and both tenure and household composition; associations emerge between higher rates of worklessness and both higher concentrations of single person or lone parent households and also private rented accommodation
- it is also interesting to see how demand in the local economy impacts on worklessness; there can be a view that issues of demand in the local economy are of limited relevance to neighbourhood regeneration where the emphasis is generally placed on supply-side improvements<sup>86</sup>; but here associations appear between higher stocks of VAT registered businesses in the local authority and lower rates of worklessness in NDC areas.

## Explaining area-level change: 2002–2006

8.10. The section above explores the extent to which a range of variables explain employment and worklessness rates in NDC areas in 2006. The sections

<sup>86</sup> This is the view put forward in some official policy documents including HM Treasury and DWP (2003): p46; and SEU (2004).

developed immediately below seek to explain change in four indicators between 2002 and 2006 for working-age residents across the 39 NDC areas:

- employment rate
- worklessness rate (IB/SDA and JSA)
- unemployment rate (JSA)
- incapacity benefits rate (IB/SDA).

8.11. A range of explanatory variables have been introduced into multiple regression models in order to help understand change in relation to each of these four indicators. These include:

- socio-economic characteristics of residents in the areas drawn from the household survey:
  - percentage point change between 2002 and 2006 in the proportion of working-age respondents by age, ethnicity, health, tenure, qualifications, full-time education, household composition
  - the proportion of working-age NDC residents in 2002 who have been out for work for two or more years
- a number of contextual variables on labour supply and levels of labour demand in the local and wider labour markets:
  - percentage point change, between 2003 and 2006, in number of employee jobs in the NDC as a proportion of the working-age population
  - percentage point change, between 2002 and 2006 in the number of employee jobs in the local authority as a proportion of the local authority working-age population
  - percentage point change, between 2002 and 2006, in local authority employment rate
  - percentage point change, between 2002 and 2006, in the number of non UK NINO registrations as a proportion of the local authority working-age population
  - percentage point change, between 2002 and 2006 in the stock of VAT registered businesses as a proportion of the local authority working-age population
  - percentage point growth in employee jobs in the wider labour market
- NDC expenditure under the worklessness theme (to March 2006)
- the number of projects NDC have funded under the Worklessness theme (to March 2006).

8.12. One methodological issue need to be flagged up here: whether or not to incorporate starting position in relation to the change models explored below. This may seem an arcane issue but it is important when modelling change. It can be argued that the Programme-wide baseline is effectively,

the 2002 household survey and that area-level and individual-level change should simply be assessed from that date. In this view how disadvantaged an individual or an area was in relation to any indicator in 2002 is irrelevant. What matters is how much change occurred from the baseline date.

- 8.13. But there is an alternative position based on the view that where an area or an individual 'started off' from in 2002 is important and that change should be assessed from a common baseline position. In effect change would be calculated for that period from 2002 and 2006 by assessing what happened to those who were similarly disadvantaged in 2002: comparing like with like. Evidence from the evaluation consistently points to the most deprived of areas, and the most deprived of individuals, making greater changes than less deprived areas and individuals. This is not surprising: there is simply more headroom for positive change. It can be relatively easy, say, to move an individual from 'very unsatisfied' on any particular indicator to, 'satisfied', but harder to move a 'satisfied' individual to being 'quite', or even more so, 'very', 'satisfied'. In essence the more deprived an individual the more they are likely to make progress. There are thus two possible options here:
- use 'un-moderated' data on the basis that this reflects change from 2002: this approach ignores the fact that more deprived areas and people tend to make greatest positive change
  - insert an 'absolute starting off position in 2002' variable in analyses exactly to reflect the tendency for the most deprived to make greater positive change.
- 8.14. There is no definitive answer to this dilemma. Here a pragmatic approach has been adopted: analyses take into account 'starting position' where this seems appropriate and where there are positive findings to report.

### Change in employment rates 2002 to 2006

- 8.15. The first model considers factors associated with change in NDC employment rates from 2002 to 2006. If the level of employment in areas at the beginning of the period is not included as an explanatory factor in the model then:
- **greater improvements** in employment rates are associated with:
    - higher levels of NDC expenditure in the worklessness theme in an area
    - growth in the number of 16 to 24 year olds in an area
  - employment rates **improved less** in areas with:
    - larger increases in the proportion of the working-age population with a long-standing limiting illness, disability or infirmity
    - increasing participation in full-time education
  - an  $R^2$  statistic of 0.498 indicates that this model is on average a reasonably good predictor of area-level change in employment rates: these factors account for half of the observed variation.

- 8.16. However, once the prevailing employment rate at the **start of the period** is included in the model then a somewhat different set of explanatory factors emerge:
- as would be expected the areas with lower employment rates at the beginning on average saw greater improvements in employment rates over time: this confirms the well established pattern across the evaluation for the most deprived areas to make the most progress
  - areas with greater increases in local employee jobs experienced less improvement in employment rates; this might seem counterintuitive as if there are more jobs available locally it might have been anticipated that this would lead to more job opportunities for local residents; one potential explanation might be a mis-match between the types of jobs available and the inability of residents to access these due to skill-related issues<sup>87</sup>; alternatively NDCs located in more buoyant labour markets might already have had higher employment rates to start with so tended to experience smaller gains over time
  - areas with a greater increase – or smaller decrease – in the proportion of working-age residents living in the social rented sector on average saw less improvement in employment rates between 2002 and 2006; this confirms findings from other work pointing to increasing concentration of workless households in social rented accommodation<sup>88</sup>; the direction of this relationship is therefore open to debate<sup>89</sup>
  - the R<sup>2</sup> statistic of 0.611 implies that this model on average explains just over 60 per cent of the variation in changing NDC employment rates over time, more than the previous model which excluded starting position.

### Change in worklessness rates 2002 to 2006

- 8.17. The models discussed immediately above identify relationships between change in employment with change in a range of potential explanatory variables. The attention now shifts to change in relation to worklessness. In this context negative relationships are associated with a reduction in worklessness: as the incidence of the explanatory factor increases the worklessness rates decreases. If starting position is excluded from the model then there is a significant negative relationship between NDC-level changes in the percentage of black residents and change in worklessness rates between 2002 and 2006. This implies that on average an increase in the percentage of black residents in an area is associated with greater reductions in the worklessness rate between 2002 and 2006. More detailed examination of this group indicates it appears to be the growth in black African immigrant populations which lies behind this trend. The employment rate amongst

<sup>87</sup> Research shows that this skills mismatch can manifest itself both in a lack of formal skills and qualifications as well as a lack of the 'soft' skills required for customer-facing work can generate (see Green and Owen (2006); McDowell (2003); Nickson *et al.* (2001)).

<sup>88</sup> For instance: Centre for Analysis of Social Exclusion (2007).

<sup>89</sup> See Sanderson (2006): p48, for a review of debates on the relationship between social housing and concentrations of worklessness. This debate centres on whether individuals without work tend to be come concentrated in less popular social housing because that is the only option given their limited financial circumstances, or whether living in social housing deprived areas confers disadvantages such as a lack of access to information-rich social networks that makes individuals more vulnerable to worklessness.

black African residents (52.3%) is actually lower than amongst other black residents (55.8%) or white residents (55.8%). It seems more likely therefore that this relationship reflects other issues such as perhaps some members of this group not being eligible for worklessness benefits, their accessing other benefits such as IS(LP), being in full-time education or not being recorded in either self-reported employment measures or administrative statistics.

8.18. **If starting position is included** then:

- areas with higher levels of worklessness in 2002 on average, experienced a greater reduction in the worklessness rate between 2002 and 2006; these areas potentially have more 'headroom' to change
- increases in the proportion of large adult households are associated with greater reductions in worklessness rates between 2002 and 2006; growth in large adult households is also more prevalent in areas with a greater degree of population movement; previous work has found evidence that high population mobility NDCs saw greater reductions in the proportions of working age, workless households between 2002 and 2006 than that seen across all NDCs<sup>90</sup>

**Change in JSA and IB/SDA claimants: 2002 to 2006**

8.19. A brief mention should be made of change in relation to the **two constituent elements to overall worklessness: JSA, and IB/SDA claimants**. No statistically significant relationships emerge with regard to the former. Once again this may reflect the tendency for JSA levels and rates of change to JSA levels to converge through time.

8.20. However, factors associated with falling IB/SDA rates include:

- increases in the percentage of black residents in the area over time; this is likely to reflect issues noted in 8.17 above
- improving local authority employment rates between 2002 and 2006; this is an important finding: NDCs located in stronger labour markets are more likely to see a re-engaging of IB/SDA claimants into the workforce than are districts with weaker levels of labour demand
- an  $R^2$  statistic of 0.406 indicates that these two factors account for two fifths of the variation in IB/SDA rates observed across NDC areas.

8.21. A number of key themes emerge when summarising evidence with regard to area-level change in relation to employment and worklessness between 2002 and 2006:

- the, not unexpected, role of the wider local authority economy in achieving change at the local level in relation to aspects of worklessness, notably IB/SDA claimants: NDCs are part of wider city-regional labour markets

<sup>90</sup> CLG (2009a) *Residential mobility and outcome change in deprived areas: evidence from the New Deal for Communities Programme*. London: CLG. table 5.1

- growth in local jobs is actually negatively associated with improving NDC employment rates; jobs may be located in, or close to NDC areas; but NDC residents face competition from a labour supply drawn from a far wider area<sup>91</sup>
- relationships have been identified between socio-demographic variables and change, including negative associations with increasing long-standing limiting illness and social rented housing
- the role that population movement might play is highlighted by positive associations between employment growth and/or falling worklessness, on the one hand, and growth in larger households and black populations, on the other: NDC areas accommodating largely static populations with entrenched worklessness problems are less likely to see positive change
- in line with other findings from the national evaluation, it is also interesting to see further evidence of relationships between NDC-level spend and change at the local level (8.15); it has taken some time for this relationship to become apparent but it is now occurring systematically across analyses undertaken by the national evaluation team: it could be argued that persistence is now paying dividends.

## Individual-level predictors of employment

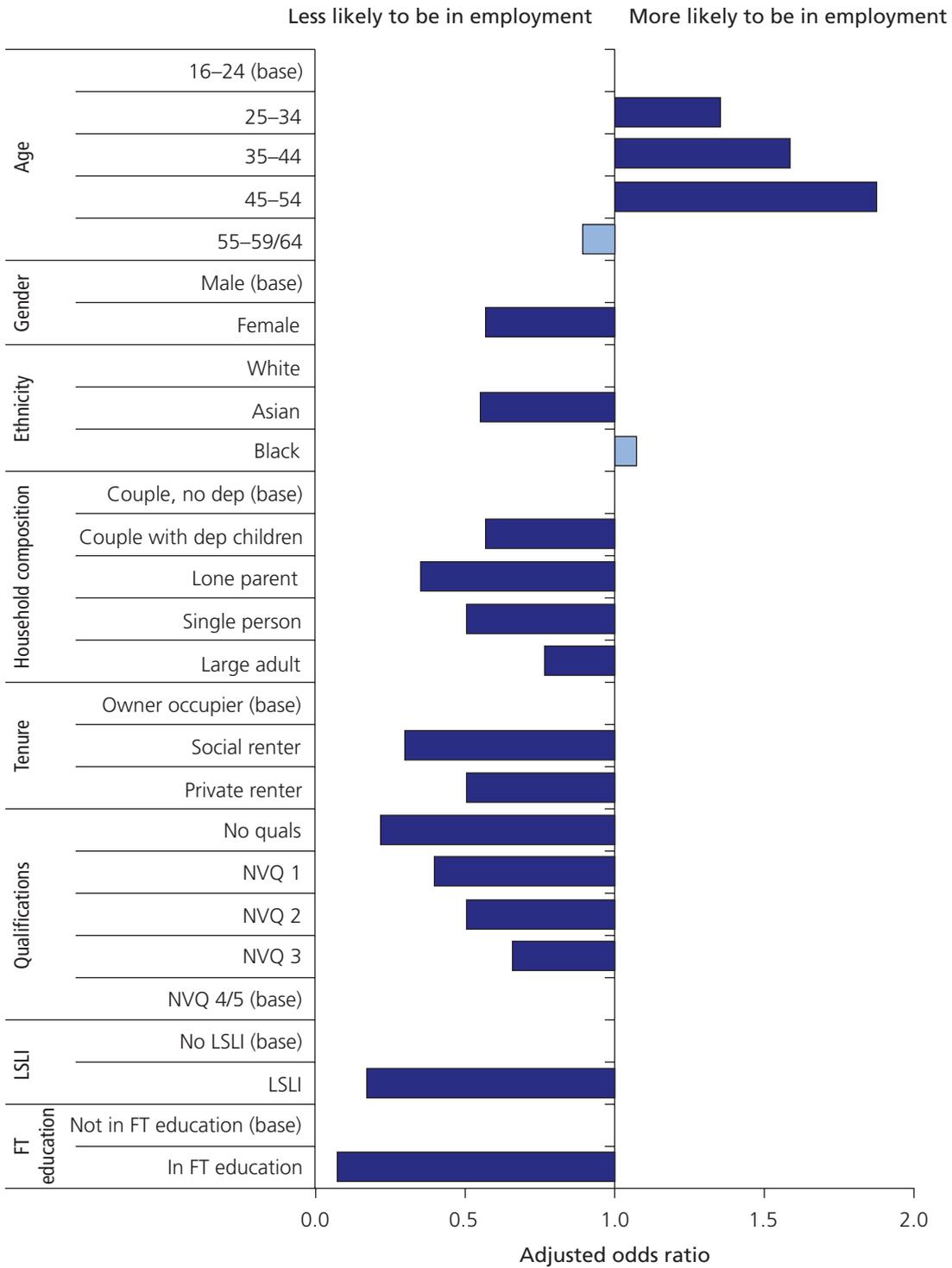
- 8.22. In analyses developed immediately above, multiple regression models help explain area-level patterns and trends in relation to employment and worklessness. In this section logistic regression<sup>92</sup> is used in order to highlight associations between individual-level characteristics and whether or not a working-age individual is in employment at the point of survey in 2006. These models help explain why some individuals are more likely to be in work or conversely are at risk of being worklessness.
- 8.23. Logistic regression modelling predicts the likelihood of an outcome occurring given a set of known explanatory values. In this case models predict the probability of an NDC resident being in employment if their age, sex, ethnicity, qualifications, and so on are known, as is the NDC area within which they live in. Results can be expressed as odds ratios (ORs). These reflect the odds of a person with a known characteristic being in employment compared with someone who does not have the said characteristic, *all other things being equal*. An OR greater than 1 indicates that on average an individual has a greater probability of being in employment than someone who does not share the same characteristics and vice versa for an OR of less than 1. For example an OR of 2 means a person with a known attribute, say being male, is on average twice as likely to be in employment compared with females, all other factors being equal.

<sup>91</sup> Both the negative associations with local growth in employee jobs and the positive associations with local authority growth in employment rates support the assertion that the neighbourhood level is not the most appropriate spatial level to create jobs due to leakage. Deprived neighbourhoods benefit more from wider growth in the city-regional. For further discussion see Martin cf. Campbell (2001): p34; Ritchie *et al.* (2005): p51; North and Syrett (2006): p41, 78; SEU (2004): p40.

<sup>92</sup> See Appendix 2 for details of logistic regression methodology.

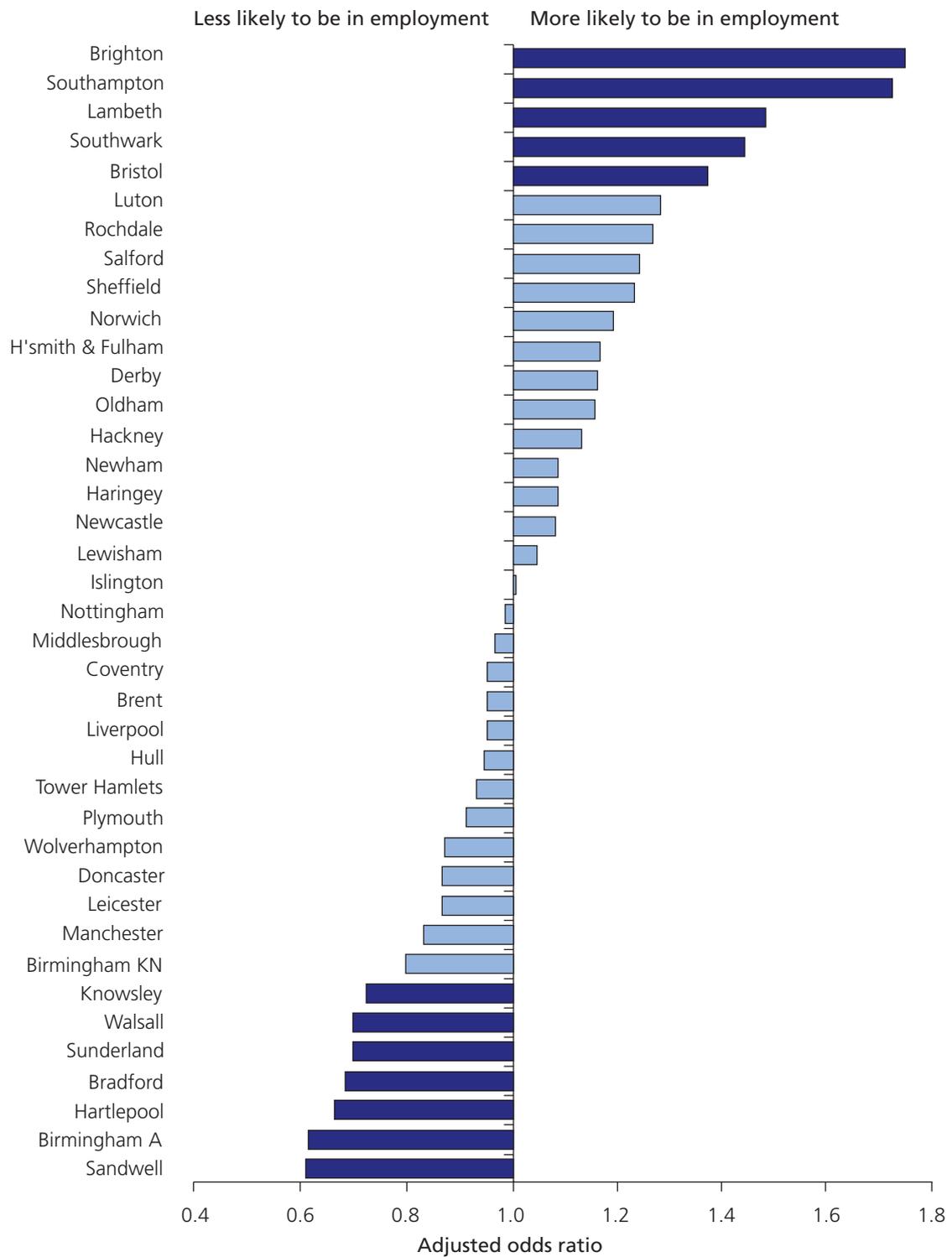
- 8.24. A number of household survey variables have been taken into account in these logistic regression models including age, gender, ethnicity, and tenure. In addition an NDC area variable has been used. This is a 'catch-all' variable for area-level characteristics affecting levels of employment such as the health of the local labour market.
- 8.25. The model identifies the following individual-level factors as **significantly associated with being in employment in 2006** (Figure 8.1). All other things being equal:
- those aged 16 to 24 and 55 to retirement age are significantly less likely to be in employment than those in other age bands; those aged 44 to 54 are on average most likely to be in employment
  - females are 1.8 times less likely to be in employment than men
  - Asian residents are significantly less likely to be in employment compared with both white and black residents
  - individuals who are part of a couple with no children are more likely to be in employment than other household types; those in lone parent households are on average significantly less likely to be in employment
  - compared with owner occupiers, social renters (3.4 times) and private renters (2 times) are significantly less likely to be in employment
  - residents with no formal qualifications are least likely to be in employment
  - residents with a long-standing limiting illness (LSLI) are 5.8 times less likely to be in employment compared with those that do not have one
  - as would be expected residents in full-time education are significantly less likely to be in employment compared with those not in full-time education (13.5 times less likely).
- 8.26. The NDC area variable, included in these models, indicates whether there is any evidence to suggest that 'area factors', in effect the NDC area within which an individual lives, has any impact on the probability of being employed (Figure 8.2) over and above the individual-level factors. On average, given all other things being equal:
- residents in Brighton, Southampton, Lambeth, Southwark and Bristol are significantly more likely to be in employment than the NDC average; residents in Brighton and Southampton are each 1.7 times more likely than the NDC average to be in employment
  - residents in Sandwell, Birmingham Aston, Hartlepool, Bradford, Sunderland, Walsall and Knowsley are significantly less likely to be in employment than the NDC average.

**Figure 8.1: Adjusted Odds Ratios: Likelihood of being in employment: individual and household characteristics 2006**



Source: Ipsos MORI NDC Household Survey 2006

**Figure 8.2: Adjusted Odds Ratios: likelihood of being in employment by NDC area 2006**



Source: Ipsos MORI NDC Household Survey 2006

Note: Adjusted deviation odds ratios indicate the relative likelihood of an individual living in a given NDC being in employment compared to the NDC average after controlling for the other variables in the model. Darker bars indicate significantly different compared to the base category (NDC average) at a 0.05 level.

- 8.27. The NDCs which have better odds of residents being in employment after other individual characteristics are taken into consideration tend to be located in stronger wider labour markets. This finding is supported by a model which substitutes the 'NDC area' variable with the NDC's parent local authority employment rate in 2006. This confirms that the parent local authority employment rate is significantly and positively associated with an increased likelihood of being in employment (OR 1.014). That this represents a relatively small increase in odds<sup>93</sup> reflects the spatial scales at which labour markets operate. For residents of the ten London NDCs the strength of labour demand in London as a whole may be the more important factor rather than the employment rate for their parent local authority.
- 8.28. Summarising across evidence on the likelihood of any individual being in employment in 2006, two issues merit particular emphasis:
- the role which a number of socio-demographic variables help in explaining individual-level employment rates; for example the degree to which not being in employment is associated with being Asian, living in social rented housing, being in poor health and having few if any qualifications
  - the degree to which the health of the local labour market clearly impacts on the probability of any individual being in employment.

## Individual transition: not in, to being in, employment

- 8.29. Finally in this chapter, a fourth modelling task draws on the longitudinal element to the household survey. Because the survey is in part based on returning to the same respondents through time, this allows for an exploration of **individual-level transitions into, or out of, employment**. Three questions have been explored. To what extent:
- are individual-level characteristics associated with making a transition from being not in, to being in, employment?
  - is it possible to identify differences in the likelihood of NDC residents making the transition into employment compared with comparator area residents?
  - do NDC employment interventions impact on the likelihood of individuals making a positive transition from not being in, to being in, employment?
- 8.30. In each case, logistic regression techniques have been used to look for associations with the likelihood of a working-age respondent making a transition from not being in employment at 2002, to being in employment at a later point, either 2004 or 2006. The following individual-level characteristics are included in models:

<sup>93</sup> per additional percentage point on the local authority employment rate

- age
- gender
- ethnicity
- household composition
- tenure
- qualifications
- suffering from a long-standing limiting illness, disability or infirmity
- English not first language
- in full-time education
- duration out of employment at least two years at 2002
- NDC area: a catch all variable for area-level characteristics that affect levels of employment e.g. health of local labour market.

8.31. First, does evidence point to **relationships between individual-level characteristics and the likelihood of making a transition from being non-employed to being in employment?** This model is based on a subset of NDC longitudinal respondents who were originally not in employment when interviewed at wave 1 (2002) and considers their economic status when they were interviewed again in wave 3 (2006). Results show that on average, after controlling for the other explanatory factors, the following attributes are significantly associated with a transition into employment:

- social and private renters are less likely to make the transition compared with owner occupiers
- residents with no qualifications are less likely to make the transition compared to those with qualifications
- being out of work for two or more years at 2002 reduces the likelihood of becoming employed compared to those who had worked in the previous two years
- only respondents aged 45–54 are more likely than 20 to 24 year olds to have made a transition into work
- having a long-standing limiting illness in 2002 made a transition into work less likely than those without such an illness
- no significant differences were found in relation to ethnicity, gender, household composition, or English as a first language
- compared with the average across the 39 Partnerships, out of work residents in Brighton NDC were significantly more likely to make the transition into employment between 2002 and 2006 after all other individual characteristics are taken into account.

8.32. The second model explores the degree to which there are **differences in the likelihood of NDC residents making the transition into employment compared with comparator area residents.** Results from this model show

that after taking into account individual respondent characteristics there is no significant difference between the likelihood of an NDC resident entering work compared with a counterpart living in comparator areas.

- 8.33. The third model explores the degree to which it is possible to identify **effects arising from NDC employment interventions on the likelihood of individuals making a positive transition into work**. This analysis draws on data collected through the 2004 NDC household survey on respondents who took part in NDC funded projects. The evaluation team liaised with all 39 Partnerships to identify up to four named local projects based on:
- penetration rate: at least 20 per cent of respondents needed to be aware of each project in order to provide sufficient numbers of eligible respondents (around 100) for follow-up question on impact to be worthwhile
  - projects had to be described in ways local residents would recognise
  - projects needed to be selected from across the six main outcome areas.
- 8.34. In turn all respondents to the 2004 household survey were asked three questions about each of 'their' four local projects:
- had they heard of any of the (described) local projects supported by their local (named) NDC Partnership?
  - had they or anyone in their household directly benefited from, used or attended any of these (named) projects?
  - the extent to which each (named) project had improved the quality of life for themselves, their household, or the area generally?
- 8.35. As part of analyses carried out to inform **'Four years of Change? Understanding the experiences of the 2002–2006 New Deal for Communities Panel'**<sup>94</sup> the national evaluation team was able to examine some 145 projects. Seventeen NDCs put forward at least one employment project, typically a job search or a job training project. The model therefore focuses on respondents in these 17 NDC areas. The outcome considered is the likelihood of making a positive transition from being not in employment in 2002 to being in employment by 2004 amongst working-age respondents and the degree to which this differed between respondents who had benefited from an employment project compared with those who had not so benefited. The model was adjusted to take into account individual-level characteristics listed above (8.30). Controlling for these helps address the issue that beneficiaries might be more 'job ready' than non beneficiaries. Results indicate that, on average, employment project beneficiaries were significantly more likely (adjusted OR of 2.6; significant at a 0.01 level) than non beneficiaries, to make a transition from not in employment in 2002, to being in employment by 2004.

<sup>94</sup> CLG (2009c) *Four years of Change? Understanding the experiences of the 2002–2006 New Deal for Communities Panel*.

- 8.36. Three overarching themes emerge from analyses examining the likelihood of **any individual making a positive transition from not being in, to being in, employment between 2002 and 2006**:
- factors associated with working-age residents not making a transition into employment include living in rented accommodation, having no qualifications, suffering a long-standing limiting illness, and being out of work for two years or more in 2002
  - when compared with similar individuals in the comparator areas, there is nothing to suggest that NDC residents were more or less likely to make a transition into employment between 2002 and 2006
  - but NDC working-age residents who indicated that they had benefited from a worklessness project in 2004 were more likely to have made a positive transition in the previous two years: worklessness projects do appear to have positive benefits for participating individuals, a finding supported by evidence from case study work carried out as part of the complementary worklessness report.

## Concluding observations

- 8.37. Using a range of modelling techniques this chapter has attempted to help explain levels and rates of change in relation to both the 39 NDC areas and also with regard to individuals living within them. Key overarching conclusions to be drawn from all of these analyses are best addressed within two themes: levels of employment /worklessness in 2006, and change between 2002 and 2006.
- 8.38. Three key points are worth reiterating in relation to levels of employment/worklessness in 2006:
- the degree to which lack of skills is associated with the probability of being employed
  - consistent relationships appear between worklessness and various socio-demographic variables including living in rented accommodation and ill health
  - the extent to which the health of the wider local authority economy impacts on NDC neighbourhoods.
- 8.39. And in assessing change between 2002 and 2006 four issues merit particular comment:
- associations are emerging between lack of positive change and a range of socio-demographic variables including living in rented accommodation, ill-health, and not being in employment for long periods of time
  - with the evidence available, there is not a lot to suggest that change for individuals living in NDC areas was greater than that for those with similar characteristics living in similarly deprived comparator areas

- this does not mean that NDC Partnerships are not making an impact on workless because there is evidence:
  - in relation to spend and change that NDC Partnerships which spend more on worklessness are, on average, tending to see more positive change in their employment rates (8.15)
  - that NDC residents who benefited from a worklessness project were more likely to see positive outcomes than those who did not; projects are helping to deliver positive outcomes for individuals (8.35).

## 9. Concluding observations and policy implications

9.1. Using a range of data sources, and taking a 'top-down' Programme-wide perspective, previous chapters have identified patterns and changes in relation to aspects of worklessness, employment and enterprise. This final chapter has two aims:

- to provide an overview of the key overarching findings arising from this evidence
- in order to inform higher level policy conclusions.

### Key overarching findings

9.2. Previous chapters contain brief concluding summaries; no point is served in repeating these detailed comments. Here the emphasis is placed on a consideration of key overarching findings of which four merit specific comment.

9.3. First, taking a broad overview it does appear that there are consistent and significant **relationships between a number of socio-demographic variables, on the one hand, with rates of worklessness and employment in and around 2006, on the other**. These include:

- age: older residents are less likely to be in work
- health: those in poor health are less likely to be in work or to make a transition back into employment
- tenure: rates of worklessness are higher amongst renters than owner-occupiers
- qualifications: those with few if any qualifications have a much higher probability of being workless.

9.4. The risk of worklessness is higher amongst individuals who display a number of these characteristics. So a resident aged over 50, in poor health, with no qualifications and living in social sector housing is far more likely to be out of work and less likely to make a transition back into work than their younger, fitter more qualified counterpart. These relationships are not unexpected in that they confirm evidence from other research<sup>95</sup>. As would be the case with any ABI, NDC Partnerships have to deal with the reality that worklessness is simply a much more prevalent issue amongst some groups than others.

<sup>95</sup> See Berthoud (2003) for an analysis of the effect on how multiple disadvantage increases the risk of worklessness and Sanderson (2006): Chapter 3 for a review of how worklessness is concentrated among particular groups in deprived areas.

- 9.5. Second, **residential segregation or sorting means that these groups are more concentrated in some neighbourhoods than others** making this a particular problem for many NDC Partnerships.

<b>Table 9.1: Selected characteristics: worklessness/employment: 2006</b>			
	NDC	Comparators	National
Owner occupation	34	47	70
Social rented	54	41	19
Single parent family	15	12	10
No qualifications	31	28	14
Have a long-standing limiting illness	25	23	19

Source: Ipsos MORI NDC Household Survey 2006, Survey of English Housing 2005/06, LFS Quarter 2 (April-June) 2006, General Household Survey 2006  
Base: all respondents

- 9.6. NDC areas accommodate higher concentrations of those likely to be workless than is the case nationally or even within their comparator areas (Table 9.1):

- NDCs have half the proportion of households living in owner occupation and nearly three times the proportion of social rented households than is the case nationally
- there are higher concentrations of social sector housing in NDC areas than is the case in the comparator areas
- there are more than twice the number of single parent households than is the case nationally
- 31 per cent of working age NDC residents have no qualifications: the equivalent national figure is just 14 per cent
- 25 per cent of NDC residents have a long-standing limiting illness compared to 19 per cent nationally
- single parent families, people with no qualifications and poor health are also slightly more prevalent in NDC areas than in the comparator areas.

- 9.7. Third, a number of consistent relationships have emerged **between a range of variables on the one hand, with area and individual-level change, on the other**, including:

- socio-demographic characteristics such as having no qualifications, poor health, being a social or private renter are associated with lower likelihoods of entering employment or improving employment rates at an area level
- the strength of the wider labour market consistently comes through as significant in relation to both levels of, and change with regard to, worklessness in NDC areas

- employment spend is significantly associated with NDC area change in employment rates: on average, greater employment spend is associated with greater improvement in employment rates
- beneficiaries of NDC employment projects are significantly more likely to make a transition from being out of work to into work.

9.8. Fourth, it is important to stress that **labour markets do not primarily operate at the neighbourhood level but rather function at wider spatial scales**. The availability of jobs in the vicinity of NDC areas is not an accurate gauge of employment opportunities available to residents. NDCs accommodate greater concentrations of individuals facing multiple disadvantage in the labour market primarily because of poor skills, poor health and in many cases long periods of detachment from the workforce. For these residents to find employment it will not only be necessary for these individual-level supply-side barriers to be tackled, but there will also have to be sufficient levels of demand to accommodate both them, as well as others, living in the wider city-region<sup>96</sup>. Local supply-side interventions to help NDC residents compete for jobs are therefore only ever likely to amount to a partial solution to worklessness. It is possible too that welfare reform designed to encourage more active engagement with the labour market for economically inactive benefit claimants may also, in the long-term, help some re-engage with the workforce. But neither supply-side interventions, nor welfare reform, are of themselves likely to reduce levels of worklessness seen in some NDC areas unless there is sufficient demand for labour to absorb additional supply.

## Policy implications

- 9.9. This final section considers policy implications arising from evidence developed in this report. Before embarking on that task, however, one complicating issues should be addressed.
- 9.10. Detailed case study work, explored in the complementary worklessness report, generally points to the apparent success of Partnership-level activity. However, perhaps the single most important theme to emerge from analyses contained in this report is that on balance NDC areas are generally not seeing a great deal more in the way of positive change than are similarly deprived comparator areas. So it is not possible to validate the success of local NDC interventions by suggesting that collectively these locality based activities have helped the 39 NDC areas as a whole to improve their relative position with regard to worklessness and employment. It is possible, nevertheless, at least to an extent, to reconcile the generally optimistic flavour of findings

<sup>96</sup> For more evidence on the need to stimulate demand as part of policies to tackle worklessness, see Turok, I. and Edge, N. (1999) *The Jobs Gap in Britain's Cities: Employment Loss and Labour Market Consequence*; Webster, D. (2006) Welfare Reform: Facing up to the Geography of Worklessness. *Local Economy*, 21, 20, 107–116; Fothergill, S. and Wilson, I. (2007) A Million off Incapacity Benefit: how achievable is Labour's target? *Cambridge Journal of Economics*, 31, 5, 1007–24; Theodore, N. (2007) New Labour at work: long-term unemployment and the geography of opportunity. *Cambridge Journal of Economics*, 31, 6, 927–939.

from case study work with the more neutral tone arising from change data developed in this report:

- the two reports are based on different types of evidence:
  - this Programme-wide overview of change uses national administrative and household survey data to provide a ‘top-down’ assessment of change across all of the 39 NDC, and their comparator, areas
  - whereas evidence outlined in the complementary case study report is largely drawn from interviews with key local stakeholders working in, or with, NDCs, or managing or benefiting from specific interventions; the generally positive perspectives from these informants might be a perfectly legitimate response to how they perceive their world
- much of the ‘harder edged’ data used in this report is based on individual-level change in relation to the benefits system; such evidence will not pick up positive changes arising from NDC interventions for those not on worklessness benefits; this evidence will not either identify changes which help shift individuals closer to employment but without moving them entirely off benefits: quantitative data on benefit recipients does not reveal changes in those softer outcomes which many NDC local interventions are seeking to achieve
- many of the interventions discussed in the complementary case study report may well help achieve individual-level success by moving people closer to employment; aggregate Programme-wide change data, on the other hand, reflects a large number of individual-level changes as people move into, and out of, employment, change jobs, leave, or move into, NDC areas; to give a sense of this churn, if national trends are applied to the NDC Programme, then it seems likely that about 60,000 people each year will claim, and a similar number go off, JSA and IB/SDA in the 39 areas; the ‘top down’ figures developed in this report provide a ‘gross’ overview of that myriad of individual-level changes and choices; the specific interventions discussed in the complementary worklessness report often lead to a relatively small number of individual-level gains; at the area level these will be swamped by the scale of changes occurring across wider NDC areas; but this does not mean lessons cannot be learnt from local interventions
- household survey change data covers just four years: 2002 to 2006; bearing in mind that increasing spend is beginning to be associated with increasing change (8.15), it is possible that as the Programme unfolds the cumulative effects of spend over an increasing period of time help generate more positive outcomes with regard to the relative change in NDC areas when assessed against other benchmarks.

9.11. Summarising across this debate, it is not possible to say that the policy and practice recommendations outlined in the complementary case study report definitively reflect ‘best practice’ in relation to neighbourhood-level worklessness strategies. There is no consistent body of evidence to suggest, at this stage, that the collective impact of the kinds of interventions outlined in the case study report have culminated in positive relative change for the 39

areas as a whole. However, partly because of factors discussed immediately above, there are concerns about the degree to which Programme-wide data can pick up many of the changes generated by local interventions. Perhaps therefore the most reasonable approach to adopt here is to major on higher level policy issues in this report which can then provide a contextual framework within which to embed the more detailed policy and practice considerations outlined in the complementary case study report.

## Reflections on the evolving policy context

- 9.12. Any long-term ABI, such as the NDC Programme, is faced with an intriguing policy dilemma. Being given such a long time horizon, ten years, is widely seen as a distinct advantage for this Programme when compared with previous regeneration initiatives. But exactly because of this time frame, all NDCs have had to face up to the reality that policies, debates, institutions and funding streams will change considerably over ten years. Some of these changes may have little if any implications for neighbourhood renewal. But others will. So, for example, NDCs have had to mould their interventions and strategies to meet changing institutional structures such as the restructuring of PCTs, the emergence of new institutions such as LSPs, and the creation of new funding streams such as those covered by LAAs.
- 9.13. But as is discussed in Chapter 1 (1.9) there have also been considerable changes in the worklessness 'policy landscape' in recent years. Spearheaded by agendas laid out in the 'Sub-National Review'<sup>97</sup>, 'Transforming Places'<sup>98</sup> and 'Raising expectations and increasing support'<sup>99</sup>, the government has substantially modified the policy context within which neighborhood-level worklessness strategies and interventions will play out. In this policy environment it seems therefore important to use evidence arising from this research **to reflect on key components to this new, and rapidly evolving, national worklessness agenda.**
- 9.14. Evidence developed in this report, together with other findings from the national evaluation, informs two debates in particular:
- the neighbourhood as a focus for worklessness interventions
  - the neighbourhood within the wider economic context.

## The neighbourhood as a focus for worklessness interventions

- 9.15. The regeneration agenda outlined in 'Transforming Places' puts a stronger emphasis on economic development and work than ever before. This

<sup>97</sup> HM Treasury, BERR, CLG (2007).

<sup>98</sup> CLG (2008c).

<sup>99</sup> DWP (2008a).

framework argues that the **three priority outcomes** guiding government expenditure on regeneration are likely to be:

- improving economic performance in deprived areas;
- improving rates of work and enterprise; and creating sustainable places where people want to live and can work,
- and businesses want to invest.

9.16. However evidence developed in this report does not entirely support the rationale underpinning these three objectives. It needs to be stressed here that the NDC Programme is not a 'worklessness' initiative. It is intentionally designed to achieve change across at least six broad outcomes of which worklessness is just one. Nevertheless, total spend on worklessness related interventions across the Programme amounted to about £110,296,265 by the end of 2005–06<sup>100</sup> or £443 per capita of working age population between 1999 and the end of 2005–06. This is not a huge figure but it is not insignificant in terms of additional investment into these areas over and above mainstream spend. And at the Programme-wide level there is mixed evidence in relation to the degree to which the NDC experience supports the three priority outcomes outlined in 9.16:

- because relevant data sources explored in Chapter 7 cover wider spatial scales, the evaluation is not in a strong position to comment on **economic performance** across these 39 deprived NDC areas; self-employment is sometimes used as a proxy for enterprise and economic development; if that argument is accepted then there is no evidence as yet pointing to any increase in self-employment in either NDC, or in comparator, areas (5.8)
- as is developed in various sections of this report, only limited relative change has occurred with regard **to improving rates of work and enterprise**; for instance:
  - between 1999 and 2008 the Programme-wide unemployment rate (JSA claimant rate) fell from 8.8 per cent to 5.7 per cent; similarly deprived comparator areas showed marginally more improvement, falling from 8.6 per cent to 5.2 per cent (3.10)
  - the IB/SDA claimant rate across the Programme decreased by just under one percentage point from 13.6 per cent in 1999 to 12.7 per cent in 2008; the comparator rate saw a similar decrease, from 13.5 per cent to 12.4 per cent(4.13)
- however, there is evidence from across the evaluation as a whole to suggest that the Programme has been more successful in relation to the third objective, '**creating sustainable places where people want to live and can work, and businesses want to invest**'; for instance:
  - in 2008 42 per cent of NDC residents thought their area had improved over the past two years, an increase of 18 percentage points on 2002;

<sup>100</sup> This includes all spend on employment, training and worklessness initiatives, some of which may have been spent on individuals in work.

the equivalent figures for the comparator areas are 28 per cent and 11 percentage points.

- 9.17. The evidence from this evaluation does not, therefore, as yet suggest that NDCs have collectively made a great deal of impact on worklessness and economic development. It is not possible to use NDC Programme-wide evidence to support the suggestion that intensive neighbourhood-level regeneration alone is likely to lead to achieving the economic development and worklessness objectives identified in 'Transforming Places'. Evidence from the evaluation suggests that local, supply-side initiatives are not likely to achieve these goals: they will need to be implemented in conjunction with complementary demand-side interventions. It therefore seems appropriate that the 'Transforming Places' agenda also indicates that: *'in future, regeneration will need to be aligned with economic activities that strengthen the wider economy, to create places where people want to live and help residents into jobs'*<sup>101</sup>. Raising employment rates in deprived areas depends not just on overcoming personal barriers to work, but also on the availability of appropriate employment opportunities in wider city-regions.

## The neighbourhood within the wider economic context

- 9.18. Clearly the entire NDC experience is rooted in the notion that neighbourhood-level institutions are well placed to instigate and sustain worklessness strategies and interventions. Some aspects of the NDC experience suggest that this is indeed a plausible assumption to make. As is developed throughout this report for example, there is considerable variation in the nature of worklessness across deprived areas. **Devolving power and funding to the local level to tackle worklessness might therefore be seen as a sensible approach in ensuring services meet local needs.** In that context new initiatives such as City Strategy and the WNF may well prove to be vehicles through which the 'NDC model' can be sustained in that they offer a partnership framework for tackling local concentrations of worklessness.
- 9.19. But not all of the NDC experience necessarily supports the assumption that neighbourhood-level organisations are appropriate institutions through which to tackle worklessness. There are two areas of concern. First, evidence from the complementary case study worklessness report indicates that NDCs as institutions have not always totally understood, or appreciated the implications of, the dynamics of local labour markets. This experience raises the question as to whether neighbourhood-level organisations are ever likely fully to appreciate the best 'fit' between programmes designed to upskill workless residents in NDC areas and the demands of employers. There is a strong argument that this kind of work needs to be undertaken at district-wide or even sub-regional scales. In that context the proposed duty on

<sup>101</sup> CLG (2008c): p34.

local authorities to undertake a Local Economic Assessment presents a real opportunity for ensuring the planning of all aspects of worklessness at the neighbourhood level is better informed than hitherto.

- 9.20. Second, the evolving nature of the governance of worklessness suggests that there will be a number of both **'bottom-up' and 'top-down'** challenges in co-ordinating work across the spatial hierarchy: national, regional, sub-regional, local authority district and neighbourhood level. In relation to 'bottom-up' issues, for instance, is it realistic to expect small ABIs such as NDCs to exert any influence beyond their immediate spatial locale? There are lessons to be learnt from the NDC experience but in an increasingly complex setting it may be difficult for these to be assimilated by higher level institutions. And with regard to 'top-down' considerations, there is a real risk that the neighbourhood 'voice' will be swamped by initiatives and strategies managed by agencies operating at wider geographical scales. Will these agencies remain sensitive to the needs of deprived neighbourhoods? Perhaps local authorities will need more explicitly to become champions of deprived areas.
- 9.21. Ultimately it is not possible to use the NDC experience definitively to point to an optimal model through which to manage regeneration strategies majoring on aspects of worklessness and economic development. The NDC Programme is of its time: it is not a worklessness initiative per se: its roots lie in the principle of holistic, community-driven, regeneration.
- 9.22. But taking NDC evidence as a whole it would probably be fair to say that some types of interventions, notably brokerage and IAG projects, are widely seen as appropriate for addressing aspects of worklessness at the neighbourhood level. However, there must be some doubt as to whether NDCs, or indeed any locality based organisation, can ever be fully aware of, or be in a position sensibly to respond to, labour market dynamics operating at local authority, or sub-regional, scales. This points to there being a logic in setting **the strategy at the local authority scale, and using this evidence to embed and sustain neighbourhood-level interventions designed to equip local residents with skills necessary to meet known demands in the economy.**
- 9.23. And as a final point here there is as yet **little evidence that NDCs have made much of an impact on reducing worklessness among residents with health problems.** Any future spatially-targeted initiatives need to make this group a priority: health issues represent one of the most insistent barriers for those seeking employment. Making links to the Pathways to Work programme may be one possible route to take.

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# Appendix 1: Data sources and definitions

**DWP Benefits data** used in this report are from the 'Work and Pensions Longitudinal Study' (WPLS) which provides a quarterly snapshot of benefit claimants at particular points in time. These data are based on 100 per cent of claimants and cover information such as age and gender of claimant, duration of their spell on benefit and geographical locations of claimants.

As part of the national evaluation the Social Disadvantage Research Centre (SDRC) provided counts of IB/SDA claimant residents within NDC and comparator areas for period August 1999 to August 2005. These are based on an extraction of individual records from the WPLS for all claimants with a postcode within the defined NDC areas.

Difficulties with accessing raw WPLS data from DWP after a general data lock down within the department has meant that both the IB/SDA counts post 2005 and the JSA counts for the entire time period 1999 to 2008 have had to be estimated using aggregate LSOA level WPLS data available on NOMIS. NOMIS is an ONS sponsored website based at Durham University which provides official small area labour market statistics. IS(LP) estimates were also produced using data available from NOMIS using the same estimation procedure.

The estimates have been computed using NDC/Comparator postcode to LSOA lookup tables provided to the evaluation team by the Office of National Statistics. The lookup tables are weighted with regard to the proportion of the LSOA working age population that falls within each postcode within NDC or comparator boundaries. Using the SDRC IB/SDA data drawn from the individual level WPLS data allows a cross check between the actual counts and estimated counts. The estimated and actual counts were found to be very similar. The cross check also provided a final adjustment factor which was applied to account for the average difference between estimated and actual IB/SDA rates over the period 1999 to 2005. All counts and rates for 1999 to 2007 are for the August period. The 2008 figures are for February that year which was the latest data available at the time of the production of this report.

The following are the main features of the worklessness benefits included in the data:

**Jobseeker's Allowance (JSA)** can be claimed by working age individuals who are out of work or working less than 16 hours a week on average. Claimants must be able to demonstrate that they are available for and actively seeking work. After the initial six months of a claim this benefit is means tested.

**Incapacity Benefit (IB)** can be claimed by non-employed men and women who are deemed to have a sufficient level of ill health or disability to not be required to look for work. This judgment is in the first instance made by the claimants own GP. If the duration of claim goes beyond six months, doctors working on behalf of Jobcentre Plus, via the Personal Capability Assessment, then act as gatekeepers to the benefit. The benefit is not means-tested, except in the case of post-2001 claimants with

significant income from a personal or company pension. Just over half of those with a successful claim for Incapacity Benefit actually receive it. Other sick and disabled claimants with insufficient National Insurance (NI) contributions, claim IB but actually receive Income Support with a disability premium. This group is often referred to as **'NI credits only' IB claimants (IBCO)**. IB was closed to new claimants from October 2008.

**Severe Disablement Allowance (SDA)** was available before April 2001 for individuals with a high level of disability and poor NI contributions. Claimants who were getting the allowance before April 2001 will have continued to receive it but no new claims have been accepted since 2001.

**Incapacity benefits** is a term frequently used throughout this report to include IB, IBCO and SDA claimants. This is group corresponds to the headline figures used by the Government.

**Employment and Support Allowance (ESA)** was introduced in October 2008 as a replacement for incapacity benefits. Initially only new claimants will be placed on ESA. It is proposed to transfer the existing stock of claimants of incapacity benefits onto ESA by 2013. Access to the will be governed by a new medical assessment called the 'Work Capability Assessment'. ESA includes both means-tested and non-means tested components, dependent on National Insurance contributions. It is expected that the vast majority of claimants will be placed in the Work Related Activity Group. This will involve Work Focused Interviews, action plans and support under the Pathways to Work programme. Claimants will be encouraged to take up opportunities to prepare for work. A minority of claimants, those with the most severe disabilities or health conditions, will be placed in the Support Group. These claimants will not be required to take part in work-related activity.

For further information about ESA and welfare reform in general see: [www.dwp.gov.uk/welfarereform/raisingexpectations/chapter5.pdf](http://www.dwp.gov.uk/welfarereform/raisingexpectations/chapter5.pdf)

**Income Support for lone parents IS(LP)** is a means tested benefit which can be claimed by lone parents on a low income who care for a child aged under 16, are either out of work or working on average less than 16 hours per week and don't have savings of more than £16,000. Since November 2008 (outside the period of data included in this report) the eligibility rules have changed to allow claims only for lone parents with a child under 12 years of age.

A number of other labour market data sets available on NOMIS have been utilised for this report. These include:

**Annual Survey of Hours and Earnings (ASHE)** provides information about earnings of employees by area of residence. ASHE is based on a sample of employee jobs taken from HM Revenue & Customs PAYE records. Information on earnings and hours is obtained in confidence from employers. ASHE does not cover the self-employed nor does it cover employees not paid during the reference period.

**Annual Business Inquiry (ABI)** is a representative sample survey of employers in the UK providing detailed information of employment by workplace. The ABI samples approximately 78,000 businesses each a year from the Inter-Departmental Business Register (IDBR). The survey does not cover the self-employed.

**VAT Registrations and Stocks** are available on NOMIS and provides estimates of the number of enterprises registering and de-registering for VAT as published by the Department for Business, Enterprise and Regulatory Reform (BERR). They are the best official guide to the pattern of business start-ups and closures.

All of the above, including the DWP Benefits data, are Crown Copyright material reproduced with the permission of the Controller Office of Public Sector Information (OPSI). Source: National Statistics (NOMIS: [www.nomisweb.co.uk](http://www.nomisweb.co.uk)).

**Labour Force Survey** (LFS) data was also utilised in this report and was accessed via the UK Data Archive. It is a quarterly sample survey of approximately 50,000 households in Great Britain. Its purpose is to provide detailed information on the UK labour market to inform labour market policies. The data is Crown Copyright material reproduced with the permission of the Controller of HMSO and the Queen's Printer for Scotland. Source: Office of National Statistics; 2002 – 2006 Labour Force Survey. Distributed by the Economic and Social Data Service.

**Incapacity Benefit Survey** was carried out as part of a large scale project called 'Geography and Gender: understanding the rising number of women on incapacity benefits' was analysed for this report. The project was undertaken by Sheffield Hallam University and Dundee University and funded by the Economic and Social Research Council (grant ref no RES 062230086). The project was also co-financed by local partners in eight case study areas.

The survey involved face-to-face interviews with over 3,600 incapacity claimants in eight local authority districts, all with high IB claimant rates, spread across five regions. The survey achieved a high response rate and a broadly representative sample. Useable data was collected on 1,935 women and 1,694 men. This is the largest and most comprehensive dataset on the stock of IB claimants to have been assembled in recent years. See the project website [www.geographyandgender.org](http://www.geographyandgender.org) for further details.

**The IPSOS MORI NDC household survey** is a large scale household survey of residents aged 16 and over in all NDC areas undertaken on a biennial basis as part of the national evaluation. The survey sample ranges from 500 face to face interviews per area in 2002 to 400 per area in 2006. In total this provides a substantial sample of 19,574 residents in 2002 and 15,792 in 2006. Sample sizes for subgroups contained within the data tables presented in this report are also included in this Appendix. A 2008 survey has also been conducted but the data was not available at the time of the production of this report.

The survey is replicated in a sample of similarly deprived neighbourhoods in the same local authorities as NDCs to provide a comparator survey. To avoid issues of contamination, comparator areas do not share any boundaries with NDCs.

The NDC household survey is based on a multi-stage stratified random sample involving a combined panel and cross-sectional "top-up" design. This model aims to complete as many interviews as possible at those *addresses* where an original interview was achieved in the previous wave (i.e. either with the original respondent or someone else if they have moved/died), and then "top up" with new cross-sectional sample. This results in both a good cross-sectional sample for each time and

a longitudinal data set which tracks the trajectory of individuals who stay in the areas over time. A full technical report can be found in [www.data-archive.ac.uk/doc/5299/mrdoc/pdf/5299ndc2006.pdf](http://www.data-archive.ac.uk/doc/5299/mrdoc/pdf/5299ndc2006.pdf)

<b>IPSOS MORI NDC household survey: sample sizes for sub-groups contained within tables in the main body of the report</b>		
	NDC	
	2002	2006
<b>All respondents</b>	<b>19,574</b>	<b>15,792</b>
currently in working	7,463	6,026
registered unemployed	1,352	895
longitudinal respondents in paid work in 2004 but not in 2006		420
<b>All working age respondents</b>	<b>15158</b>	<b>11,711</b>
in full time education		720
not in full time education		10,997
not currently working	7,922	5,924
not currently working, not in full time education	7,112	5,323
not currently working, but have had paid work in the past	5,578	4,044
not currently working, but looking for work		1,082
currently in work		5,787
male	6,477	4,853
female	8,681	6,858
aged 16–24	2,726	1,653
aged 25–49	9,442	7,513
aged 50–59/64	2,990	2,545
white	11,308	8,271
Asian	1,532	1,413
black	2,061	1,745
in owner occupation	4,706	3,849
in social rented sector	8,623	6,237
in private rented sector	1,735	1,509
couples, no dependent children	2,632	1,919
couples, with dependent children	3,349	2,825
lone parent family	3,077	2,384
with qualifications	9,756	7,756
no qualifications	5,402	3,955
<b>All working age households (at least one household member of working age)</b>		<b>12,398</b>
in owner occupation		4,208
in social rented sector		6,543
in private rented sector		1,522
couples, no dependent children		2,215
couples, with dependent children		2,847
lone parent family		2,398
	Comparator	
	2002	2006
<b>All respondents</b>	2,014	3,062
All working age respondents	1,508	2,197
All currently working	861	1,321

# Appendix 2: Modelling methods

## Multiple regression

Multiple regression looks to predict a given outcome (Y) using a linear combination of explanatory variables (X's). This extends simple regression by allowing several predictors to be explored at once. For example, it would be possible to see if the unemployment rate of an area is associated with the proportion of residents with no qualifications, the health of the wider economy as measured by jobs growth in the local authority and proportion of non-white residents in the area.

Given the observed dependent and explanatory variable values then the unknown parameters (coefficients) in the equations can be calculated. This is done by fitting a model such that the sum of squared differences between the line and actual data points is minimised – known as the method of least squares. The regression coefficients represent the average change in the outcome variable associated with a one unit change in the explanatory variable. A positive coefficient indicates a positive association between the explanatory and the outcome variable implying a higher explanatory value is on average associated with a higher outcome value; vice versa for a negative coefficient. A t-test calculates if the coefficients are statistically significant and that the relationship identified is unlikely to be spurious or have occurred due to chance. It should be stated that a significant association does not imply causation.

The goodness of fit of each of the models is discussed by referring to the  $R^2$  statistic. This indicates how well the model predicts the value of the variable it is trying to explain compared with the observed value. So given a set of known characteristics for each NDC area, the model fits a regression line: the closer to the line observations fall the better the fit of the model. If  $R^2 = 1$  this indicates a perfect fit and all the observations fall exactly on the line. If  $R^2 = 0$  then no linear relationship is apparent between the dependent and independent variables. It should be appreciated that the latter would not necessarily mean there was no association between factors being considered and the variable being 'explained', but rather that there was no linear relationship. Another way to consider the  $R^2$  statistic is that it indicates the proportion of variation in the dependent variable that is explained by the factors included in the model. Hence an  $R^2$  of 0.5 indicates that 50% of the variation has been explained by the factors included in the model. 50% is therefore still unaccounted for by factors not included in the model.

## Logistic regression

Logistic regression is used in the modelling of dichotomous rather than continuous outcome variables. For example, whether an individual is in employment or not. Logistic regression modelling attempts to predict the probability of an outcome occurring given some known explanatory values. This means that the expected outcome from the final model equation is a probability value varying between 0

(extremely unlikely to have occurred) and 1 (extremely likely to have occurred). An attractive property of logistic regression is that the coefficient attached to explanatory variables can be expressed as an odds ratio (OR). Odds ratios reflect the probability of a given outcome occurring given the respondent has a given characteristic compared to if they did not and all other things being equal. An odds ratio value greater than one indicates having the given characteristic is associated with on average a greater likelihood of the outcome occurring compared to the base group; vice versa for an odds ratio less than 1. For example, an OR of two implies that a person with a known attribute, say being male, is on average twice as likely to be in employment compared with females, after all other factors have been taken into account. The Wald statistic indicates if the explanatory coefficient is significantly different from zero so as not to have occurred due to chance.



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