

Annex B

Ex-ante evaluation of the ESF programme in England 2007 -2013

Draft report

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Contents

1	Introduction	7
1.1	Objectives of the Ex-ante Evaluation	7
1.2	Approach and Methodology	8
1.3	Structure of the Report	9
1.4	Priorities for the 2007-2013 Programme	10
2	Relevance of the operational strategy to the labour market	17
2.1	Introduction	17
2.2	How the Needs Assessment was Conducted	18
2.3	Relevance of the Operational Strategy to the Labour Market	18
	2.3.1 <i>Priorities 1 and 4</i>	19
	2.3.2 <i>Priorities 2 and 5</i>	21
2.4	SWOT Analysis	23
2.5	Conclusion	27
3	Relevance of the England Operational Programme to policy and practice	29
3.1	Introduction	29
3.2	Assessment of Priorities in Relation to Community Policy	29
	3.2.1 <i>NAPs</i>	30
	3.2.2 <i>Mapping EU Guidelines</i>	30
3.3	Assessment of Priorities in Relation to Domestic Policy	35
	3.3.1 <i>Increasing Employability and Promoting Social Exclusion</i> ..	35
	3.3.2 <i>Raising Skill Levels</i>	36
3.4	Appropriateness of OP – Risks and Lessons Learnt	39
	3.4.1 <i>Alternative Areas for Support</i>	39
	3.4.2 <i>Priority 1 Employment Opportunities</i>	40
	3.4.3 <i>Unemployed/Inactive</i>	40
	3.4.4 <i>Lone Parents</i>	41

3.4.5	<i>Disabled/Health Problem</i>	44
3.4.6	<i>Older Workers</i>	46
3.4.7	<i>Ethnic Minorities</i>	47
3.4.8	<i>NEETs</i>	49
3.4.9	<i>Multiple Disadvantage</i>	50
3.4.10	<i>Small Community Projects</i>	53
3.4.11	<i>Priority 2 Skilled and Adaptable Workforce</i>	54
3.4.12	<i>Basic Skills and Skills in Workforce</i>	55
3.4.13	<i>Training Managers and Workers in Small Businesses</i>	56
3.5	Lessons Learnt from ESF Evaluation – Good Practice delivering ESF to people who are disadvantaged in the labour market	57
3.5.1	<i>Active Outreach and Awareness Raising</i>	58
3.5.2	<i>Assessing Job Readiness</i>	58
3.5.3	<i>Ongoing Activities</i>	58
3.6	Lessons Learnt from Domestic Initiatives on NEETs	60
4	Financial resources – rationale	63
4.1	Introduction	63
4.2	Allocation of Funds	64
4.2.1	<i>Allocation of Competitiveness Funds in UK</i>	64
4.2.2	<i>Allocation of Funds Across English Regions</i>	65
4.2.3	<i>Allocation of Funds Across Priorities</i>	65
4.3	Is Funding Adequate for the Strategy?	65
5	Quantification of objectives: indicators and forecasts	67
5.1	Introduction	67
5.2	Developing Programme Indicators	67
5.2.1	<i>How the Indicators Were Developed</i>	67
5.2.2	<i>Choosing Indicators</i>	68
5.3	Relevance of the Indicators	69
5.3.1	<i>Frequency and Short/Longer Term Outcomes</i>	69
5.3.2	<i>Relevance to Activities</i>	69
5.4	Reliability	71
5.5	Development of Forecasts	74
5.6	Limitations and Interpretation of Forecasts	74
5.7	Goals to be Achieved	74
6	Quality of implementation systems, monitoring and evaluation	77

6.1	Implementing the 2007-2013 Programme – Co-financing	77
6.1.1	<i>An Overview of Co-financing</i>	77
6.1.2	<i>Lessons Learnt in the Application and Appraisal Process</i> ...	78
6.1.3	<i>Lessons Learnt in Access and Targeting Providers</i>	79
6.1.4	<i>Lessons Learnt in Strategic Collaboration</i>	81
6.2	Programme Management – Monitoring Committee	81
6.3	Assessment of the Monitoring System	82
6.3.1	<i>The Current ESFD MI System</i>	83
6.3.2	<i>Alternative Solutions</i>	84
6.3.3	<i>Enhancements to the Current System</i>	84
6.4	Assessment of the Evaluation System	85
6.4.1	<i>Ongoing Evaluation</i>	85
6.4.2	<i>Managing the Ongoing Evaluation</i>	87
6.5	Assessment of Financial Arrangements	88
7	Convergence regions (Cornwall and Isles of Scilly)	89
7.1	Introduction	89
7.2	Relevance of Priorities 4 and 5 to the Labour Market	89
7.2.1	<i>How the Labour Market Analysis was Conducted</i>	89
7.2.2	<i>Priority 4 -Tackling Barriers to Employment</i>	90
7.2.3	<i>Priority 5 – Improving Skills of the Workforce</i>	91
7.3	Assessment of Priorities 4 & 5 to Regional Labour Market	92
7.3.1	<i>Overarching Economic Policy for the South West</i>	92
7.4	SWOT Analysis	95
7.5	Financial Allocations	98
7.6	Forecasts for the Convergence Regions	98

1 Introduction

This document fulfils the requirement to produce an ex-ante evaluation of the draft “Operational Programme (OP) for the ESF Programme in England 2007 -2013”. An ex-ante evaluation is required by the European Union (EU) Structural Fund Regulation (at national, fund, programme or priority level) for the Regional Competitiveness and Employment Objectives in 2007-13. It was agreed at the UK ESF Evaluation Standing Group (November 2005) that, given the UK’s devolved arrangements and the complexity of organising a joint ex-ante evaluation, separate ex-ante evaluations of ESF programmes should be conducted for each of England, Scotland, Wales and Northern Ireland.

DWP and DfES Ministers have agreed that a proposal for the England ESF Programme should be developed on the basis of the priorities (Boxes 1 and 2) in the draft National Strategic Reference Framework for EU Structural Funds in 2007-13. The draft Framework, which was published for consultation on 28 February, proposes:

- a single ESF programme covering all England;
- two national ESF priorities - employment and skills - and two parallel priorities for the Convergence region of Cornwall; and
- aligning ESF funding with domestic employment and skills funding streams.

1.1 Objectives of the Ex-ante Evaluation

The purpose of conducting an ex-ante evaluation is set out in Article 46 (2) which states that this is:

“to optimise the allocation of budgetary resources under operational programmes and improve programming quality. It shall identify and appraise the disparities, gaps and potential for development, the goals to be achieved, the results expected, the quantified targets, the coherence, if necessary, of the strategy proposed for the region, the Community value-added, the extent to which the Community’s priorities have been taken into account, the lessons drawn from previous programming and the quality of the procedures for implementation, monitoring, evaluation and financial management”.

This ex-ante evaluation is informed by the European Commission's paper "Draft Working Paper on the Ex Ante Evaluation" (October 2005) and in line with this the England Operational Programme will be appraised to assess whether it:

- is relevant - in terms of the activities to be undertaken in relation to the challenges and needs of the region/sector;
- is effective - in that there are clear objectives for the programme which can be realistically achieved within the constraints of the budget;
- will have an effect (utility/sustainability) – that the potential outcomes will "make a difference" in the medium to longer term in relation to wider social and economic needs.

Other issues that are looked at include whether the strategy has links with regional, national and Community policies, the quality of implementation systems, financial allocations and any risks inherent in the policy choices or implementation systems. Consideration will also be given to the issue of community added value.

1.2 Approach and Methodology

It is important to stress that the ex-ante evaluation is as much about the process of developing the Operational Programme as it is the process of developing this ex-ante report. This is highlighted in the Commission's working paper which says that the process of conducting the ex-evaluation should be both iterative and interactive. In view of this, the ex-ante evaluation work programme for England has involved a process of ongoing discussions between the evaluator and managing authority in relation to the choices made and the rationale behind these choices. Indeed, these discussions commenced prior to the ex-ante evaluation in relation to the recommendations from the update to the mid-term evaluation which have informed the development of the National Strategic Reference Framework.

The above approach is similar to that taken in the ex-ante evaluation of the 2000-2006 programme¹, and as commented there, it provides the best means of effectively integrating the messages from the ex-ante into the operational programme. Overall, the process of conducting the ex-ante evaluation has included the following aspects, but more detail of the process will be given in subsequent chapters:

- The Managing Authority has shared the detailed content of activities to be funded with the evaluator.
- The evaluator has been provided with the opportunity to comment on these plans and discuss them with the managing authority.

¹ Ex-ante Evaluation of the Objective 3 Operational Programme on England (2000-2006), ESF Evaluation Team, Analytical Services, DfEE, December 1999.

- The evaluator has provided the managing authority with contributions (eg comments on the labour market analysis, or lessons learnt from the 2000-2006 programme as in Chapter 3 of this document) which have informed the Operational Programme.
- The Managing Authority has taken the evaluators' recommendations into account and where necessary amended subsequent plans regarding the programme.

The ex-ante evaluation has been primarily conducted and managed by the ESF Evaluation Team, in Jobseekers and Crosscutting Division in the Department for Work and Pensions. The team is functionally independent from the Managing Authority. Expertise has also been provided by other analysts in DWP in relation to developing programme forecasts and the allocation of funds between and within priorities.

The ex-ante evaluation has been a desk based exercise in view of the issue of proportionality, and the fact that it has been informed by both the Mid-term Evaluation of Objective 3 and the Update to the Mid-term Evaluation of Objective 3 (both of which were subject to substantial evaluation work).

1.3 Structure of the Report

The rest of the report is structured under the following chapters:

Chapter 2 – examines the relevance of the Operational Programme to the England Labour Market, including the results of a SWOT analysis.

Chapter 3 – looks at the relevance of the Operational Programme in relation to EU and domestic policy priorities. It then considers whether the strategy outlined in the Operational Programme is appropriate with reference to lessons learnt from the mid-term and update to the mid-term evaluation and associated reports. Good practice issues are also considered here.

Chapter 4 – assesses the Operational Programme in relation to financial resources and considers the allocation of funding across and between priorities. This chapter will also consider the extent to which this allocation will ensure that the overall strategy is achieved.

Chapter 5 – provides the programme indicators and forecasts. It looks at how these were developed and how to interpret the forecasts – not only looking at the quantified forecasts but also the goals to be achieved and the results expected.

Chapter 6 – this chapter will consider the quality of the implementation system, monitoring and evaluation that will be put in place. It will look at lessons learnt from the mid-term and update to the mid-term evaluation in relation to these issues. Some limited assessment will also be made of the financial management procedures that are detailed in the Operational Programme.

Chapter 7 – a separate chapter will examine the above issues with regard to the Convergence Regions (Cornwall and Isles of Scilly) – where details are different to those outlined in the national programme. It will also look at the need for institutional capacity building and for joint social partner capacity building;

Chapter 8 – Conclusion.

1.4 Priorities for the 2007-2013 Programme in England

There are six priority axes. The first three priorities are for the Regional Competitiveness and Employment Objective. These three priorities cover the whole of England and Gibraltar except Cornwall and the Isles of Scilly. The remaining three priorities are for the Convergence Objective area of Cornwall and the Isles of Scilly only. The broader scope of the Convergence Objective priorities reflects the wider range of activities that are eligible within Convergence areas.

Regional Competitiveness and Employment Objective

Priority 1 - Extending employment opportunities

Priority 1 supports activities to enhance access to employment and sustainable inclusion in the labour market of unemployed and inactive people. There will be a particular focus on people with disabilities and health conditions, lone parents, older workers, ethnic minorities and young people not in education, employment and training. People who have made the transition to work from unemployment or inactivity will also be eligible for support, regardless of employment sector or size of establishment.

Activities should help participants to gain skills for employability and enter jobs. They may also help those entering jobs to sustain their employment and make progress in the workplace. Activities may include:

- active and preventative measures which ensure early identification of needs with individual action plans and personalised support;
- job-search help, advice and guidance;
- work experience placements;
- advice and support for self-employment, business creation and social enterprise;
- Skills for Life, including the basic skills of literacy and numeracy, ICT skills and English for Speakers of Other Languages;
- vocational training for employability;
- improving job brokerage to enable a better match between supply and demand;

- activities to reconcile work and private life, including access to childcare and care for dependent persons, where caring responsibilities are a barrier to labour market participation – these activities may take place within projects targeted specifically on people with caring responsibilities or as part of wider projects;
- city and other area-based strategies and initiatives to tackle worklessness in urban areas;
- activities to tackle specific barriers to work faced by unemployed and inactive people in rural areas; and
- community projects and volunteering activities to mobilise unemployed and inactive people who are disadvantaged or excluded and to facilitate their integration into the labour market.

Activities to prepare young people for working life and to reduce the numbers of young people not in education, employment or training may include:

- initiatives to reform vocational routes for, and develop vocational skills among, 14 to 19 year olds;
- initiatives to help raise awareness of the world of work, enterprise and entrepreneurship among young people (from age 14), including work experience placements;
- activities to engage 14 to 19 year olds not in education, employment or training, tackle their barriers to learning, and help them access mainstream provision; and
- activities to reduce youth unemployment by developing the employability and skills of young people;

Activities may target special groups of unemployed and inactive people including those experiencing multiple disadvantages, for example:

- activities to help unemployed and inactive people with disabilities, health conditions and learning difficulties to enter and remain in work and appropriate support to retain in employment people who become disabled or develop health problems;
- activities to prolong working lives by re-engaging inactive older workers or retaining older workers longer in employment, including workers who become disabled or develop health problems;
- activities to help lone parents and other disadvantaged parents enter and make progress at work, and so contribute to alleviating child poverty;
- mainstreaming and specific action to improve access to employment and increase sustainable participation and progress of women in employment, including in occupations or sectors where they are under-represented;
- activities to increase participation by people from ethnic minorities in employment;

- activities to develop the employability and skills of offenders and ex-offenders to facilitate labour market entry and thus contribute to reduced re-offending.

Priority 2 – Developing a skilled and adaptable workforce

Priority 2 supports activities to develop a skilled and adaptable workforce.

People who do not possess qualifications up to level 3, or who need to update their qualifications and skills, will be eligible for support within this priority, in any sector or any size of establishment. There will be a particular focus on: people without basic skills; people who do not have level 2 qualifications relevant to their current occupation; and women and men who want to enter non-traditional occupations.

Training will be supported at level 3 where there is market failure, for example where there are skills shortages, in small and medium sized enterprises (up to 250 employees) and among women and ethnic minorities where they are under-represented. Regional ESF strategies will identify the sectors in which the programme will support training at level 3. Managers and workers in small enterprises (up to 50 employees) will be eligible for support whatever their current qualification level.

Activities will be expected to address the specific needs of participants with disabilities or learning difficulties, lone parents, older workers, ethnic minorities and women.

Activities may include:

- activities to support access to and provision of apprenticeships;
- Skills for life including basic literacy and numeracy skills, ICT skills and English for Speakers of Other Languages;
- activities to support access and progression from foundation level up to level 3;
- training leading to level 2 qualifications (especially for people without current level 2 qualifications, part-time workers, workers in sectors with weak training records). ESF funding will support activities additional to those funded domestically under the level 2 entitlement;
- training leading to level 3 qualifications in sectors where there are skills shortages at level 3, in small and medium sized enterprises (up to 250 employees), and for women and ethnic minorities in sectors and occupational areas where they are under-represented at level 3;
- lifelong learning and vocational training for low skilled and low paid women workers to improve their progression;
- training, mentoring and supporting men and women in occupations or sectors where their gender is underrepresented, in order to tackle gender segregation;
- training older workers in order to update their qualifications and skills and prolong their working lives;

- training for workers who face redundancy or have been made redundant;
- training in ICT, e-learning skills;
- training in environmental management and protection skills in eco-friendly technologies;
- initiatives by the social partners to promote lifelong learning and skills in the workplace;
- initiatives to ensure the supply of skills is relevant to employers' needs and
- training of childcare and other care workers;

There will be limited scope to support higher level skills activity including:

- activities to prepare people from disadvantaged groups to access Higher Education (but not Higher Education itself);
- training trainers (at any level) to deliver activities (for example basic skills provision) which benefit ESF target groups; and
- lifelong learning and training for managers and workers (at any level) in small enterprises (up to 50 employees), including training and development in leadership, management and enterprise, and technical skills needed for business development, business growth, innovation and productivity;

Priority 3 – Technical Assistance

Indicative activities - technical assistance funds will be available to finance preparatory, management, monitoring, evaluation, information and control activities of the operational programme, together with activities to reinforce the administrative capacity for implementing the funds. This will include the programme's publicity and communication strategy, support for cross-cutting themes and development of programme monitoring and evaluation systems. Technical assistance will be available to intermediate bodies and beneficiaries. It will also be available to support partners in the non-governmental sector to participate in and deliver the programme.

Convergence Objective, Cornwall and the Isles of Scilly

Priority 4 – Tackling Barriers to Employment

The objective of this priority is to increase employment and to reduce unemployment and inactivity. It will help to tackle barriers to work faced by people with disabilities and health conditions, lone parents, people over 50, ethnic minorities, and people with no or low qualifications. It will also aim to reduce the numbers of young people not in education, employment or training.

This priority will also contribute to the skills strategy, by helping unemployed and inactive people to gain the skills they need for employability and to make progress in the workplace.

Activities may include:

- active and preventative measures which ensure early identification of needs with individual action plans and personalised support including:
 - activities focused on people under threat of redundancy
 - activities working with young people to prevent them from becoming NEET
 - workplace initiatives to prevent long term sickness absence/drift into worklessness (e.g. healthy workplace initiatives)
 - early intervention/activity to prevent long-term benefit dependency
- pre and post employment skills activities including basic skills, ICT skills, financial literacy, employability and life skills, ESOL and vocational skills;
- community projects to mobilise unemployed and inactive people who are disadvantaged or excluded and to facilitate their integration into the labour market;
- activity to tackle linked and complex causes of worklessness/barriers to employment including those relating to community safety, health, homelessness and education where this activity is clearly linked to economic progression;
- sector based/demand led routeways to work that overcome skills shortages and recruitment difficulties;
- work experience, work tasters and supported employment programmes;
- activities that focus on the transition to work e.g. money management, childcare and transport;
- post employment support and mentoring/after-care activities for both employees and employers, regardless of sector and size of company;
- jobsearch training, advice and support;
- advice and support for self-employment, business creation and social enterprise;
- activities to provide appropriate and bespoke support to particular groups who may be disadvantaged in the labour market such as:

People with disabilities and health problems

- Older people
- Lone parents
- Women
- People from ethnic minorities
- Offenders

Activities may support initiatives specific to Cornwall and the Isles of Scilly including:

- Pathways to Employment programmes focused on the re-integration of people/groups who are most distanced from the labour market and have the most severe/complex barriers to employment;
- development of multi-agency partnerships to facilitate/deliver Pathways to Employment and other relevant activities such as links between health and employment organisations to support people on health related benefits to progress towards/move into work ;
- Community Development activity to identify, engage and support disadvantaged jobless individuals/groups where this is clearly linked to a pathway to employment or other progression activity;
- activities that link to specific regeneration initiatives, including ERDF funded projects to ensure residents can take advantage of the jobs and opportunities that arise from the regeneration of their areas;

Activities to prepare young people for working life and reduce the numbers of young people not in education, employment or training may include those outlined previously under Priority Axis 1.

Priority 5 Convergence Objective, Cornwall and the Isles of Scilly, Improving the skills of the local workforce

The objective of this priority will be to help deliver the learning and skills vision in the Cornwall and Isles of Scilly Strategy and Action Review 2006 – *“To help all people in Cornwall achieve the highest levels of skills and qualifications they can in order to enable them to find jobs and improve their chances of career progression”*.

Activities will be the same as those in Priority 2 but also include:

- activities to prepare disadvantaged young people to access Higher Education (but not Higher Education provision itself);
- training trainers (at any level) to deliver activities (for example basic skills provision) which benefits ESF target groups; and
- lifelong learning and training for managers and workers (at any level) in small businesses (up to 50 employees), including training and development in leadership, management, and technical skills needed for business development, business growth innovation and productivity;

Priority 5 may also support the following activities to contribute to the strategy for Higher Education and skills in Cornwall and the Isles of Scilly. These activities reflect the wider range of activities and higher intensity of funding available in the Convergence Objective:

- research activities that support training of researchers and post-graduate studies, where related to the knowledge economy, labour market and human capital linked to employment and skills needs now and in the future;

- graduate placement programmes with SMEs to support business growth and increase numbers of graduates employed in Cornwall, including those from disadvantaged groups;
- development of employer demand led provision that meets key skill and sector needs at Level 4 and above;
- development and improvement of pathways from Level 3 vocational programmes to Foundation degrees and beyond, including curriculum development where linked to vocational studies that meet business needs, current and emergent;
- increased access for all to HE level provision (particularly for part-time employees, older and migrant workers) via innovative access routes including modular/ bespoke courses, e-learning, local delivery where linked to vocational studies that meet business needs, current and emergent;
- raising the level of technical skills for those in employment to meet existing and potential sector skills shortages.

Priority 6 – Technical Assistance

Technical assistance funds will be available to finance preparatory, management, monitoring, evaluation, information and control activities of the operational programme, together with activities to reinforce the administrative capacity for implementing the funds. This will include the programme's publicity and communication strategy, support for cross-cutting themes and development of programme monitoring and evaluation systems. Technical assistance will be available to support partners in the non-governmental sector to participate in and deliver the programme. In the Convergence region, technical assistance will also be used to invest in administrative capacity to facilitate programme delivery and strengthen capacity in impact analysis and evaluation, including supporting the implementation of the Local Area Agreement for Cornwall.

2 Relevance of the operational strategy to the labour market

2.1 Introduction

The Operational Programme includes, as a starting point, an assessment of labour market and economic trends. This assessment identifies strengths and weaknesses in the current labour market and from this, potential opportunities for ESF support in the 2007 to 2013 Programme. This assessment of opportunities is pretty broad, but provides a rationale for the more specific Operational Programme priorities and objectives.

This chapter sets out in brief **some of the main** points from the labour market analysis in the Operational Programme, particularly in relation to weaknesses that have been identified. These points are reiterated again here with a view to demonstrating how they underpin the assessment of opportunities and ultimately the programme priorities and objectives. In short, whether the “Opportunities” identified provide a coherent rationale to underpin the Programme with particular relevance to Priorities 1 and 2. In relation to Priorities 4 and 5 which are focused on specific regions within England – Cornwall and the Isles of Scilly, whilst the data is still relevant some differences between the regional and national picture emerge. These are looked at in more depth in Chapter 7.

However, this chapter will first briefly describe how the assessment was conducted. This is in order to show that this has been developed as part of an ongoing process of discussion between the ex-ante evaluator and the Managing Authority - as described in the previous chapter.

2.2 How the Needs Assessment was Conducted

The Managing Authority drafted specifications of data and issues to be included in the skills and employment sections of Chapter 1 (Labour Market Analysis) of the Operational Programme. The evaluator was given the opportunity to comment, as was another analyst with expertise in skills needs. Amendments were made on the basis of the suggestions received and the specifications were subsequently sent to analysts in the Department for Work and Pension (DWP) and the Department for Education and Skills (DfES) so that they might draft the relevant sections of Chapter 1 in the Operational Programme. The Managing Authority also commissioned contributions from regional Government Offices on the regional employment and skills needs identified in Regional Economic Strategies.

Drafts of the employment and skills sections were commented on by the evaluator who also forwarded these to other analytical colleagues in DWP in order to obtain their opinion. It was suggested to the Managing Authority that a limited number of changes were required, and that some further data should be included. These suggestions were acted upon by the Managing Authority.

In terms of the SWOT analysis (see Figures 2.1 to 2.4), this was developed jointly between the Managing Authority, analysts drafting the labour market sections of the Operational Programme, the evaluator and other analysts in DWP and DfES.

The above demonstrates that the labour market and SWOT analyses that inform the 2007-2013 Operational Programme, were developed as part of an iterative and interactive process, as recommended by the EU.

2.3 Relevance of the Operational Strategy to the Needs of the Labour Market

This section reiterates some of the main points contained in the Operational Programme (in some cases this is supplemented by extra more detailed data supplied by the evaluator) in order to illustrate how this informs the SWOT analysis.

This chapter looks *solely* at levels of employment, skills/qualifications and training. Policy considerations, for example, the Government's aim to reduce inactivity or the need to respond to demographic changes, are considered in Chapter 3. **Although the following discussion distinguishes between employment and skills, as the Operational Programme (Chapter 1, 1.1) points out, there is a very strong relationship between the two areas and thus those with no or low skills are also more likely to be unemployed or inactive.**

2.3.1 Priority 1 - Extending employment opportunities for all and Priority 4 - Tackling barriers to employment

The Operational Programme outlines the *strengths* of the English labour market. It states that it has performed well in recent years and since 1997 there has been rising employment. There has been an overall fall of around one million jobless people on benefit and the employment rate now stands at 74.7%.² When Eurostat data is used it may seem that the UK's current employment rate of 71.6% exceeds the EU target of 70% and the EU average of 63.3%.³ Furthermore, the UK has the highest employment rate among the major industrialised countries (G7) and this reflects an effort to obtain macroeconomic stability.

On the other hand, a number of *weaknesses* are also identified. Despite a variety of government programmes directed towards the unemployed, claimant unemployment rose by 90,000 in 2005 (although there was a subsequent fall of 10,000 in January 2006). This rise in unemployment has particularly affected young people. Even so, claimant unemployment remains low by historical standards.

Inactivity is relatively high though stable – standing at 21.1%. Certain groups are particularly affected such as lone parents and the disabled. The lone parent population in Britain has grown since 1997 and is currently estimated to be around 1.8 million, with over 90% being women.⁴ Whilst the employment rate for lone parents has increased since 1997 by over eleven percentage points to 56.6%, the *number* of lone parents out of work has fallen by just 62,000 to around 777,000. Furthermore, lone mothers are more likely not to be working, compared to lone fathers and *lone parents in ethnic minority groups have lower employment rates than white lone parents* as do those suffering from a disability or health problem.

It is estimated that just over a half of working age disabled adults are not in employment, with the vast majority claiming incapacity benefits. After years of continually rising, Incapacity Benefit (IB) claims have stabilised and fallen slightly of late. Even so, around 2.1 million people in England are currently claiming IB.

Furthermore, *disabled women are more likely not to be in employment* in comparison to disabled men, and older age groups have the highest employment rates. *There is a wide variation in employment rates between disabled people of differing ethnic groups*, for example, the employment rate of Pakistani disabled people is under half that of "other Asian" disabled people. This variation between ethnicities is even more pronounced when combining ethnicity with gender – thus Bangladeshi and

² All statistics and information unless otherwise indicated derive from the Labour Force Survey, Autumn 2005 and are found in the draft Operational Programme Chapter 1.

³ Eurostat figures differ from national figures as they are calculated differently.

⁴ The remainder of the statistics provided in this paragraph are from DWP 2005 Lone Parent Factsheet, Family Poverty and Work Division, DWP, Spring 2005.

Pakistani women experience the lowest employment rates, suggesting that other barriers apart from disability, such as cultural considerations are affecting employment.⁵

As the Operational Programme (OP) points out (Chapter 1, 1.2.13) the overall employment rate for members of ethnic minorities at 59.2%⁶ is 15 percentage points lower than the overall rate,⁷ with this being explained by high levels of economic inactivity. Inactivity is also high at one quarter⁸ for older workers (those aged 50 and over), with the employment rate for older workers standing at 71.3% (Chapter 1, 1.2.12).

As this report will argue in later sections, individuals may also experience multiple disadvantages – for example they may fall into more than one of the above groups. This is mentioned in the OP (Chapter 1, 1.2.18) which reports that the more disadvantages a person faces the less likely they are to be employed. For people with four or five disadvantages (e.g. being a lone parent, being disabled, being over 50, having no qualifications, or belonging to an ethnic minority) the employment rate declines to 11% compared to 70% for those experiencing just one disadvantage.⁹

Disparities in employment levels may also occur *within* regions and whilst employment rates are high overall there are pockets with very low employment rates in all regions. These pockets of deprivation include areas affected by industrial change (for example ex-coalfield areas) and the inner cities. For example, in common with most cities, London has a high density of jobs but a low employment rate – suggesting that residents of cities do not necessarily get local jobs. Furthermore, individuals who may experience disadvantages in the labour market, such as lone parents, may be concentrated in these areas. This in turn may exacerbate the problems that they experience due to, for example, issues such as postcode discrimination from employers.

⁵ DWP Strategy paper for Increasing the Employment Rate of Disabled People, DWP, 2005

⁶ This is as measured by the UK LFS as there is currently no comparable statistic produced by Eurostat which measures the employment of ethnic minority workers.

⁷ The latest data show that the UK employment rate is 74.7% for the 3 months ending March 2006 (ONS) and by Eurostat data the UK employment rate is 71.7%.

⁸ This is measured by UK LFS as data is not currently collected by Eurostat on a comparable basis for inactivity of older workers. However, Eurostat does collect data on the employment rate of older people (measured as the number of those aged 55-64 in employment divided by the total population in that age group). The total employment rate for all older workers was 56.9% in 2005, compared to 40.4% for the Euro area. For male older workers their employment rate was 66% in 2005 compared to 49.7% for the Euro area and for female older workers their employment rate is 48.1% compared to 31.5% for the Euro area.

⁹ Labour Force Survey, 2004.

Economic inactivity is also a major factor in the growth of workless households and the increasing polarisation of work-rich households (those where all adults work) and work-poor households where no adults are in work.¹⁰

2.3.2 Priority 2 – Developing a skilled and adaptable workforce and Priority 5 Improving the skills of the workforce

The Operational programme contains a relatively limited assessment of *strengths* in relation to the level of skills and qualifications in the English labour market, although as it says there has been a significant investment and reform in education and training in England since 1997. The Leitch Review of Skills¹¹ provides more details, for example, over the last decade the skills profile of working age people in the UK, as measured by qualifications held, has improved. There have been increases in the proportion of the working age population holding higher level qualifications (Level 4 or above) - brought about by the expansion of higher education and younger people gaining degrees and decreases in the proportion with no qualifications or very low levels of qualifications, as older people who are less well qualified retired.

However, a number of *weaknesses* are also identified. The OP points out that despite the above improvements the UK still does not have a world class skills base. In terms of the skill levels of younger people, a proportion of these are not in education, employment or training (NEET). The proportion of 16-18 year olds who are NEET has increased from 10 per cent at the end of 2004 to 11 per cent by the end of 2005. This includes a small proportion who are high achievers and are in transition between education and training/higher education. However, of those who are not in a gap year, the NEET population includes those who are teenage parents (among NEET women aged 16-18 - 22% were mothers, DfEE 2000), young people "looked after" in care (this group is highly represented among the unemployed with three quarters having no qualifications on leaving school), those who are young carers of other family members, young people with chronic illness or disability – including those who are mentally ill, the homeless, and persistent truants.¹² A recent research report examined the "costs" of being "NEET" and concluded that this is linked to increased likelihood of experiencing poverty and social exclusion – for the individual and their children.¹³

¹⁰ Workless Households and the Recovery, P.Gregg and J. Wadsworth, The Labour Market under New Labour: the State of Working Britain, Dickens et al, Palgrave Macmillan, 2003.

¹¹ Skills in the UK: the long-term Challenge, Interim Report, HM Treasury, December 2005.

¹² Review of Support for 16-19 and 20-24 year old NEETs, DfES paper, 2005.

¹³ Literature Review of the Costs of Being "Not in Education, Employment or Training at Age 16-18", Coles et al, DfES Research Report 347, 2002.

Regarding basic skills (and qualifications) it is reported in the Leitch Review of Skills that in general, over 5 million people in the UK do not have a qualification at level 2. Overall, one in six do not have the literacy skills expected of an 11 year old child - a half do not have this level of numeracy. Levels of skills and qualifications vary within and between regions and within the population. Those groups identified previously as likely to be inactive, also tend to have low skills and qualifications. For example, almost 40% of those who are disabled have no qualifications, similarly a quarter of those aged 55 to 65 lack any qualification. Enhancing the skills of the inactive may enhance their employability and as the Operational Programme comments in the longer term investment in skills can help reduce income inequality and poverty (Chapter 1, 1.3.2).

As the Leitch review explains when considering the skills of workers, less than one third of the UK workforce have intermediate skills which compares unfavourably to other European countries. This, it is claimed, is a long-standing problem due to low rates of young people entering the labour market with these intermediate skills, combined with inadequate support to “upskill” older workers who have skills up to level 2. The OP highlights (Chapter 1, 1.3.7) that although qualification levels in the workforce continue to rise, with over 50% of adults having a qualification at Level 3, there is “still a long tail of poorly qualified adults - over one in four adults in the workforce does not have a full level 2 qualification”. Furthermore, there are disparities between the genders in relation to qualifications. The OP (Chapter 1, 1.3.8) states that a greater proportion of men hold qualifications at Level 3 or above compared to women.

Occupational segregation by gender remains a reality in the UK labour market. Horizontal segregation (where the workforce of an industry or sector is mostly made up of one gender) is found, for example, in construction where men make up 90% of the industry’s workforce.¹⁴ Similarly, vertical segregation (where career progression for a particular gender are limited) disproportionately affects women with women less likely to work as managers or senior officials compared to men.¹⁵ As the Operational Programme states (Chapter 1, 1.3.22), occupational segregation is one of the main reasons for the gender pay gap between men and women. It also narrows the pool of talent that employers can choose from, which means that not everyone’s skills are being utilised to the full. This in turn contributes to skill shortages.

When looking at qualification attainment of other groups who tend to be disadvantaged in the labour market, the OP identifies (Chapter 1, 1.3.9) that in relation to ethnic minorities these vary widely. Whilst there are significant barriers to participating in learning and work for much of the ethnic minority population, these will vary between ethnic groups and between the genders. For example, 75% of

¹⁴ Labour Force Survey, Spring 2005.

¹⁵ Labour Force Survey, Spring 2005.

Bangladeshi women over the age of 25 do not speak fluent English.¹⁶ When looking at the qualification level of those who are disabled, these tend to be significantly lower than for those who do not have a disability – with over 40% of all those with disabilities having no qualifications at all (Chapter 1, 1.3.10).¹⁷

Recent ESF companies' surveys¹⁸ and the Labour Force Survey, Winter 2003 identify that in terms of training provided by employers – employees who are better qualified are more likely to receive this compared to those with no qualifications. Furthermore, larger companies are more likely to provide training than smaller ones. As the OP points out (Chapter 1, 1.3.13) 97% of establishments employing over 500 people provide training compared to 50% of those employing fewer than 5 people. There are also significant sectoral variations with firms in the public sector, engineering, utilities and finance being much more likely to provide training than those in textiles, printing and retailing.¹⁹

Overall, the UK's productivity performance has historically lagged behind that of other major economies – although since 1995 the productivity gap may be narrowing. Even so, the sustained growth in employment mentioned above makes raising productivity performance challenging as new workers take time to learn relevant skills.

2.4 SWOT Analysis

The above discussion informed the SWOT analysis which identifies where ESF could potentially focus support. It is considered that this provides a robust rationale for the objectives outlined in the Operational programme. The SWOT analysis also outlines factors which are part of the wider socio-economic context in which ESF exists and which may constrain ESF activity. These issues have been included in order to draw attention to the limits of ESF activity. Thus, for example, employment outcomes across all groups may be negatively affected by macroeconomic instability. Some constraints, such as the attitudes of individuals, are less tangible but may still limit the effectiveness of ESF. Thus racial or gender related discrimination from employers may contribute towards reducing ESF outcomes.

¹⁶ Ethnic Minority Employment Task Force, Year 1 Progress Report, DWP, 2004.

¹⁷ Welfare to Workforce Development, National Employment Panel, 2004.

¹⁸ Evaluation of ESF Objective 3 Support for Companies, Fraser et al, DWP Research Report 303, 2005 and ESF Objective 3 Company Survey, IFF, to be published 2006.

¹⁹ National Employer Skills Survey, 2003, Hogarth et al (forthcoming).

Figure 2.1 Strengths of the English Labour Market

- Good employment performance in recent years: employment rate of 71.7% exceeds EU Lisbon target of 70%; historically low unemployment rate of 5.3%; very low long-term unemployment; increasing employment rates for disadvantaged groups.
- Dynamic labour market, with many people flowing in and out of employment over time.
- Numbers of people on incapacity and lone parent benefits have started to fall.
- Rising attainment rates levels at age 16, and rising attainment and participation in Higher Education, leading to more qualified young people entering the labour force.
- High levels of adult participation and employer investment in training.

Figure 2.2 Weaknesses in the English Labour Market

- Low employment rates and high inactivity rates among disadvantaged groups such as people with disabilities and health conditions, lone parents, older workers, ethnic minorities and low skilled people.
- Pockets of worklessness in deprived areas, particularly in the big cities.
- High number of workless households, with impact on child poverty.
- 11% of 16 to 18 year olds are not in education, employment or training.
- 5.2 million adults lack basic literacy skills, and 15 million lack basic numeracy skills.
- 7 million workers lack level 2 qualifications.
- Small businesses are less likely to training than larger companies.
- Occupational and sectoral segregation by gender contributes to skills gap and gender pay gap.

Figure 2.3 Opportunities in Wider Economic/Political/Social Environment²⁰

- Macroeconomic stability provides foundation for further employment growth.
- Strong labour market institutions (Jobcentre Plus and Learning and Skills Councils) and the Government's commitment to engage the private and voluntary and community sectors in the delivery of public services.
- Regulatory framework that sets clear minimum standards (including the National Minimum Wage) but provides flexibility to employers and individuals.
- UK Government employment policy framework to achieve 80% employment rate aspiration and to increase the employment rates of disadvantaged groups through active labour market policies such as the New Deals.
- Welfare reform policies to modernise the welfare state and break down barriers to work, including Pathways to Work and increased support for lone parents and older workers.
- Government investment in childcare for all families with children up to 14, through Sure Start and the National Childcare Strategy.
- Government investment in, and reform of, education and training since 1997, including to increase the participation and attainment of 14 to 19 year olds.
- National skills strategy and programmes (such as Skills for Life and Train to Gain) to improve adult basic skills and tackle skills deficits in the workforce.
- Transformations in the global economy including changes in technology, production, trading and new markets in Eastern Europe and the Far East.

²⁰ More in-depth discussion of the data contained in this box is found in Chapter 3 of this report and Chapter 1 of the Operational programme. It is included here in order to provide a complete picture of the economic/social/political issues surrounding ESF.

Figure 2.4 Threats

- Macroeconomic instability or change in interest rates might affect business climate and thus employment levels
- The productivity gap with major competitors might increase if those countries raise their productivity faster than the UK, or if the UK's growth is not as fast as expected.
- An ageing population could reduce the supply of labour if older people are not retained in work and inactive people are not attracted to the labour market.
- Historical, cultural and social attitudes could reinforce occupational and sectoral segregation by gender.
- Discrimination could affect recruitment and retention of groups such as people with disabilities and ethnic minorities.
- Social and cultural attitudes could discourage some groups from seeking employment including people with disabilities, lone parents and people from some ethnic minority communities.
- Changes to resources or programmes of labour market institutions could affect provision.

The above SWOT analysis has led to the identification of the following **set of areas for potential ESF activity** which will extend employment opportunities and develop a skilled and adaptable workforce:

- improve the employability and skills of unemployed and inactive people so that they move from welfare to sustainable employment;
- reduce the number of workless households – and thereby reduce income inequality and the number of children living in poverty;
- reduce the duration of unemployment;
- reduce the flow of people on to incapacity benefits and to tackle the stock of incapacity benefit recipients;
- reduce inactivity rates of groups at a disadvantage in the labour market, including people with disabilities and health conditions, lone parents, older workers and ethnic minorities;
- tackle worklessness in cities and deprived areas;
- improve participation and attainment of young people in learning, and reduce numbers of NEETs;
- reduce the numbers of adults without basic skills;
- help those in work stay in work by increasing their qualifications and skills – especially those lacking level 2 qualifications;

- reduce gender segregation by encouraging individuals to obtain work in industries/ sectors not associated with their gender;
- tackle the skills deficit in the workforce at intermediate level, and improve the skills of managers and workers in small businesses.

2.5 Conclusion

The above discussion of the strengths and weaknesses in the English labour (and in particular the in-depth discussion in Chapter 1 of the Operational Programme) leads to the identification of a set of coherent activities for potential ESF activity. These provide a labour market rationale for the Priorities and objectives of the 2007-2013 ESF programme.

The above analysis tends to concentrate on discrete groups, such as lone parents or the disabled. However, these groups are cross-cutting and participants are likely to experience multiple disadvantage. Early versions of the OP gave limited recognition of this issue. Following recommendations during the ex-ante evaluation, the issue of multiple disadvantage was taken on board and the OP now includes a section which states that it is a combination of disadvantage, rather than having just one particular disadvantage, which leads to higher rates of unemployment/inactivity. As the 2007-2013 programme is likely to support those who are multiply disadvantaged, recognition of this is important, including the difficulties that accrue from supporting those who are multiply disadvantaged. Chapter 3 provides more details.

3 Relevance of the England Operational Programme to policy and practice

3.1 Introduction

This chapter considers the underpinning rationale of the 2007-2013 ESF programme and the extent to which this is both relevant and appropriate. To do so it first considers the rationale of the programme in relation to the National Strategic Reference Framework and overarching EU documents. The chapter then moves on to consider the rationale of the programme in relation to the labour market and domestic policy.

Later sections of this chapter look at how appropriate it is for ESF, as a delivery mechanism to focus on the specific objectives outlined in the Priorities. This is considered with regard to performance in the 2000-2006 Programme. In this context possible risks and good practice are also outlined.

3.2 An Assessment of the Programme Priorities in Relation to Community Policy

The UK National Strategic Reference Framework (Structural Fund Regulation Article 25) provides a reference instrument for drawing up Structural Funds Programmes to ensure that Structural Fund spending is consistent with the Community Strategic Guidelines and the Member States' National Reform Programme for delivering the Lisbon Agenda. The UK Framework sets out the Government's central economic objectives (see section 3.4 for more detail) which include raising the rate of UK productivity and growth; and full employment in every region.

The four main Priorities (two each for the Regional Competitiveness and Employment and the Convergence Objectives) clearly reflect the Government's objectives as set out in the National Strategic Reference Framework (NSRF). Thus the Regional Competitiveness and Employment Objective is focused on extending employment opportunities and developing a skilled and adaptable workforce. The Convergence Objective is similarly targeted towards tackling barriers to employment and improving the skills of the local workforce – particularly ensuring that the workforce has the skills to take part in the knowledge economy.

As the Operational programme makes clear, both the NSRF and the ESF Priorities in the 2007-2013 programme are also underpinned by the European Employment Strategy (EES) Recommendations to the UK. This highlights that concentrations of economic inactivity persists in certain communities and groups and that productivity remains low due to low basic skills and intermediate qualifications. Hence it recommends enhancing the employability of the inactive, especially the disabled, lone parents and those living in deprived areas. Improved access to affordable childcare, implementing national/regional skills strategies and improving participation and achievement of 16-19 year olds and those in low-paid jobs is also cited as necessary. These issues will be looked at in more detail later in the chapter, where it will be argued that the 2007-2013 OP takes these into account.

3.2.1 Section on NAPs to be included in final draft

3.2.2 Mapping EU Guidelines Against the OP Priorities

Figure 3.1 maps the relevant EU guidelines (Community Strategic Guidelines for Cohesion Policies, Integrated Guidelines for Jobs and Growth, and EU's Employment Recommendations to the UK) across to the ESF Priorities and objectives. Figure 3.1 is a slightly reduced version of the tables provided in Chapter 2 (2.3.1 and 2.3.2) of the Operational Programme and the text of Chapter 2, 2.3.3. It should therefore be considered in conjunction with the information provided in the OP. Figure 3.1 is provided here in order to highlight that there are identifiable links between the EU Guidelines and the Priorities and objectives in the 2007-2013 OP, and hence these are underpinned by an appropriate rationale. This is not accidental, but rather because the OP has been developed with deliberate reference to the EU Guidelines.

The OP provides further information on the "read across" between the Priorities and objectives of the OP in relation to the relevant employment related objectives of the Community in the field of social inclusion (Chapter 2, 2.3.4) and education and training (Chapter 2, 2.3.5). Again it can be clearly seen that there are identifiable links between these Community objectives and the Priorities and objectives outlined in the 2007-2013 OP. Therefore it may be said that the 2007-2013 OP supports the Communities objectives for social inclusion and education and training.

However, having said all that, it is acknowledged here that the Priorities and objectives set out in the 2007-2013 OP state *what* will happen in the programme but not *how* these objectives will be brought about. That is, the specific activities that

will occur in the programme. The latter, at this point in drafting the ex-ante evaluation, are still being developed although some indication is provided in Chapter 3 of the OP. Until these are further developed it is not possible to state whether the OP is likely to succeed in meeting its objectives. This issue will be considered further in later drafts of the ex-ante evaluation.

Figure 3.1 Mapping of EU Guidelines Against Planned ESF Priorities and Objectives

Community Strategic Guidelines for Cohesion Policies	England ESF OP Priorities and Objectives
<p>Broad guideline 1 - making Europe and its regions more attractive to invest and work in, improving transport infrastructures and strengthening links between the protection of the environment, energy resources and growth</p> <p>Broad guideline 2 – improving knowledge and innovation for growth. For example, increase and better target investment in research, promote innovation, entrepreneurship and an information society.</p> <p>Broad guideline 3 - creating more and better jobs by attracting more people into employment, improving adaptability of workers and enterprises and increasing investment in human capital</p>	<p>Sustainable development will be a horizontal theme and activities will take account of relevant economic, environmental and social issues. Some projects may have a specific environmental focus.</p> <p>Priorities 2 and 5 – To help people develop skills, such as training in new technologies, to enable businesses to compete in a knowledge based economy. Develop entrepreneurship particularly for managers of small firms.</p> <p>Priorities 1 and 4 – will help the unemployed and inactive to gain skills to enter sustainable employment, particularly those at a disadvantage in the labour market and who have low skills. Inactive groups will include the disabled and those with health problems, lone parents, those aged over 50, those from ethnic minorities.</p> <p>Priorities 2 and 5 – will improve the adaptability of the workforce by, reducing the numbers without basic skills, increasing the number of workers qualified to level 2 and where there are skill shortages level 3, reducing gender segregation in the workforce and developing managers and workers in small businesses.</p>
<p>Integrated Guidelines for Jobs and Growth - (There are 24 guidelines, ESF has been developed in line with the following guidelines. Those that are omitted are beyond the scope of ESF)</p> <p><u>Employment Guidelines</u></p>	<p>England ESF OP Priorities and Objectives</p>
<p>17. To implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.</p>	<p>All priorities will contribute to this guideline.</p>
<p>18. To promote a lifecycle approach to work.</p>	<p>Priorities 1 and 4 – for example to improve the employability of young people, increase the participation of women in the labour market; tackle barriers to work faced by people with caring responsibilities, improve the employment rate of older workers</p> <p>Priorities 2 and 5 - will help to tackle gender gaps in the labour market by providing training for women and men in non-traditional occupations.</p>

Continued

Figure 3.1 Continued

Community Strategic Guidelines for Cohesion Policies	England ESF OP Priorities and Objectives
19. To ensure inclusive labour markets for jobseekers and disadvantaged people.	Priorities 1 and 4 - will support active and preventative labour market measures eg. job search assistance guidance and training.
20. To improve matching of labour market needs	Priorities 1, 2, 4 and 5 - will help to tackle skills needs, labour market shortages and bottlenecks.
21. Promote flexibility combined with employment security and reduce labour market segmentation.	Priorities 2 and 5 – will support activities to develop an adaptable workforce. Some aspects of this guideline, such as employment legislation, are beyond the scope of ESF.
23. To expand and improve investment in human capital.	Priorities 2 and 5 – will promote apprenticeships and entrepreneurship; and promote lifelong learning, especially among low skilled and older workers.
24. To adapt education and training systems in response to new competence requirements.	Priorities 2 and 5 - will ease and diversify access to all to training; respond to new occupational needs, and future skill requirements.
EU's Employment Recommendations to the UK	England ESF OP Priorities and Objectives
<i>Note: this section will be reviewed and updated in the light of guidance from the Commission about which year's Recommendations should be used for the reference point.</i>	Priorities 1 and 4 – are focused on these issues as they will help the unemployed and economically inactive, - including lone parents, and people in deprived areas - to develop skills to enter sustainable employment.
(Recommendation 1 - ensuring that wage trends do not exceed productivity gains is beyond the remit of ESF)	
Recommendation 2 - ensuring that active labour market policies and benefit systems prevent de-skilling and promote quality in work, by improving incentives to work and supporting sustainable integration and progress in the labour market of inactive and unemployed people; addressing the rising number of people claiming sickness or disability benefits, and giving particular attention to lone parents and people living in deprived areas;	
	Continued

Figure 3.1 Continued

Community Strategic Guidelines for Cohesion Policies	England ESF OP Priorities and Objectives
<p>Recommendation 3 - improving the access to and affordability of childcare and care for other dependants, increasing access to training for low paid women in part-time work, and taking urgent action to tackle the causes of the gender pay gap;</p>	<p>Priorities 1 and 4 –will help to tackle the barriers to labour market entry faced by people with caring responsibilities, especially lone parents. They will add value to strategies to improve access to childcare and care for other dependants.</p> <p>Priorities 2 and 5 - will increase access to training for low paid women in part-time work, train more care workers, and help women to enter traditionally male occupations.</p>
<p>Recommendation 4 - implementing national and regional skills strategies, with particular emphasis on improving literacy and numeracy of the workforce, the participation and achievement of 16-19 year olds, and low-skilled workers in poorly paid jobs.</p>	<p>Through these activities ESF can play a limited role in tackling the causes of the gender pay gap. Wider societal and cultural attitudes which contribute to the gender pay gap cannot be tackled by ESF.</p> <p>Priorities 2 and 5 – will contribute towards the national and regional skills strategies by improving adult basic skills, the participation of 16-19 year olds and the qualifications and skills of low skilled workers.</p>

3.3 Assessment of the Programme Priorities in Relation to Domestic Policy Considerations

The purpose of this section is to examine recent overarching policy objectives in England to assess whether the priorities and objectives of the 2007-2013 ESF programme are relevant in relation to them. It is divided into two main parts, the first looks at England's policy objectives in relation to increasing employment and promoting social inclusion, the second considers England's policy objectives with regard to raising skill levels in the workforce.

3.3.1 Increasing Employability and Promoting Social Exclusion

The 2006 Green Paper "A new deal for welfare: Empowering people to work"²¹ sets out reforms for the welfare state which aim to increase the employability of those on welfare benefits. The Green Paper states that, despite the UK having one of the highest employment rates in its history, there are some groups who continue to face barriers to entering the labour market because they are inactive rather than unemployed. These groups are the: disabled, lone parents, minority ethnic groups, people aged 50 or over, those with low or no qualifications and those living in the 30 most deprived local authority districts. In order to address the social and economic problems associated with relatively high rates of inactivity, the Government has an aspiration to raise the employment rate to 80 per cent of the working-age population. It proposes to do this by reducing the numbers on incapacity benefit by 1 million, helping 300,000 lone parents into work and increasing by 1 million the number of older workers.

Specific reforms are directed to the above groups. In relation to the disabled it is estimated that currently 2.7 million people are on incapacity benefits and that of these 80 to 90 per cent want to work. The Government intends to reduce the numbers moving on to benefit and increase the numbers leaving benefits and going into work. To achieve the latter a range of proposals are cited including extending provision of Pathways to Work – which combines intensive mandatory work-focused interviews with financial support. Regarding lone parents it is proposed that, as well as the New Deal for Lone Parents and compulsory work-focused interviews for those on Income Support, there will be an increase in work-focused interviews. Support for older people in terms of labour market interventions will include aligning employment support for over 50s with that of younger age groups by requiring them to take up jobseeking support available through the "New Deal 25 plus" and by enhancing take-up of the "New Deal 50 plus".

The White paper also includes proposals for tackling worklessness in cities, as there remain areas within them where there are pockets of persistent low employment and skills. The White Paper proposes that there will be an initiative for cities to help

²¹ A new deal for Welfare: empowering people for work, DWP, 2006.

local partners work together to improve economic regeneration. This will include an improvement in employment rates and skills, particularly for the disadvantaged from the previously mentioned groups.

Relevance to Priority 1 and 4 - The Government's Green Paper for welfare reform indicates a number of challenges for the UK in terms of increasing employability and reducing the numbers on benefit, particularly regarding the disabled, lone parents and those over 50. It has also been mentioned that a further challenge involves reducing concentrations of deprivation in the inner cities – which also affects these groups. As such there is clear alignment between the challenges identified by the Government as requiring help and the policy objectives set out in Priority 1 and Priority 4 of the 2007-2013 ESF programme.

3.3.2 Raising Skill Levels

The Leitch review²² looked at levels of skills and qualifications in the UK and how this affects economic prosperity, productivity and social justice. The review finds that there have been improvements over the last decade in the skills profile of the UK, for example, there have been increases in the proportion of the working age population holding higher-level qualifications (Level 4 or above), and decreases in the proportion with no qualifications or very low levels of qualification (below Level 2). However, there has been relatively little movement in the proportions with qualifications at Level 2 and 3 and overall the UK does not have a "world-class skills base". Over a third of adults in the UK do not have a basic school-leaving qualification, five million have no qualifications at all and one in six do not have the literacy skills of an 11 year old and half do not have these levels of numeracy. Thus whilst the UK has a strong economy, lack of skills affects productivity and employment - as those with low skills tend not to be employed. Amongst those with limited skills and qualifications are groups whose employment levels remain below the national average, such as lone parents, ethnic minorities and those with disabilities.

The report states that increased levels of skills, and hence employment, from "non-traditional sources" are necessary. This will contribute towards reducing social inequalities as individuals and households gain access to earnings which may have a positive impact upon, for example, levels of health, crime and the life chances of children dependent on their parents' income. It will also increase the pool of labour for employers which will allow a higher rate of sustainable growth in the short and longer term.

It is suggested that the type of skills required vary by industry and occupation, but employers tend to report that literacy, numeracy and technical skills are lacking in recruitment of new workers and generic skills such as communication, team-working and general IT skills are more likely to be lacking in existing employees.

²² Leitch Review, Interim Report, 2006.

The above themes of low levels of literacy, numeracy and technical skills within the UK workforce, were identified in Government literature prior to the Leitch review. For example, the Department for Education and Skills (DfES) commissioned the “Skills for Life” survey in 2002 to produce a national profile of adult literacy, numeracy and ICT skills.²³ This survey assessed these skills in a random selection of adults (8,730 in relation to literacy and numeracy and 4,656 for ICT skills) and found that 56% of adults in England had very low levels of literacy (16% at Entry level 3 or lower and a further 40% at Level 1). Numeracy levels were even lower with 75% of adults at Level 1 or lower (47% at Entry level 3 or lower and 28% at Level 1). In terms of having practical ICT skills only 9% of adults have these at Level 2 or above.

More recent Government documents on skills have looked at the above issues in more depth, and it is to these that this section now turns. The 2005 White Paper on skills,²⁴ in common with the Leitch report, states that “skills” are fundamental to the UK achieving the twin goals of social justice and economic success. It likewise says that skills are required because too many young people drop out of education and training before the age of 17 and too many adults lack basic skills in numeracy, literacy and other wider skills to support employability. Furthermore in terms of medium level skills (Level 3), the report identifies that although these have increased (50.8% of adults in 2004 compared to 43.1% in 1997), the proportion holding a Level 3 qualification is worse than the US and significantly worse than Germany. This hinders employers in improving productivity, particularly in competing in a global marketplace in relation to high value-added goods and services. At a personal level it holds individuals back from realising their own potential and from having a better standard of living. Furthermore, as demographic trends become more pressing and the population ages with fewer younger people going into the labour market, it will be necessary for more adults to gain the required skills.

The White Paper sets out the Government’s revised Skills Strategy to tackle the above weaknesses in skills. It states that this will occur through a number of “core strands”. For employers, this will include working more closely with them so that they can shape the supply of training and, through the National Employer Training Programme, provide them with a brokerage service where they are signposted to appropriate business support. In relation to individuals, the Skills Strategy outlines plans to help adults gain skills in literacy, numeracy, language and employability skills. These skills will be gained, for example, by the Government supporting adults in training to Level 2 (which, we are told, is the right level of skills for successful employment in many jobs) especially through the National Employer Training Programme. The Paper also looks at those groups with particular skills needs and who it says “need special attention if they are not to lose out”. These encompass those who are unemployed and on Jobseeker’s Allowance, those who are economically inactive and older people, ethnic minorities and women.

²³ The Skills for Life Survey, A national needs and impact survey of literacy, numeracy and ICT skills, Williams et al, DfES Report /, 2003.

²⁴ Skills: Getting on in business, getting on at work, DfES, March 2005.

Low skill and qualification levels occur in part because of underachievement in secondary and post secondary education. The 14-19 Education and Skills White paper²⁵ sets out the details of the Government's reform programme for the age 14 – 19 educational system. It is not the purpose of this report to look in detail at reforms of the educational system since for the most part this is beyond the remit of ESF. However, the White Paper provides the policy background in respect of ESF increasing the participation and learning of young people, particularly those who are not in education, employment or training (NEETs) or at risk of becoming NEET.

The White paper recognises that some young people face much greater barriers to learning than others and are not engaged in the education or training system. It outlines plans for providing extra support to these individuals. It states that whilst there are risk factors which may lead young people to become NEET (such as truancy, health problems, bullying, personal/behavioural problems, lack of support and traumatic events such as bereavement), there are three broad groups who have particular needs that should be addressed. The first of these are those who drop out of education because the curriculum, qualifications or learning styles do not motivate them. It is suggested that as well as continuing to invest in education up to age 14 in order to motivate these young people there will also be extra opportunities such as learning in more adult environments and more workplace experience. The second group to be looked at are those with serious personal problems which hinder their educational performance, such as teenage mothers, those with custodial sentences and those with dysfunctional family relationships. Policies here include financial and personal support as well as individualised work-based learning. The final group of young people with particular problems are students with learning difficulties, where improved qualifications and opportunities to develop life skills are proposed.

Relevance to Priority 1, 2, 4 and 5 - The preceding section outlines recent domestic policy objectives relating to skills. It identifies that, despite high levels of employment, the UK has a relatively poor skills base which will impact on future productivity, levels of employment and social justice. To enhance skill levels it will be necessary to encourage those who are "disengaged" from either education or the labour market. This includes: young people aged 14-19 who may have particular problems which lead to low skills and qualifications, lone parents, ethnic minorities and the disabled - who experience a range of barriers including low skills which affect their employability and older workers who will need to gain new skills to remain in employment as demographic trends become more pressing. However, as the Leitch report and the Government's White Paper identify, the workforce's skills also need enhancing for those who are not necessarily disengaged from education or the labour market – but who require "upskilling" to Level 3. This demonstrates that the Priorities and objectives of ESF in the 2007-2013 programme are clearly linked and relevant to domestic policy priorities in relation to skills and employability.

²⁵ 14-19 Education and Skills, DfES, February 2005.

The above section demonstrates an appropriate rationale underpinning the 2007-2013 ESF programme in relation to domestic policy objectives.

3.4 How Appropriate is the Operational Strategy – Risks and Lessons Learnt?

This section examines the priorities in the Operational Programme and considers how appropriate it is for ESF, as a delivery mechanism, to provide the proposed activities. It does so by examining the findings of the mid-term evaluation, its update and associated research reports. It looks at the available evidence in relation to Priorities 1 and 2 in the national Regional Competitiveness and Employment Objective. However, in general the findings will also be relevant to the Convergence region (Cornwall and Isles of Scilly) supported under Priorities 4 and 5. Evidence which is more specific to these regions will be examined in Chapter 7.

The following sections examine the extent to which ESF may be able to deliver an effective programme to the **particular groups of beneficiaries** identified in Chapter 3 of the Operational Programme. Before turning to this issue, this section examines why other potential groups have not been identified as those who will receive ESF support in the 2007-2013 programme in comparison to others.

3.4.1 Alternative Areas for Support

The 2000-2006 ESF programme was wide ranging in terms of both activities undertaken and the groups which received support. However, the Update to the Mid-term Evaluation contained proposals for the new programme which were limited to four main themes: support for those with a disability/health problem that are relatively near to the labour market, lone parents, small grants for local organisations working with the disadvantaged and support for an adaptable workforce.

The reason why the Update report suggested that the 2007-2013 programme should focus on these limited areas was because of the reduced level of funding which would be available for the 2007-2013 programme. Analysis had indicated that support for the disadvantaged (e.g. those with a disability or ethnic minorities – Chapter 9, 9.2.2) was expensive. Bearing in mind a reduced budget, it was considered appropriate to focus ESF in order to maximise results for those groups which were supported.

Furthermore, analysis had also indicated (Chapter 6, Update report) that those individuals from disadvantaged groups who were relatively near to the labour market on joining ESF, were most likely to gain employment on leaving. Again bearing in mind reduced funding for the 2007-2013 programme, it seemed that most added value could be gained by supporting those individuals that were *not* distanced from the labour market.

The Operational Programme (Chapter 3) suggests that activities may be directed to a range of disadvantaged groups. It is to these groups that this section now turns. **It is emphasised that although these groups are looked at as falling within a specific Priority axis – in practice they will be supported under both Priorities 1 and 2.**

3.4.2 Priority 1 Extending Employment Opportunities

As stated previously, this priority will focus support its on activities to enhance access to employment and sustainable inclusion in the labour market of unemployed and inactive people, including people with disabilities and health conditions, lone parents, older workers and ethnic minorities. Activities should help unemployed and inactive people to gain skills for employability and enter jobs. They should also help those entering jobs to sustain their employment and make progress in the workplace. This section begins by looking at evidence related to the employability of ESF beneficiaries who are unemployed and/or inactive. It will then proceed to examine data for the three groups of beneficiaries, mentioned above, who may be helped by ESF under Priority 1 and consider how these groups may also experience multiple disadvantage. Finally evidence related to supporting small community projects will be considered.

3.4.3 Unemployed/Inactive

Previous sections have argued that in relation to the needs of the labour market and recent domestic policy priorities, it is relevant for ESF support to be directed towards the unemployed and economically inactive in the medium to longer-term.

To what extent, however, is ESF likely to be able to provide effective support to the unemployed/economically inactive? This may be gauged by looking at the performance of the 2000-06 programme in relation to this group. The Update to the Mid-term Evaluation indicates that the 2000-06 programme has reached high proportions of this client group (61% of beneficiaries being unemployed/inactive on entry to ESF), even prior to the programme being re-focused more specifically on the inactive. Furthermore, the Beneficiaries' Survey confirms that two thirds of beneficiaries supported in the 2000-06 programme experienced a labour market "disadvantage" (such as being disabled or a lone parent) and well over a third (37%) had two or more disadvantages. This suggests that, based on past experience, a new programme post 2006 ought to be similarly successful, overall, in reaching the unemployed and economically inactive.

In terms of outcomes, the Update report shows that of those who were unemployed/inactive when they started Objective 3, the majority (61%) achieved a positive outcome – with just over a fifth gaining employment. However, the Beneficiaries' Survey indicates that ESF has been more successful in getting the unemployed (that is those who are nearer to the labour) into work – 44% around 6 months after ESF, compared to the inactive – 34%.

The report “ESF: a Profile of “Inactive” Beneficiaries”²⁶ indicates that the attitudes of inactive beneficiaries, towards work, influence the extent to which they successfully obtain employment. It showed that inactive beneficiaries had differing orientations to work ranging from those who wanted to work immediately, to those who wanted to work at some point in the future, to those who had no desire to work at all. These different outlooks were underpinned by multiple barriers to employment which influenced beneficiaries’ attitudes to work and subsequent job search (or lack of job search behaviour). This is considered in more depth in section 3.4.9.

In view of ESF performance in the 2000-2006 programme, the 2007 to 2013 ESF programme may experience few problems in targeting the unemployed/inactive and can build on substantial previous experience. However, ESF has been more effective in getting the unemployed into work, and has had more limited success with the “inactives”. This is because of the inherent difficulty in dealing with individuals who have a range of barriers to employment. It is likely therefore that this situation will continue in the new programme. On the other hand, the Programme’s effectiveness will vary between the differing inactive groups as indicated below. Good practice guidance (as outlined later in this chapter), if adhered to, may also go some way to enhancing outcomes.

3.4.4 Lone Parents

Previous sections have examined the labour market participation of lone parents and have confirmed that given the relatively high number of lone parents that are inactive and the Government’s aim to reduce this, it is relevant for ESF to focus activity on this group.

It has been suggested above, that it is appropriate for ESF to focus activity on the inactive per se, but how far is this true in relation to lone parents? Again information from the 2000-06 programme may be informative. Lone parents made up around 10% of project beneficiaries (Beneficiaries’ Survey²⁷). Furthermore, the Beneficiaries’ Survey indicates that in common with the general population the majority (81%) of lone parents were women and that most clients were out of work with (20%) being unemployed and well over a third (36%) inactive.

Hence it can be seen that ESF has attracted substantial lone parents on to the 2000-2006 programme. To an extent this indicates that the 2007-2013 Programme may have few problems in reaching this client group. However, the update to the mid-term evaluation suggested there may have been a very slight reduction in the proportion of lone parents supported since the mid-term. This could be because lone parents have become “harder to reach and help”. That is some lone parents,

²⁶ European Social Fund: A profile of “inactive” beneficiaries, Taylor and O’Connor, DWP, Research Report 254, 2005.

²⁷ ESF Beneficiaries’ Survey, Baker and Cubie, DWP Research Report , 2006.

possibly those closest to the labour market, may be attracted on to domestic provision such as New Deal for Lone Parents. The remainder, who may be further from the labour market in terms of not wanting to work in the near to medium term, will be less likely to seek any support - including ESF. Another reason why ESF may have had problems in attracting lone parents is because ESF provision may not have been flexible enough in terms of childcare provision to suit lone parents' needs. It was also highlighted in the mid-term evaluation that projects in the 2000-2006 Programme had fallen well behind in terms of providing childcare and that this needed to be increased.

Having said that, it is worth considering how effective ESF has been in the 2000-2006 programme in helping lone parents progress towards employment, to gauge the potential effectiveness of ESF in the 2007-2013 programme. The Beneficiaries' Survey indicates that 71% of lone parents (compared to 69% of the total wave 2 sample) gained some sort of qualification from ESF. Where it was possible to identify the type qualification, it was seen that 40% of lone parents gained an NVQ with 30% at NVQ level 2 or 3. In terms of gaining employment, by the time of the survey (around six months after leaving projects) the proportion of unemployed lone parents had fallen by 8 percentage points from 22% on starting ESF to 14% (compared a decrease of 13 percentage points for the total sample). The proportion of inactive lone parents had decreased from 35% to 23% (compared to a decrease of 5 percentage points for the whole sample).

The above indicates that lone parents certainly appear to benefit from ESF support and in comparison to the inactive in general, appear to be a group where there are significant changes in the level of inactivity. This point is further emphasised by the findings of the Follow-up Survey of ESF Leavers²⁸ which shows that lone parents as a group were one of the most successful of all the "disadvantaged groups" in obtaining employment in the longer term with an increase of 27 percentage points from the position on starting ESF (54% of lone parents in the sample were in jobs after 18 months).

However, not every lone parent attracted on to ESF in the 2000-2006 programme, wanted a job after leaving ESF. The "Inactives" report suggests that some lone parents may have relatively positive work orientations and view work as an immediate priority. On the other hand, others in this group may be constrained from working immediately on leaving ESF due to personal circumstances such as continuing childcare responsibilities combined with other barriers such as limited and costly childcare provision, negative employer perceptions such as concerns over childcare cover and on a more individual level a sense of isolation and pressures connected with sole responsibility for financial matters and child-rearing (ESF Objective 3 Case Study Research)²⁹. As suggested in Chapter 2, lone parents may also be multiply disadvantaged and barriers associated with these disadvantages

²⁸ Follow-up survey of European Social Fund Leavers, Humphrey and Robinson, DWP Research Report 258, 2005.

²⁹ ESF Objective 3 Case Study Research, DWP Research Report , 2005.

such as a disability will further constrain lone parents' employability. This suggests that whilst lone parents who participate in ESF in the 2007-2013 programme may want to work on leaving ESF, immediate outcomes may be constrained by a range of labour market barriers.

The above leads to the conclusion that it is appropriate for ESF to target lone parents in the 2007-2013 programme as ESF has previously reached a substantial percentage of lone parents who wish to work, has been effective in helping these individuals to gain positive outcomes including employment and can therefore build on this previous experience. On the other hand, lone parents' labour market status will be constrained by barriers, such as child care responsibilities, and hence ESF outcomes will be similarly limited by these.

To what extent can ESF add value to domestic employment related policy for lone parents? ESF support for lone parents is currently, and is likely to continue to be, set within a policy context where there are domestic initiatives in place to help this group. Indeed, the increase in the employment rate for lone parents since 1997 may in part be due to the success of these government policies, as well as an economic climate where there is sustainable growth and hence jobs. Research suggests that domestic policies account for about half of the 9 percentage point rise in lone parent employment since 1997, with the New Deal for Lone Parents (NDLP) accounting for most of that increase. Further improvements are based on helping lone parents progress into work through, for example, mandatory work focused interviews, improving the availability of flexible and affordable childcare and more wide ranging fiscal and cultural changes.

As suggested previously, ESF support for lone parents in the 2000-06 Programme seems to have reduced slightly. It was suggested this was partly because those closest to the labour market are attracted on to the New Deal for Lone Parents and the remainder, who are "harder to reach" will be less likely to seek any support - including ESF. Evaluation evidence for the NDLP confirms that current domestic provision may not be helping the hardest to reach lone parents. It is suggested that this is an area where provision could be improved. The update to the mid-term evaluation recommended that the 2007-13 ESF programme should focus support on lone parents who are furthest from the labour market as this would provide more added value than providing support to those who are nearer to the labour market.

The above suggests that in the 2007-2013 programme ESF will need to align itself with domestic initiatives designed to support lone parents in order to provide added value, since much of the increase in employment in this group comes from domestic policies. This may involve targeting those who are hardest to help among lone parents. As suggested above, however, there will be difficulties in attracting this client group on to the programme – though adequate and flexible provision of childcare may go some to alleviating this problem. Good practice guidelines also suggest effective methods of reaching disadvantaged groups.

Until activities are further developed in the OP it is not possible to state whether the OP is likely to succeed in meeting its objectives for lone parents. This issue will be considered further in later drafts of the ex-ante evaluation.

3.4.5 Disabled/Health Problem

The association between “disability” and unemployment/inactivity has been discussed earlier, as has the Government’s aim of reducing those on Incapacity Benefit by one million. In view of this it has been suggested that it is relevant to focus ESF support on the disabled. This section looks at how appropriate it is for ESF to provide support for this group, bearing in mind previous experience.

The proportion of beneficiaries supported by the 2000-06 programme who had a “long-term illness, health problem or disability” was not inconsequential at 21% (Beneficiaries’ Survey, 2006). Of those who had a disability/health problem on entry to the programme - almost three quarters (77%) were unemployed/economically inactive prior to joining the programme with almost a half being inactive. The above indicates the potential of the 2007-2013 programme in terms building on past experience particularly in terms of successfully *reaching* disabled beneficiaries.

Looking at the potential effectiveness of ESF in 2007-2013 with regard to outcomes, again the experience of the 2000-2006 programmes is encouraging. Beneficiaries’ Survey data suggests that for disabled beneficiaries, as with beneficiaries overall, there were positive ongoing effects of participating in the programme. The level of employment increased sharply from on joining to immediately on leaving (by 16 percentage points - a larger increase than for the sample as whole – 14 percentage points). The unemployment rate decreased and again this is by a larger proportion than for the sample as whole – 14 percentage points compared to 10 percentage points. However, these gains tended to be made with individuals who were relatively close to the labour market on joining ESF. Thus those already in employment maintained their position and over a quarter of those unemployed on entry gained a job, as did getting on for a half (46%) of those in education on joining. Those with the greatest distance to travel – the inactive, were the least successful in gaining employment on leaving (18%). Furthermore, evidence from the Follow-on Survey showed that over time subsequent gains were limited, which the update report argued may be because of the intractability of barriers associated with having a disability/health problem.

The above confirms that it is appropriate for ESF in the 2007-2013 programme to focus support on the disabled, given past experience there is no reason to assume it will not be able to attract disabled clients on to the programme and build upon what seems to be a substantial amount of previous experience. However, in terms of outcomes, support for those inactive who are nearest to the labour market is likely to be the most effective.

The update to the mid-term evaluation indicated that project activity for the disabled was very varied and provided support along a continuum of need in relation to the labour market. At one end of this continuum were projects which provided support to beneficiaries who wanted to work as the next step and training was specifically geared to getting them job ready and placing them into work. Further along the continuum were projects that dealt with beneficiaries who had some way to progress before getting a job and offered training, advice or confidence building. At the other end, were projects which supported beneficiaries who did not want/could not reasonably be expected to work and so were not designed to get beneficiaries into jobs but rather provided a safe haven.

To an extent this variety exists because, as outlined in Chapter 2, the disabled are a diverse group with differing needs and a “one size fits all” approach is not applicable. Furthermore, the update to the mid-term evaluation has indicated that support for the disabled is expensive, presumably because of the intensity of support that is required (section 3.5 gives an indication of the type and intensity of support required).

The update to the mid-term evaluation questioned the appropriateness of ESF providing training that was not directed towards achieving job outcomes. It suggested that in the 2007-1013 programme, support should be focused on those who are relatively near to the labour market and can be expected to obtain jobs at some point in the future. However, support needs to be flexible and respond to differing needs. Furthermore, this support is likely to be expensive.

To what extent can ESF support to the disabled in the 2007-2013 programme provide added value? A range of domestic policies have been designed to improve disabled people’s employment opportunities such as Pathways to Work (which sets out a strategy for assisting people on Incapacity Benefit to return to work) or the New Deal for Disabled People which aims to help people on disability and health-related benefits move into work through a network of Job Brokers. Some of these initiatives are currently being piloted and there may be potential for the new ESF programme to add value to their roll-out by extending their scope and intensity. However, whilst Government initiatives play a key role in helping the disabled to engage with paid work, as the update to the mid-term evaluation showed there a much wider network of pre-employment services for the disabled. This includes private and voluntary sector organisations, which may have included ESF projects in the 2000-2006 programme. Whilst this wider network has an important role to play, evidence presented in the update to the mid-term evaluation indicates that in a new programme ESF funds for the disabled should have a more strategic focus.

Until activities are further developed in the OP it is not possible to state whether the OP is likely to succeed in meeting its objectives for disabled people. This issue will be considered further in later drafts of the ex-ante evaluation.

3.4.6 Older Workers

Both Chapter 2 and the previous section have outlined the various labour market and policy considerations which suggest that it is increasingly important for members of this group to stay in employment. In view of this it has been stated that it is relevant for ESF to provide support to the over 50s to help them into work. This is particularly the case as many are constrained by barriers such as health problems, caring responsibilities for grandchildren or older relatives, lack of qualifications or up to date skills, lack of recent work experience and lack of confidence. To gauge the future effectiveness of ESF with this age group it is pertinent to look at what has already been provided. The Beneficiaries' Survey indicates that around 17% of beneficiaries were aged 50 plus – with almost a quarter 23% of whom were inactive and 31% were unemployed. In common with the points raised previously, many of the over 50s experienced "disadvantages". Over a third (35%) suffered from a disability/health problem compared to 20% of the total sample, a third were long-term unemployed/inactive and almost two thirds (63%) had low human capital.

To an extent, therefore, it can be seen that ESF has already been supporting those over 50 who are most in need of help. However, this help may not necessarily be what older beneficiaries require. Whilst 74% of older beneficiaries felt that they were helped in building their self –confidence (one of the requirements mentioned previously in Chapter 2) – this compares to 81% for the total sample and is the lowest score of all age groups on this issue. Similarly, in terms of being given practical help in finding a job – 31% of older beneficiaries felt they had been given this help compared to 40% of the sample and again was one of the lowest scores of all the age groups. Furthermore, when looking at increases in employment following ESF support – of the "inactives" those aged over 50 are the only age group where *inactivity* increases over time. To an extent this is understandable as older people may join a course and then find that barriers associated with this age group, such as increased ill health, may limit employment. However, as pointed out earlier, some inactive beneficiaries were supported by ESF even though they had no intention of working in the future. This has been the case for some older beneficiaries.

The above indicates that, based on previous experience, in the 2007-2013 programme ESF may be successful in reaching those aged 50 plus who are inactive or unemployed. However, it will need to ensure that the support provided is more closely aligned to the needs of this group.

It must also be recognised that even with appropriate support, programme outcomes will be constrained by the barriers that some older people experience. Having said that, as far as possible, ESF provision in 2007-2013 should not be provided to those who have no intention of working in the future.

As seen previously, improving the position of the over 50s in the labour market is key part of Government policy and as such ESF support will be part of a wide a range of programmes and initiatives provided to this group. These include, for example,

tackling age discrimination in employment through the Age Positive campaign, improving back to work help through the New Deal for 50 plus and increasing choice and opportunity for older workers to stay in work longer.

Despite the range of existing provision, it should be possible for ESF to add value to domestic initiatives by increasing the level of support, particularly if support is relevant to the needs of older workers. It has been identified that older people require a number of different types of support to help them overcome barriers to employment and learning. This includes: skills assessments, advisers (sometimes of the same age groups) who can motivate individuals, help with practical job search such as CV writing and interview techniques, work trials and work experience, in-work support and work with employers to overcome age related discrimination.

Until activities are further developed in the OP it is not possible to state whether the OP is likely to succeed in meeting its objectives for older people. This issue will be considered further in later drafts of the ex-ante evaluation.

3.4.7 Ethnic Minorities

As Chapter 2 of this evaluation report and Chapter 1 (1.2.13) of the OP make clear, the employment rate for members of ethnic minorities is substantially below that of the overall rate and economic inactivity rates are high. As with the previous sections it is worth considering the extent to which the new programme may successfully engage with and provide effective support to, minority groups.

As before data is provided relating to the 2000-2006 programme and this indicates that ethnic minorities were well represented in ESF projects. The Update to the Mid-term Evaluation reported that project closure data (March 2005) indicated that overall 19% of beneficiaries were from these groups (compared to 9% in the working age population), which amounts to more than 300,000 people.

The Update report showed that ethnic minorities were more likely to be supported in Policy Fields 1 and 2, compared to white beneficiaries (35% of ethnic minority beneficiaries were supported under both PFs 1 and 2 compared to 25% of white beneficiaries who were supported under PF1 and 20% under PF2). The extent of this representation in these policy fields indicates that ESF Objective 3 was successfully targeting ethnic minorities who were long term unemployed or most at risk of social exclusion.

In terms of the support provided the Update report found that 87% of projects assisted beneficiaries from black and minority ethnic groups, with 2.5% working *solely* with Black and minority ethnic beneficiaries. When looking at the *type* of support provided to ethnic minority beneficiaries across all projects, and in comparison to their white counterparts, the Update report uses Beneficiaries' Survey data to show that a much higher level of skills training and support related to finding work was provided to beneficiaries from ethnic minorities. For example, in terms of advice and guidance - 72% of ethnic minorities received this compared to 60% of whites,

or in relation to “Information about appropriate job vacancies” 51% of ethnic minorities had this type of support compared to 39% of whites. This higher level of support to ethnic minorities compared to Whites, reflects the lower employment rate amongst ethnic minorities.

The Beneficiaries’ Survey also looked at the type of work related skills gained or improved on. Again there was a much higher rate of acquisition of work related skills for ethnic minority beneficiaries, compared to white beneficiaries and the sample as whole. For example, when looking at practical skills related to a particular job these were 14 percentage points higher than those reported for the white population (84% ethnic minority group and 70% whites) and wider job skills were 17 percentage points higher for ethnic minorities compared to the white population (53% ethnic minorities compared to 36% whites).

To what extent, however, has ESF support in the 2000-2006 programme been effective in providing positive outcomes to ethnic minority beneficiaries? The Beneficiaries’ Survey shows that there was an increase of 14 percentage points in the employment rate of ethnic minorities, from starting to leaving projects – which is equal to the white cohort. At the time of the Survey, around six months after leaving projects, this rose by a further 7 percentage points. Although the proportion of ethnic minorities in work after six months is slightly higher than for the white population, in common with whites, the proportion of those who are inactive remained the same.

The above suggests that, based on experience from the 2000-2006 programme, the 2007-2013 ESF programme should be successful in reaching members of ethnic minority groups, in providing appropriate support and in enabling members of ethnic minority groups to gain employment

However, in common with Whites, positive labour market outcomes are likely to be limited for members of ethnic minority groups who are inactive. As seen previously, labour market outcomes for “inactives” will depend on a variety of individualistic criteria such work orientations and personal circumstance. For ethnic minorities the latter will include issues specifically related to their ethnic group. Thus some ethnic groups tend to have higher employment rates than others and women in some ethnic groups, such as those from Bangladesh and Pakistan, have particularly high inactivity rates due to cultural considerations.

Until activities are further developed in the OP it is not possible to state whether the OP is likely to succeed in meeting its objectives for ethnic minorities. This issue will be considered further in later drafts of the ex-ante evaluation.

3.4.8 Young People Not in Education, Employment and Training (NEETs)

It has been argued above, that there is a clear labour market and policy rationale for ESF to provide support to those young people who are not in education, training or who are at risk of becoming so. When looking further at the extent to which ESF may provide effective support to this group, there is no direct ESF evaluation evidence on which to base a judgement. This is because the 2000-2006 programme provided limited support to this group. Recent monitoring data suggests that of over 2 million beneficiaries, only a very small proportion appear to be NEET or at risk of becoming NEET (13-17 year olds in danger of being excluded from School – 76,326 beneficiaries and 13-17 year olds not in school – 2,816). Furthermore, as suggested in Chapter 2 (2.3.2) the group “NEET” encompasses a range of differing groups with varying problems and levels of severity in terms of these problems.

Bearing this in mind, ESF support directed towards NEETs in the 2007-2013 programme should take account of lessons from research and evaluation experience provided through the domestic initiatives. For example, research conducted for DfEE – “Disadvantaged Youth”³⁰ looks at the relative success of remedial strategies for those aged 14-19 and attempts to present the most effective and feasible solutions. Examination of these solutions indicates that many of the effective strategies for NEETs are, in fact, very similar to the example of good practice identified in the update report for ESF projects dealing with disadvantaged groups. For example, suggestions for working effectively with NEETS include: that interventions focus on the individual through, for example, action planning, goal-setting and mentoring, that these interventions are devised and delivered through partnership and multi-agency approaches, that they should use targeted outreach work to identify those in need and support them on re-entering the system and that as well as focusing on “soft” issues such as building confidence and self-esteem they also look at other issues in an individual’s life which may need support such as housing and welfare. (Further details of good practice guidelines for projects working specifically with NEETs is provided later in this chapter in section 3.6).

Bearing the above in mind, existing good practice guidelines (outlined in the next section) suggest that ESF should be able to provide effective support to NEETs. Indeed some of the projects identified as good practice projects were those working with this client group. However, ESF experience in supporting NEETs is limited compared to other domestic initiatives. Lessons learnt from outside of ESF in response to this group must be taken on board. It is suggested that the managing authority disseminate good practice in relation to NEETs to intermediate bodies (eg LSC) and projects.

³⁰ Disadvantaged Youth: a Critical Review of the Literature on Scope, Strategies and Solutions, DfES Research Report 169, 1999.

Any ESF support that will be provided to NEETs in the 2007-2013 programme will be set within a policy context, as seen previously, where a wide range of support is provided to this group to get them into education or work. For example, this includes the Education Maintenance Allowance (EMA) which is a weekly allowance to 16 to 19 year olds from lower income families who remain in full-time education after the end of compulsory schooling, the Connexions Service, a national network of personal advisors for 13 to 19 year olds which is targeted at those most at risk of social exclusion and the New Deal for Young People for 18-24 year olds who have been claiming unemployment benefits for six months or more. In this context it is necessary to consider the added value the ESF support will provide.

Until activities are further developed in the OP it is not possible to state whether the OP is likely to succeed in meeting its objectives for NEETs. This issue will be considered further in later drafts of the ex-ante evaluation.

3.4.9 Multiple Disadvantage

So far this section has looked at specific groups who tend to be disadvantaged in the labour market. However, as pointed out earlier in this Chapter (3.4.2) and in Chapter 2, individuals may experience a combination of disadvantages - multiple disadvantage. The Update to the Mid-term evaluation looked at the incidence of multiple disadvantage in the 2000-2006 programme and reported that over a fifth (21%) of ESF participants who had responded to the 2004 Beneficiaries' Survey experienced at least two labour market disadvantages and 16% were severely disadvantaged as they experienced three or more disadvantages.³¹ The Update report also suggested that Objective 3 was engaging with a higher proportion of individuals with three or more disadvantages than was found in the general population (Update report, Chapter 6, 6.2.1). Bearing this in mind, and as Priority 1 in the 2007-2013 programme is focusing on the unemployed and inactive, it seems inevitable that participants in the new programme will experience multiple disadvantage. This is highlighted below, where it may be seen that those groups most likely to experience multiple disadvantage feature in the new programme.

The ESF evaluation team commissioned a study ("Research into Multiple Disadvantaged Groups in ESF Objective 3 in England")³² to explore in more depth which groups are likely to experience multiple disadvantage. This cited previous

³¹ Disadvantages comprised: having no qualifications on entry to the project; being long-term unemployed (or inactive) on entry; being a returner to the labour market absent for at least a year; being a lone parent; belonging to a minority ethnic group; not speaking English at home; having a disability/health problem; being a carer.

³² Follow-up Study of European Social Fund Leavers, Humphrey and Robinson, DWP Report 258, 2005.

work, conducted by Richard Berthoud,³³ which identified a number of groups who are likely to be multiply disadvantaged. Berthoud's classifications are referred to here because the study is comprehensive (analysing just under 55,000 Labour Force Survey (LFS) records over a nine year period). It should be stressed that not everyone who is a member of these groups will experience multiple disadvantage or be out of work, but it is a starting point for segmenting the broader client group into those in greatest danger of being without work. The groups identified by Berthoud as most likely to experience the most disadvantages are:

- Older people (over 50s);
- Those without partners, particularly those who have caring responsibilities – predominately lone parents;
- People in the 'unskilled' LFS socio economic group or those without qualifications;
- People with an "impairment"³⁴ (or for our purposes, a disability);
- Ethnic minority clients, particularly those from Bangladeshi and Pakistani groups; and,
- Those who live in "low employment demand" regions of the country.

However, Berthoud also identified that although the ***nature of the disadvantages provide an indication of the depth of problem facing an individual - it is the number of disadvantages that give a more direct assessment of their distance from the labour market.*** So in circumstances where it may be difficult to objectively assess the degree of disadvantage, understanding how many barriers clients may face would provide a quick assessment of the depth of their problem. According to Berthoud the ***"greater the number of disadvantages, the greater the level of non-employment – from just 3 per cent of individuals with no problem, up to an appalling 91 per cent of those with six problems"***.

The above describes which groups are most likely to be disadvantaged in the labour market and highlights that those with cumulative disadvantages tend to have the most distance to travel in obtaining employment. However, this does not really describe the *nature* of the barriers to employment that are experienced by these individuals. "ESF Objective 3 Case Study Research" provides a short review of these barriers and emphasises that these are likely to be cumulative – that is the barriers should not be seen as discrete to one group but overlapping. For example, a disabled participant on ESF may experience barriers associated with being disabled such as:

- Actual or perceived employer discrimination – leading to a lack of confidence on the part of the disabled job-seeker, and possibly less of an inclination to submit themselves for vacancies.

³³ R. Berthoud, Multiple Disadvantage in Employment: A Quantitative Analysis, Joseph Rowntree Foundation, Work and Opportunity Series No31, 2003.

³⁴ Berthoud used a combination of measures of physical and mental health with the number of conditions reported to model "impairment".

- Employer preconceptions – in spite of the Disability Discrimination Act, preconceptions about the types of employment people with disabilities can enter remain.
- Service provider preconceptions – preconceptions around the capabilities of individuals with disabilities, and appropriate interventions to realise them, could also extend to those providing services for them.
- If this disabled participant is also a lone parent or carer the above barriers may be combined with barriers associated with caring such as:
 - Individual barriers - such as a lack of confidence and appropriate skills, particularly if people have spent some time out of the labour market.
 - System barriers - such as a lack of information and problems finding alternative care from support services when they work. Carers may face financial disincentives to work and training, and their needs may not always be recognised by support agencies.
 - Labour market barriers - such as employers not always understanding the needs of carers, or offering appropriate flexible working practices.

The previous section suggests that in the 2007-2013 programme Priority 1 will support a proportion of beneficiaries who experience multiple disadvantage. Based on previous experience, the 2007-2013 programme may not have problems in engaging with these individuals. However, research indicates that the greater the number of disadvantages experienced the more distanced an individual is from the labour market and the more likely they are not to be employed. Hence in the 2007-2013 programme projects will need to respond to a range of overlapping problems and barriers. It will be their effectiveness in responding to these barriers that will, in part, lead to successful outcomes.

As pointed out already in this chapter (for example 3.4.2), in the 2000-2006 programme ESF has, overall, had less success in getting those who are inactive into work compared to the unemployed. The Update to the Mid Term Evaluation (MTE) report indicated that ESF appeared to have a differential impact on inactive beneficiaries – that is some inactive beneficiaries obtained jobs immediately on leaving, others went into further education/training on leaving ESF and then into jobs, whilst the majority remained inactive. It was suggested that this was because of the difficulty of dealing with individuals who have a range of barriers to employment. However, it is also worth drawing attention to individuals work orientations (which have also been previously mentioned) – as this indicates how difficult it is for projects to overcome all barriers.

Research commissioned by the ESF evaluation team on the attitudes of inactive beneficiaries³⁵ reported that inactive beneficiaries had one of four distinct work orientations on joining ESF which influenced their attitudes to work and subsequent job search. These were: work as an immediate priority – generally lone parents, work an option at some point – these beneficiaries were willing to work but constrained at the present time by personal circumstances, work not an option – these beneficiaries did not consider that they would work in the near future but would like to and work not a consideration at any time in the future – these beneficiaries had no intention of working in the future.

ESF had more impact in terms of moving beneficiaries into work in relation to those who were near to the labour market on joining projects (i.e. those who want to work immediately on leaving). For those who considered work to be an option but not in the foreseeable future – ESF helped move them forward in terms of gaining soft outcomes such as confidence. But work was still constrained by personal barriers. With some beneficiaries there was no movement towards work particularly for those with severe barriers.

The above suggests that ESF is likely to be more effective when support is aimed at those who view work as an immediate priority. However, individual circumstances may change and new barriers may develop or become more severe (e.g. a disability) – and hence a proportion of these beneficiaries will not gain jobs. In other cases it may be more appropriate for ESF to support groups who may see work as an option in the future and employment will not realistically follow-on immediately after ESF support. Rather, ESF will contribute towards their distanced travelled.

Until activities are further developed in the OP it is not possible to state whether the OP is likely to succeed in meeting its objectives for those who are multiply disadvantaged. This issue will be considered further in later drafts of the ex-ante evaluation.

3.4.10 Community Projects to Mobilise the Disadvantaged

Chapter 2 has argued that it is relevant for ESF to focus some support which is specifically area based and directed to those who are disadvantaged and live within communities which face particular problems. How effective is this support likely to be in the 2007-2013 programme?

³⁵ European Social Fund: a Profile of Inactive Beneficiaries, Taylor and O'Connor, DWP Report 254, 2005

Evaluation evidence (Evaluation of the ESF Objective 3 Global Grants Programme), suggests that Global Grants have been effective in the 2000-2006 programme. It has allowed small groups who would not normally access ESF to obtain funding and moved disadvantaged individuals closer to work. For example, there was evidence of individual beneficiaries gaining new skills, self confidence and motivation. Others were reported as having progressed into work, further training or volunteering after participating in Global Grants projects. In terms of the grant recipient organisations, it was reported that Global Grants had helped to build capacity and sustainability. There were also other wider community benefits that were reported, such as increased community involvement, social cohesion and improved local facilities.

In view of the above findings it would appear that in the 2007 to 2013 programme, ESF may make a positive contribution to supporting local communities where there are high levels of deprivation and unemployment. However, there is the need for some caution here for, as indicated in the Update to the mid-term evaluation report, robust data on the effectiveness of Global Grants is limited. This is because the above research was based largely on qualitative interviews, which although providing an indication of effectiveness, could not be verified by quantitative data. Quantitative data was not available because, in order to make Global Grants attractive to small NGOs, there is limited requirement to collect monitoring data. Hence as recommended in the update report, it may be necessary to look further at the how effectively Global Grants improve the employability of the disadvantaged. This may then inform further programme development in relation to providing support based on a Global Grant model.

A further consideration is that the research identified problems with the implementation of Global Grants, particularly the requirement for IBs to provide match funding. This had impacted adversely on the operation of many and had led to match funders placing various restrictions on how their money was spent. As the Update report recommends, a Global Grant type of initiative in the 2007 to 2013 programme would need to ensure that these restrictions related to match funding were alleviated.

It may be appropriate for ESF to provide area based support following the Global Grant model as there is some evidence for success. However, more detail on the effectiveness of this approach is required and match funding difficulties need to be overcome.

3.4.11 Priority 2 – Developing a Skilled and Adaptable Workforce

This priority supports activities to develop a skilled and adaptable workforce. The main focus will be on enhancing the human capital of potential and current workers by reducing those without basic skills, increasing the number of people qualified to level 2 and where justified up to level 3. Activities will be expected to address the specific needs of people with disabilities, lone parents, older workers, people from

ethnic minorities and women. **Hence as suggested previously there is overlap with the groups looked at previously.** Bearing this in mind, this section looks at evidence from the 2000-2006 programme in relation to basic skills and training managers and workers in small businesses.

3.4.12 Basic Skills and Skills in the Workforce

Earlier sections have looked at the levels of skills within the English workforce and suggested that it is necessary to raise these in order to increase productivity, enhance employment and compete in the global economy. Whilst this provides a rationale for ESF support, how appropriate and effective is this support likely to be in the 2007-2013 programme?

Data from the Beneficiaries' Survey indicates that in the 2000-2006 Programme one in seven respondents (15%) had low basic skills, described as lacking skills in reading, writing or maths and/or having a poor understanding of the English language. These beneficiaries were the most likely to have two or more disadvantages and 30% of them were unemployed/inactive.

The Beneficiaries Survey also looked at the proportions who had low human capital – that is defined as those who on entry to ESF did not have the right qualifications, lacked training or skills, had no recent job experience, skills were out of date, or had poor basic skills. On this wider definition of “skills” – nearly two-thirds of the sample (64%) had low human capital. Unsurprisingly, 30% were unemployed/inactive.

The above demonstrates that ESF appears to be able to engage with substantial numbers of the “right” client group. When looking at the type of support provided and its effectiveness, high proportions of those with both low basic skills and low human capital reported gains in “soft” skills such as building confidence (84% and 87% respectively). Similarly, these beneficiaries were positive in relation to the “hard” skills gained (86% of beneficiaries in both groups considered that ESF had helped them to achieve the skills they needed for work). ESF appears to have provided a range of support for these clients. For example, those with low basic skills were inclined to report that ESF had helped them improve reading and writing skills (70%) and to gain skills related to a practical job (74%). In terms of gaining qualifications, ESF appears to have been relatively effective as 29% gained a qualification up to NVQ level 2 (compared to 23% for the total sample). In terms of actually looking for a job over half those (57%) with low basic skills and 45% of those with low human capital were given this type of support (compared to 40% for the entire sample).

In the 2007-2013 programme ESF should be able to build on relatively substantial previous experience in supporting those with basic skills. Given past experience, it seems appropriate for ESF to focus on this group since it appears able to target the “right” beneficiaries and provide them with support which clients see as fulfilling their requirements and which appear to support learning up to level 2.

When considering **training for men and women who want to enter occupations or sectors where they are underrepresented, data from the update suggests that ESF will need to pay particular attention to this issue in the 2007-2013 programme if it is to meet this objective.** The update to the mid-term evaluation indicated that only a small proportion of beneficiaries received support in non-traditional areas of training. In comparison to the mid-term evaluation, the position had in fact worsened, with a smaller proportion of beneficiaries in this type of support from two years earlier.

Until activities are further developed in the OP it is not possible to state whether the OP is likely to succeed in meeting its objectives of enhancing skills. This issue will be considered further in later drafts of the ex-ante evaluation.

3.4.13 Training Managers and Workers in Small Enterprises

In the 2000-2006 programme ESF has had considerable experience of providing support to businesses and their employees. The "Evaluation of the ESF Objective 3 Support for Companies" estimates that by the end 2004 almost one in twenty of all businesses and two-fifths of businesses with more than 250 employees had benefited from ESF. Furthermore, the surveys undertaken as part of the previous evaluation identified that a very wide range of workforce development activities, including skills development, were taking place. With this in mind, it can be said that ESF has considerable experience with workforce development in companies, including small businesses and this should provide a basis to underpin support in 2007-2013.

On the other hand, the report also states that workforce development activities tended to be directed towards managers and supervisors and that relatively few projects are directed towards operatives (lower skilled workers). This finding is echoed in previous ESF research (Survey of Companies in England Supported by ESF). The research suggests that action is required to encourage firms to release operatives for training, for example, subsidies to overcome cost or enhanced flexibility of training. On the other hand, the research found that training for managers was not normally a priority in many beneficiary businesses and that they constituted an unexpected "hard to reach" group. With this finding in mind, the update to the mid-term evaluation suggested that managers of micro and small businesses might be a target group in the 2007-2013 programme, as indeed could sectors and businesses with a weak training record.

Whilst a range of activities were supported in the 2000-2006 programme – instances were identified where the intensity of support was very low. However, ESF in 2007-2013 has the potential to be more focused as the above report found that since the introduction of co-financing projects appear to be more "concrete" and the involvement of Sector Skills Bodies has the potential to enhance the strategic quality and relevance of training. The report also recommends that the knowledge of sectoral skills agencies is exploited in the design of ESF workforce development initiatives to ensure that longer-term skills needs are taken into account.

The above indicates that ESF has considerable experience in workforce development which can be built on in the 2007-2013 programme. Delivery through CFOs should ensure that the activities provided are of good quality and, if links are made with regional skills bodies this should ensure that they are relevant and strategic in the longer-term. However, problems may still remain in encouraging firms to release “operatives” for training unless action is taken to encourage this.

Until activities are further developed in the OP it is not possible to state whether the OP is likely to succeed in meeting its objectives of enhancing skills. This issue will be considered further in later drafts of the ex-ante evaluation.

3.5 Lessons Learnt from ESF Evaluation – Good Practice delivering ESF to people who are disadvantaged in the labour market

As discussed earlier in this chapter, many potential ESF beneficiaries especially the inactive will experience multiple disadvantages. The following lessons learnt in delivering ESF are taken from a report which informed the Update to the mid-term evaluation “Research into Multiple Disadvantaged Groups in ESF Objective 3 in England”. This is supplemented by examples from EQUAL. These good practice lessons refer to the unemployed and inactive in *general*. It is recognised that differing groups may require differing types and levels of support. It is beyond the remit of this report to go into detail on good practice – but it is recommended that the Managing Authority disseminate a range of good practice guidelines to intermediate bodies (e.g. Jobcentre Plus and the LSC) and projects. Other specific good practice lessons, in relation to NEETs, are provided in section 3.6.

Before considering how projects can be effective, it should be stressed that effectiveness is as much about a positive outlook as it is engaging in specific activities. The above report states that many of the good practice case study projects had a clear sense of direction and shared this vision with their clients from the outset. For most projects this **involved being explicit about their focus on employability**. A clear message from the good practice projects was that some form of employment was possible for all – this was particularly striking from a number of projects working with clients with (often severe) learning difficulties where projects were keen not to allow general perceptions of the employment prospects of their clients to limit their aspirations of what could be achieved. However, account is taken of the fact that beneficiaries do not have to progress at the same speed.

3.5.1 Activities Prior to Joining Projects - Active Outreach and Awareness Raising

To engage with and sustain the interest of disadvantaged clients, it may be necessary to actively search for clients and not just expect them to be referred. This should involve making personal contact with clients in community places or in the premises of other providers and should be supported by marketing through leaflets and posters.

To ensure that projects are well attended they should establish good links with referral agencies and frequently reinforce this contact, as staff turnover in referral agencies can be high. This may involve, for example, secondments from referral agencies to embed knowledge of the project's activities back in the referral organisation.

Referral agencies may not always be employment related and accessing some clients such as people with learning difficulties, health problems and lone parents may occur through day centres, health visitors and community organisations. Projects therefore need to establish a good reputation with these bodies.

3.5.2 Starting on Projects – Assessing Job Readiness

Disadvantaged clients are not, generally, job-ready when they first enter projects. To assess clients job-readiness, projects should conduct a one to one initial assessment and jointly conduct an action plan. This assessment may be an hour face-to-face discussion with questions about background and qualifications, work experience and expectations. For some clients such as those with mental health problems, it may be beneficial to undertake a risk assessment as part of their induction process in order to decide whether a client is ready for employment and to help provide more detailed information on their strengths and weaknesses. (Assessment should, however, be an ongoing process).

During the initial assessment period it is good practice to ask clients what their wishes and expectations are and start from those to build a realistic action plan with short term and longer-term goals. In this way expectations can be managed. It is also useful to check, as early as possible, if employment is a viable and suitable option for the client (for example bearing in mind benefits that clients may receive). It also gives an indication of the salary level they may need and therefore concentrates effort on certain job options.

3.5.3 Ongoing Activities

Action Plans – it is good practice for projects to work with action plans as a living document within a time frame, using both short term and long-term goals. These are best when more tangible (and achievable) goals are linked to actions and when they are regularly up-dated. The timeframe should help both client and staff to progress and should be linked to indications about what actions are to be undertaken and by whom. Setting milestones along the way to longer-term

objectives is important for clients to feel progression and build confidence. The action plan should consider what may happen at the end of the project and beyond, in order for clients to think about an exit strategy.

Levels of Support - The intensity of the support is a major factor influencing chances of success of the intervention. Regular contacts can be in the form of group activities or one to one sessions. Both types of contact can be combined, for example with one to one sessions complementing group work, to ensure a better attendance rate from clients. Some disadvantaged clients will not consider taking part in group activities either because they lack confidence or because of peer pressure.

Caseloads may be less than 30 clients per frontline worker and in some cases as low as 10. There is no such thing as an 'industry standard' caseload but more typical levels are 40-60 per client. Overall, this will depend on the intensity of the support provided. In some cases this may be considerable where, for example, staff meet clients outside of the project by be-friending them and in some cases working through contacts with friends and relatives in order to have a greater understanding of the beneficiaries' circumstances. This is particularly the case in projects working with people with learning difficulties, where the ultimate decision on accessing the labour market is often down to carers, and when working with excluded young people.

Being Non-Threatening - In general frontline staff need to have strong communication skills to talk 'at the same level' with their clients. It may also be appropriate for frontline staff to be from the same community as beneficiaries or be of the same gender, for example, with some BME group women and for young mothers.

The environment should be non-threatening, but of course this will mean different things to different people. For example, it is unlikely that some BME women would take part in a project located in a local pub whilst this location was a starting point for engaging with some BME men. On the other hand, it may be beneficial to introduce clients to novelty and challenge. For example, being in a business environment can change a client's perception of their abilities.

Working with Families and Carers – where appropriate staff should work with the family, relatives and friends of beneficiaries in order to overcome any resistance to change and to play an advocacy role. This is particularly the case when working with people with a physical disability or learning difficulties, as ultimately the carer will make the decision of whether the person can take part in work-focused activities and will also be the recipient of the person's benefit.

Working with Other Agencies – working with other agencies allows projects to be more flexible and to provide additional specialised support to clients. For example projects may have an agreement with other providers to use their childcare facilities or specialist equipment. Partnership working may also enable projects to access provision supported via other funding streams such as Neighbourhood Renewal Fund or Single Regeneration Budget and offer their clients a provision that would not be eligible for funding under ESF.

Working with Employers - to ensure that clients retain jobs on leaving projects it is essential that they are matched to the right job. To search for the “right” job it may be necessary to be proactive and, for example, cold call employers. Some good practice projects used Yellow Pages and others used internet searches to contact potential employers to provide work placements for their clients, if there was some particular area they were interested in. In this way projects can build up a picture of how best to engage new employers and ‘sell’ their services.

Once contact has been established it is vital to maintain good contacts with employers to make sure they are satisfied with their recruits. Projects can provide aftercare in the form of telephone calls or brief visits at a frequency agreed with the employer, and follow-up on past clients can become a basis for promoting new clients. Employers who regularly experience difficulties in recruiting and keeping staff are more likely to be willing to consider (more) disadvantaged clients as potential recruits.

Where appropriate projects should stress with employers the support they can provide to reduce the risks involved with employing those from disadvantaged groups. This may include access to Government support for equipment or mentoring and job coaching when people need support during a settling in period. Projects working with people with learning difficulties or mental health problems can help beneficiaries to gain employment by either project staff learning the job and then training the employee or project staff shadowing the employee until s/he is able to work independently.

To encourage employers to recruit disadvantaged applicants, projects should make efforts to “educate” employers to remove any misconceptions. For example, projects can give raise employers awareness of the needs in their community and their potential ability to make a difference to people’s lives and highlight the fact that the labour market is tight and that employers need to give those from disadvantaged groups a chance to meet their workforce requirements.

To include good practice from EQUAL in later draft.

3.6 Lessons Learnt from Domestic Initiatives on NEETs

As stated earlier, the 2007-2013 programme is likely to benefit from good practice that arises from other programmes. The following provides some examples from one such programme – the Neighbourhood Support Fund (NFS). This was a DfES funded programme which aimed to re-engage hard to reach young people aged 13 to 19 with education, employment and training. It successfully engaged with more than 50,000 young people during a three year period. The following examples are taken from a DfES research report which evaluates this pilot programme.³⁶

³⁶ Supporting the Hardest-to-Reach Young People: the Contribution of the Neighbourhood Support Fund, Golden et al, DfES Research brief RB 535, May 2004.

- Projects' success in finding and engaging hard-to-reach young was due to outreach work, and their ability to build a positive reputation in the community and establish links with other agencies also in contact with young people.
- Young people chose to participate because they were interested in the activities projects were offering and they were interested in meeting with friends and new people.
- Projects' success in sustaining the engagement of young people (50% of young people spent more than six months on NSF) was due to the imaginative use of interesting and relevant activities to aid informal learning and self-development.
- The atmosphere and approach of projects differed from a formal school setting. For example, it involved young people in the decision-making and running of their neighbourhood project to help maintain their commitment and to develop skills.
- Projects were delivered in a flexible way and responded to local needs and conditions, tailoring support to the complex needs of hard-to-reach young people.
- Whilst progress into education, employment and training was the key aim, some young people gained in "softer" outcomes such as increased self-confidence. Projects offered young people the opportunity to have these soft outcomes recognised – through the achievement of certificates.

Assessment of the Operational Strategy in Relation to Equality Mainstreaming and Lessons Learnt

This is to be inserted when this part of the OP has been drafted.

Conclusion - To be inserted later in the final ex-ante report.

4 Financial resources – rationale

4.1 Introduction

In May 2006, the European Parliament and Council reached an Inter-Institutional Agreement on the EU Financial Perspective, including future Structural Funds spending, for 2007-2013. According to the Agreement the UK will receive approximately €9.4 billion euros during the period.

All of England's regions outside Cornwall and the Isles of Scilly, will be eligible to receive funding under the Regional Competitiveness and Employment Objective (Cornwall and the Isles of Scilly will qualify for full Convergence funding, because they both have a GDP below 75% of the EU25 average). South Yorkshire and Merseyside will qualify to receive "phasing-in" Competitiveness funding. This is to provide transitional support for regions that qualified for Objective 1 funding in 2000-2006, but no longer qualify because their economies have grown.

The UK will receive an allocation of approximately €6.2 billion euros under the Competitiveness and Employment objective for regions that do not qualify for funding under the Convergence Objective. From this, South Yorkshire and Merseyside will receive fixed allocations of phasing-in Competitiveness funding. As established in the Structural Funds General Regulation, the UK Government is responsible for allocating the remaining Competitiveness Funds. These will be allocated to any UK nations and/or regions outside the Convergence and phasing-in Competitiveness areas. Furthermore, as the National Strategic Reference Framework (NSRF) consultation document states³⁷, Government thinking is that Competitiveness funds should be divided equally between ERFD and ESF in the UK.

³⁷ Draft National Strategic Reference Framework: EU Structural Fund Programmes 2007-2013, DTI, 28 February 2006.

The purpose of this chapter is to first consider how ESF allocations have been determined among the UK nations and then within England between regions and priorities. The second part of the chapter looks at the extent to which this allocation will ensure that the overall strategy will be achieved.

The Government's response to the NSRF consultation, including the final version of the NSRF, will contain allocations to UK Structural Fund programmes. DTI (Department for Trade and Industry) is expected to publish this in the early autumn. At this point the Government had not taken decisions on allocations to Structural Fund programmes.

4.2 Allocation of Funds

The Government's proposals in the NSRF consultation document that the Competitiveness funds should be divided 50:50 between ERDF and ESF reflects the precedence set in the 2000-2006 structural fund programmes where the balance of funding was divided roughly between Objective 2 and 3 at the UK level. As the NSRF consultation document says, maintaining this balance also reflects the comparable importance of the activities supported within ERDF and ESF Programmes. This has been reiterated by the European Commission in its comments on the UK National Reform Programme, where it has stressed the need to improve Research & Development and Transport (ERDF) and to address skills challenges and employment prospects for the disadvantaged (ESF).

4.2.1 Determining the Allocation of Competitiveness Funds for ESF in the UK

The NSRF consultation document proposes that the ESF Competitiveness funding should be allocated among England, Scotland, Wales and Northern Ireland, reflecting the proposed ESF programme architecture. Within England, it is suggested that all, or part, of the ESF funding for England may be allocated among the nine English regions. This approach is similar to the arrangements for Objective 3 in 2000-2006, whereby the UK's Objective 3 allocation was distributed among England, Scotland and Wales (Northern Ireland received transitional Objective 1 funding).

The NSRF consultation document goes on to suggest that a range of possible indicators for determining ESF allocations could be employed. These could include population and labour market indicators (for example, levels of unemployment, inactivity or worklessness) and measures of qualification (for example, qualification levels in the working age population). Different weightings to the indicators could also be introduced as a system of "safety nets or ceilings" to ensure that nations or regions do not receive unfairly high or low levels of ESF Competitiveness funds.

At the time of drafting this section (June 2006), the process of allocating Competitiveness funds for ESF across the four home countries in England and then within England between regions has not yet been completed. This section will provide information on the proposed approach and insert the final methodology and allocations at a later date.

Further comment will be inserted in the final ex-ante evaluation report.

4.2.2 Allocating ESF Competitiveness Funds Across English Regions

This section will be drafted when regional allocations have been agreed. It is expected that indicative ESF allocations will be made to English regions using the same methodology as that to allocate ESF funds among the four UK nations.

4.2.3 Allocating ESF Funds Across Priorities in the Operational Programme for England and Gibraltar

As outlined earlier in this report (Chapter 1) there are two national ESF priorities: extending employment opportunities; and developing a skilled workforce. The NSRF does not specify the balance of funding between these two priorities. The balance of funding will be agreed in light of the focus of the programme's activities which are currently being developed. Factors underpinning decisions on the balance of funding will revolve around the need to effectively target ESF to meet government objectives, provide cost effective outputs and support employment and skills priorities in a strategically aligned way.

4.3 Extent to Which Allocations will Ensure that the OP Strategy is Achieved

This information will be inserted in the final ex-ante evaluation report.

5 Quantification of objectives: programme indicators and forecasts

5.1 Introduction

The European Commission's "Draft Working Paper on Ex Ante Evaluation" (October 2005) emphasises the need to include "a limited number of indicators" (page 11) within operational programmes. As further Commission guidance points out ("Draft Working Paper – Indicators for Monitoring and Evaluation: A Practical Guide", October 2005), these indicators relate to the "**effects** of the intervention" (page 5) and comprise one means through which the programme is monitored and evaluated. This chapter is concerned with this particular type of programme level indicator that appears in the England Operational Programme (2007-2013). **It is emphasised that the indicators referred to in this chapter are the headline indicators – further more in-depth data will be captured by the management information system which it is intended will provide data required under Annex 23 of the Implementing Regulation.**

5.2 Developing Programme Indicators

5.2.1 How the Indicators Were Developed

The Managing Authority drafted an initial outline of the type of indicators which could be used in the 2007 to 2013 programme. This outlined why these indicators were chosen and drew attention to links with relevant high level employment strategy and policy issues. The evaluator was given the opportunity to comment on these and also forwarded them to other labour market analysts in the DWP. Following comments from other analysts, the evaluator revised the monitoring indicators. Revisions included: longer-term outcome indicators, a distinction between overall programme indicators and those for each priority, indicators for Priorities 4

and 5, indicators for childcare, distinguishing between outputs and outcomes, rationalising when indicators are measured in either numbers or in percentages, suggesting that frequency is included. Indicators will be subject to further revision as the programme develops.

The above demonstrates that the indicators were, and will continue to be, developed as part of an iterative and interactive process as recommended by the EU.

5.2.2 Choosing Indicators

The indicators chosen for the England operational programme (2007-2013) reflect a number of issues that have been highlighted both in the above mentioned Commission guidance and in ESF Regulation Article 4.4 which states that:

“The indicators included in the operational programmes co-financed by the ESF will be strategic in nature, limited in number and shall reflect those used in the European Employment Strategy and in the context of relevant objectives of the Community in the fields of social inclusion, education and training.”

Bearing the above in mind, the indicators:

- have been chosen so that they correspond to and support appropriate strategic employment, and skills aims and objectives in the EES / NRP / NSRF and relevant social inclusion, education and training objectives. A short list of indicators relating to the Employment Guidelines was prepared by the DWP UK indicators group (Annex 1), and was referred to when choosing the England indicators. Figure 5.1 maps across indicators to the relevant Employment Guidelines **(To be inserted in later draft)**;
- correspond to and support relevant DWP and DfES policy objectives for increasing employment and skills as discussed in Chapter 3 and as measured by PSA objectives and targets (see Annex 2). Figure 5.1 maps across indicators to these PSA objectives and targets **(To be inserted in later draft)**;
- closely reflect the main types of activities and expected outcomes from the programme and in particular from each Priority. This echoes suggestions in the Commission’s practical guide (page 15);
- include those which are specifically directed towards measuring the effect of ESF on key equality groups and where appropriate are capable of being broken down by gender;
- take into account relevant indicators used in the 2000-2006 programme and builds on the lessons learnt from both the current and previous programmes as described below (5.2.4); and

- are succinct and can be implemented without imposing too many burdens on projects so that projects are encouraged to provide accurate data. This is a consideration bearing in mind that the mid-term evaluation suggested that in some cases projects incorrectly record participant details and activities which may lead to monitoring data not being completely accurate.

5.3 Relevance of the Indicators

In developing the indicators it has been necessary to consider the various actors that will require and use the information arising from the indicators. In general these will be the Monitoring Committee, Managing Authority, the intermediate bodies – Co-financing Organisations (for example the LSCs and Jobcentre Plus) and the European Commission. The indicators have been chosen to provide a broad range of activities and results that will provide data on the effectiveness of the programme and which are suitable for all stakeholders. However, as the ex-ante guidance points out, each stakeholder will have differing information needs and will need information at differing levels. It is therefore expected that these indicators will be expanded upon. For example it is likely that, in common with the 2000-2006 programme, the 2007 to 2013 programme will include separate indicators for mainstreaming equal opportunities.

5.3.1 Frequency and Short/Longer Term Outcomes

In order to inform policy development and contribute effectively towards managing the programme, indicators will be collected to feed into key decision points. As demonstrated in Figure 5.1 information can be generated for most indicators at least on a bi-annual basis and will, for example, inform Monitoring Committees. As with the current programme, it is expected that this data will be generated more frequently in order to inform monitoring committees. To gauge the longer-term effectiveness of the programme and the sustainability of outcomes, it is envisaged that some indicators will be collected by a follow-on survey of participants. Taking account of lessons learnt from the 2000-2006 Programme, this may be similar to the current Beneficiaries' Survey. These longer-term indicators will be collected at least once and possibly at more frequent interviews (see Chapter 6 for more details).

5.3.2 Relevance to Activities

It has been suggested above that the indicators are relevant to the strategic objectives of the EES / NRP / NSRF, as well as policy objectives in England. A comparison of the areas to be tackled under each priority (see OP Chapter 3 – 3.2.3 and 3.3.3) and the indicators, demonstrates that the latter reflect the **main** activities and types of outcomes which can be expected from the programme – in short as the Commission guidance states (page 15) it captures the “core elements” of the expected changes.

However, one area that has been omitted is support gained by small community projects and the extent to which this has enabled disadvantaged people into the labour market. It is not appropriate to try to measure “support” to community groups in terms of one single quantitative measure as this support may vary widely and be difficult to quantify. Whilst it may be possible to measure the outcomes of these community projects on their participants in terms of, for example, jobs or qualifications gained – these are not outcomes which derive directly from programme level projects. It may be more appropriate, therefore, to collect this data separately, if it is deemed advisable. Further research on Global Grants will inform this decision.

As can be seen from Figure 5.1, the programme indicators are all based on activities or outcomes which may be observed and as such are quantifiable and may be termed as “hard” indicators. As mentioned in the ex-ante for the 2000-2006 programme (page 27), the use of “soft” indicators (that is indicators which record outcomes such as improved problem solving skills, improved attitudes or self-confidence - which may be seen as intermediary steps towards gaining “hard” outcomes) would be desirable in helping to record more effectively the achievements of the programme. However, research conducted during the current programme (“Measuring Soft Outcomes and Distance Travelled”)³⁸ indicated the difficulties in devising programme level “soft” indicators because, for example, they are difficult to define and it is unlikely that one methodology for measuring soft outcomes would suit all clients.

Bearing the above in mind, on the whole, soft indicators are not measured at the programme level. An attempt has been made to gauge changes in attitudes towards gaining employment by including an indicator (Policy Field 1 – outcomes) which attempts to measure jobsearch activity in relation to those who were inactive on joining ESF. As with the current programme, the effectiveness of the 2007-2013 programme in producing positive changes in client behaviour will be gauged through evaluation, such as the Beneficiaries’ Survey.

It should also be noted that the indicators for the 2007-2013 programme do not include any for measuring impact. As the Commission guidance points out (page 9) impact indicators cannot be measured from the monitoring system and hence should arise from evaluation. On the other hand, this type of evaluation may require substantial efforts and only be available after a considerable time lag. Due to this the guidance states that the *“Commission wishes to encourage the Member States to concentrate their efforts on the improvement of result indicators particularly of those that will be used to define the objectives of each priority”* (page 10).

The indicators developed for the 2007-2013 programme follow the above advice. Furthermore, this decision not to include impact indicators also arises out of problems that occurred at the mid-term evaluation when it was not possible to

³⁸ Measuring Soft Outcomes and Distance Travelled, A Practical Guide and Existing Models, Lloyd et al, DWP Report, 2003

measure the impact indicators devised for the 2000-2006 programme. The mid-term evaluation (page 167) outlined some of the difficulties in measuring net impact *in general* in the England programme and this was expanded upon further in a paper to the Commission (Measuring the Net Impact of ESF Objective 3 in England, 2004). This suggested various means of deriving net impact, such as quasi-experimental models, econometric modelling and comparison group analysis, but argued that none was satisfactory in relation to measuring net impact in ESF in England with regard to participant outcomes. However, the Update to the mid-term evaluation did attempt to provide some indication of the net impact of the programme in wider terms in relation to costs to the exchequer and economy.

It is likely that many of the problems identified with measuring the net impact of ESF on participants will continue to exist with the 2007 to 2013 programme. However, it may be possible to examine net impact in financial terms as in the update report and as suggested in the Commission paper. Furthermore, the possibility of measuring net impact in relation to participants will continue to be explored in evaluation and research activities.

5.4 Reliability

Clearly, the measurement of indicators depends greatly on the robustness of the data which inform them. Both the 2000 to 2006 programme and the programme prior to that, raised issues that need to be addressed in the 2007-2013 programme to ensure that data is reliable and adequate for purpose. These include:

- the need for clear guidance to the implementation agencies and projects on the meaning of specific indicators, for example, the mid-term report suggested that even issues which seem relatively obvious such as “completing” or “leaving early” need to be defined clearly;
- that the data collection forms are well drafted and that there are no inconsistencies and ambiguities in the questions asked (a problem prior to the mid-term evaluation with qualifications data). Automatic checks on entry data must be designed so that they do not “force” providers to enter inconsistent data;
- that there may be under-reporting of some sensitive issues such as disability. Guidance to project providers may be helpful in terms of obtaining this type of information from participants;
- that data collection forms asks as limited a number of questions as possible – in order to encourage projects to complete forms adequately;
- that data needs to be recent. In the 2000-2006 programme data is obtained largely from projects which have closed – often up to six months previously. It is intended that indicators for the 2007 to 2013 programme will be derived from “interim data” – this will be provided cumulatively from projects which have both closed and are ongoing; and

- longer-term indicators are reliant on the Beneficiaries' Survey and hence a good response rate is required. Although this has not been a problem in the current programme, the survey is prone to numerous difficulties particularly in obtaining participant contact details. Obtaining easier access to participants' details must be built into the programme at the start.

The above messages will be carried forward into the development of the relevant systems for data definition, collection and management. These systems are currently being developed are discussed further in Chapter 6.

Figure 5.1 Proposed High Level Indicators for England (split by male/female where appropriate)

Overall OP performance indicators	Employment Guidelines	PSA Indicator DWP or DfES Forecast	Frequency (<i>minimum</i>)
Number of total participants			Bi-annual
Participants who are unemployed			Bi-annual
Participants who are economically inactive			Bi-annual
Adult participants without basic skills			Bi-annual
Participants gaining employment on leaving			Bi-annual
Participants gaining employment after 6 months			2011
Participants gaining basic skills			Bi-annual
Participants gaining qualifications			Bi-annual
Participants with positive outcomes			Bi-annual
Women			Bi-annual
Ethnic minorities			Bi-annual
Disabled/health problem			Bi-annual

Priority 1 Extending Employment Opportunities Output Indicators	Employment Guidelines	PSA Indicator DWP or DfES Target	Frequency (<i>minimum</i>)
Number of total participants			Bi-annual
Participants who are unemployed			Bi-annual
Participants long-term unemployed			Bi-annual
Participants who are economically inactive			Bi-annual
Participants who are jobless lone parents			Bi-annual
Participants who are disabled/with health condition			Bi-annual
Participants aged 50+			Bi-annual
Participants 14 to 19 NEET			Bi-annual

Priority 1 Extending Employment Opportunities Output Indicators (on leaving unless otherwise specified)	Employment Guidelines	PSA Indicator DWP or DfES Target	Frequency (minimum)
Participants in work on leaving			2011
Participants in work after 6 months			2011
Unemployed in work on leaving			Bi-annual
Unemployed in work at 6 months			2011
Long-term unemployed in work on leaving			Bi-annual
Economically inactive in work on leaving			Bi-annual
Economically inactive in work at 6 months			2011
Economically inactive engaged in jobsearch activity on leaving			Bi-annual
Jobless lone parents in work on leaving			Bi-annual
Disabled/with health condition in work on leaving			Bi-annual
Participants aged 50+ in work			Bi-annual
14 to 19 NEET in education or training on leaving			Bi-annual
14 to 19 NEET in education or training at 6 months			2011

Priority 2 Developing a Skilled and Adaptable Workforce Output Indicators	Employment Guidelines	PSA Indicator DWP or DfES Target	Frequency (minimum)
Number of total participants			Bi-annual
Adult participants without basic skills			Bi-annual
Participants without level 2			Bi-annual
Participants without level 3			Bi-annual

Priority 2 Developing a Skilled and Adaptable Workforce Output Indicators (on leaving unless otherwise specified)	Employment Guidelines	PSA Indicator DWP or DfES Target	Frequency (minimum)
Participants who gained basic skills			Bi-annual
Participants who gained level 2			Bi-annual
Participants who gained level 3			Bi-annual
Adult participants in education or training on leaving			Bi-annual
Adult participants in education or training at 6 months			2011
Adult participants in work after 6 months			2011

5.5 Development of Forecasts

To be inserted at later date when programme further developed.

5.6 Limitations and Interpretation of Forecasts

To be inserted at later date when programme further developed.

5.7 Goals to be Achieved

To be inserted at later date when programme further developed.

Figure 5.2 Proposed High Level Forecasts for England (split by male/female where appropriate)

Overall OP performance indicators	Forecast
Number of total participants	DN: to be inserted subsequently
Participants who are unemployed	
Participants who are economically inactive	
Adult participants without basic skills	
Participants gaining employment on leaving	
Participants gaining employment after 6 months	
Participants gaining basic skills	
Participants gaining qualifications	
Participants with positive outcomes Priority	
Women	
Ethnic minorities	
Disabled/health problem	
Participants aged 50+	

Priority 1 Extending Employment Opportunities Output Indicators	Forecast
Number of total participants	
Participants who are unemployed	
Participants long-term unemployed	
Participants who are economically inactive	
Participants who are jobless lone parents	
Participants who are disabled/with health condition	
Participants aged 50+	
Participants in receipt of childcare	
Participants 14 to 19 NEET	

**Priority 1 Extending Employment Opportunities
Output Indicators (on leaving unless
otherwise specified)**

Forecast

Participants in work on leaving
 Participants in work after 6 months
 Unemployed in work on leaving
 Unemployed in work at 6 months
 Long-term unemployed in work on leaving
 Economically inactive in work on leaving
 Economically in active in work at 6 months
 Economically in active engaged in jobsearch
 activity on leaving
 Jobless lone parents in work on leaving
 Disabled/with health condition in work
 on leaving
 Participants aged 50+ in work
 14 to 19 NEET in education or training on leaving
 14 to 19 NEET in education or training at 6 months

**Priority 2 Developing a Skilled and
Adaptable Workforce
Output Indicators**

Forecast

Number of total participants
 Adult participants without basic skills
 Participants without level 2
 Participants without level 3
 Participants in receipt of childcare

**Priority 2 Developing a Skilled and
Adaptable Workforce
Output Indicators (on leaving unless
otherwise specified)**

Forecast

Participants who gained basic skills
 Participants who gained level 2
 Participants who gained level 3
 Adult participants in education or
 training on leaving
 Adult participants in education or
 Training at 6 months

6 Quality of implementation systems, monitoring and evaluation

6.1 Implementing the 2007-2013 Programme - Co-financing

This section looks at the proposed implementation system for the 2007-2013 programme – “co-financing” and lessons learnt from the evaluation of co-financing in 2000-2006 that should be considered when developing this system for the new programme.

6.1.1 An Overview of Co-financing

The Objective 3 co-financing approach was introduced in September 2001 and brought ESF and match funding together in a single funding stream for the delivery of ESF funded activities. The aims of the co-financing approach are to: improve the strategic direction and effectiveness of ESF expenditure, reduce the level of bureaucracy on providers by removing the requirement that they should secure match funding and to align ESF funded activity with government programmes. It is also intended that co-financing should promote more co-ordinated and targeted provision, ensure more systematic monitoring procedures and have increased focus on outputs that are linked to provider payments.

In the current 2000-2006 programme the majority of ESF funded activity, at the time of drafting this report, is funded through co-financing, although it has run in parallel with the direct bidding route. The co-financing mechanism is implemented by co-financing organisations (CFOs), with the largest share of funds being committed in the 2000-2006 programme to the Learning and Skills Council (LSC) and Jobcentre Plus – although other CFOs include Connexions Partnerships, Business Links and Regional Development Agencies (RDAs).

For the 2007-2013 programme, the intention is that all ESF funding will be allocated through the co-financing route and that the majority of this will be through Jobcentre Plus and the LSC (although there is likely to be scope for some funds to be allocated to other CFOs in relation to specialist provision). As the third evaluation of co-financing points out³⁹, it should be borne in mind that the “effective delivery of the next programme will be dependent on each region having an appropriate mix of CFOs to achieve the objectives of their RDPs or equivalents”.

6.1.2 Lessons Learnt in the Application and Appraisal Process

The third evaluation of co-financing reported that CFOs unanimously considered that the overall quality of bids they received from potential providers had improved over time. This was as a result of their improved efforts to communicate opportunities to providers and in providing support at the bid development stage. Whilst the approaches followed in the application and appraisal process were considered to be equitable, some concerns were raised by providers and stakeholders. It was recognised that many may relate to the early stages of co-financing, but even so they should be borne in mind when developing the 2007-2013 programme:

- Some stakeholders and providers questioned the basis for particular specifications, their direction, content and feasibility. Specification’s requirements could be restrictive, for example, around profiles where they may be highly specific requirements for the number of outcomes for beneficiaries within a given timeframe.

Good practice – specifications should be based on relevant and timely population/labour market information to ensure that the scale of delivery proposed is achievable in terms of the numbers of beneficiaries in a target area, combined with an assessment of their potential to engage.

- The quality and appropriateness of feedback on unsuccessful applications was sometimes not considered to be adequate, this risks creating feelings of distrust amongst providers.
- There remains a perception that the appraisal process is less open than was the case previously.

Good practice – an example of good practice in relation to openness and transparency was provided by one CFO who published the results of each stage of the application process. This included a detailed breakdown on its website of the number and value of tenders, which geographical region and organisation these had come from, and who was and was not successful.

³⁹ Third Evaluation of European Social Fund Co-financing in England, GHK and the Gilfillan Partnership, Research Report 359, 2006.

Good practice – that representatives from partner organisations are involved in appraisal procedures. Where this has occurred, it was viewed as both improving the effectiveness of the process and enhancing providers' perceptions of openness and transparency. Potential participants may also be involved in the application appraisal process as they may provide useful insight.

- Inconsistencies exist in the application and appraisal process between different CFOs – both spatially and sectorially. For example, inconsistencies surrounding the length and complexity of application forms.

Good practice – where common application forms have been developed (as amongst LSC CFOs) they were welcomed by providers. Common tender specifications may be developed by ensuring that there are different levels of consultation around these forms with other CFOs and other representative bodies - to avoid duplication.

One area of good practice that was identified in relation to the application process, was that expressions of interest were requested from potential providers at the start of the application process. This helped save the time of providers when full applications were not likely to succeed and reduced cost and effort for CFOs in having to distribute application packs to all potential providers.

Overall, the report recommends that CFOs should be encouraged to continue to move towards working in collaboration (see 6.2.4). For example, where common plans and prospectuses have occurred (as between LCSs) these have reduced the administrative burdens associated with co-financing.

6.1.3 Lessons Learnt in Access and Targeting Providers

In order to maintain and raise delivery standards, CFOs need to identify and engage with appropriate providers. The third evaluation of co-financing indicated that CFOs in the 2000-2006 programme had contracted with a wide range of providers, which was enabled by the fact that CFOs had enhanced their databases. This ensured sufficient coverage to meet their remit and to achieve openness and transparency. CFOs had increased the population of their databases by, for example, posting tendering opportunities on websites, advertising in the media or holding workshops.

However, the third evaluation of co-financing indicated that whilst CFOs focused on ensuring that the most appropriate providers were recruited, "there was broad acknowledgement that the co-financing mechanism can potentially present barriers to participation amongst smaller providers – both the private, and voluntary and community sectors" (page 49). A series of key potential barriers was outlined in the report (see below) which will need to be recognised and tackled in the development of the 2007-2013 programme:

- **Actual and perceived risks associated with output/outcome related payments** – where provider payments are based on beneficiary achievement against the outcomes expected in individual contracts. Whilst risks apply to all providers, the implications of under-performance will be greater for small providers particularly those working with more challenging groups where the risk of drop-out and non-achievement are greatest. If this issue is not resolved for the 2007-2013 programme it may lead to providers being less willing to work with the more challenging beneficiaries.

Recommendation – the third evaluation of co-financing suggests that there should be increased flexibility in defining outcomes – that is in terms of what is really “achievable” for particular target groups. This may encompass “soft” outcomes which the evaluation reports as being introduced by both LSC and Jobcentre Plus CFOs. The report acknowledges that there were few formalised approaches and that developing soft outcomes is problematic. It suggests that regional approaches could be developed which may at least lead to comparability within regions.

- **Actual and perceived scale of bureaucracy associated with working with ESF** – monitoring requirements were mentioned as an issue in this context.

Recommendation – the third evaluation of co-financing recommends that a set of indicators are developed “which are more appropriate to the beneficiary groups targeted” (page 79). This ex-ante evaluation has contributed towards what is considered to be a set of appropriate indicators (see Chapter 5). The CFO evaluation report also considers that there is a need to establish “clear, practical and common definitions of the different target groups to be targeted....to support common understandings on needs and appropriate delivery, and to help CFOs articulate the groups they are working with and support planning” (page 79).

- **A tendency towards larger scale contracts which is viewed as reducing opportunities for smaller providers to participate as sole contractors** – this is due to issues around delivery capacity and the ability to meet monitoring/audit requirements.

Recommendation – that CFOs are encouraged develop partnership or consortia approaches so that smaller and voluntary and community providers can participate in larger scale co-financed contracts in recognition of their potential to provide specialist inputs. And/or offering smaller, more focused contracts particularly in relation to engaging with the more challenging target groups.

- **A tendency for some providers to have negative perceptions of co-financing** - these perceptions may sometimes be based on the mechanism in its early stages, but can prevent providers from participating.

Recommendation – CFOs should continue to advertise and promote co-financing widely in order to attract new and niche providers.

6.1.4 Lessons Learnt in Strategic Collaboration

The third evaluation of co-financing reported that recent co-financing plans, and the planning processes that underpinned them, benefited from increased collaborative working between CFOs and their stakeholders. This contributed towards CFOs demonstrating a more strategic approach to policy priorities in the region. On one level this had led to harmonised application forms (as mentioned above) as well as other documentation. But more strategically, involved the development of collaborative planning between CFOs and wider stakeholders to avoid duplication and to provide more effective targeting and needs identification.

Recommendation - the third co-financing report recommends that for the 2007-2013 programme “increased regional co-ordination between CFOs should be encouraged, or accelerated where limited to date” (page 77). Furthermore, it suggests that based on good practice identified in the study, it would be beneficial to have “regional leads” who act as centres of expertise for other regional CFOs and who support evaluation activity and the sharing of findings/good practice/achievements. The report suggests that these regional leads could be potentially resourced to provide additional services such as training CFO staff.

To a great extent the Operational Programme (5.7.3) seems to suggest that the previous recommendation for strategic planning at a regional level will continue and be developed in the 2007-2013 programme. It states that the Regional Skills Partnerships (which include membership of CFOs in each region) will have a key role in the development of regional ESF strategies which will provide the framework for CFOs to develop their detailed ESF delivery plans. The Operational Programme goes on to say that the role of the Regional Skills Partnerships will be strategic in developing and reviewing ESF strategies to ensure they remain relevant to regional priorities. At a more detailed level, Regional Committees will be responsible for agreeing CFO plans, endorsing financial allocations to CFOs and monitoring of regional ESF performance against plans.

6.2 Programme Management – the Monitoring Committee

The England Operational Programme 2000-2006 is overseen by the Programme Monitoring Committee, which is chaired by a representative from DWP and comprises representatives from the Regional Committees for England, the Government of Gibraltar, key policy divisions in DFES, DWP and DTI, social partners, local authorities, Regional Development Agencies, Further Education, Higher Education, voluntary and community sector representatives, Learning and Skills Council and Jobcentre Plus. It is intended that there will be a similar committee to oversee the 2007-2013 programme, the composition of which will be decided by the Managing Authority (Article 63).

Both the mid-term evaluation and the Update to the mid-term evaluation examined the operation of the Monitoring Committee. Following recommendations in the mid-term evaluation, the Managing Authority made a number of changes such as

clarifying the committee's terms of reference and ensuring that the monitoring committee agenda had greater emphasis on performance and research. This section looks in brief at lessons learnt from both evaluations so that they may inform the 2007-2013 programme:

- **A balanced agenda** - in both the mid term and update to the mid-term evaluation comments were made about the scale of representation from regional government offices as it was felt that this led to meetings focusing on process issues. Due to this members who were not so familiar with the workings of ESF, found some agenda items hard to follow. This in turn led to some members not fully contributing to the meetings.
- **A relevant and meaningful agenda** – related to the previous point the research showed that some Monitoring Committee members felt that by focusing on “process issues” such as N+2, there was not sufficient time spent on “what ESF actually achieves” (Appendix A - Update Evaluation).

Recommendations – that the Managing Authority for the 2007-2013 programme ESF programme ensure that agenda is relevant and meaningful to all members. Where “process issues” such as financial tables are discussed it may be desirable to provide some briefing or a summary so that those who are not familiar with the issues can follow the discussion.

It should be made clear in the terms of reference that all members are free to propose agenda items – so that these may be relevant to their interests. Furthermore, the effectiveness of the programme should be looked at in qualitative terms (as well as looking at quantitative programme indicators and forecasts) – so that members feel that they have a real understanding of how well the programme is reaching participants. This may include presentations from projects or focusing on a particular participant group.

The research also provided other suggestions from members of the group for enhancing their contribution, for example, break out groups to exchange ideas and engaging with the research/evaluation process at an earlier stage in order to influence ideas.

6.3 Assessment of the Monitoring System

Data derived from the management information systems will be critical in the 2007-2013 programme for monitoring and evaluating the effectiveness of the programme. Chapter 5 has already indicated that one way of assessing the effectiveness of the programme will be to measure the programme indicators against forecasts. Whilst this monitoring of indicators against forecasts will comprise one element in gauging the effectiveness of the 2007-2013 programme, the intention is to conduct in-depth analysis of a range of indicators to provide an overall assessment of the programme's performance (see 6.5).

Earlier in this report (5.4) a number of issues were raised from the 2000-2006 programme in terms of ensuring that data is reliable and adequate and which need to be addressed for the 2007-2013 programme. The Managing Authority recognises that the monitoring system in the current programme is limited and has alluded to these in the 2007-2013 Operational Programme (4.3.1). For example, it states that the amount of information sought is extensive and this is a burden to projects and that the scope for assessing the effectiveness of the programme is restricted because cross cuts of data are available at the project, rather than individual level.

Bearing in mind the limitations of the current administrative monitoring system, the Managing Authority commissioned an independent agency (Capgemini UK) to assess the problems, to identify their root causes and identify solutions for them. In order to ensure that the investigation was as impartial as possible a Business Analyst, with no previous exposure to the ESF systems, was selected to perform this work. The investigation was conducted primarily as a series of face to face interviews with a number of key groups including: internal and external users of the ESFD MI system, IT and non-IT staff supporting the MI system and IT staff supporting the potential alternative systems. The following observations about the 2000-2006 MI system are taken from that report.⁴⁰

6.3.1 The Current ESFD MI System

Looking first at *software application* the report found that in the judgement of the people closest to the tool itself, it was viewed as a very capable and powerful reporting tool. This was also the view of the Business Analyst who drafted the report - "this tool is probably the best of its kind that I have seen. It does an excellent job both of concealing the complexity of the underlying reporting utility and database behind a deceptively simple user interface and offers considerable scope for 'defensive enhancements' "(page 15).

By contrast with the tool itself, the findings relating to the data behind the system were more negative and related to every aspect of the system's data:

- At the record level, the lowest level of detail held in the system is monthly totals. No details are available at the individual beneficiary level.
- Within these records, the individual fields are almost universally complex amalgamated fields, i.e. fields counting the total number of beneficiaries who satisfy more than one condition. Data such as this cannot be analysed further as these complex field cannot easily be cross-matched.
- The data is provided at varying periods with data commonly covering periods from 1 to 6 months preventing either proper trend analysis or assignment of the overall total to individual months.

⁴⁰ MI Improvement Investigation – Report on Investigation Findings, Duncan Steele, March 2006.

- The data contains ‘specious categories’ eg. ‘positive outcomes’.
- The data is seen as not being totally reliable – there is widespread suspicion that some figures are tailored to fit the cross validation in the forms.
- The available data sources are poor in that only one of the three data sourcing forms traps data during the active project cycle.

6.3.2 Alternative Solutions

The report examined a number of solutions for alleviating the problems identified above. For example, other MI systems were considered for potential use such as those held by the CFOs. But this was not found to be a workable solution because these systems are structured purely to support the CFO’s business needs. Alternatively, another option was to create a new ESFD beneficiary database that could be directly maintained by the CFO or Project Provider staff using a web based data entry tool. This option was seen to be both resource and time intensive. Bearing the above findings in mind the report concluded that:

*“As the ESFD MI system is only prevented from providing proper beneficiary information by the poor composition and structure of its beneficiary data **and** there is no suitable alternative system available instead, it is proposed that the ESFD MI system should be enhanced for the 2007 programme to replace the current data set with a new set of properly constituted data. This redesigned data set would exist in parallel with the existing data set and would not in any way affect the existing data set for the current programme.” Page 19*

6.3.3 Enhancements to the Current MI System

The Operational Programme outlines some of the changes that have been made, and are being made at the time of drafting this report, to the MI system. It states that the “key change and improvement proposed for the new monitoring system will be that information relating to beneficiaries will be reported to the Managing Authority at individual rather than aggregate level”. Clearly this takes on board recommendations from the MI report and will provide an important source of data for the ongoing evaluation of the programme (see 6.5) which has not been available in the 2000-2006 programme.

The Operational Programme also states that data will be available at a “regular, timely and consistent basis” to enable the Monitoring Committee and Managing Authority to take remedial action. If this is taken to mean that data will be captured so that monthly totals are available for all projects (rather than for “closed” projects only - as in the current programme) this will be an improvement on the current system. Programme performance will be based on up to date information and analyses of trends will be possible.

The Operational Programme specifies that there will be “fewer more soundly based indicators using robust data”. This reflects the findings from the MI report and issues previously raised in this report (5.4) on the need to limit the data requirements so that this is less of a burden on projects and will encourage them to complete data capture forms accurately.

However, robust data is reliant on a number of other factors (5.4) such as providing guidance to projects with clear definitions of indicators and advice on how to handle and obtain sensitive information such as disability; and well designed data capture forms with no inconsistencies and ambiguities. Although these issues are not mentioned in the Operational Programme they should comprise fundamental elements of the MI system.

The Operational Programme also limits itself to discussing “financial indicators” and “information relating to beneficiaries” or “performance indicators” (5.2.1). The latter are taken to mean both output indicators – that is beneficiary characteristics and outcome indicators – that is gaining a job or qualification etc. However, in order to fully assess the programme it will be necessary to capture information on project activity so that this can be cross referenced against participants’ characteristics and outcomes. The ex-ante evaluator has discussed this issue with the Managing Authority and will continue to work with them in the design of the MI system.

6.4 Assessment of the Evaluation System

This section considers the evaluation system for the 2007-2013 programme outlined in the Operational Programme. It assesses this with reference to the European Commission’s draft Methodological Working Document No.5 “Evaluation during the programming period: on-going evaluation an integrated management tool” and to the evaluation strategy for the 2000-2006 programme.

The 2007-2013 Operational Programme includes a high level evaluation plan for the 2007-2013 programming period (a more in-depth evaluation strategy will be drafted when the Operational Programme is further developed and as the Commission’s paper suggests will be updated as required - page 12).

6.4.1 Ongoing Evaluation

The evaluation strategy outlined in the 2007-2013 Operational Programme may be characterised as “on-going”. That is it will not be structured by regulatory imperatives (see the Commission working document No.5, page 6) such as those experienced in the current programming period. During the 2000-2006 programming period, the evaluation strategy was geared towards two major evaluations – the Mid-term Evaluation and the Update to the Mid-term Evaluation. As the Commission’s working paper points out, this had the effect of imposing rigid deadlines (which meant that the England evaluations did not necessarily take place at the most appropriate time for the programme) and had broad pre-defined scopes – which contributed towards the England mid-term evaluation being lengthy. The above “on-going” evaluation will not be structured around these requirements, but rather will be driven by the needs of the programme. It will cover the whole programming period and will assess the programme at both an overall and priority level.

The evaluation strategy outlined in the 2007-2013 Operational Programme will follow a similar structure to that used in the 2000-2006 programme. As this has been demonstrated to work well, in terms of producing substantial, high quality evaluation evidence, it seems appropriate to continue with this structure. The evaluation of the England Objective 3 programme was based on a bottom-up approach which focused on measuring the impact of Objective 3 on the individuals, companies and organisations who had received support - rather than attempting to look at the macro-economic impact of the programme. It used three main tools in delivering the evaluation of the Objective 3 programme and as outlined in the Operational Programme (and below) these will continue to be used in the 2007-2013 programme:

- Information based on administrative monitoring data – of particular importance for the on-going evaluation will be administrative information on: costs, number and characteristics of participants (including gender), project activities, number and type of qualifications gained and, crucially, the labour market destinations of participants.
- The Operational Programme proposes that annual reports, informed by in-depth analysis of monitoring data, will examine the effectiveness and efficiency of the programme. They will look at issues such as programme performance and consider achievements such as beneficiaries' outcomes.
- Beneficiaries' survey of individuals – (including interviews with project staff) whilst beneficiaries are still being supported by projects and a follow-up survey with these beneficiaries six months after leaving projects. These surveys will provide information on beneficiaries' views of the support they receive (which will allow adjustments to programme activity if necessary), and importantly provide information on sustainability of outcomes.
- Ad hoc research into any emerging issues – it is proposed that evaluation projects will be commissioned to examine issues that arise during the course of the programme. These may be informed by, for example, the suggestions of members of the monitoring committee, evaluation standing group (see below) and analysis emerging from the monitoring data or beneficiaries' survey. It is anticipated that these projects will focus on specific themes of importance to the programme or, for example, the horizontal themes such as gender equality and equal opportunities.
- As the Operational Programme also points out, the evaluation strategy will include assessments of socio-economic changes in the programme environment and/or changes in national, regional, Community priorities. This will provide a check on the extent to which programme priorities remain relevant.

These evaluation tools will apply to the whole of the programme including the Convergence Objective. In addition, specific studies may be commissioned to evaluate Convergence ESF, in co-operation with the partnership in Cornwall and the Isles of Scilly.

The Commission's guidance in their working document suggests (page 9) that the two main functions for the on-going evaluation are:

- 1 strategic – that is assessing the contribution of the operational programme, or group of programmes, to national and European economic and social cohesion goals;
- 2 operational – that is if programmes are achieving their planned objectives and if implementation is effective.

The above strategy appears to be in line with the above guidance. Both the analysis of monitoring information and the Beneficiaries' survey will, as indicated above, provide data that is geared towards assessing "operational functions" and will allow corrections to be made to the programme if required. The ad hoc projects, on the other hand, will assess more strategic functions and, if necessary, would contribute towards revising the operational programme.

6.4.2 Managing the On-going Evaluation Process

The 2007-2013 Operational Programme includes the following issues regarding the management of the evaluation process – which are commented upon here.

- The overall on-going evaluation strategy during 2007-2013 will be overseen by an evaluation standing group (ESG), to ensure that appropriate issues are examined, that findings are disseminated and to share good practice across the United Kingdom (UK).

During the 2000-2006 programming period, the Evaluation Standing Group (ESG) was set up to ensure that all structural fund programmes in the UK carried out effective evaluations of ESF interventions. As part of its remit, the ESG oversaw the Objective 3 evaluation strategy for England and had the opportunity to report back to the Objective 3 Monitoring Committee relevant lessons for programme implementation emerging from the evaluation. The ESG provided a forum for discussing research/evaluation studies, and to an extent, allowed ideas to be shared between England/Scotland/Wales and Ireland. However, the meetings tended to be dominated by national level England evaluators.

It would be helpful in the 2007-2013 programme if all group members took a more active role. For example, research/evaluation consultants from Scotland/Wales and Ireland, as well as England, should present findings and discuss methodologies in more detail. Representatives from the GOs should also be prepared to present evaluation/research findings that have been conducted at a regional level. It may also be beneficial to invite desk officers from other UK countries (apart from England) to attend meetings. ESFD secretariat should take a more active role in organising the participation of partners in the UKESG meetings. In line with the OP (Chapter 4, 4.9) the ESG will aim, as far as possible, to ensure a balanced participation between men and women.

- The day to day management of the evaluation will be conducted by an analytical team (ESF evaluation team) who are based in the Department for Work and Pensions but who are functionally independent from the Managing Authority to ensure objectivity.

The evaluation of Objective 3 in England was managed by the ESF Evaluation Team (in Jobseekers and Crosscutting Division in DWP – which is functionally independent from the Managing Authority). The team was responsible for analysis (including economic analysis) of monitoring and survey data, drafting the Mid-term and Update to the Mid-term evaluation reports, commissioning external evaluators to carry out specific research and managing these evaluation/research projects.

In the opinion of the ex-ante evaluator (it should be borne in mind that the ex-ante evaluator is also the same individual who had overall responsibility for managing the ESF evaluation programme throughout much of the 2000-2006 period) the above structure for evaluating the ESF programme worked well. An extensive programme of research was conducted, knowledge of issues was developed within the team over a period of years and all reports were forwarded to the Commission on time.

- Individual research/evaluation projects will be commissioned by open and competitive tendering (through DWP the research framework agreement) and conducted by independent evaluators. They will be managed by the ESF evaluation team and guided by steering groups made up of a number of ESF partners.

The above process was followed during the 2000-2006 programme and worked well, particularly as the introduction of the DWP research framework considerably reduced the time and effort previously required to tender projects. Members of steering groups, as outlined in the Commission's draft working document, will include all programme stakeholders. As the Commission's document suggests their role will involve providing relevant advice and information and developing the terms of reference. However, they will also be a useful "tool" in ensuring the quality of the on-going evaluation (see working document No.5, page 15) and can comment on both the quality of the final reports as well as the evaluation process.

- All research/evaluation reports will be published and made publicly available both as hard copies and on the internet (DWP and Managing Authority website).

The above is in line with the Commission's guidance in their working document which recommends that reports should be published in the interests of transparency and to stimulate public debate on the evaluation findings (Page 14).

6.5 Assessment of Financial Arrangements

This information will be inserted in the final ex-ante evaluation report.

7 Convergence regions (Cornwall and the Isles of Scilly)

7.1 Introduction

The issues looked at previously in this report are concerned with the development and implementation of ESF at a national (England) level. Bearing this in mind they will also, to a great extent, be relevant to Priorities 4 and 5 which are focused on a specific region within England – Cornwall and the Isles of Scilly. However, some differences between the regional and national picture emerge both in terms of background issues, such as the labour market, and in terms of implementation – such as specific indicators and forecasts. This chapter seeks to highlight where these differences occur.

7.2 Relevance of Priorities 4 and 5 to the Labour Market

7.2.1 How the Labour Market Analysis was Conducted

The Managing Authority requested labour market information from Government Office South West (GOSW) that was specific to Cornwall and the Isles of Scilly. This was forwarded to the evaluator, who assessed it for differences with the national data and identified where there were gaps in the information. Further information to clarify these gaps was requested from, and provided by, GOSW. They also provided documents on regional and local skills strategies, which gave access to more detailed labour market information as well providing the regional labour market policy background (see section 7.3). From these the evaluator put together a SWOT analysis to identify issues, especially “opportunities” for support in the 2007-2013 programme, that are specific to Cornwall and the Isles of Scilly (see Figures 7.1 and 7.4). This was discussed with the Managing Authority and GOSW, leading to further clarification which informed the Operational Programme.

The above demonstrates that the labour market section and SWOT analysis relating specifically to Priorities 4 and 5, were developed as part of an interactive and interactive process, as recommended by the EU.

7.2.2 Priority 4 – Tackling barriers to employment

The Operational Programme outlines the *strengths* of the labour market that are *specific* to Cornwall and the Isles of Scilly. It identifies that Cornwall and the Isles of Scilly are experiencing a relative economic improvement. In 2003 the gross value added (GVA) per head was above the national average, which is the eighth consecutive year where rises in GVA has been above that for England as a whole.⁴¹

In terms of employment levels, these are comparable with or even higher than the relatively high levels for England as a whole (76.3% for Cornwall and Isles of Scilly compared to 75.1% for the UK). Similarly, levels of unemployment are comparable with those for England as whole - at 4.8 compared to 4.7%.⁴²

It was also seen that, over recent years, there has been a significant growth in new jobs - with a net gain of over 26,000 jobs between 1998 to 2003. In terms of the type of jobs that are available in Cornwall and the Isles of Scilly, since 1999 there has been an increase in retail, real estate and other business activities, hotels and catering and education.⁴³

However, the labour market in Cornwall and the Isles of Scilly also exhibits a number of specific *weaknesses*. One weakness is the ageing profile of the population and hence a decrease in potential workers - as many of these older people will be retired or only seeking part-time work. The average age of the population in Cornwall (42.1) and the Isles of Scilly (41.9) is higher than the average in England (38.6), with relatively high rates of older people (with around 23% of men aged over 65 and women aged over 60) compared to England as whole (18.5%). It is projected that between 1996- 2011, 82% of the population in Cornwall and the Isles of Scilly will be aged 45-64. At the same time, those aged 25 to 44 are expected to decline.⁴⁴ Overall, only 58.6% of total population are of working age compared to 59.9% in the South West and 62% in GB.⁴⁵

Levels of inactivity are significant and comparable to those at a national level. In terms of individuals who aged over 50, in Cornwall and the Isles of Scilly levels of

⁴¹ Source: GOSW Regional Intelligence Team.

⁴² Data in paragraph from Labour Force Survey, May 2005.

⁴³ NOMIS, 2004.

⁴⁴ ONS mid year estimates.

⁴⁵ Nomis/labour market profile/C&IOS 16/506.

economic inactivity for this age group stood at 5.8% of the working age population compared to 5.3% in the South West overall and 5.2% nationally.⁴⁶ There are relatively high rates of people receiving Incapacity Benefit (which is probably linked to the ageing population) – with 9.6% of the working age population receiving this benefit compared to 5.3% for the South West overall and 6.1% nationally.

Furthermore, whilst the employment rate overall in Cornwall is favourable, there are certain areas within Cornwall and the Isles of Scilly where there are higher levels of unemployment and deprivation, than the average for the region. Districts of Kerrier, Penwith and Restormal have seven of the most deprived areas *within* the 10% most deprived areas nationally according to the Index of Multiple Deprivation.⁴⁷

7.2.3 Priority 5 – Improving the skills of the workforce

The **specific strengths** of the labour market in Cornwall and the Isles of Scilly in relation to skills are identified in the Operational Programme. It states that the working age population is relatively well qualified, with a smaller percentage (10.2%) having no qualifications compared to GB as whole (15.1%) and a higher proportion having lower level skills (82.8% held NVQ 1, compared to 76% for GB as a whole). Even in terms of intermediate level skills Cornwall and the Isles of Scilly does well with 66.2% are holding Level 2 qualifications compared to 65.1% in the South West and only 61.5% in GB.⁴⁸

In terms of **weaknesses** in the labour market that are specific to Cornwall and the Isles of Scilly – turning again to skill levels there is evidence that there is a need for up-skilling in the labour market as there is a lower proportion of the working age population with Level 4 qualifications (22.9%) compared to the South West in general (26.1%) and GB (25.2%).⁴⁹ Another issue that has been identified is that workers have lower than average wages. Median gross weekly pay among full-time workers in Cornwall and the Isles of Scilly was reported as £340, which is much lower than the national average of £432 and that of the South West region as a whole (£401).⁵⁰ To an extent this may be an artefact of the predominant employment sectors that are found in this geographical area. That is, sectors which tend to pay low wages such as Distribution, Hotel and Catering; Care (particularly care for the elderly) and Tourism make up a relatively large proportion of the regional economy (for example 32.8% in Tourism - compared to 24.9% in England and 26.9% in the South West).⁵¹ At the same time there are relatively low levels of capital investment

⁴⁶ Nomis November 2005 – including remainder of statistics in this paragraph.

⁴⁷ ODPM 2004.

⁴⁸ Statistics in paragraph from Local Areas LFS 2003-2004.

⁴⁹ Local Areas LFS 2003-2004.

⁵⁰ Nomis Workplace Analysis 2005.

⁵¹ ONS Annual Business Enquiry 2004.

in industries such as Manufacturing which accounts for only 11% of the employment sectors (11.9% GB and 11.6% South West) and Construction only 3.9% in Cornwall compared to 4.5% for GB and 4.6% in the South West.⁵² This is significant as these industries may be expected to pay higher wages and make a higher contribution to the regional economy. Similarly there are lower than average levels of innovation, research and development.

Furthermore, high levels of part-time working also predominate in Cornwall, (40.8%) which reflects the region's employment sectors and is another factor which explains the low wage rates (36.1% in the South West as a whole and 32% for GB).⁵³

In addition very high levels of self-employment and micro companies are prevalent in the Cornwall economy, with 13.5% of the working age population being self employed compared to 10.6% in the South West and 9.1% in GB⁵⁴. Also the majority of companies have less than 9 employees (86.4%) and only 1.9% have more than 50 staff, including part-time employees.⁵⁵

Before examining the "opportunities" which ESF could provide for enhancing the employment and skills of the workforce in Cornwall and the Isles of Scilly, this chapter will consider the overall economic strategy for the South West. This is because it reiterates and clarifies some of the issues mentioned above.

7.3 An Assessment Priority 4 and 5 Objectives in Relation to Regional Labour Market Policy

This section considers regional economic policy objectives for the South West and, where possible specifically for Cornwall and the Isles of Scilly, in order to assess their relevance to the objectives outlined for Priorities 4 and 5.

7.3.1 Overarching Economic Policy for the South West

The Regional Economic Strategy for South West England 2006-2015 (RES), provides an overarching economic strategy for the whole of the South West region. It states that although the South West is relatively productive and wealthy, there are pockets of social disadvantage. Furthermore, in terms of productivity it is considered that the region could do better as in 2003 it remained 7% below the UK average and within this performance varied widely, with Cornwall and the Isles of Scilly being "well below average". The Strategy goes on to identify that although the South West has performed well in terms of real growth and had the lowest rates of unemployment amongst the UK, there were less favourable issues such as the need to invest in basic skills and human capital generally.

⁵² ONS: Annual Business Enquiry 2004.

⁵³ ONS Annual Business Enquiry 2004.

⁵⁴ NOMIS Annual Population Survey March 2005.

⁵⁵ ONS March 2003.

The Strategy identified a series of objectives to create more successful economic conditions such as the need to promote and develop enterprise by teaching enterprise skills (Objective 1B). It was also highlighted that social enterprises were a “vital element in the region’s economy, providing jobs and services in their own right but also adding to the region’s overall wealth through...social and environmental objectives”. Objective 1C identified that skills were core to improving regional economic performance and that these skills should include basic and technical skills as well as training for management and leadership. Increased innovation in all organisations was highlighted in Objective 1E and planned activities included: maximising the take-up of ICT in businesses and increasing the contribution of science and technology.

The region’s response to the Government’s overall skill strategy as described in Chapter 3, is contained in the draft “South West Skills Strategy 2006-2009” which specifically details the key priorities for the South West. The Skills Strategy identifies that the region has a well qualified workforce but states that although there has been economic growth, performance is between average, to below average, when compared to other English regions. In part this may be attributed to the region operating in a “low-skills equilibrium”. Although the South West has one of the most highly qualified workforces in the UK, skills weaknesses that need to be addressed include reducing the level of school leavers and employees with poor basic skills, addressing specific gaps in technical skills and developing higher level skills more effectively.

The South West Cohesion Framework 2007-2013 has taken on board various regional strategies, including the RES, and identified where EU policy can best support and add value to the needs of the South West. Included in the Framework are various priorities for action, but it is Priority 3 - Employment and Skills that is most relevant to ESF. This section provides some limited details on the key issues and potential areas for improvement and action - more information is provided in Annex 3. Issues that are mentioned include an ageing population requiring inward migration to augment the labour market, low wages linked to low skills in some areas, high rates of worklessness in some areas and persistent pockets of deprivation. Appropriate action includes: encouraging alternative employment practices, providing opportunities for vulnerable young people, tackling economic inclusion and extending employment for all including the inactive, developing a skilled and adaptable workforce encouraging enhanced leadership and management skills for business and raising skills.

The draft *Cornwall and Isles of Scilly Strategy and Action 2006 Review* sets out key policy issues for the county. The Review identifies the following issues that will inform the ESF programme:

- Employment Structure - in spite of strong employment growth, the economy remains dominated by sectors dependent on the public sector and/or with a tendency to offer low paid and part time employment. There is a continuing challenge to modernise the economy.

- Knowledge Based Economy - the low proportion of employment in KBE sectors is a continuing and fundamental weakness of the Cornish economy, although many of these sectors favour larger, urban economies. Recent growth has been focused on the Isles of Scilly, although growth has been evident in a number of districts.
- Economic Activity Rates - are close to the national average in Cornwall, although lower than levels seen in the South West as a whole. Female economic activity is considerably lower than in the region, which suggests that the supply of labour in the County could be increased if barriers to women taking up opportunities were addressed. This could play an important role in tackling the recruitment difficulties and skills shortages.
- Learning & Skills - Qualifications levels remain low in several important sectors in Cornwall, namely wholesale/retail and hotels/restaurants which capture the majority of tourism employment, and also manufacturing where skill levels would have been expected to be higher. Overall some 40% of the workforce have low levels of qualifications. There is a clear relationship between the level of qualifications held and employment. Nearly 90% of those holding a level 4 qualification are in work, compared to 73.8% of those whose highest qualification is a level 2, and just 53.3% of those without qualifications. There is a need to increase the numbers in the workforce qualified to Levels 3 and 4 as part of the process of moving to a knowledge based economy.
- Basic Skills - Cornwall needs to build on the strong foundation of basic skills and increase participation in learning as a means of raising skills and qualifications levels above both the South West and national agencies. This will include addressing numeracy issues in particular, as well as increasing adult participation in taught learning.
- Skills Gaps - Tackling skills gaps is crucial to ensuring that Cornwall's businesses are able to operate effectively and to their full potential. Both the skills of the existing workforce (skills gaps) and potential workforce (skills shortages) need to be addressed to enable local businesses to increase productivity and efficiency levels. The scale of recruitment and skills shortage would suggest that the economic growth of the Cornish economy is being affected by labour related issues.
- Job Related Training - raising the demand for skills, as well as the supply, is crucial in increasing wealth levels in Cornwall. Wherever possible, agencies need to encourage smaller companies in particular to increase their commitment to training as a means of improving productivity and profitability.
- Educational Attainment - Raising the attainment of those coming through the statutory education system will have a direct impact on the skills and qualifications available to employers in Cornwall. It will also increase the likelihood of young people making a successful transition into work or further education, and eventually progressing into Higher Education.

- Strategic Infrastructure – Higher Education - the Combined Universities in Cornwall (CUC) initiative has had a positive impact on the Cornish economy, through both increasing learning opportunities and also enhancing the County's research base and business/academic links. In the medium term, CUC can provide a key source of knowledge based activity and help to attract and retain people and businesses in the County.

7.4 SWOT Analysis

Bearing the above in mind (and taking into consideration further suggestions from GOSW), various potential activities for enhancing the employability of the inactive have been identified (see Figure 7.5).

In short, it has been suggested that the skills of the workforce in Cornwall and the Isles of Scilly should be enhanced and that this should encompass intermediate skills, in order for workers to obtain jobs in sectors with higher wage levels. Well qualified workers may also encourage inward investment from businesses with higher value-added activities, such as research and development. However, existing employers also require support in management and leadership in order to develop the vision and skills to investment in industry, innovation, research and development.

It has also been identified that there are pockets of deprivation in Cornwall and the Isles of Scilly and regional strategy documents suggest that this may be tackled, at least in part, by promoting social enterprises.

The above analysis contends that the population in the region is ageing and this could lead to gaps in the workforce. This is *not* an issue which was emphasised in early versions of the Operational Programme. The ex-ante evaluation suggested that the OP should include acknowledgement that older workers should receive particular support among the inactive, as the working age population in Cornwall and the Isles of Scilly will depend increasingly on those aged over 45. Linked to this, it also seems relevant to suggest that particular support should be given to those young people not in education and employment as a valuable source of labour in an aging population. Again this issue was not initially recognised in the Operational programme under Priorities 4 or 5.

Figure 7.1 Strengths in the Labour Market in Cornwall and Isles of Scilly

- High of rates of employment which are comparable with national levels
- Relatively low rates of unemployment – similar to national levels
- Sustained growth in a significant number of sectors
- Relative economic improvement – with above average growth in GVA
- Relatively well qualified workforce compared to the national picture

Figure 7.2 Weaknesses in the Labour Market in Cornwall and the Isles of Scilly

- Relatively low wage levels in comparison to rest of GB
- High levels of self-employment and micro companies
- Low levels of capital investment in manufacturing and low levels of innovation, research and development – ie industries which pay more and create more wealth
- Low levels of industries which pay higher wages
- Low rates of GVA per head
- Low levels of those with higher level qualifications – level 4
- High levels of micro companies – less wealth production
- High levels of part-time and seasonal work

Figure 7.3 Opportunities in Regional Economic/Social/Political Environment⁵⁶

- Regional commitment to enhance employability eg Integrated Regional Strategy, Regional Economic Strategy, Regional Spatial Strategy
- Broadband and mobile technologies will allow companies to make “distance irrelevant” – so able to locate away from historical markets
- Improvements in South West’s business investment and export performance – suggesting South West firms will become more competitive
- Establishment and strengthening of higher education institutions – this could draw in a larger and skilled younger workforce
- High quality of life in a unique environment acts as a driver for creativity and innovation

⁵⁶ Data which has informed the identification of these opportunities is contained in the South West Cohesion Framework 2007-2013.

Figure 7.4 Threats

Issues already highlighted as “threats” to ESF support in Figure 2.4 are also relevant in this context. Further more regional threats include:

- Aging population – more over 60s and fewer under 45s - needing inward migration to augment labour market
- Increased outward migration rates of graduates, coupled with a decrease in inward graduate migration
- Negative employer attitudes to developing a culture of innovation and the increased use of science, technology and ICT
- Lack of inward investment from larger companies moving into the area
- Failure to develop and utilise skills of young people including those moving into Cornwall

The above discussion of the strengths and weaknesses in the labour market in Cornwall and the Isles of Scilly has led to the identification of the following set of areas for potential ESF activity. These provide a labour market rationale for Priorities 4 and 5 in the 2007-2013 ESF programme.

- To reduce the number of workless households – and thereby reduce income inequality and the number of children living in poverty.
- To reduce the flow of people on to incapacity benefits and to tackle the stock of incapacity benefit recipients.
- To improve the participation of older workers in the labour market.
- To reduce inactivity rates of other groups at a disadvantage in the labour market, including people with disabilities and health conditions, lone parents and ethnic minorities - and those with combinations of disadvantage (multiply disadvantaged).
- To reduce employment and skills disparities within the region – in particular among “pockets” of deprivation”.
- To promote social enterprise, especially in deprived communities.
- Enhance the skills and employability of younger people not in education and employment as valuable source of younger workers in an aging population.
- To promote enterprise skills in general – and especially for new businesses with high growth potential.
- To improve the basic skill levels of adults and school leavers.
- To tackle the skills level in the workforce at an intermediate level to improve productivity and encourage inward investment.
- Ensure the applicability of skills to current and future business requirements.

