

**Qualitative Evaluation of Employment  
Zones:  
A Study of Local Delivery Agents and  
Area Case Studies**

**National Report Fourth Draft**

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## EXECUTIVE SUMMARY

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### The Problem And The Policy Response

1. Although claimant count unemployment has fallen substantially, there remain areas of the UK with high levels of long term unemployment. Employment Zones (EZs) were introduced in an attempt to tackle these pockets of long term unemployment.
2. EZs are designed to provide:
  - a *client centred* approach, involving personal choice but with a clear responsibility on the long term unemployed to take part;
  - *dedicated Personal Advisors* (PAs) to work with clients on a one-to-one basis in applying for work, backed up by flexible assistance targeted at identifiable barriers to job entry;
  - *flexible delivery* of services to remove barriers to employment, funded through a Personal Job Account (PJA) linked to an action plan for job entry for each client;
  - a *single focus on progression into employment* and sustainability of employment;
  - an *emphasis on output related payments*, with around £2,500 paid to a contractor after a client has spent 13 weeks in employment; and,
  - through a contracting process a *balance of risk and reward* with contractors.
3. People resident within EZ areas and claiming Job Seekers Allowance (IB) are eligible if unemployed for at least 12 months in eight of the EZs and for at least 18 months in the remaining seven. EZs have been delivered by a combination of private, public-private and wholly public contractors in the 15 areas with amongst the worst long-term unemployment records in Britain.
4. Between April 2000 and June 2001, 46,492 long-term unemployed people entered the EZs. The majority were male (85%), and white (70% compared to 15% black and less than 10% from the Indian subcontinent). Almost 20% were over 50, 15% reported they suffered from a disability, and more than 40% had been unemployed for at least 3 years.
5. The approach adopted by Zones represents *the most consistent application of a work-first approach yet seen in the UK*. Previous policy interventions have emphasised lengthy periods of vocational training, often away from the work environment, and have been characterised by high drop out rates, low job entry outcomes and poor customer satisfaction. In recognition of this:
  - EZs emphasise a work-first approach: the purpose is to get the client into sustainable employment as quickly as possible;
  - interventions are *short and intensive* and often delivered in parallel to job search or job entry;

- the focus is on investment in the *individual* rather than a *subsidy* to the *employer*.
6. Early indications from the monitoring data suggest that this approach is producing results:
    - over 40% of all clients leave to a job;
    - ethnic minority clients enter sustained employment at the same rate as their white counterparts; and,
    - around 85% retain employment for at least 13 weeks.
  7. However, EZs have struggled to place the very hardest to help – between 25% and 40% of the client group either continue to face a benefit trap (because of high housing costs) or more often have significant problems associated with drugs, alcohol or mental health.
  8. The report focuses on the *processes* and *procedures* adopted in EZs in delivering these outcomes. Taken together, these challenge the orthodox approach to helping long-term unemployed people back into work and present lessons for practice across the spectrum of provision.

### **Assessment of EZ Operations**

#### *Working with the Unemployed*

9. A key feature is the specific *focus* on getting clients into work and keeping them there. From this flows an intense concentration on identifying the barriers to job entry, and specific short interventions required to tackle these barriers.
10. Services required to remove barriers are decided on an individually *customised* basis. Client needs are different – and different clients receive varied amounts of assistance.
11. EZs have a greater emphasis on building client *motivation and confidence*, changing their attitude to what is possible. EZs do not have the time to bring about fundamental changes in individual skills or the availability of quality jobs – EZs are more about changing attitudes to what is currently available and re-establishing career paths to ‘ideal’ jobs.
12. Much less use is made of external providers, and there are examples of more customised client-centred provision being developed on a partnering basis between EZs and providers.
13. ***PAs are central to the whole system.*** Their relationship with the client is at the heart of the process of understanding clients’ barriers and changing their attitudes to available employment opportunities.
14. Compulsory attendance and the PA approach have meant that EZs have revealed a hardcore of clients (25-40% of the total client group) with needs which are insurmountable within the 39 weeks. Some still face a benefit trap (high housing benefit). Most have significant personal barriers (drugs,

alcohol, and mental health) which prevent them from working. Many confront a **combination** of these barriers. Access to appropriate support is heavily conditioned by waiting lists – up to 12 months for some detoxification programmes.

15. **PAs are empowered** within the EZs with the ability to purchase services for clients to quite high levels of discretion, allowing them to respond quickly to identified client needs.
16. Job search is primarily client focused. Individual **aspirations drive clients' interest** in employment: preparation and effective matching underwrite retention. EZs have identified that the best way of keeping someone in a job is to ensure (as far as possible) that they want to be there:
  - because the job is something the client has always wanted to do – their ideal job; or,
  - because this builds the client's experience and skills in preparation for getting their ideal job.
17. PAs work with clients to consider what their ideal job is, in the light of their own skills and experience and what is available in the local labour market. The vast majority of clients do have realistic expectations and are encouraged to work towards these.

#### *Working with Employers*

18. EZs have developed **sophisticated relationships with employers** based on understanding their needs and responding in a customised way to those. This process is facilitated by specialised marketing staff.
19. Building relationships with employers has taken time and the degree to which they will get involved is closely related to the pressure in the local labour market. EZs have not opened up large numbers of new employment opportunities but there is evidence that EZs are beginning to engage with employers earlier in the recruitment process – this gives the PAs time to prepare the clients more effectively.
20. To articulate the matching process marketing consultants build up knowledge of the clients available to match with their employers – either by speaking directly with clients or through close liaison with the PAs. This is an important process as it turns knowledge of the client into a marketing strategy for the client when dealing with employers. This process lies at the heart of the EZs' ability to:
  - Place more disadvantaged clients; and,
  - Place clients more effectively in order to secure a high level of sustainability.
21. PAs represent the interests of clients and marketing staff those of employers, reducing the potential for a conflict of interest. The whole process is ruled by the need to build long-term relationships – it is better not to make a match than make a bad one.

22. *Aftercare services* have been developed for both clients (delivered by PAs) and employers (delivered by the employer marketing staff). The development of these services has been driven by the financial reward associated with sustained employment.

#### *Managing the Zones*

23. EZs have adopted *flat organisational structures* and a management culture which *promote discretion at the point of delivery*. Contractors have invested heavily in IT systems which provide real time performance information across their operations highlighting successful and unsuccessful practice and drive *continuous improvement*. Frontline staff have access to this information system making them *aware of the 'business case'* – essential to inform decisions and empower the PAs.
24. More generally, the structures and working processes within the EZs have been heavily influenced by the significant value attached to finding and sustaining employment for clients. The link between the reward for sustainable employment and the *potential to retain and reinvest 'profits' is a key driver* for the EZs.
25. The same principle is cascaded down to PAs in terms of bonuses for above average performance and to external providers who are also rewarded on a similar basis. However, while these set the working context for PAs many say that being able to 'make a difference' to clients is a bigger motivation.
26. The EZ processes have dealt comfortably with the compulsory element which was seen as a potential difficulty at the outset. Most problems here have been overcome by the *quality of the relationship* between the PA and the client. Clients have recognised that they are being treated differently and have responded accordingly. Strong working relationships between the PA and client has allowed more fundamental barriers to work to be identified.
27. Partly because of the barriers faced by the most disadvantaged clients, EZs have had to develop a stronger approach to client segmentation to husband their resources as effectively as possible. The incentive to invest heavily in the most difficult clients is not present in the current business model.
28. EZs have worked closely with the Employment Service but have not functioned as broad based partnerships in the conventional sense. Close support from ES and limited consultation with partners has allowed them to get up to speed quickly and modify and develop the services in a way which is more responsive to their clients than their partners. Partners are informed but not consulted.

#### **Conclusions**

29. EZs are working successfully with a group of clients who have often been failed by traditional measures. At their best, Zones represent the way forward for policy in dealing with long-term unemployed people.

30. In their current format they do struggle to deal with the very hardest to help and are therefore not a panacea for the problems of the long term unemployed people. However, they do constitute a significant addition to the battery of interventions and have developed effective processes for dealing with the long term unemployed and their potential employers.
31. EZs have demonstrated that a deeper understanding of their dual customer base (clients and employers) leads to more effective working with and on behalf of these customers. Investing more time, resources and flexibility into building relationships with customers does deliver better outcomes.
32. EZs have responded positively to the incentives in the policy design and invested:
- *substantial resources in supporting the PA-client relationship* and delivered very diverse assistance to overcome immediate barriers to entering employment;
  - in *a structure which promotes flexibility* and encourages discretion among frontline staff, empowering them to ‘make a difference’;
  - in establishing *a different relationship with both clients and employers*, using specialist skills and a heavy emphasis on what works.
33. Because of the relationship between the Employment Service and the EZs (especially through secondees and the fact ES is aware of Zone performance as this contributes to local ES APA targets), the Employment Service has seen the benefits of many of the EZ processes. A particularly telling factor has been the ability of the EZs to place in employment clients that were well known to the local Jobcentre and often considered to be very difficult to help.

### **Taking The Zone Concept Forward**

34. EZs are special measures, that is they can engage effectively with particular group of people delivering a highly focused service. A key aspect of their success lies in their ability to work positively with the clients and focus entirely on employment-related issues. They do not deal with benefit eligibility and entitlement issues. At present, the rules surrounding JSA mean that, outside of the EZs, claimants cannot benefit from the same flexibility in support. Within the current legislative framework, EZ-type approaches are best used as relatively short-life interventions to focus on specific areas and target groups.
35. However, we believe EZ practice does provide detailed lessons for all tiers of employment policy. Government should seek to *mainstream the central principles* that drive the effectiveness of the Zones, principally:
- creating incentives for contractors, their staff and their clients;
  - reaching a deeper understanding of the needs and behaviour of the two customer groups – long term unemployed people and their potential employers;

- building in the flexibility to respond differentially, particularly to the unemployed clients;
  - setting up a very sharp focus on getting people into jobs and keeping them there.
36. There is compelling evidence in terms of the processes and procedures established by contractors and in some of the gross outcomes reported to date to suggest that EZ approaches have some future role in employment policy. At this stage, perhaps the best approach is to run experiments with flexibilities around the EZ concept to see which would raise the effectiveness of the approach. These might include:
- a higher level of PJA ring-fenced for clients with specific and deeply embedded barriers;
  - a commitment to a lengthier aftercare service, involving a greater role for in-work skills development and employment progression;
  - further experiments with different combinations of public-private delivery structures, especially those involving support services for drugs, alcohol and mental health;
  - experiments which aim to embed the EZ approach to client and employer relationships within the New Deal (during the Gateway and in the Jobs Option, for example);
  - a wider exit or withdrawal strategy to test closure procedures in an EZ area – how should local ES offices build on the presence of an EZ?
37. A second approach would involve applying the EZ concept in other specific settings on a pilot basis in specific localities. This might include:
- New Deal for 18-24s who have not secured sustainable employment;
  - the more job ready non-JSA unemployed claimants.

### **Wider Lessons**

38. Welfare to Work needs to establish mechanisms where the *process segments clients' needs* and determines the appropriate responses. Policy should support discretion and flexibility at the point of delivery in such a way that the personal advisor can drive a very effective job search process *and* access all the support necessary to overcome the clients' barriers to work. It should be, well-resourced and open-ended, sufficiently flexible to cope with a wide variety of needs and able to accept the *responsibility* to place all clients in an effective solution.
39. Many of the PAs are seconded from the Employment Service. They have quickly adapted to the new flexible, client-centred way of working and enjoy the high degree of empowerment. EZs demonstrate clearly that more appropriate programme design can generate greater added value from *existing staff* engaged in working with the unemployed. Flatter organisational structures enable those at the frontline to make more of a difference when combined with a culture of continuous improvement.

40. EZs have demonstrated clearly the fact that successful initiatives need to focus on *two* customers – the long term unemployed and their potential employers. Each requires a customised service.
41. The focus on essentially *one goal*, linking the client to sustainable employment, helps galvanise the whole organisation and generate a set of mutually reinforcing processes in pursuit of the goal. This is a central wider lesson.
42. Output related funding is important within this process, but this is even more pronounced where organisations can *retain 'profit' to re-invest* in improving their service.
43. The freedom to invest more in order to achieve a sustainable outcome later is particularly important. This may mean taking a broader view of *benefit eligibility issues* as much as direct investment in the individual, however, mechanisms should aim for equality in outcome not necessarily equality in spend per client.
44. The flexibility of EZ operations are underpinned by a *comprehensive management information* system which provides real-time information on activities and performance to managers and PAs alike. This has been essential in driving continuous improvement and understanding what works.
45. The work first approach represents a challenge to the orthodoxy – delivery is no longer about bidding to funders for a set number of clients for set period with pre-defined training, but about marketing the effectiveness of a service to referral agencies and individual delivery staff. Policy should encourage a shared responsibility for performance between contractors and sub-contractors: *supplier development* is a key issue.
46. There is strong evidence that employers are keen to establish relationships with value added recruitment services. This is about *investing in the individual* in order to meet employers' recruitment needs rather than investing in the employer. The aim should be to change the entry criteria by removing specific hurdles in the recruitment process but not change employee performance criteria.
47. EZs have acted as *joining-up organisations*, helping reconfigure the support services required by the long term unemployed. This has been done partly through organisational linkages with other programmes. More importantly, PAs operate on behalf of clients to pull together services from a range of sources to help them back into sustainable employment.
48. However, there are limits to this approach. Although a network of agencies exists for dealing with problems associated with addiction, ex-offenders and people with mental health difficulties, *these services are not 'work facing'* and this makes it difficult for EZs – and presumably other job finding initiatives – to source appropriate provision within the timescales available.

# 1. INTRODUCTION

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- 1.1. Employment Zones (EZs) represent the cutting edge of the government's approach to the problem of long-term unemployment among adults. Despite a sustained period of decline in the numbers on the claimant unemployment register, pockets of relatively high levels of longer-term unemployment remain. Government policy has recognised that, to address these hardcore problems, a more flexible approach which can adapt to local circumstances and opportunities represents the best method of putting people back into work. EZs embody a number of key principles which have a wider significance for Welfare to Work policy:-
- an individualised approach which takes into account all the client's needs balanced with a realistic view of local labour market opportunities;
  - a flexible response involving personal choice but with a clear responsibility on the client to participate;
  - an emphasis on progression into employment and sustainability of outcomes; and,
  - a concentration on areas which suffer relatively high levels of long-term unemployment with the aim of making a difference.
- 1.2. Employment Zones have been developed to address the specific challenges presented by supporting long-term unemployed people back into work. Many have a jaundiced view of current training and employment provision as unresponsive or too inflexible for their needs. Employment Zones aim to overcome this by providing:
- information about available job opportunities, in-work benefits and appropriate job search techniques;
  - support to improve confidence and motivation to increase the level of job search activity;
  - dedicated advisors to work one-to-one with clients on applying for work backed by flexible assistance to remove any barriers to job entry.
- 1.3. Employment Zones have three basic steps:
- Step 1 – Following referral from the Jobcentre the client receives support from a Zone Personal Advisor (PA) in order to motivate the jobseeker, identify any barriers to work, and plan provision for step 2 through a costed action plan (Personal Job Account). Step 1 can last up to a maximum of 13 weeks at the discretion of the PA and clients remain on JSA throughout;
  - Step 2 – Clients continue their job search with their PA to follow through the back to work actions identified in their Personal Job Account (PJA). The client moves from JSA (except for a nominal payment to maintain access to passported benefits) and receives an equivalent Employment Zone subsistence payment. Step 2 can last a maximum of 26 weeks;

- Step 3 – The client enters sustainable employment for a period of 13 weeks, either from Step 2 or directly from Step 1 with on-going support from their PA.
- 1.4. Around 40% of the funding of Employment Zones is dependent on each client's performance. A £300 start payment is made on entry into Step 1, followed by a second payment of around £1,200 (depending on the average net benefit payments to Zone clients in that area) when a client starts Step 2. When a client starts work there is a small outcome payment of around £400 followed by a much larger payment of around £2,500 after 13 weeks in employment. Premium payments are made for clients with unemployment durations above 3 years. A further incentive is provided to contractors as only 21 of the 26 week maximum in Step 2 are included in the funding formula. While these payments are attached to individual clients, there are no requirements on contractors to spend equivalent sums (or indeed anything) on individual clients beyond their benefit entitlement during Step 2.
- 1.5. People resident within the Employment Zone areas are eligible if they have been unemployed for at least 12 months in Nottingham, Birmingham, Haringey, Southwark, Newham, Doncaster and Plymouth in seven of the zones and for at least 18 months in Liverpool, North West Wales, Glasgow, Brighton and Hove, Tower Hamlets, Middlesbrough-Redcar-Cleveland, Heads of the Valley (now a 12 month Zone) and Brent in eight of the zones.
- 1.6. For the first three months of operation only the flow of unemployed people whose duration of unemployment reached the 12 or 18 month threshold were referred to Zones. From July 2000 onwards, the stock of all those unemployed people were referred when they reached their next Restart interview. Between April 2000 to June 2001, 46,482 clients entered the Employment Zones. The majority of clients to date have been male (85%), white (70% compared to 15% Black, and less than 10% from the Indian Sub-Continent). Almost 20% are over 50, 15% reported they suffered from a disability, and more than 40% have been unemployed for at least three years.
- 1.7. The objectives of this qualitative evaluation are to explore:
- the capacity of management strategies and systems within delivery agents to support clients in finding sustainable employment;
  - the methods and systems used by Personal Advisers (PAs) to engage and involve clients in order to develop effective Action Plans while balancing their expectations against commercial considerations;
  - participant assessment of the impact of Zones during referral, Personal Job Account (PJA) and after leaving;
  - employer assessments of the impact of Zones on recruitment and job retention;
  - the operation of Employment Service referral and adjudication procedures and links with Action Teams and New Deal.
- 1.8. We have undertaken semi-structured interviews with a range of Zone stakeholders: Employment Zone managers ES District managers and Zone
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Personal Advisers in all 15 Zones. A more extensive interview programme was carried out in 7 case study areas: Birmingham, Brighton, Glasgow, Haringey, Liverpool, North West Wales and Tower Hamlets. For these areas we interviewed:

- a random sample of 195 Zone clients face-to-face and a further 34 group discussions with clients;
- a random sample of 206 employers interviewed by telephone, who were drawn from Zone employer contact lists to ensure that they would have some knowledge of Zone activities;
- local providers and other agencies including local authorities, TECs and voluntary bodies.

- 1.9. To assess change and explore any learning effects, two rounds of interviews (one during November and December 2000 and a second between July and September 2001) were carried out. This provided the opportunity to follow up issues identified in the first round with stakeholders and allowed for a small group of clients to be follow-up to explore their experience overtime. Overall, the approach has provided a wealth of research material on the processes, procedures and perceptions of those involved in Employment Zones
- 1.10. This report draws together our findings for the programme *as a whole*. This report is structured as follows:
- The next section sets out how contractors have responded to the incentives inherent in the Employment Zone business model;
  - Section 3 discusses how Zones have engaged with clients;
  - Section 4 reviews the Zones' relationships with employers;
  - Section 5 considers those features which appear to underlie good practice;
  - Section 6 summarises the main points of evaluation and presents some future policy options based on these findings.
- 1.11. Throughout the report for simplicity we have referred to the position of Personal Advisor, Consultant, Personal Development Coach or Personal Assistant as Personal Advisor (PA).

## **2. HOW HAVE EMPLOYMENT ZONES RESPONDED TO POLICY INCENTIVES?**

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### **2.1. Providing incentives for Zone contractors**

*A positive response*

2.1.1. The response of contractors to the incentives in the business model has been positive and has produced a delivery structure which reflects the principles inherent in the policy. Zones were established in a very short period - most were informed of their successful bids in early 2000 and had set up premises, introduced systems and recruited core staff by March. This rapid response was built on three core tenets, held by all contractors alike:

- That the core client group would have ‘seen it all before’ and so a distinctly different approach was necessary to engage their interest;
- That long-term unemployed clients could compete for available job opportunities with the right preparation and support which responds to their individual needs; and,
- To sustain employment for at least 13 weeks, clients would have to (a) want to do something about their employment circumstances and (b) see that the job was something they wanted to do.

2.1.2. This approach enabled Zones to get off to a good start and provided a platform for developing innovative practice. To be a success, Zones have a single focus on the number of clients who find a job and remain in work for at least 13 weeks. Quality of job entry is therefore as important as quantity:

- The quality of the PA-client relationship is central to developing client involvement in the process;
- Time is of the essence, so support needs to be brief, contiguous and highly focused on employment;
- The client has to be comfortable with the job match to ensure a sustainable job and build a good reputation with clients and employers alike;
- Flexible support to re-inforce clients’ employment makes Zones and clients more attractive to employers and strengthens clients’ commitment to the job;
- A deeper understanding of employers and their recruitment needs underpins an effective matching process.

2.1.3. The strength of the structure of the Zones lies in the level of discretion available to contractors in local delivery:

- Contractors have overall control over the duration of each Step (subject to their maxima) so those who can move more rapidly do not have to wait;

- There are no explicit constraints on the level of investment in any one individual – it is in contractors interests to assess the risks and rewards for each client;
- The timing and nature of spend is also at the discretion of the contractors; and,
- There are no departmental boundaries between paying for subsistence and paying for activity so *the risks and rewards accrue to one organisation* – there is therefore more incentive to invest when the rewards are gained by the same organisation.

*Structure of the Zones*

- 2.1.4. Contractors are happy that Step 1 provides sufficient time to assess and guide all clients whatever their needs. Clients remain on JSA until they are referred on to Step 2 or secure a job and move to Step 3. This process has had its teething problems but all Zones have established procedures to ensure that it now operates as smoothly as possible.
- 2.1.5. Towards the end of the first round of our research a number of Zone managers and PAs were beginning to question whether a separate Step 1 was necessary. The referral between Step 1 and Step 2 was viewed as largely an administrative/bureaucratic distinction rather than a step change in provision adding to their workload without making any real contribution to clients' return to work.
- 2.1.6. However, perceptions have changed and almost all managers and PAs endorse the original structure for a number of reasons:
- Clients in Step 1 remain on JSA and this provides the time and space for the PA to establish an effective relationship with the client and understand their needs away from the time pressures of Step 2;
  - More experience has led to a much clearer understanding of the importance of effective client motivation and confidence building which has sharpened the distinction between what is done in Step 1 and Step 2 over time;
  - Having a 'step change' does have an impact on client perceptions - Zones become responsible for paying the client's benefit and any support agreed in the PJA and job search start in earnest; and,
  - Administration of the system is still the same but good working relations with local ES offices have ironed out any problems in the transfer process.

*Scale of resources relative to depth of client need*

- 2.1.7. Implicit in the Zone business model is the principal of cross-subsidisation - the 'surpluses' made on better candidates can be re-invested in those who need more extensive assistance in order to secure a job. To manage this process Zones have experimented with approaches to predict client outcomes at the earliest opportunity. It is in the interests of contractors, if only for business planning purposes, to assess what their future income stream from

clients might be. Typically speaking clients are assigned into one of four categories:

- Job ready – immediately employable;
- Near job ready – employable with relatively minor support;
- Not job ready – potentially job ready but only following substantial support;
- Unemployable – unlikely to become employable within 26 weeks even with substantial support. Clients in this category would tend to require either:
  - Drugs, alcohol or mental health support which could take much of Step 2 to access (for example, waiting lists for detoxification programmes are typically 6-9 months plus);
  - Immediate support could be accessed from specialist or private agencies but would be very expensive

2.1.8. The majority of Zones have used such assessments to stream clients into assistance (although a minority have used the assessment purely as a baseline against which to judge their subsequent performance in placing individuals). In general, all Zones invest in the first three categories through both access to PA time and PJA support. However, investment in the most disadvantaged group is clearly at the margin and Zones have adopted a range of practices to manage their risk:

- A presumption that clients in this category will not secure employment and therefore minimal investment is made *unless* the client is offered an interview or employment in which case they get access to the full range of support available to other clients;
- Referral to existing specialist voluntary organisations to provide (free to the Zone) support for the client, managed by specialist PAs familiar with working with more disadvantaged clients;
- Referral to other benefits as appropriate depending on the circumstances of the client.

2.1.9. Zone managers' perceptions are that between 10% and 25% of clients cannot secure employment within the 26 weeks of Step 2. However, most suggest that accurate identification of who falls into this group purely from observable criteria is not possible and some adjustments of initial categories is often necessary. Even PA assessments of a client's potential can turn out to be erroneous in some cases – more employable individuals do reveal deep-seated problems as they develop trust in their PAs and 'unemployable' clients have secured employment.

2.1.10. The application of output-related funding (ORF) to Zones does underlie the financial risk assessment of investing in each client, but it is important to recognise that this process in itself does not promote 'creaming'. First and foremost it drives the assessment of *each* client's need and forces Zones to have a much closer look at the potential of *all* of their clients than might

otherwise be the case. This segmentation of client needs does provide the opportunity to just 'maintain' clients who are a bad bet and at least some Zones have taken that opportunity. Nevertheless, Zones have revealed the needs of a hardcore of clients who often slip through the net of more traditional measures.

- 2.1.11. Most Zone managers are more concerned by the timeframe for assistance than cost of assistance per se. So long as outcomes have to be secured within the 26 weeks of Step 2 and there is no realistic prospect of achieving this, no financial incentive will encourage investment. Few people, PAs or managers, were able to suggest how long might be necessary to address the problems of this group. Most thought that an alternative approach was not necessary – just greater levels of support over a lengthier period. Others considered work practice for 6 months or more a possible route for many with greater problems.
- 2.1.12. Although there are different levels of intensity, Zones continue to work with all clients on the grounds that:
- there is a need to provide all customers with a service of sufficient quality to establish and maintain a good reputation among their wider client group; and,
  - their New Deal experience has taught them to work with all clients - if they do not provide a service to all clients the first time round they are much more difficult to place should they return to the programme.

*Exit Strategy for unsuccessful clients?*

- 2.1.13. One area that was absent from the original design of the programme was what happens to clients at the end of their nine months in the Zone if they are not successful in securing work. Our discussions with both Zone managers and Employment Service District managers suggest that this issue was paid too little attention at the outset. Initially, no follow through procedure was established although clients returned to the Employment Service and became eligible for the standard range of support from their next Restart interview. In most areas there were no arrangements for passing across the details of the clients' assessment or action plan. Where this was carried out ES staff report that information was often sketchy and in most cases the Jobcentre did not possess the instruments to follow-up Zone activity.
- 2.1.14. The extension contracts, starting in July 2001, addressed this issue by returning unsuccessful Zone clients back to the Zone after 13 weeks in the Jobcentre. This change has forced Zones to consider how they can deal with clients who have already been through the Zone but also had an impact on their approach to those who are likely to repeat – the more disadvantaged clients. These issues are returned to in more detail in Section 3.

## 2.2. Internal organisation of Zone contractors

### *Setting up Zones*

2.2.1. Contractors' experience of delivering New Deal programmes was invaluable in enabling them to focus on key priorities and put structures in place over a very short timescale. The majority of Zone managers were appointed in early 2000 (mostly in post in January). Not surprisingly their early focus was on staff recruitment and establishing an operational base. They have been uniformly successful in achieving this – a major achievement in itself in the 3 months available.

2.2.2. All have adopted a broadly similar flat organisational structure: a Zone manager, deputy manager, Personal Advisors, and in most Zones a marketing (to employers) function. However, this has become gradually more similar over time. Table 2.1 sets out the principal characteristics of each contractor's business model. This is a useful way of summarising, although we have been struck throughout as much by the differences between individual *zones* as between contractors. Key differences have been:

- the extent to which contractors made explicit attempts to distinguish themselves from ES provision:
  - Pertemps Employment Alliance set out to establish a new identity by setting up their own network of seven local community centres and not seconding any ES staff;
  - REED in Partnership established a network of separate Zone premises from the outset;
  - Working Links have introduced their own premises more gradually with many opening in September to December 2000;
  - NWW Partnership has stressed the peripatetic nature of delivery and has been flexible in meeting clients in a variety of convenient locations.
- the mechanisms in place to market Zones to employers:
  - REED in Partnership and Pertemps Employment Alliance both established dedicated staff roles to market and liaise with employers from the outset;
  - Marketing managers and support teams were introduced in Working Links Zones from early summer onwards. HOVAC is the only Zone where PAs are expected to undertake the employer liaison role alongside their other responsibilities;
  - NWW Partnership introduced Zone Employment Liaison Officers (ZELOs) at the outset that combined PA and employer marketing functions. But by Spring 2001 all these staff were dedicated to employer marketing and liaison.

**Table 2.1: Key Characteristics of Zone Business Model**

	<i>Client Management</i>			<i>Client Caseload Benchmarks</i>	<i>Employer Management</i>	<i>Specialist Support for Disadvantaged</i>	<i>Discretionary PJA Spend</i>	<i>Staffing</i>	<i>Staff Incentives</i>
	<i>Referral</i>	<i>Step 1</i>	<i>Step 2</i>						
REED in Partnership	To REED in Partnership staff within Jobcentre	Flexible between Jobcentre and Zone	Zone premises	40 – 50	Dedicated Recruitment Consultant and marketing managers	Community consultant (seconded/ recruited from voluntary sector)	Initial discretion from £500 to £350 has been reduced to £50	Open ended contracts. Initial 50:50 Secondees/ external recruits (incl REED in Partnership graduate programme) now diluted to 25:75.	Personal targets except team based in Doncaster.
Working Links	To WL staff within Jobcentre	Initially Jobcentre focused but increasingly more flexible	Initially Jobcentre but now mainly Zone premises	30 – 50	Marketing manager and team over first 9 mths, except HOVAC where PAs market to employers	Nominated PA with background or experience in social/ community support	£500, except HOVAC where second opinion is at the discretion of the PA.	50:50 Secondees/ external recruits on fixed term contracts (with incentives to stay to end of contract period). Further rounds of recruitment have increased the external.	Corporate targets replaced in Feb 2001 by Zone targets
Pertemps Employment Alliance	To Pertemps Community Centres	Community centre	Community centre	70 – 80 (but wider definition)	Marketing manager and job search coaches re-organised (June 01) into employer liaison	Community consultant based in each centre	£500 initially, now use risk/ return calculation	All external recruits (although a number from ES)	Team targets
North West Wales Partnership	To NWW staff within Jobcentre	Flexible across a range of suitable premises	Flexible across a range of suitable premises	40 – 50 (but each PA spends 1 day a week travelling)	Appointed Zone Employment Liaison Officers who now focus entirely on employers	Part of PA function	£250 but also up to £150 in Step 1 for barrier removal	25:75 Secondees/ external recruits on fixed term contracts)	Team targets

- the approach adopted to dealing with more disadvantaged clients:
  - REED in Partnership and Pertemps Employment Alliance had community consultants in place at the outset. The Shaw Trust is under contract to supply community consultants to REED in Partnership in all four Zones. Pertemps have recruited staff specifically to undertake this role in their community centres;
  - The specialisation has developed in Working Links Zones where PAs with a background in social and community projects take on more disadvantaged clients;
  - Staff with language skills have been recruited in those Zones where a significant proportion of clients have difficulty speaking English;
  - There is no specialist provision by NWW Partnership.
- Contractors have set up systems to ‘centrally’ purchase provision. REED in Partnership has appointed Contracts and Quality Managers to source provision and negotiates rates centrally. Working Links managers and deputies undertake this task with more informal networking arrangements between PAs keeping an eye on the quality of provision;
- Administrative and payment systems have been introduced and appear to be working very smoothly. Contractors were aware of the dangers to their credibility of not being able to pay benefits accurately and on time.
- Zones pay between 40% and 60% of clients electronically through low-cost bank accounts offered through partner clearing Banks. We understand that those clients who take up this method of payment and subsequently enter work do tend to keep using the account but those who leave without a job and return to ES tend to stop using the account on exit from the Zone;
- REED in Partnership dismantled their client incentive schemes to promote participation at an early stage as they found they were counter-productive (by encouraging clients to stay in Step 1 longer) and that clients were motivated by the process itself;
- the staff incentive structures are different, although the presence of comprehensive IT systems means that staff performance is closely monitored whatever the basis for promoting incentives. Working Links have just shifted the basis for paying bonuses from corporate to Zone targets, REED in Partnership have adopted a mix of individual and team targets across their Zones, Pertemps has corporate targets which are allocated across their local centres;
- more recently, some Zones are starting to introduce caseload managers whose job it is to actively manage the caseload of clients across PAs and intervene when an individual PA’s caseload becomes too high to manage.

2.2.3. As noted above, we believe these adjustments to the initial design of Zones have served to make them even more similar. All Zones now possess to some degree the following features:

- dedicated client-facing staff, specialising in either employers or unemployed clients;
- an ethnic mix to staff which reflects that of the client group with specialist language skills as appropriate;
- further specialisation between those with experience of dealing with more disadvantaged clients and the mainstream;
- dedicated and welcoming Zone premises (at least for Step 2 activity);
- straightforward procedures for Step 1 and Step 2 – clients are engaged by the process itself and incentive systems were more of a distraction;
- centrally negotiated call-off contracts and agreements with providers with individual PAs responsible for referral as appropriate;
- IT systems which provide very comprehensive management information on the progress of each client and the performance of each PA.

*Staff Recruitment and Training*

- 2.2.4. There is little doubt that the ability to take secondees from ES helped greatly in the vast majority of Zones. Contractors recognised the value to their early operations of having secondees who would be very familiar with systems and procedures and also trained to work with unemployed clients. ES staff offered a readily available pool of appropriately skilled people able to take up positions relatively quickly.
- 2.2.5. All Zones, with the exception of Birmingham have taken on some ES secondees. Pertemps Employment Alliance recruited externally to avoid any transplantation of ES culture into the Zone. On average the salary premium (excluding bonuses) ranged from £1,000 to £1,500 per annum, although this is compared to equivalent PA grades within ES. In some Zones administrative and clerical officers were taken on secondment where the Zone felt they could move to a frontline post and the salary increment could be as much as £3,000 per annum.
- 2.2.6. In most cases there was at least some initial suspicion among ES staff concerning the wider motives behind the initiative (for example, union concern with the ‘back door privatisation’) combined with limited information on the what a Zone involved. In one or two areas the Zone concept had to be marketed more strongly than others to overcome these concerns. In South Wales, for example, none of the original group of secondees came from the HOVAC ES District area but came from surrounding offices. In all areas, later rounds of recruiting secondees (in March/April 2000) were more successful in generating the interest of ES staff.
- 2.2.7. The second round of Zone recruitment focused on external recruits aiming to balance ES and non-ES staff. External recruits come from a variety of backgrounds as Zones have focused on selecting according to personal characteristics rather than previous experience in employment-related activity. Key characteristics are:

- people skills, ability to both listen and communicate;
- selling/marketing skills for employer liaison posts;
- a background in a service industry, with retail and employment agencies being particular areas of interest;
- a mix of different types of employment providing a broader base of experience.

- 2.2.8. All staff are given induction training. Striking the right balance between counselling and guidance skills and team building has been problematic for contractors, especially at the outset given the different background and experience of the secondees compared to the new recruits. ES secondees tended to regard the vocational aspects of induction training as ‘teaching your granny to suck eggs’ and the relevance of the team-building exercises was questioned once mixed groups from different Zones attended the same course. IT and administration processes and procedures were generally well-regarded, as these were seen as essential to getting on with the job, however, many felt that this information tended not to stick until they were using the systems when the Zones became operational.
- 2.2.9. Although some new recruits have been offered training in NVQ Advice and Guidance up to Level III (the standard qualification held by all frontline ES staff), some contractors challenged whether this was relevant to providing a good service to clients. Most new recruits are left to learn about benefit issues on-the-job – experience and their innate ability to handle people are seen as the best preparation. Nevertheless, many secondees felt it was essential that new recruits could at least run an in-work benefit check and that this should become part of the induction training of all recruits.
- 2.2.10. Zones have not undertaken any substantial staff development training beyond induction. Staff development is more informal but driven by the continuous improvement agenda and is undertaken through weekly staff meetings to review practice and development and occasional staff away-days to distil approaches to specific issues – dealing with more disadvantaged clients, for example.
- 2.2.11. In general, contractors report that staff retention has been good. All Zones celebrate success and have been very effective in building a team spirit among staff. Some secondees and external recruits have left the Zones – contractors report that they tend to leave because they see that the job or environment is ‘not for them’. A small number of secondees were interviewed who had returned to ES. They cited the focus on results and ‘performance culture’ as being the main reason behind their leaving the Zone. Under-performing PAs are encouraged to look at how their more successful colleagues carry out their work and develop their own performance. If staff prove not to be cut out for the job, they have been let go by contractors. This criterion applies equally to all staff, including Zone managers.
- 2.2.12. The majority of secondees who have remained in the Zone are very positive about the personal development they have achieved and the greater freedom

and responsibility they are given. On the whole, they are more concerned about returning to their old jobs within ES which they now perceive as restrictive and hierarchical.

*“I will be incredibly frustrated. By the restrictions, by the rules and regulations, by the hierarchy and the hierarchical idiosyncrasies.” (PA)*

*Identifying and Assessing Provision*

- 2.2.13. Many of the contractors’ bids have (with hindsight) a surprising degree of detail concerning the type of provision the Zones were expecting to deliver. Most proposals identify both organisations and the nature of provision across a range of services:
- personal development - motivation courses, team working, careers guidance, cv preparation, job search techniques, interview and presentation skills;
  - addressing personal barriers - ESOL, literacy and numeracy skills;
  - developmental support - business skills training, IT, and the option of NVQ-based training.
- 2.2.14. A number of contractors’ bids identified intermediate labour market provision as a potential support mechanism for more disadvantaged clients. In practice, only Birmingham (on a pilot basis) and very recently North West Wales have set up provision of this type. In other areas the potential value of the ILM approach is outweighed by the time (and presumably cost) taken to gain employability benefits. In some Zones (HOVAC and Haringey among others, for example) work placements with voluntary sector organisations have been used to gain similar benefits at much lower costs to the Zone.
- 2.2.15. Mentoring was another activity which had been identified in a number of contractors’ proposals but have yet to be effectively established. Attempts to set up a mentoring service in Haringey were not originally successful but the service has since been re-launched. Although it has taken some time to develop, a number of clients have found the support of their co-clients very helpful and encouraging. For the most part formal mentoring schemes have failed to develop but Zones have found that group work can provide the basis for peer support and is all that is required or wanted.
- 2.2.16. All Zone managers consulted with local providers in their areas prior to the Zone going live – either they themselves visited providers or set up a process whereby providers could present their capacity to support the Zone.
- 2.2.17. Contractors confirmed that they made it clear that support would have to fit within the overall timetable for Zones in Step 2 and many also made it clear to potential providers that they would not be in a position to contract for a set number of ‘units’. Nevertheless, feedback from contractors suggests that the response of many providers was to ‘tinker at the edges’ of their traditional provision rather than grasp the fundamentally different approach embodied in Zones. In general, Zones perceived local provision to be:

- predominately longer term (13 week courses were most often mentioned as the base unit);
  - centred around lower level VQ-based training, mostly off-the-job workshop/classroom based;
  - not all could or would report on previous (employment) outcomes from provision;
  - limited evidence of on-going relationships with employers.
- 2.2.18. The extent to which potential providers could demonstrate their ability to link with employers has been a key criterion. By no means was all provision considered to be poor quality – Zones have reported that many providers were offering high quality support but too often it did not fit within the structure of the Zone (usually too long or inflexible over numbers) and more often that the weakest aspect was their relationship with employers.
- 2.2.19. Providers who had some background in ‘programme centre’ type provision have had some success in achieving ‘preferred provider’ status. In general, these organisations were selected to provide Step 1 type support to more disadvantaged clients – those with learning difficulties, criminal records etc. In all cases the providers work on flexible call-off contracts with referral at the discretion of the individual PA.
- 2.2.20. Increasingly, Zone managers were investigating the potential to use provision to force those who were suspected of working informally to either admit their activity or (hopefully) use this as a basis to start-up formally in self-employment or to sign off the Register. In most cases these compulsory courses lasted for up to 2 weeks during which the individual was forced to attend every day. This approach was seen as preferable to the PAs working directly with such clients – fewer resources were tied up and, so far, the perception was that it did not undermine the PA’s working relationship with the client.
- 2.2.21. We have spoken directly only to a few organisations not providing support to Zones but discussions with Employment Service District Managers and TEC/LEC staff report that many providers are disgruntled at the limited purchasing of provision and in some cases the relatively low prices being offered by the Zones. In some Zones our discussions with potential providers did demonstrate that a lack of knowledge or a habit of considering programmes in traditional terms may lie behind some of this – a number thought that Zones had a fixed budget equivalent to the total possible payment (including 13 weeks outcome) for each client.
- 2.2.22. Contractors’ use of external provision has been driven by the same principles of continuous improvement which they employ across all of their activities. If sub-contractors are considered not to be performing well (often based on feedback from the clients themselves) and have not responded to Zone requests for improvement, then referrals cease.
- 2.2.23. Zone Management does not want to restrict choice but managers have been keen to ensure that PAs don’t use support as a matter of course – the central

management role is to ensure that provision does not become routine and ensure poor or expensive providers are rooted out. Even where good contractors have established their worth with Zones there is an on-going need to convince PAs as they hold the key to referrals. This ‘marketing’ to PAs is almost impossible to justify as the costs outweigh the benefits for local providers. As a consequence referrals can remain low.

#### *Supplier Development*

- 2.2.24. Most stakeholders accept that the nature of Zones signals the end of monolithic block provision which has characterised many previous programmes. There is a general view that providers as a whole will need to become more client focused and therefore flexible. Not surprisingly, a number of Zone managers saw that supplier development was a key issue for their area.
- 2.2.25. Zones do not have substantial resources to invest in supplier development per se. Some have invested in the capacity of some local providers who have demonstrated their capability to respond to Zone needs – through the provision of IT equipment, for example. Most Zones have operated with central purchasing system running through a single manager. Individual PAs make purchase requests to the manager and they source provision and negotiate contract prices. The manager works closely with the providers, as a form of supply chain management working with existing providers to explore new or improved practice which can then demonstrate effective approaches to others and encourage the provision of a wider range of support.
- 2.2.26. While some local providers had ‘got the message’ concerning the need to respond to the demands of the Zone approach, contractors were keen that more providers would come forward with new ideas. In almost all Zones there was an on-going interest in new approaches to engage with the client group, particularly those who faced greater barriers to entering the labour market.
- 2.2.27. There is no set format for development but a number of managers set out key aspects of their approach:
- Establish a working relationship with providers built on mutual respect and trust;
  - Agree overall cost but split payments between start and agreed outcomes, with a heavy emphasis on the latter;
  - Share job start payment and sustainability (13 week) outcome payment with providers;
  - Value their contribution no matter at what stage they input into the process; and,
  - In a limited number of cases where existing provision is limited, Zones have already invested in increasing supplier capacity through financial, staff and IT resources.

## 2.3. Managing Flexibility

### *Deployment of PAs*

2.3.1. The *quality* of contact between PA and client is a key driver for the success of the Zones. From the start there has been a concern across all Zones to keep their approach ‘fresh’ and retain a focus on the needs of each individual. This has challenged managers:

- How can they ensure quality and consistency in delivery when the success of the process is based on a highly individualised approach? – especially against a background where most Zone managers cannot know what their PAs do in detail, as one PA said, “The Manager is *aware* of types of things we do but doesn’t *know* what we do”;
- Moreover, forecasting what is required for any group of clients is a fruitless exercise as the needs of any one client cannot be determined from observable criteria – the model requires that all clients are assessed equally and segmented on the basis of their needs.

2.3.2. From the start, Zone contractors have had an appreciation that the key to delivering outcomes (and ultimately financial resources) has been to strike a balance between concentrating PA resources where they can make most difference and serving the needs of the wider client group. As with most aspects of Zone delivery there has been no fixed view of what is and what is not achievable and practice in all Zones has been driven by what works and for whom.

### *PA caseloads*

2.3.3. PA client caseloads are therefore a key measure of the *intensity* of support. We have no monitoring information on how these have fluctuated over the lifetime of the Zones but it is clear for Zones as a whole:

- Caseloads were low for the initial 3 months of operation when referrals were restricted to the flow of clients;
- The inclusion of the stock of clients in July 2000 pushed caseloads to above their benchmark levels as new PAs arrived at the same time as the clients putting a double pressure on the time of existing staff;
- The PA recruitment process caught up with referrals towards the end of 2000 and falling unemployment rolls and their impact on referrals into the Zone meant caseloads returned to benchmark values in the first quarter 2001.

2.3.4. PAs themselves are very aware of the importance of not being overwhelmed and having sufficient time to treat clients as individuals. There are variations in the definitions of a caseload between Zones and also differences in the level of contact time required from PAs and recruitment consultants etc. Nevertheless, there do appear to be two models operating across the Zones. Most Zones have:

- an average PA caseload of between 45 and 55;

- with an ideal caseload of between 34 and 45; and,
- a point at which their caseload interferes with their work at between 60 and 70 clients.

However, in a couple of Zones the benchmarks are higher with:

- average PA caseloads over 100 clients; and,
- ideal caseloads considered to be between 75 and 85 clients;

2.3.5. A combination of lower client flows as registered unemployment has fallen and greater PA recruitment has meant that some Zones are at (or below) their 'ideal' caseload level. In general, clients are very satisfied with their ability to access their PAs – more than 4 in 5 said their PA was easy to contact. Interviews with clients report that:

- 43% saw their PA at least once a week;
- 37% once a fortnight;
- 10% once a month; and,
- 10% less than once a month.

2.3.6. Across all Zones, clients believed this intensity was about right – more than 70% thought this was appropriate but 19% would have liked more frequent support while 10% would have preferred less frequent meetings. Lower average durations are significant in that they are related to better than average job outcomes from the Zones. Moreover, monitoring data suggests that lower durations in the Zone do not lead to lower quality outcomes as they also have longer average durations in work.

2.3.7. Taken together, these results re-inforce our earlier findings from discussions with PAs that the pace and intensity of assistance is important in achieving good outcomes. Moreover, it suggests that the model has a virtuous circle – more PAs lead to lower average durations, and better outcomes providing higher payments. However, where too few PAs are in place the circle could turn vicious as lower outcomes lead to lower revenues.

#### *Caseload Management*

2.3.8. In order to apply PA resources at a time and in a manner in which they can make the most difference Zones are actively managing their caseloads. This starts following the initial interview with clients and then downstream at key trigger points in the process. Apart from the initial streaming of clients carried out on entry into the Zone, a second review point has been established as Zones have discovered that most clients who enter work do so within 10-12 weeks of starting Step 2. The vast majority have built this into their caseload management procedures, so that clients who go beyond this point have their action plan reviewed to take a different tack.

2.3.9. Zone management claim that caseload management serves two purposes – to deploy PA resources more efficiency and to make the process more effective

by reviewing the approaches adopted at critical points. Across the piece, Zones have introduced a variety of approaches:

- Introduction of small group sessions with PAs rather than one-on-one meetings. These are driven by a need to manage caseloads but the PAs involved also suggest that the group dynamics can add a dimension to their work not present in one-to-one sessions. The Zone has to be careful with the mix of clients to avoid any “ganging-up” on the PA.
- A refinement of this approach is grouping of clients with similar interests (eg IT sector, music) to undertake job search activities together;
- Appointment of a ‘roving’ PA whose job it is to provide support to other PAs who are ‘stuck’ with a client or take the client on to try a change of face/approach;
- Peer review of specific clients has been used both informally and formally, for example, Working Links is using the Motorway approach where clients are allocated to categories (fast lane to hard shoulder) depending on the PAs assessment of their employability, other PAs then review each case and make suggestions for possible responses: in some Zones this is used at the outset, in others it is used to review caseloads and share practice between PAs.

- 2.3.10. One or two Zones are recognising that individual PAs have strengths in particular areas (some are good at unravelling client problems and needs, while others are better at closing a ‘sale’ and getting the client into work) and are considering building small teams which mix these strengths – the idea being that each PA works as under the current system but turns to other members of their team if they need a fresh look at the client.

*Zones and their wider community*

- 2.3.11. Pertemps Employment Alliance has actively pursued the development of community projects for residents of the Employment Zone. One example has involved the development of seven community centres based in each of the Zone’s neighbourhoods in collaboration with local community groups. Another example is where Pertemps have established the Stay Warm project in collaboration with TXU Europe, an energy utility company for residents of Zone. The Stay Warm project offers affordable fixed price energy based on the number of bedrooms a property has (rather than actual energy usage) to all residents of the Employment Zone. Some ex-clients of the Zone are on the project’s staff, for example marketing the scheme to local residents and other Zone clients.
- 2.3.12. Other Zones have developed links with the community projects through their support for more disadvantaged clients. In many respects this has involved PAs (Community Consultants in REED and an increasing number of Working Links Zones through their designated PAs) accessing provision for more disadvantaged clients. For the most part this has been ‘free’ provision for which the clients are already eligible – such as debt counselling, drug and alcohol programmes and other charitable provision. However, in some areas,

the organisations providing this support have now started to ask contractors for a fee as the numbers of clients referred have increased.

- 2.3.13. In HOVAC a local community project is managing the provision of leased cars for Zone clients who need them to access employment. The youth project offers car maintenance experience to local young people and at the same time keeps a fleet of cars running for Zone clients which are leased at £10 per week. If clients secure employment, they are given the chance to buy the car.

*Impact on Employment Service Operations*

- 2.3.14. Two factors have meant that Employment Zones are not a costless programme for the Employment Service:

- Firstly, the loss of a number of experienced frontline staff on secondment and through open recruitment into the Zones has put pressure on local Jobcentre resources; and,
- Secondly, the additional administration involved in ensuring referrals to the Zone operate as smoothly as possible and remain within contracted targets.

- 2.3.15. ES District Managers have generally been supportive of Employment Zones and in many areas have been involved in setting up procedures to ensure referrals to the Zone are made efficiently and effectively, to support Zone PAs with information and training on Decision Making and Appeal (DMA) procedures, and have contributed their knowledge of the wider labour market and local employers. While DMs accepted that Zones are making a contribution to their overall performance targets, there is a concern that they may be held to account for Zone under-performance.

- 2.3.16. At the outset there was some frustration among a number of DMs that they themselves (as The Employment Service) were not allowed to make bids to run Zones<sup>1</sup>. Many have:

- expressed some envy of the flexibilities available to Zone contractors in dealing with clients;
- pointed out that the performance of the Zones was based on a broader definition of job-entry than was available to ES (ie all job entries are counted once a client is referred into the Zone, whether or not the client has (yet) received any assistance); and,
- noted Zones' ability to respond positively to the employability potential of issues such as informal activity while on benefit while ES staff are bound to report all cases of suspected fraud. (In fact contractors are expected to report abuse).

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<sup>1</sup> The Employment Service was given the opportunity to bid for Employment Zones in its own right but decided to bid only through the medium of Working Links.

- 2.3.17. Initially, relations between local ES staff were reported (by Zone staff) to vary from warm and supportive to frosty and antagonistic. Zones were viewed with some suspicion and were considered to be ‘the competition’ in one or two areas. Relations have not always been helped by contractors’ PR events and other publicity which ES staff perceive to suggest that they have not been doing their jobs properly. We have found no direct evidence that any this has had a practical impact on the operation of the Zones.
- 2.3.18. Indeed, more recent discussions found a much greater acceptance of the Zone approach across the board with some DMs very enthusiastic about Zone performance. This is a significant change on the previous round of research. All ES Districts have worked hard and without additional resources to serve the needs of Zones. Limited client referrals (as unemployment falls) were a source of tension in all Zone areas but, in the majority of cases this had been approached positively by both partners:
- ES staff have a close knowledge of Zone achievements – not only in terms of the contribution to local area targets but also through their contact with secondees. Formal and informal contacts have made ES staff more aware of the operational procedures and approaches used by Zones. This is particularly effective where clients who are known to have real barriers by ES staff have been placed into work through the Zone.
  - Specific activities in some Zones such as joint training and familiarisation events which involve both ES and EZ staff have enhanced this process.
  - There is some frustration within Zones at the mis-match between IT systems and support to speed the co-working between Zones and ES:
    - All Zone staff have e-mail and most can access internet within their office or through their laptop/computer;
    - E-mail accounts for staff below DM or Business Managers in ES are rare and this slows the ability to check information or respond to queries. Jobcentres generally do not have access to the internet and staff have to check queries about Jobs Direct on their own computers at home overnight.
    - One Zone was about to introduce electronic signing pads for clients to make their procedures as efficient as possible at a time when the ES liaison office could only communicate through a fax machine on the 3rd floor of their building when they were based on the 1st. The Zone claims 20% of faxes go astray between floors.
- 2.3.19. The majority of DMs recognised that there are lessons to be learnt from the operation of the Zones, although a minority felt that many of the principles of Zone operations were already known and could be readily implemented into ES practice. Most DMs felt that they would not be given the freedom to implement any lessons on the grounds that this would imply greater resources which would not be forthcoming. A number of DMs expressed a more detailed interest in certain aspects of Zone operations:
- Client facing customer support;

- The use of personal or team targets backed by management information on personal performance to address individual PA performance;
  - The (apparently) lower ratio of client submissions to job placements, implying a better resourced, quality matching process.
- 2.3.20. Notwithstanding the comments above, some DMs did appreciate that the involvement of external contractors had meant that Zones were able to ‘step outside of the box’ in their overall design and approach to a degree that the Employment Service would not have been able to. For many DMs, Zones provide a specialist service which is not fully accessible from within the mainstream Jobcentre and, as such, the initiative provides part of the portfolio of responses to welfare to work. An ideal scenario for many DMs would be the ability to call in a Zone to intensify their response to particular segments of their client group – the long-term unemployed being a core area – for relatively short periods (2-3 years).
- 2.3.21. In some Zones there was evidence of a greater sharing of sources of vacancies. By the Summer 2001, Zone outcomes were feeding into DM performance targets and DMs were aware that servicing employer needs (by providing access to appropriate candidates in sufficient numbers) is important in building credibility with local companies and partner organisations. ES and Zones have jointly attended employer events etc. in a number of areas. At a time when there were too few clients to service employer needs in a number of areas, this collaboration should be viewed positively – demonstrating that Zones and ES can work together operationally.
- 2.3.22. By the Summer 2001 more seconded staff had returned to ES. In general, DMs were very positive about the impact working in a different environment had had on individuals, their skills and personalities. In more than one Zone, DMs noted that a high proportion had returned to take up promotions with ES. A common, but not universal comment, was that the secondees had returned with more drive and willingness to work towards goals – although, it has to be recognised that a number of secondees who could not adjust to the Zone working environment had returned to ES early in the process.
- 2.3.23. Some DMs commented that while the secondment process had had a positive impact on secondees there was a need for a more dynamic process explicitly aimed at broadening experience rather than staffing up new start operations with experienced staff. In most cases it was felt that a rolling programme of shorter 6-12 month secondments would provide the necessary experience and then personnel numbers could be managed more effectively. In the current arrangements there was a great deal of uncertainty over whether secondees would return and what posts they would fill once they returned. There was general acknowledgement that these staff had been working in a very different type of environment with a more flexible set of instruments and may find a return to the more structured ES environment difficult.

*Links between Zones and Action Teams*

- 2.3.24. Action Teams and Zones have developed complementary procedures. Zones have run Action Teams in parallel with their Zone operations (PAs have

rotated through both, and typically all vacancies and placement services are shared across both programmes). Zones have learnt a number of lessons from the Action Team approach:

- The Zones have learnt to market to different client groups;
- They appreciate the motivation of voluntary referrals and see this as a refreshing change from the attitude of some Zone clients;
- Action Teams have provided the structure to work collaboratively with local organisations who front end Zone-type provision with the target groups and this has helped build networks to learn effective approaches and address wider issues (eg provision of detoxification programmes, etc)
- As a consequence, some Zones see the less structured approach available in Action Teams more suited to more disadvantaged client groups, others prefer the more defined structure of Zones (and access to higher resources);

*Links Between Zones and Other Inclusion Initiatives*

2.3.25. A number of Zones have also developed improved relationships with other inclusion initiatives in their locality. Through a more effective collective effort they have been able to generate benefit for their clients:

- New Deal 50+ has been extensively used in some of the Zones. The subsidy to the job finder has been a significant benefit in relation to persuading older clients to take otherwise less attractive jobs, and has also enhanced the likelihood that they will stay in these jobs. At the same time the work that the Zone has done with their clients makes it more likely those New Deal 50+ clients will be acceptable to employers.
- Links with area based regeneration initiatives have been less well developed. Southwark is an outstanding exception to this. Here there are strong links between the Zone and the many area based initiatives in the Borough. These have been cemented institutionally with the appointment of a senior local authority officer responsible for area based regeneration to chair the Zones Local Management Board. Many SRB and similar projects are resourced to provide important employability enhancing skills for local residents, including literacy and numeracy skills, English as a second language, etc. These are serious deficiencies in a high proportion of the Zone client group in Southwark. In effect, SRB resources help take clients forward in terms of employability, allowing Zone resources to focus on more job specific interventions, including the job placement effort.

### 3. WORKING WITH CLIENTS

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#### 3.1. Importance of the PA-client relationship

- 3.1.1. PAs are central to the Zone process. It is through the rapport and trust established between PA and client that Zones have been able to challenge clients' attitudes and get them to believe that work is desirable and possible. This has not required specialist skills: just time spent working face-to-face with the client and an ability to respond rapidly with support precisely targeted on their needs.
- 3.1.2. In all areas, contractors have worked hard to build a team spirit among PAs and clients to underwrite the "change of atmosphere" to make clients see a difference. For the vast majority of Zones ES secondees have provided the backbone of staff resources, especially during the initial start-up phase. Their knowledge of administrative and benefit processes and procedures have been essential and personal contacts with ES staff have helped to address the inevitable teething problems.
- 3.1.3. Those Zones with significant ethnic minority clients have taken some care to ensure that this is reflected in the PA team. This means that language support is available to clients where necessary or where it is requested. Discussions with clients from ethnic backgrounds would suggest that this is particularly important on entry into the Zone – clients are no less apprehensive than their white counterparts and are therefore reassured to be able to discuss the programme in their own language.
- 3.1.4. A small group of people with disabilities were interviewed. They had mixed opinions on the services provided by the Zones – on the one hand they saw the benefits of the PA approach to understanding their employment needs but on the other hand found that the PAs had limited specialist knowledge concerning disability issues and disabled benefits.
- 3.1.5. PAs do not have set procedures for dealing with individual clients, they are expected to use their own experience in deciding what is best for each client and have discretion in managing their caseload – regular one-on-one support is at the heart of the process. They work closely with the client to source any support they consider necessary.
- "Training is not the main part of what we do: we make them job ready. Sometimes things change in their life and they become more motivated. We change their state of mind." (Zone PA)*
- 3.1.6. The trust implicit in this approach is very much appreciated by PAs and is a major source of job satisfaction. Many secondees see the additional responsibility as very liberating and were unable to identify any downside in the process compared to what they were used to in the Employment Service. This, in itself, is something which is recognised and appreciated by the clients themselves: they know they are not all being treated in the same way.

3.1.7. The PA role has changed subtly since the start of Zones. At the outset PAs interpreted their role as articulating and directing clients to appropriate support (often external to the Zone). Greater experience of working with the client group has shifted this approach so that the PA has a more significant role in *delivering* support:

- a greater focus on getting the client's attitude and enthusiasm for work to be the driving force – in many areas, Zones are saying that if the clients' attitude is right they will find work;
- more experience in anticipating the level of support the client might require and heading off potential pitfalls which prevent successful job entries (not turning up for interview, failure of job medical because of previous night's celebrations, etc) requires more active intervention by the PA;
- a better understanding of the various forms of provision and what these can provide (in some Zones this means an even 'harder' line on the merits of vocational training – training is available but only if the client gets a job first). This is translating across the Zones into much lower take up of external provision;
- this itself is re-inforced as PAs are tied into the 'business case' – they are very reluctant to 'waste' money on ineffective or costly provision and if they think they can do better themselves, they will (eg cv preparation);
- more of the provision is in-house (external business start-up adviser visits the Zone once a week, or recruited a PA with specialist background, eg working with people with learning difficulties, etc). This is matched with better use of skills of existing Zone staff (eg language, training or counselling background);
- more confidence in getting the clients to undertake more of the work for themselves – this builds the client's ownership of the process, helps challenge their perceptions (they become aware of issues for themselves rather than being told that it is so by their PA).

#### *Induction and Assessment*

3.1.8. Initially, clients are left in no doubt that failure to co-operate with the Zone will involve loss of their benefits – eight in ten said they were aware of the threat of benefit sanctions. For eligible clients, referral into the Zone is carried out at the relevant Restart interview by ES Advisors. In most cases very little information is provided – usually that the Zone is a mandatory programme and a reminder that their entitlement to benefit is dependent on their co-operation. Some 40% of clients said they received no information compared to 5% who said they were given detailed information on Zones. Three in five clients (60%) suggested that better information about the Zone at the time of referral would be a major improvement.

3.1.9. The lack of information and the knowledge that (most) Zones are managed by employment agencies has raised a number of concerns among clients:

- suspicions concerning the real motivations of private sector contractors;

- that employment agencies would have a ready pool of temporary work opportunities which they would be forced to take; and,
- a lack of any choice combined with the threat to their benefits.

3.1.10. Zone managers report that between 15-20% of referrals do not turn up and presumably sign off the Register rather than enter the Zone. However, Zones have worked hard to provide more positive incentives for clients to participate fully. Although more than 4 in 5 said their main reason for getting involved in the Zone was that they had no choice, some 60% of clients were pleased because they felt the Zone might help them. This is not necessarily contradictory – two-thirds of clients interviewed felt that unemployed people should go on Zones in return for their unemployment benefit and 70% say they would have participated voluntarily (knowing what they now know about the Zones).

3.1.11. Clients' first impressions are very important. Initial Zone interviews are crucial to set the right tone with the client. PAs stress that the Zones are a different approach which will involve the client in making their own choices. There are no set formats for the PA-client relationship, however, a number of principles underlie their preferred approach:

- Listen to client's opinions and take them on board as far as practicable;
- Aim to shake people's expectations and the extent to which they are comfortable with being unemployed;
- Encourage a contribution from the client – this is used as a basis for judging the commitment of the individual but does allow the client to lead the process;
- Identify real and perceived barriers to employment and deal with them through advice, information and other provision maintaining a job focus throughout.

*"You can shout from the rooftops that [the Zone] is different, but if they don't think it is different or you don't have a different attitude towards them it doesn't matter what you say on your papers - you have got to treat them differently." (Zone PA)*

3.1.12. Feedback from clients suggests that the Zones have been successful in overcoming any negative impressions:

*"It's a more personal atmosphere... not rush in and rush out. And the chairs aren't screwed down!" (Zone client)*

*"I thought the people here would be on commission so wouldn't have our best interests in mind. But I was surprised by their attitude and the way I was spoken to..." (Zone client)*

*"The first time I met my Advisor, as the conversation went on I realised I could be helped. They looked on it as a personal challenge." (Zone client)*

3.1.13. The absence of any pre-determined format is clearly recognised by the clients and appreciated – it adds to the sense that they are being listened to and that their opinions are valued. The process between the client and the PA

effectively starts with the question ‘why do you think you are not working?’ Apparently this is a question few clients have ever been asked.

- 3.1.14. The focus is entirely on employment not employability. The removal of benefit eligibility issues from client-PA discussions does mean that the agenda is clearly work-focused – about what clients need to do to move into work rather than how they can justify eligibility for benefits.
- 3.1.15. Even where clients have been unemployed for a number of years, the barriers to employment can be relatively straightforward, but nevertheless, relatively intractable to mainstream support:
- access to and cost of transport are considered significant barriers by managers in all Zones. Around 15% of clients interviewed said this was a barrier to getting a job;
  - lack of confidence and motivation to apply for jobs – job search can become routine and is often unsupported – “*it’s just you and the (display) boards...you feel on your own, them and you.... it’s depressing.*” Around 10% of clients reported a lack of confidence but many more talked about improved confidence as being behind their success with the Zone;
  - client perceptions of the value of work relative to benefit income – lack of skills or qualifications were often couched in terms of an ability to challenge for jobs that pay well;
  - this issue is intertwined with a significant minority of clients who are working in the informal economy (around 20-25% of clients in some Zones) even on an occasional basis which can boost their incomes above market rates;
  - a misperception of the type and level of skills required by employers to have any chance of securing a job – most of the clients interviewed (almost 2 in 5) said that there just were not the right sort of jobs *for them* in their area.
- 3.1.16. The assessment of clients’ needs has remained doggedly informal. Assessing clients’ needs is an on-going *process* which takes time depending on the PA’s relationship with their client. As trust develops clients often reveal deep seated problems on the one hand and previously hidden potential on the other. As clients remain on benefit during Step 1 of the Zone the assessment process can take as long as necessary (no-one suggested that 13 weeks was insufficient for any client) without financial penalty. Key issues are:
- formal psychometric tests are considered not sufficiently accurate to be of any value within the Zones;
  - PAs rely more often on ‘tricks of the trade’ to identify problems – such as asking clients to fill in forms to assess their reading and writing abilities;
  - PAs do estimate clients’ chances of finding work but this is a categorisation rather than a direct ‘measure’ of employability;
  - some Zones have experimented with techniques to get clients to recognise and accept they may have a problem – this is particularly an issue with

drugs, alcohol and mental health. PAs do not themselves have the skills to diagnose such problems but are keen to source clients some appropriate support.

*“You get to say what you are thinking to someone who actually wants to know” (Zone client)*

- 3.1.17. Differences of opinion do arise and it is part of the PAs job to address a client’s aspirations with a degree of realism and encourage them to be pragmatic. Many of the more negative comments we have received concerning the Zone process relate back to circumstances where a client has had a disagreement with his/her PA over whether a particular approach is viable. What may seem to be “waiting for the right job to come along” to the client may be interpreted as “flogging a dead horse” by the PA.

[Sometimes there is a need to] *“bring people back into the real world”*. *“It's not about us telling them what to do, it's about us working with them and supporting them in what they would like to do” (Zone PA)*

- 3.1.18. The transition from Step 1 to Step 2 is defined by an agreed action plan, signed off by the client, which is to be followed in Step 2. This is viewed as a living document by both parties. More than two-thirds of clients were aware of their action plan and 3 in 5 said their input into the plan amounted to a lot or quite a lot. One in ten said they had had no input. Despite this, it is also clear that PAs find the completion and updating of action plans an administrative chore.

- 3.1.19. However, as Zones have become aware of critical points in the process (for example, most clients enter work within 12 weeks of starting Step 2) managers have placed greater emphasis on understanding what has already been done with clients in order to review the steps taken so far and explore new approaches to working with those who have not yet found work.

- 3.1.20. Repeat clients are expected to have higher barriers to work and Zones are concerned to build on the work done the first time in the Zone. Zones accept that to engage many of these clients they will have to take a different approach and this is providing a spur to innovation. Some Zones are considering giving clients ‘homework’ when they return to ES at the end of the first spell so that they can keep working in readiness for the return to the Zone 13 weeks later. Others are considering using PAs working in groups to add variety to Step 1. All Zones believe they have moved on in terms of practice and any clients who started in the Zone 12 months ago would see substantial differences in their approach anyway.

#### *Motivating clients and changing attitudes*

- 3.1.21. Challenging clients’ perceptions about themselves and their employment situation has been a fundamental tenet of the Zone approach. Setting a different tone through PAs and the style and atmosphere of Zone premises was one part of this approach. However, Zones have also been keen to develop clients’ motivation and confidence. From the outset support has been

direct – assistance to build confidence and motivation rather than the more traditional indirect route through successful participation in other activities.

- 3.1.22. How this has been done has developed considerably since Zones first started. REED contracted this provision to their corporate training partners REED Learning who developed a one-week course. Other Zone contractors contracted with local providers to deliver motivational and confidence-building courses. While many Zone managers saw benefits in aspects of provision, there has been a general dissatisfaction in the degree to which providers were able to bend their provision to suit the client group.
- 3.1.23. There has been a general shift to more participative approaches – team building, group interaction and some outward bound, but often specific exercises to encourage people to work together. In some cases Zone managers have shifted their contracting until they found a provider who could deliver, in many cases, Zones have refined courses with providers. REED stopped contracting with REED Learning as the course raised client expectations to unrealistic levels creating a problem in itself. REED introduced REED Discovery across all their Zones in early 2001. It is a two-week group programme focusing on getting the client to consider where they are at present, reinforcing the positive (often non-wage) benefits of employment, the clients' aspirations and career development issues.
- 3.1.24. REED Discovery has been described as the “perfect PA” by one manager. It attempts to get clients ready to work with their PA by following through the various aspects of their Discovery Action plan/workbook into real job search. The programme is facilitated by PAs themselves (something which many were originally uncomfortable undertaking) with the clients taking part in the exercises in groups and filling in their own workbook.
- 3.1.25. Early perceptions are mixed and PAs are divided on the approach – all see some strengths and weaknesses, some don't like doing the facilitation, others are not sure about the group approach, many don't like some aspects which are considered too American. Most recognise that there is a core surrounding why work, career goals and how to translate these into looking for a specific job which they regard as very good. There is some anecdotal evidence to suggest that it does deliver clients with a much clearer view of what they are seeking to achieve and they are more motivated when they first meet their PA one-to-one.

*“I find them very good, very helpful, extremely supportive, I think the effects here are more psychological, getting out of a rut, getting up in the morning looking forward to talking to somebody.” (Zone client)*

*“For me it was motivational. When I started ... my PA told me it was my life and I was in control of it. That is what really pushed me, there are jobs around but it is what you want for yourself.” (Zone client)*

*“The motivating course did point out to me that you should go out hunting for a job rather than just relying on what's in the papers” (Zone client)*

*“I feel a lot more comfortable about that aspect of personal skills, going out there and talking to people, promoting yourself.” (Zone client)*

- 3.1.26. From the start, PAs have preferred not to use Decision Making and Appeals (DMA) procedures against recalcitrant clients. PAs firmly agree that it is necessary to be able to back up the threat of benefit sanctions with action, but almost all felt that the DMA process was too slow and time consuming. Moreover, the minority of clients whom the PAs really wished to sanction were often considered to “know” the system so well that they could avoid the worst of the DMA process and string out the duration well beyond 13 weeks.
- 3.1.27. Further experience has not altered this view, although we perceive that the use of DMAs has increased over time as PAs have become more efficient in their procedures with the support of local ES staff. Nevertheless, DMAs remain a last resort:
- Firstly, because they are perceived not to work within the context of the Zone (take too long, are bureaucratic and do not motivate the client); and,
  - Secondly, because few PAs want to establish a wider reputation for sanctioning benefit withdrawal.

#### *Addressing client barriers*

- 3.1.28. Provision must first and foremost address a key barrier to employment to be considered worthwhile undertaking. The basic premise is that most clients have already been on ‘traditional’ provision before and there is little point in providing more of the same. Zones have adopted approaches which retain a work focus and aim to make a difference as quickly as possible:
- access more *intensive provision* to make a bigger difference more quickly, for example one-on-one tutoring in literacy, numeracy and ESOL. In some Zones this type of support can be initiated in Step 1;
  - *parallel provision* so that barriers are addressed alongside job search and can continue after they have started employment;
  - *specialist support* ESOL, ex-offenders, basic skills, learning difficulties, drug and alcohol dependency, etc. provided by local agencies and co-ordinated by a PA specialising in this area. Increasingly ESOL and basic skills support have been internalised;
  - less frequently for those with more substantial barriers Zones use *work practice* through placements with employers (both private and voluntary sector organisations) or in some cases through intermediate labour market provision. Placements can produce an employer’s reference and address core-skills issues in preparation for job search.
- 3.1.29. Provision is used very sparingly as PAs have much greater experience of what works and for whom. This does conflict with some clients who see themselves as only one course away from getting their ideal job. PAs tend to be wary of external support and many are sceptical of the value of some forms of assistance:

- Referrals to external providers are seen as time and resource intensive and PAs often don't want to let go a possible success;
  - A key issue is that external referrals tend to be one-way only as there is no time for clients to come back to the Zone – therefore referrals can be seen as a loss of control/lack of trust in the effectiveness of partners by individual PAs rather than Zone management per se;
- 3.1.30. In addition, Zones need the flexibility in contracting to follow the employers' wishes – where customised training is part of the criteria for entry, the Zone would normally use the provider who trains the employer's existing staff. Expenditure on a client's PJA has not increased over time – our perception is that it may have fallen – and the average is currently in the range £400 to £600 per client. Greater experience of the process has given PAs the confidence to drive a harder bargain with clients and employers. In general, support falls into one of three broad categories:
- *Specific job opportunity* focused – if the client achieves the qualification/certificate/ licence they will get the job:
  - *Transitional support* – cover transport costs or provide access to transport (mopeds, cars, MOTs etc), tools, clothes, etc and in some cases a contribution to the start-up costs of setting up a business:
  - *Learning/development* focused – in-work training (part-time or evening) ability to fund longer courses from literacy to degree level to build commitment and address skills over the longer term.
- 3.1.31. There is a greater awareness of the depth of the problem among clients with greater needs. Almost all Zones now stream their more disadvantaged clients to specialist PAs. Employment is not often a first option for many in this group: one Zone reports that 80% of clients in this category have serious drug habits. There is a nine month waiting list for entry into a methadone programme locally, so unless the client is already on a programme, all they can do is add their name to the list and try to find some other support to address their needs in the meantime.
- 3.1.32. Many PAs express their frustration at not been able to access support more quickly. However, contractors feel that there is not enough incentive to take on the co-ordination of other support structures (health and social support) within the current outcome-based approach because it would require:
- Different staff skills;
  - More management and less PA delivery;
  - Outcomes at the 'mercy' of partner commitment;
  - Sufficient client volumes and a more rapid speed of payment to protect cash-flow.
- 3.1.33. Over time Zones have developed links with local (often voluntary sector) provision relating to drugs, alcohol and mental health issues. In almost all areas, Zone managers are aware of the very limited scale of such support and

in at least two areas the numbers referred from the Zone have swamped local providers.

*The job search process*

3.1.34. The underlying approach of Zones to getting clients into work is that individual aspirations drive clients' interest in employment: preparation and effective matching underwrite retention. Zones have identified that the best way of keeping someone in a job for at least thirteen weeks is to ensure (as far as possible) that they want to be there:

- Because the job is something the client has always wanted to do – their ideal job; or,
- It builds the client's experience and skills in preparation for getting their ideal job.

*“There is the personal approach – choice – feel you are not just railroaded into doing something you don't want to do. I feel I am using this, not being used.” (Zone client)*

3.1.35. Career-based job search has been adopted in almost all Zones. Clients are encouraged to follow their aspirations and build strategies to obtain their 'ideal' job. In many cases the ideal may be beyond the clients' reach without relevant experience and so PAs suggest 'transitional' jobs which lie on the route to getting the ideal job. This does not mean that Zone clients are entering higher level occupations as a matter of course – the majority secure entry level jobs as they are only capable (at present) of securing this type of employment. The main difference is that the Zones sell the idea of progression – that to get a job you need a job.

3.1.36. Extending clients' horizons both in terms of being willing to work towards a longer-term goal and to consider a wider range of jobs has been recognised by the clients themselves:

*“Rather than being blinkered with certain criteria I have been encouraged to take a lighter view and utilise the qualifications I have which are transferable to other professions. I could go into lecturing. I already do a bit of lecturing but I could make it a profession and for a living which is something I had never considered.” (Zone client)*

*“If they can't get the things you want then they try and broaden it. Like from warehouse to warehouse office.” (Zone client)*

3.1.37. Zones start the job search process as soon as possible: it is *the* core function and other support wraps around this process. Again this is a highly individualised process and the intensity and level of support provided by the PA varies according to the client. Key elements are:

- Precise information on what income the client will need (including any in-work benefits) to be financially better off. A crucial aspect of the process is that clients do not perceive PAs as forcing them to take jobs which leave them with less income. While a minority of clients with high housing costs still face a benefit-trap, many clients are surprised by the

additional income to be gained from in-work benefits, particularly those who are considering self-employment;

- Information on a wide range of employment opportunities:
  - ready access to relevant vacancies (LMS, local media, etc). Some Zones also provide access to the internet so clients can check company websites for current vacancies;
  - a willingness to approach relevant companies directly if there are no vacancies being advertised in client’s preferred occupation. This approach has strengthened over time as relationships with companies have developed – the advantage is it gives the client an inside track and provides the Zone with the time to prepare clients for the post;
  - access to business advisors if the client is interested in self employment.
- encouraging the client to take on as much of the leg-work as possible to involve them in the process and test the level of their interest – this builds the client’s ownership of the process, helps challenge their perceptions;
- CV presentation, supporting job applications and pre-interview grooming; in some Zones interviews with employers may be held on Zone premises;
- familiarising clients with the employer through presentations and visits to the employer’s premises to see what the job involves and talk to existing employees;
- links to Step 2 provision where some form of transitional support (tools, equipment, work clothes, transport costs, training, etc) may secure a job for the client.

*“[The Zone] has a lot more financial backing, it gives you a little bit more confidence in somehow believing in the system. There is more financial backing to help you out in a real way, not in a cosmetic way really.” (Zone client)*

*“I had never worked, I have been in and out of prison since I was 15 and I have done a 15 year prison sentence for armed robbery. I didn’t want to work anyway, I had the attitude that I didn’t want to work, and basically when I was signing on there was no one there to help me. They put me onto [the Zone] and I was lucky enough that I got someone who understood the situation and the first time I ever came here, I left here with a job, the same day...I never wanted to work but they got me a job that I liked, caretaking, I did all the hours I could, got a supervisor’s job as well...They are the only ones that have ever done anything for me.” (Zone client)*

*“...although the job I am doing is not the job I am looking for, but is a starter, I have to do something, and when I reapply they will ask you how long you have been working. My main weak point was being out of work for so long. And that is why I said well, let me try anything I get and after a few months or a year then I can move to the work I really want to do.” (Zone client)*

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*“[the Zone] are there to vet people before interviews – does some of the work for us. Get people ready for job interviews, make them better presented, warn of questions likely to be asked. People from [the Zone] are definitely better than run of the mill Jobcentre – they seem keener, more ready to impress” (Zone employer)*

- 3.1.38. Discussions with PAs suggest that submission rates do vary across Zones. On average PA perceptions are that it takes between 5 and 7 submissions to a job vacancy for a client to secure an interview and just under 5 interviews for a Zone client to get a job – between 25 to 35 submissions to secure 1 job.
- 3.1.39. However, we believe that there are two general approaches to placing clients with employers: some Zones present clients with as many opportunities as possible (at least one is considering submission targets eg 5 vacancies a week) while others focus their attention on directly relevant vacancies when the client is ready. The latter claim very low interview to placement ratios (3 to 1 in one case) which contrasts with 6 or 7 to 1 in other Zones. The implication is that some Zones make fewer (but better targeted) submissions. This is considered not only to be better for the client (less chance of disappointment and demoralisation) but also enhances the Zone’s reputation with clients and employers alike.

#### *Aftercare*

- 3.1.40. The key to a good aftercare service is to ensure as far as possible that the client wants the job they have secured and is fully prepared before they leave the Zone. This means that they are aware of the financial implications of starting work (many have attended sessions on managing their own money) and any transitional problems coming off benefit (including housing benefit). Zones have become better at ‘trapping’ other potential pitfalls – travel to work both in terms of cost and feasibility is a common issue in all areas and help with the cost of transport often figures in the PJAs of clients who have found work.
- 3.1.41. Aftercare is a dual process involving both employers and individual clients. PAs are responsible for keeping in touch with their clients while employer marketing staff are responsible for contacts with employers. There is no ‘standard’ service: PAs focus their attention where they have concerns about the client’s ability to hold down their job for 13 weeks. This is normally by telephone at home so the client can express any concerns outside of the workplace. The majority of clients do not need aftercare and many grow out of it after a short time in work but they are all aware that it is available to them should they need it. PAs report that if they do carry out any aftercare it occurs in the first few weeks of the client entering work:

*“Aftercare is a great thing, but a lot of the clients once they’re in work, don’t want to know you. Once they’re in-after the first 3 or 4 weeks they’re self-sufficient and they are away and running and don’t want to be known to have come from here.” (Zone PA)*

- 3.1.42. PAs are reporting examples of where they have been able to intervene across a range of issues:

- with moral support and encouragement to ‘stick at it’. Some clients appear to just need reassurance;
  - with additional provision to build employability (mainly short vocational courses arranged in conjunction with the employer);
  - more commonly, with advice and guidance concerning work practice (informing the employer if they are sick, repeated lateness, etc), in some cases prompted by employer concerns expressed to their marketing colleagues; and,
  - on rare occasions, further job search advice to move job-to-job if the client is unhappy, rather than return to the Zone or unemployment.
- 3.1.43. Most cases where aftercare has been successful in maintaining a client in work have been instituted through the PA route – clients may express some dissatisfaction which the Zone can address (additional support such as transport costs, benefit advice, etc). Some clients do leave employment despite aftercare support but PAs perceptions are that the vast majority of ‘drop outs’ come from clients who do not contact or respond to the aftercare service in the first place.
- 3.1.44. There is some recent evidence that employers are beginning to promote aftercare to new recruits if they are having problems and need to speak to someone outside of the business.
- 3.1.45. Problems raised by employers tend to be more critical: lateness or non-attendance are common. There are cases where such problems have been resolved (alternative means of transport) but in some instances employers will let people go. The key part of the service is to get the client or employer to contact the Zone before a problem becomes insurmountable. More regular contact and repeat placements with the same employer suggest this is happening more frequently than previously.

## 4. WORKING WITH EMPLOYERS

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### 4.1. Zone Approaches to Connecting with Employers

#### *Structure and Staffing*

4.1.1. Most Zones have appointed marketing managers to oversee their activities with employers and establish relationships. Many also have a team of staff dedicated to sourcing vacancies and dealing with employers:

- REED in Partnership have appointed recruitment consultants to specifically work with employers and build sustainable relationships;
- Pertemps Employment Alliance established a marketing team from the outset;
- Working Links Zones have introduced marketing managers and teams gradually over the first 8 months of the Zones;
- North West Wales Partnership has Zone Employment Liaison Officers to client manage employers.

*“[the Zone contractor] phone us once a week asking about the situation and vacancies. We are quite happy with that – good regular contact” (Zone employer)*

*“[the Zone contractor] takes time to come and visit us, look at place of work and generally get to know us and our business” (Zone employer)*

4.1.2. The strength of this approach is being able to account-manage employers with staff who have relevant skills and experience and, importantly, represent employer needs in the matching process without fear of any conflicts of interest. All contractors recognise that to develop repeat business employers’ must value the service provided: so turning down a potential vacancy is better than sending clients who are not appropriate.

*“[the Zone contractor] are there to vet people before interviews – does some of the work for us. Get people ready for job interviews, make them better presented, warn of questions likely to be asked” (Zone employer).*

4.1.3. Regular meetings involving all staff explore what vacancies are sought and which type of candidates are required by employers. Zone managers report that recruitment consultants and marketing teams represent the interests of ‘their’ employers while PAs seek the best for ‘their’ clients. The Zone in HOVAC does not have marketing staff – the original business model did not fully take into account the geography of the area, so to be able to fully resource PAs it was decided that they should take on the role of marketing the Zone to employers. Our discussions with PAs suggest that they are not entirely comfortable with this dual role (cold calling etc was seen as their least favourite part of the job).

*Building relationships with employers*

4.1.4. The introduction of specialist marketing staff is behind the more effective relationships between Zones and employers. The relationships mirror the work PAs undertake with clients – being highly individual. Relationships with employers start from an understanding of their businesses:

- Nature of business, size of workforce etc;
- Knowledge of company practices: recruitment channels and procedures, induction processes, staff training policy, etc;
- What is involved in the company's induction process;
- Understanding of working environment and wider culture of the firm;
- Personal contact with management/HR staff.

4.1.5. Zones seek to establish this information with employers at the outset usually through face-to-face visits to the employer to see the premises, getting a better fix on the nature of the jobs and building a personal relationship with the employer. While the information is seen as important, marketing staff stress the personal contact and knowledge of what an employer will and won't do: which of their employers will take on a client with a criminal record, for example.

*“I have a good relationship with [the Zone contractor] - they keep in regular contact - know me and my business and the type of people we want. They have job descriptions for our positions already in their office - they contact me with any possible applicants names or sometimes they bring the applicants here - we sit and discuss jobs - the [Zone] people very helpful - encouraging but not pushing the candidate. There is nothing I can think that they could be doing and they are not - they fill our needs totally.” (Zone employer)*

4.1.6. Marketing the Zones has developed over time. At the outset some Zones were considering how to market Zones – they wanted to raise the profile of their service but did not want to stigmatise their clients. Almost all Zones have now taken the decision that general marketing to raise awareness of the Zone – through local media, cold calling employers and presentations to local business networks – does increase access to available vacancies. An important distinction in the message is that the Zone markets a service – the matching and presentation of clients who turn up and do want the job.

*“It is matching your skills to the appropriate job. That is what it is. My brother works for Rover and a lot of their vacancies are internally advertised, they don't advertise openly in public...they know what you are like, if your face fits, they have probably got a friend and say “What is he like”, a lot of it is internally advertised. Those are the good jobs. The desperate jobs are the ones advertised in the Job Centre.” (Zone client)*

4.1.7. Where successful placements have been made Zones have used these good news messages to further their market penetration and show other employers what they can do. All Zones report that positive referrals from one company to another are by far the best for engaging and working with employers.

Above all, Zones stress that an individual approach to employers is as necessary as it is with their clients. Wherever possible they try to network good practice and if they do use events or local media they work to the same quality as would be appropriate for corporate employment agencies.

4.1.8. For their part, employers seem very willing to engage in this process – although the degree to which they will get involved is closely related to the pressure in the labour market:

- Local labour market circumstances appear to be critical to how this is best done – continued recruitment and retention problems do drive employers to compromise and can push employers into changing their recruitment practices.
- Once trust is established then employers and employment agencies (both corporate partners of contractors and those who effectively recruit for many larger companies) are keen to develop their relationship.

4.1.9. Getting over this initial hurdle is hard work, especially in those areas which do not have tight labour markets – for example, one Zone in a relatively isolated and depressed market can struggle to get information on available vacancies from employers whereas other Zones enjoying labour shortages have been able to lever more flexible approaches from employers.

4.1.10. Zones have been able to develop much closer working relationships with employers than were evident after the first 9 months of operation. More practice and more time to demonstrate the potential of what they can do has meant that they are beginning to establish reputations. This has been a slow process and there are still examples where initial contact by the Zone marketing teams has not yet been followed up. Even in these cases, the majority of employers remain interested in the concept and express a willingness to get involved in future.

*“We had a whole room in their offices and did interviews there all day. We also had an open day at our depot for their clients. The people turned up on time, were smart and presentable. I’m sure that [the Zone contractor] had worked with them beforehand to get them ready.” (Zone employer)*

*Sources of vacancies*

4.1.11. Zones have struggled to open up vast new areas of job opportunities for a number of reasons:

- (a) there really aren't very many ‘good’ jobs on offer to people who have been unemployed for at least 12 months;
- (b) conversely there are few good candidates among the unemployed to justify the effort required to attract higher level jobs;
- (c) employers who are short of staff at the bottom of the market advertise everywhere so there's less scope to make a difference.

4.1.12. However, while LMS and the local press remain primary sources for vacancies for all Zones and self-employment provides significant opportunities in some Zones, there is evidence that developing relationships

with employers and also with local employment agencies has broadened the range of vacancies open to clients. This is an extension to the cold calling that all Zones have undertaken from the outset and does provide early access to employment opportunities that may otherwise get filled (through networks and other contacts) before employers advertise.

- 4.1.13. Zones have been able to develop repeat business with some of their employers: in two Zones around 15% of employers have taken on more than one Zone client and these account for around a third of all placements. In another Zone, where figures were only available since January 2001, this was over 40% of all placements – suggesting that it is an increasingly significant part of their placement business. There is also some anecdotal evidence that Zones are influencing local businesses – a lineside engineering company set up close to one Zone because the Zone could provide a ready supply of potential recruits which was previously a constraint on their expansion.
- 4.1.14. However, Zones are more often influencing the direction of vacancies which would have occurred anyway. There is a growing realisation that in order to have sufficient time to prepare a client for a vacancy, you need to know before the job is advertised. In a number of areas, Zones are marketing to employers on the basis that they can save the cost of an advertisement (£250-£2,000) if they talk to the Zone first. Increasingly marketing staff are becoming more pro-active and making more use of speculative approaches – using their knowledge of particular employers to ‘seed’ clients who fit with their employee profile. This does not always bring immediate results but sufficient trust has been established with some employers that within 6-8 weeks the employer may have found a vacancy and come back to the Zone.
- 4.1.15. Other examples include a major manufacturer who has recruited 30 clients from one Zone and on its recommendation two sub-contractors are now working with the Zone. One of these has announced that in future the Zone will be its primary recruitment source. Not surprisingly, many of these relationships have been developed with larger employers – their need is greater and they offer a better ‘hit’ rate for the Zones.

*Screening, matching and presentation of clients*

- 4.1.16. Clients are extensively prepared for work through motivation and confidence building exercises and exploring the type of work they would like to do. Zones are careful not to over-promise clients but do aim to extend clients’ horizons, selling the non-monetary benefits of working.

*“Candidates have made an effort to get ready for the interview, answering questions, trying to remember dates worked, etc. Main thing is I get the impression that they want a job – and willingness is a big part.” (Zone employer)*

- 4.1.17. For many clients their ideal job is within their reach. Some have aspirations which are beyond their current capacity but they can reach their goals in the longer term – 1-2 years. Zones have stressed the importance of working towards their goals rather than just giving up, so identification of

‘transitional’ jobs and a career plan to achieve the ideal job become important:

- For many, these jobs will be in a similar occupational field or company but at a lower level – assistant or junior posts – with a view to gaining promotion within 12 months;
- Others might work in a particular sector but not in their ideal occupation – for example, a client with no experience and only limited qualifications took a job as a security guard with a software company while he followed a programming course aiming to get a job as a programmer once he qualified;
- Others will accept that the best chance of getting their ideal job is to be in some type of work to demonstrate they can work and get a good reference for when they decide to move on. For example, one Zone client wanted to work in theatre set design, had no experience or directly relevant qualifications but was supported by the PA. Not being forced to pursue available call centre jobs was very much appreciated by the client, but they left the Zone without securing a job. Six weeks later the client decided to follow the PAs advice and is now working in customer support in a call centre and expecting to apply for jobs in the theatre when they arise;
- In some cases clients can ‘discover’ ideal jobs through working with their PA: one Zone client now works as an illustrator for an animation film company as his PA noticed how good his doodles were during interviews. Others have jobs in the IT sector because, while they did not have formal qualifications many viewed computers as a hobby and were taken on by the employer because of their innate interest and practical knowledge.

4.1.18. The matching process of client and opportunity does not happen by itself, although clients can drive their own job search with guidance from their PAs. The knowledge and understanding of particular employers developed by marketing staff is a significant part of the process. Account management is a significant element in managing the relationship with employers matched by the Zones’ ability to invest flexibly in clients.

4.1.19. A good match involves:

- prior knowledge of the employers’ requirements and the fit of the client with the working environment;
- preparation of the client according to the specific recruitment criteria the employer will adopt (more often than not these are shared with Zone staff as the employers appreciate their help in sifting for appropriate candidates);
- an accurate in-work benefit calculation to let the client know where they will stand if they are successful;
- honesty to both the client (is it what they want to do? will the job pay enough to make it worthwhile?) and to the employer (where is the client weak?) There are cases where such is their relationship with particular

employers PAs pointed out clients' weaknesses in advance of any interview ("I have a good candidate but they will need X or Y to become ideal for you"). Employers appreciate the honesty of this approach and most respond to it but it can only work where there is a degree of trust between the employer and the Zone;

- the Zone can invest in the client in *conjunction* with the employer – if the employer likes the client at interview (a significant element in determining whether they get the job) but has concerns over particular skill areas, then the Zone can offer to support the individual's training to plug these gaps.

- 4.1.20. As Zone practice has developed they are becoming more adept at bending employers' recruitment criteria. In all cases the process is adaptive – very few employers are willing to dive in at the deep end and so changes to their recruitment process tend to be one step at a time as they develop more confidence.
- 4.1.21. In many cases the Zones have been given the recruitment criteria the employer/agency is working with in order to help prepare clients. Typically, initial interviews are formal and happen at the employer/agency premises. Gradually, as trust builds the agency may visit the Zone premises and drop some of the formality (group discussions rather than one-on-one interviews, etc). In some cases, competency tests start rigorous and then clients are allowed some leeway in completing them. In other cases Zones have been entrusted to undertake some of the pre-screening first interviews – initially with the attendance of the employer and latterly without.
- 4.1.22. Zones are split on the provision of work trials – some do employ the equivalent to allow an employer to look at a client in a work situation but other Zones take a harder line and believe that they do not serve the best interests of the client. Where this is the case, Zones have increasingly used visits to the employers' premises (usually an extended tour and discussions with existing employees lasting up to a full day) so clients can get the feel of the place without having to 'work for nothing'.
- 4.1.23. Zones have managed to establish a principle whereby they invest in the skills of the client predominately *once* they are in employment and this is appreciated by employers. In a number of cases employers have been encouraged to offer clients an entry job and then a follow-on job to secure the clients' interest and tie progression into the initial job offer (subject to satisfactory performance). These cases are relatively rare but employers are responding on a case-by-case basis. Other Zones report that they are able to negotiate over pay and conditions and that employers are more willing to offer target wages after 4-8 weeks of satisfactory performance rather than lose a candidate who they believe will be a success because the starting salary is less than the client wanted.
- 4.1.24. In general Zones are succeeding in encouraging employers to lower their recruitment criteria and demonstrating that this does not effect their performance criteria – establishing that the client group are good workers but
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not necessarily good interviewees. Clients have to prove they can keep up with other employees but when they do this employers are keen to return for more.

*“They are better prepared and seem to be genuinely looking for work whereas those from the Jobcentre are not interested and only come for interviews because they have to. Zone candidates are motivated and have good attitude. They do it (provide job-ready candidates) to a very great extent. We have taken risks with Zone people and it has worked out very well.”*

*Client-led or demand-led?*

- 4.1.25. An interesting issue in the matching procedures developed by Zones is which comes first jobs or clients? In the majority of cases the matching process is driven by the clients’ interest in working in a particular sector/occupation. However, as relationships have developed, some Zones have been able to adopt a more demand-led approach working with specific employers to fill multiple placements. Inevitably these relationships have been established with larger companies from a range of sectors – retail, manufacturing, call centres, warehousing etc.
- 4.1.26. By its nature demand-led matching starts with the available vacancies and looks for appropriate clients to fill them. In the early phase of Zone operations there were examples where Zones had attempted to fill blocks of vacancies advertised in the local press without much success. More recent practice suggests that a much closer relationship is required in order to prepare clients who are genuinely interested in the jobs and that this requires more time. Good practice principles overlap with those identified above and include:
- detailed knowledge of what the employer is looking for in the posts involved;
  - the recruitment process and criteria to be used. In effect the Zone is involved almost from the start of the recruitment process and can therefore plan pre-interview support for clients interested in the vacancies;
  - an understanding from the employer from the outset that the Zone may well not be able to fill all or indeed any of the vacancies if they do not have suitable candidates;
  - the implication of the above is that starting with available vacancies and then finding people to fit them requires a scale of operation sufficiently large to secure a good match – the more clients the more likely this will be achieved;
  - a willingness for the employer to adjust their recruitment process where this will not prejudice selection but will give the clients a better chance – eg moving the location of the interviews to familiar territory, Zone PAs pre-screening candidates, etc
  - pre-interview presentations and visits to the employers’ premises for candidates to see what working there might involve;

- pre-selection of only those clients who are genuinely interested in working in that occupation and who can meet the employers' minimum criteria;
- discussions on the induction process and appropriate training that will be available to successful candidates;
- an ability to walk away from the employer if the process does not meet expectations and vice-versa without damaging long-term relations.

4.1.27. The demand-led and the client-led approaches are complementary and for the most part share many of the same processes and procedures. Zones run them in parallel with the demand-led representing the account managed end of their placement business, not a distinct service.

*Aftercare procedures*

4.1.28. Aftercare is important to both clients and employers and has developed as a mechanism to keep in touch with employers and minimise those occasions when clients may leave work for relatively trivial reasons. Zone marketing staff are responsible for aftercare with employers (in parallel to PAs with the individual clients).

*"I recruited three [safety and security wardens] from [the Zone contractor] into fulltime permanent positions... There was aftercare. The PA and RCs contacted me to know how they were doing – if people feel low, they should speak to PA and I encourage them to do so" (Zone employer)*

4.1.29. As with many aspects of the Zone, the procedures adopted vary according to the individual employer's preferences. Where possible Zones use aftercare for a number of reasons:

- to provide feedback on their service in general and on the performance of particular candidates to address any weaknesses before their next interview (if necessary);
- to find out more about the employer and their procedures;
- to enquire about any other prospective employment opportunities;
- to alert PA colleagues of any concerns the employer may have with Zone recruits;
- discuss the terms and conditions the employer was offering/ will offer in future relative to market conditions.

4.1.30. The follow-up process does not involve a great deal of bureaucracy and those employers who had experience of it saw it as being all part of the service rather than an administrative burden – a quick 'phone call rather than a series of forms to complete.

## 4.2. Employer Responses

### *Incentives for employer participation*

- 4.2.1. We found a much higher level of awareness of the Zone and their activities in interviews with employers during the second round of fieldwork over Summer 2001 than was present at the beginning of the year. Although awareness levels varied between the areas around 70% of employers said they were familiar with their Zone. Many reported that they had received an initial approach from the Zone but this had not always been followed up – quite often employers expressed some disappointment in this:

*“[the Zone] came out and talked to us – took details of the vacancies we had – make lots of promises – but nothing happened. I’m left nonplussed why they haven’t contacted us again – their promises sounded wonderful.”*

- 4.2.2. Having said this, such are the procedures for a job advertised through the Jobcentre that it is possible for employers not to recognise that a successful candidate was a client of the Zone but came to them through the Jobcentre.

- 4.2.3. In general, training per se was not a great incentive for employers. Their first requirement is to recruit people who are willing to work, if a financial incentive comes with the person it is seen as a bonus. But they would not recruit someone who is not suitable as sooner or later problems would emerge.

*“Money is not an incentive, I look for the suitable person. If there is money it is a bonus”*

*“The Zone people differ in that they are a bit more enthusiastic – they want to apply – they understand more about the job – prepared and have been shown interview technique – positive and wanting work.”*

- 4.2.4. Employers did not express the need for more training or more suitable training. If someone was suitable but had been out of work for a long time they would train the person in-house and up-date his/her skills (we assume that this most often means on-the-job training). In general employers preferred to do the training themselves in order to mould the way people work to their company. Employers whose recruits had received training financed by the Zone did not consider that the recruitment was dependant on the training provision.

- 4.2.5. No employer interviewed had received any form of subsidy for the recruitment of Zone clients, which accords with our discussions with PAs.

*“Financial incentives not at all important - just want someone who can do fair days work for fair pay - with opportunity to become screen printer and machine operator.” (Zone employer)*

### *Attitudes towards long-term unemployed*

- 4.2.6. Severe labour shortages are encouraging employers to consider the long-term unemployed as a potential source for recruits. However, the healthy state of

the economy is at the same time re-inforcing employer prejudices. A minority of the respondents were negative:

- long-term unemployed people do not want to work;
- most don't last up to a month;
- any people with training or a trade who reach this length of unemployment do not want to work; and,
- it is a waste of time to force people into employment.

*"I don't recruit long-term unemployed because they are the ones who don't want to work, they have no incentive to change"*

4.2.7. However, we suspect that this minority voice concerns which are held by a wider group of employers many of whom are cautious in expressing such opinions. Not surprisingly, those employers who were more familiar with the Zone were much less negative. Most employers declared they did not have any problem with recruiting long-term unemployed people as long as they:

- were suitable for the position;
- had the right attitude,
- were willing to work and to learn.

*"We were contacted directly by the Zone it is very good. They vet the people before they come to us. Most of the work before is done by the Zone...[they] provide adequate candidates – they have done their bit initially. I have been quite surprised. When I see the CV's I wonder why they are out of work. The Zone is better than most commercial agencies and it doesn't cost."*

4.2.8. In other cases employers were more sanguine about the potential of the client group but did not necessarily blame this on the Zones:

*"We are quite satisfied - they (Zone) did most of the work and they sent two clients to an Open Day we held at the hotel for job vacancies. The Zone is very thorough and organised in what they do. The calibre of some clients was questionable – this is not a reflection on the Zone – just the people available for work."*

4.2.9. Very few employers said they have changed their attitude to the client group as a result of Employment Zones. A key ingredient is the ability of the Zones to take out much of the leg work in identifying appropriate candidates. Closer working relationships appear to be the catalyst for this to happen which provides employers with a greater understanding of the problems faced by Zone clients.

4.2.10. We have been surprised by the potential interest from employers in a service which could present willing and enthusiastic potential recruits. Even in cases where employers were not entirely satisfied with the follow-up (or lack of follow-up) from the Zone most said this would not prevent them trying the Zone again in future.

## 5. CONCLUSIONS

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- 5.1. The approach adopted by Zones represents the most consistent application of a work-first approach yet seen in the UK. Previous policy interventions have emphasised lengthy periods of vocational training, often away from the work environment, and have been characterised by high drop out rates, low job entry outcomes and poor customer satisfaction. In recognition of this, Employment Zones emphasise a work-first approach: interventions are short and intensive and often delivered in parallel to job search or job entry. The focus is on investment in the individual rather than a subsidy to the employer. The purpose is to get the client into sustainable employment as quickly as possible.
- 5.2. Monitoring data and the perceptions of many stakeholders suggest that the approaches developed by Employment Zones are working with a group of clients who have often been failed by traditional measures. At their best, Zones represent the way forward for policy in dealing with long-term unemployed people.
- 5.3. Zones have demonstrated that a deeper understanding of their dual customer base (clients and employers) leads to more effective working with and on behalf of these customers. Investing more time, resources and flexibility into building relationships with customers does deliver better outcomes.
- 5.4. This is a message which has implications across the welfare to work policy. The core principle is invest to save:
- Invest more in understanding clients at the outset so subsequent expenditure is targeted precisely on *each* clients needs – upfront costs are higher but the average PJA spend is only £500;
  - Invest more in the quality of the operating environment so that clients notice the difference;
  - Invest in more flexible benefit regulations to enable individual barriers to be addressed more holistically and to focus on moving clients into work rather than benefit eligibility;
  - Invest in service quality so that employers will recognise its value and return to the service in future;
  - Invest more in the skills and experience of front-line staff to make informed choices in conjunction with clients by building a culture which promotes what works;
  - Invest more in IT systems which collate the evidence and help share best practice.
- 5.5. Zones have acted as joining-up organisations, helping reconfigure the support services required by the long term unemployed. This has been done partly through organisational linkages with other programmes. More importantly, PAs operate on behalf of clients to pull together services from a range of sources to help them back into sustainable employment. There are limitations

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to this approach, primarily for those with seriously embedded problems – drugs, alcohol and mental health – that many of the harder to help long-term unemployed possess. Within the current business model, Zones have not been able or willing to draw in the wider range of ‘social’ services required to address their needs, partly because of the expense involved but also because many of these services cannot be accessed within the Zone timeframe.

5.6. The key foundations for the effectiveness of Employment Zones are:

- An appropriate incentive structure for the Zones which they can then cascade down to the frontline - their staff, their contractors and the clients themselves;
- A deep understanding of the nature of their two customer groups;
- The capacity to respond differentially, particularly to the unemployed clients; and,
- A very sharp focus on getting people into jobs and keeping them there.

5.7. Our detailed findings are as follows:

1. *Zones have successfully engaged with the client group despite compulsory attendance:*
  - Zones have established a different approach to working with long-term unemployed clients. The client-PA relationship is the heart of the Zone process – encouraging positive attitudes to work is the key to the work-first approach;
  - Better targeting of support to individual needs – no two clients are alike so subtle differences in support make all the difference in outcomes (particularly in relation to ethnic minority clients). Clients recognise and appreciate that they are being treated differently;
  - Realisation that Zones do not have the time to bring about fundamental changes in individual employability or the availability of quality jobs – the approach adopted is more about changing attitudes to what is currently available and re-establishing career paths to ‘ideal’ jobs;
2. *Zones have come up against elements in the client group that they have not been able to help within the current structure:*
  - Compulsory attendance and the PA approach have meant that Zones have revealed a hardcore of clients (25-40% of starts) with needs which are insurmountable within the 39 weeks. Some still face a benefit trap (high housing benefit). Most have significant personal barriers (drugs, alcohol, mental health) which prevent them from working;
  - Another benefit of the model, sometimes seen as a disadvantage, is that the Zones are forced to look seriously at the segmentation of their customer group. Although this raises the danger of just ‘maintaining’ people who are a bad employment bet, at least this will be done in a more strategic manner and may simply expose the fact that no single approach can deal with the diversity of client group needs.

- In effect the model is forcing Zone management staff to understand their customers better;
  - Some Zones have experimented with approaches to encourage clients to accept they have a problem and then sought to place them with support agencies, usually referring them to other benefits. However, direct intervention by the Zones is often limited by speed of access to support (9-18 month waiting list for detoxification);
  - However, very little provision has provided an alternative to the work-first approach primarily as time is money and referral of clients takes time and resources;
  - Knowledge is limited of what alternative provision might work with more disadvantaged clients although supported work experience has been suggested, especially by the clients themselves.
3. *But have pushed back the boundaries of what is considered possible with a work-first approach:*
- Single-minded approach has focused entirely on work, ie job entry for 13 weeks (or more). Therefore, client needs have to be addressed only to the extent they affect a client's ability to enter work, e.g. functional literacy, English for a work environment, transport and other transitional costs;
  - A focus on team-building, confidence and motivation courses has been combined with a more 'career-based' job search. Use of traditional training is highly selective and focused on available job opportunities;
  - Assistance is short, intensive and often delivered in parallel to job search or job entry. Get the client into work and use the PJA to fund support reinforcing their sustainability. Investment is in the *individual* rather than a *subsidy* to the *employer*;
  - Specialist employer marketing staff have been used to mirror the relationship between PA and clients. Knowledge of the firms' recruitment criteria, culture and the type of people they are seeking is used to support the job matching process and prepare clients for interview;
  - Subtle changes in recruitment practices (location of interview, preparation for tests, etc) can make all the difference to the success of clients. The speed at which this can be achieved with employers is very dependent on the pressure in the local labour market;
  - The key to a good aftercare service is to ensure as far as possible that the client wants the job they have secured and is fully prepared before they leave the Zone. Aftercare support is twin-track working with both client and employer. Regular contact is maintained with those clients considered to be 'at risk' and with employers according to their preferences. Further advice, encouragement and support have been successful in maintaining employment up to 13 weeks.

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4. *And Zones are a flexible vehicle with incentives which encourage experimentation and continuous improvement:*
    - Outcome-related funding provides incentives for both clients and PAs which largely co-incide – short concentrated assistance focused on immediate barriers to work;
    - Performance incentives for front-line staff and access to each client’s account ties PAs operational choices into the business case – what PAs do makes a difference and this is itself an incentive for frontline staff;
    - Zone managers have sufficient discretion to experiment – the degree of local flexibility is essential to make the best use of available opportunities.
  5. *Zones have had a positive influence on a range of other organisations:*
    - Local Employment Service staff are now positive about the Zone approach. Formal and informal contacts have raised ES staff aspirations about what can be done for these clients as well as being able to borrow more effective approaches used by Zones. The presence of ES secondees has raised the credibility of Zone achievements;
    - Zones have worked closely with some providers and undertaken some supplier development but have rarely consulted with local partners. Links between managers and to an increasing extent between contractors have developed good practice.
    - Zones have run Action Teams in parallel with their Zone operations (PAs have rotated through both, and all vacancies and placement services are shared across both programmes). Action Teams have provided the structure to work more collaboratively with local organisations to ‘front-end’ Zone provision.

5.8. Our experience of Zone practices would suggest that once clients are back in the labour market further labour market advancement is possible. Building effective relationships with employers does indeed offer the prospect of tying together the welfare to work and lifelong learning agendas as support to enter work can transform into support to develop skills and capacity. Some employers are improving the effectiveness of their recruitment practices through working with the Zones and it is a relatively short step to developing more effective employment practices to support retention and productivity through this relationship.

5.9. However, we believe it is important to recognise the limits to the potential of the client groups – there are relatively few good jobs on offer for clients who have not worked for more than 12 months. Zone systems are designed to cope with the occupational areas and levels where most clients will do well to find work; in fact some with more fundamental problems will do very well to find any sort of job. Zones have gone a long way to ensuring that catering for the majority does not get in the way of the potential of the minority to go further – an effective intermediary approach is more about supporting people to achieve more in the job market than they would otherwise do, rather than a specialised service for the more employable per se. Flexibility and encouraging innovation to improve practice sit at the heart of this.

## 6. LESSONS FOR POLICY

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### 6.1. Development of the Zone Concept

6.1.1. EZs are special measures, that is they can engage effectively with particular group of people delivering a highly focused service. A key aspect of their success lies in their ability to work positively with the clients and focus entirely on employment-related issues. They do not deal with benefit eligibility and entitlement issues. At present, the rules surrounding JSA mean that outside of the EZs, claimants cannot benefit from the same flexibility in support. Within the current legislative framework, EZ-type approaches are best used as relatively short-life interventions to focus on specific areas and target groups.

6.1.2. However, we believe EZ practice does provide detailed lessons for all tiers of employment policy. Government should seek to *mainstream the central principles* that drive the effectiveness of the Zones, principally:

- creating incentives for contractors, their staff and their clients;
- reaching a deeper understanding of the needs and behaviour of the two customer groups – the long term unemployment and their potential employers;
- building in the flexibility to respond differentially, particularly to the unemployed clients;
- setting up a very sharp focus on getting people into jobs and keeping them there.

6.1.3. In deciding whether and how far to mainstream these principles, judgements would have to be made about:

- legislative constraints on the flexibility of support that JSA clients could secure;
- the cost effectiveness of this service relative to alternative approaches – something not within the scope of this study;
- even if cost effective in relative terms, the budgetary implications of introducing these principles into mainstream service;
- the implications for existing service delivery mechanisms and agencies and specific client groups.

6.1.4. Realistically, there are perhaps four approaches, going forward:

- allow some of the current Zones to run for a longer period to assess whether their effectiveness rises as their systems and processes improve, and as the supplier network becomes more attuned to the ‘work first’ approach;
- extend the Zone approach to some new localities to provide comfort in terms of the capacity to embed the Zone package and principles in

different organisations;

- extend the EZ concept on a parallel basis to new client groups, but in specific localities.
- experiment with the flexibilities around the Zone concept. These are fleshed out in more detail in the next paragraph.

6.1.5. At this stage, perhaps the best approach is to run experiments with flexibilities around the Zone concept to see which work. These might include:

- a higher level of PJA ring-fenced for clients with specific and deeply embedded barriers;
- a commitment to a lengthier aftercare service, involving a greater role for in-work skills development and employment progression;
- further experiments with different combinations of public-private delivery structures;
- experiments which aim to embed the EZ approach to client and employer relationships within the New Deal (during the Gateway and in the Jobs Option, for example);
- a wider exit or withdrawal strategy to test closure procedures in an EZ area – how should local ES offices build on the presence of an EZ?

6.1.6. A second approach would involve applying the EZ concept in other specific settings on a pilot basis in specific localities. This might include:

- New Deal for 18-24s not finding suitable employment;
- the more job ready non-JSA unemployed claimants.

6.1.7. Zones have not been able or willing to step outside of the work first structure and ‘stop the clock’ for more difficult clients. This is a complex process but is perhaps akin to the Action Team delivery approach (a front-end to Zone type employment support). Some interesting work has been done on encouraging clients to accept they have a problem but there is no getting away from the fact that at 26 weeks the Zone does not have the time or resources to deal with the most difficult clients.

6.1.8. This would appear to be a key issue in the development of the model to address the larger but more difficult Income Support and Incapacity Benefit client groups and even cope with the 25%+ of current clients who are classed as ‘difficult’. We do not favour changing the overall structure to suit this group per se – the speed of action is an important element in current operations. However, “stopping the clock” gives much more flexibility to explore pre-Zone support. It will require clean money (non-Zone resources) to do this and these require effective strategic partnerships and time. A key element here would be that Zones would expect to bring clients back – at the moment the vast majority of external referrals are one-way with the external organisation responsible (and given incentives) to place the client;

- 6.1.9. There is a need from the perspective of the Zone model to explore the barriers to joined up working with other inclusion initiatives. This is one way of tackling the harder to help clients at the same time maximising the effective use of resources *across* programme areas. At present Zones in general have done little partnership working around developing the Zone model (although they have engaged with local partners in Action Teams and other welfare to work initiatives).
- 6.1.10. However, some contractors feel that there is not enough incentive to take on the co-ordination of other support structures with outcome-based funding because it would require:
- Different staff skills;
  - More management and less PA delivery;
  - Outcomes at the ‘mercy’ of partner commitment;
  - Sufficient client volumes and a more rapid speed of payment to protect cash-flow.
- 6.1.11. What the pre-Zone support would involve is not at all clear. A number of managers have ideas but as yet the focus of their attention has been elsewhere (improving Zone effectiveness with marginal clients). Some managers have suggested (a) entry routes to professional services (detoxification, psychological services, and social services) and (b) supported work environments. Zones have used placements, especially with charitable and other local organisations to provide work experience but good quality supported placements are often in short supply. This is not lost on the clients – work experience has been consistently suggested as a ‘missing’ feature of Zones in both rounds of our research.
- 6.1.12. Ultimately, there is a need to consider how non labour market services can be developed to support ‘keeping people in the system’. Zones and Action Teams have demonstrated that clients with histories of mental health, disabilities, substance abuse etc can find work but will need more on-going support to secure their situation. Health and social services are already over-stretched and clients on the margin tend not to have priority. Could supported employment for some mean open labour market employment with additional out-of-hours support to overcome problems in longer term? What are the cost implications of extending services to pull people back from the edge while remaining in work for stability, self-confidence and income? This would provide one route to achieving a better balance between prevention and cure.

## **6.2. Wider Policy Lessons**

- 6.2.1. The implications of EZ practice run across the whole welfare to work agenda. What follows is a distillation of the foundations of the Zone approach which should be brought into consideration when designing any new interventions in this field.

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- 6.2.2. Welfare to Work needs to establish mechanisms where the *process segments clients' needs* and determines targeted responses rather than the policy design. It should be, well-resourced and open-ended, sufficiently flexible to cope with a wide variety of needs and able to accept the *responsibility* to place all clients in an effective solution.
  - 6.2.3. Many of the PAs are seconded from the Employment Service. They have quickly adapted to the new flexible, client-centred way of working and enjoy the high degree of empowerment. EZs demonstrate clearly that more appropriate programme design can generate greater added value from *existing staff* engaged in working with the unemployed. Flatter organisational structures enable those at the frontline to make more of a difference when combined with a culture of continuous improvement.
  - 6.2.4. EZs have demonstrated clearly the fact that successful initiatives need to focus on *two* customers – the long term unemployed and their potential employers. Each requires a customised service.
  - 6.2.5. The focus on essentially one goal, linking the client to sustainable employment, helps galvanise the whole organisation and generate a set of mutually reinforcing processes in pursuit of the goal. This is a central wider lesson.
  - 6.2.6. Output related funding is important within this process, but this is an even more pronounced incentive where organisations can retain 'profit' to re-invest in improving their service.
  - 6.2.7. The freedom to invest more in order to achieve a sustainable outcome later is particularly important. This may mean taking a broader view of *benefit eligibility issues* as much as direct investment in the individual. Mechanisms should aim for equality in outcome not necessarily equality in spend per client.
  - 6.2.8. The flexibility of EZ operations are underpinned by a *comprehensive management information* system which provides real-time information on activities and performance to managers and PAs alike. This has been essential in driving continuous improvement and understanding what works.
  - 6.2.9. The work first approach represents a challenge to the orthodoxy – delivery is no longer about bidding to funders for a set number of clients for set period with pre-defined training, but about marketing the effectiveness of a service to referral agencies and individual delivery staff. Policy should encourage a shared responsibility for performance between contractors and sub-contractors: *supplier development* is a key issue.
  - 6.2.10. There is strong evidence that employers are keen to establish relationships with value added recruitment services. This is about *investing in the individual* in order to meet employers' recruitment needs rather than investing in the employer. The aim should be to change the entry criteria by removing specific hurdles in the recruitment process but not change employee performance criteria.
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- 6.2.11. The process has demonstrated some potential to act as a basis for *joined-up service delivery*, helping reconfigure the support services required by the long term unemployed. This has been done partly through organisational linkages with other programmes. More importantly, PAs operate on behalf of clients to pull together services from a range of sources to help them back into sustainable employment.
- 6.2.12. However, there are limits to this approach. Although a network of agencies exists for dealing with problems associated with addiction, ex-offenders and people with mental health difficulties, these services are not ‘work facing’ and this makes it difficult for EZs – and presumably other job finding initiatives – to source appropriate provision within the timescales available.