

Empowering our cities to tackle worklessness

Cities are the powerhouses of our national economy, and create the majority of Britain's jobs. Yet, paradoxically, worklessness – the number of people without work, either actively or not actively seeking employment – is disproportionately concentrated in our urban areas. If cities like Liverpool continue to have a quarter of their population on benefits, both the city and the national economy will suffer.

As all the political parties search for new ideas to tackle this huge economic and social issue, a new paper from Centre for Cities, co-authored with *Inclusion*, argues that Britain's approach to worklessness is made less effective by its focus solely on the skills of individuals. This current approach might, for example, help an individual find a place on an IT training course – but would not result in them going on to work in IT, and might even be a waste of time and money, if there was no job in that industry available and accessible locally.

This means that policies need to be localised, as well as personalised. Our cities need a place-focused approach where relevant agencies are bought together to work across Local Authority boundaries to reflect the size and needs of city regions – that is, real economy areas.

The map of worklessness shows the urban areas which have the highest rates

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of worklessness. It is in urban areas that 42% of the UK's population live, yet they contain 49% of the workless and 59% of those claiming benefits. It is here that initiatives such as the New Deals, the cornerstone of New Labour's approach to worklessness, have had lower success rates. And it is here that those who are most vulnerable to being workless, such as those with a disability, are concentrated.

What is driving these disparities? There are several reasons, including the industrial legacy, the concentration of the most vulnerable groups and varying skills demands in each of our cities. The first of these reasons is well-known. The decline of traditional industry and manufacturing through the twentieth century hit our cities hard, and the map of areas of high worklessness reflects the geographical imprint of this impact. Cities such as Sunderland have seen the decline of their dominant industry without a substitute source of jobs.

However, industrial legacies cannot wholly account for the concentration of worklessness in our cities. For instance, what explains the concentrations of worklessness in cities like London and Bristol? These cities have experienced high rates of growth in their financial and service sectors, and so were less affected by industrial decline. For such cities, worklessness is more a product of a mismatch between the skills of the local workforce, and the jobs available to be filled. Essentially, there are too many low skilled people and not enough low skilled jobs, resulting in a more competitive low-skilled labour market. For instance, in London there is one low-skilled job for every three low-skilled workers.¹

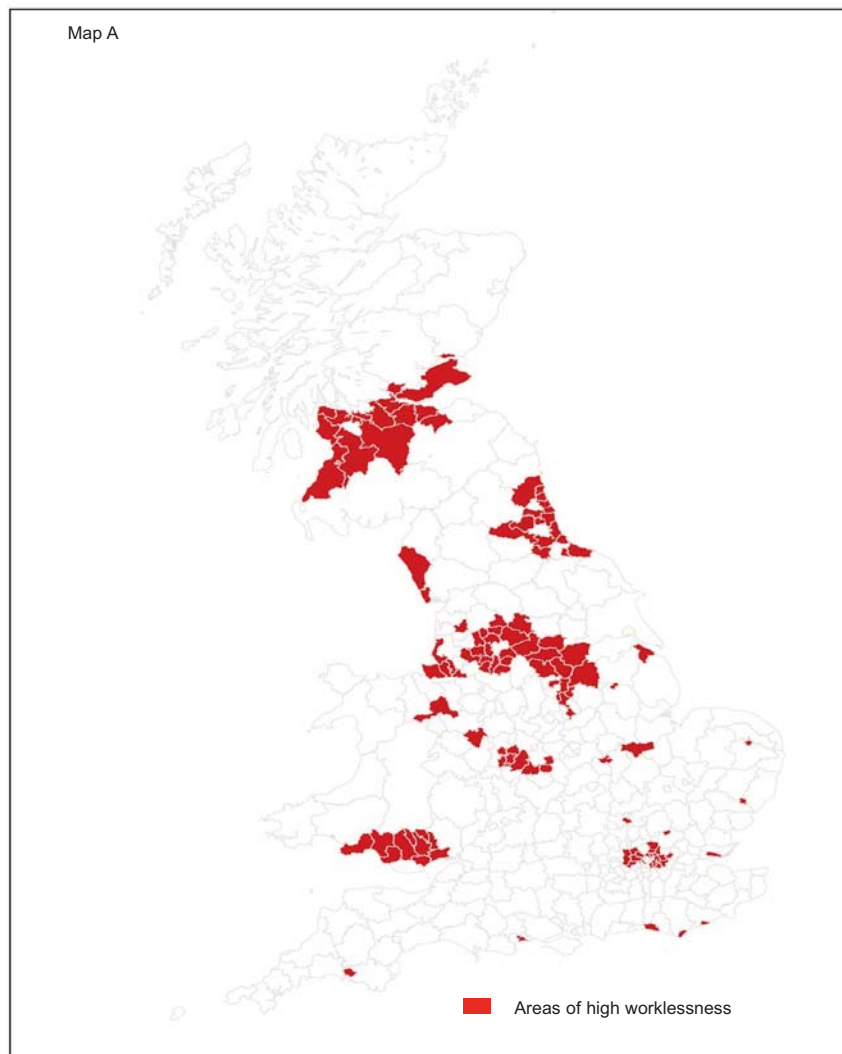
In other cities, such as Brighton, high numbers of graduates staying on in the city after graduation, coupled with an absence of suitable high-skilled jobs has led to graduates employed in low-skilled jobs. This has resulted in an upward shift in expectations – employers are increasingly unwilling to employ low-skilled candidates for low-skilled jobs, when graduates are prepared to do the work.

On the other hand, cities such as Hull and Sunderland are home to large numbers of housing estates where worklessness has spread from generation to generation. Worklessness here is more the product of a depressed economy, with the sheer absence of jobs representing the first hurdle to getting the workless back in to work.

The point here is that each city is unique – a generic national approach to worklessness is unable to take such city-specific barriers and labour market needs in to account. Also, Local Authorities (LAs) do not represent the size of real labour markets, which in reality often spread across city regions. LAs working within administrative boundaries risk operating in a silo and ignoring the demands of the 'real' economy in which they are located.

In recognition of the place-based forces acting upon levels of worklessness, the Government has developed some place-focused initiatives, such as the Department for Work and Pensions'

Cities are the power houses of our economy yet over-represented in the unemployment statistics. Faiza Shaheen argues for a devolved approach.



(DWP) City Strategies and the Department for Communities and Local Government's (DCLG) Working Neighbourhoods Fund.

City Strategies were launched in 2006 in 15 'pathfinder' areas, covering 34% of the Incapacity Benefit Claimants. Their purpose is to bring together different partners in the areas, such as the Local Skills Council, Job Centre Plus and local employers, to plan and deliver initiatives in a less fragmented way. Some, such as those in London and Greater Manchester, stretch beyond one local authority, encouraging LAs to work across boundaries to deliver more coherent services.

Whilst these pathfinders are in early stages, the way in which these consortiums help to align worklessness initiatives to the demands of city-region

labour markets is already helping to bring together employers with relevant delivery agencies, such as the Further Education (FE) sector. In response to this progress, the government has extended the time length of the pathfinders. However, those participating are given very little money and no real power over how provisions are delivered.

The DCLG's Working Neighbourhoods Fund is a £1.5 billion fund available over 2008-2011, aimed specifically at the areas with the highest levels of worklessness. It is divided amongst 66 Local Authorities. As a non-ringfenced fund, it enables Local Authorities to create local solutions to tackle worklessness. For those City Strategy areas that are also in receipt of WNF, there is the flexibility to channel these funds in line with City Strategy priorities.

These developments are clearly a step in the right direction – facilitating the conversations between those best placed to plan and deliver the right initiatives for each city. By aligning efforts in this way, initiatives should be more in tune with labour market demands, meaning that skills development programmes will better equip people for the jobs available locally to them. But is this enough to tackle the deeply-embedded worklessness that exists in our cities?

These initiatives are not yet bold enough to tackle the full enormity of the worklessness problem. The funds are small in comparison to what is spent on national programmes, and the government has not so far made any firm commitments to the process of localisation.

Also, many cities are not covered by the City Strategy or WNF initiatives, meaning that not every urban area is able to respond to the needs of its workless population and to employer demands.

Our research shows that cities need to be further empowered to challenge worklessness. Getting the governance structures right and bringing together the key players is key to worklessness being tackled in an effective way. To do this the Government could consider three bold steps:

1. Extend City Strategies

As a first step, City Strategies could be extended to cover all the areas marked in red in Map A. This would extend their coverage from 34% to 58% of those claiming Incapacity Benefits. Similar to the City Strategy pathfinders, the extended areas should devise plans to work collaboratively with neighbours. This joined-up approach should get cities on the first rung to dealing with worklessness.

2. Create and empower local consortiums, such as Employment and Skills Boards, to plan policies for local labour markets

Second, the local consortiums brought together under the City Strategy initiative need to be formalised. One way would be to set up statutory Employment and Skills Boards, building on the relationships forged with the business community.

These would be similar to the statutory London Skills and Employment Board (LSEB), chaired by the London Mayor, where employers, the FE sector, Learning and Skills Council, London Development Authority, Jobcentre Plus and other relevant agencies are brought together to plan skills provisions, and to work towards an employment target of 72% by 2013.

However, the LSEB is just one possible route and the Government should allow cities themselves to decide on the nature and composition of such boards. In the Leeds city-region, for instance, an evolving consortium of employers, skills, housing and transport panels are meeting to discuss how to tackle worklessness. They should be encouraged to develop this consortium and be given more formalised powers when they are ready.

The statutory status is important because it provides a duty for the board to work collaboratively with relevant agencies, more pressure to deliver on targets and suggests a long-term

commitment so that those involved are more likely to invest time and resources.

3. Devolve funds

Finally, cities need to be given more control over existing DWP funding. The Centre for Cities would argue for a fully devolved approach to be piloted in places such as London and Manchester that are already demonstrating the ability to work effectively on these issues. In these cities, benefit levels would still be set to a national framework, but the city-region itself would administer the allotted DWP funds, oversee the contracting-out of services and would be free to design and implement welfare-to-work programmes.

This would be a big step, and a staging point towards full devolution of these funds might be to devolve just the funds allotted to dealing with those furthest away from the labour market – such as the long-term unemployed. These monies could be given directly to cities, trialling a local approach, and comparing outcomes with national initiatives.

A devolved approach would necessarily involve an incentive for cities to deliver. Cities should, for example, be able to keep any benefits savings from those that get back in to work, using this money to invest in further training and employment initiatives.

These three steps would give our cities the opportunity and responsibility to tackle worklessness. Failing to appropriately empower cities to tackle worklessness could not only result in rising intra-city inequalities and social exclusion, but would also hold back the potential of our national economy.

Faiza Shaheen is an Analyst at the Centre for Cities.

Reference

1. *Globalisation, Skills and Employment: the London Story, London Skills and Employment Board and GLA Economics (October 2007).*

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