

Helping people into jobs: issues for discussion in Caerphilly

by Victoria Winckler

Foreword by Wayne David MP



The Bevan Foundation

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FOREWORD

Economic inactivity is the single most important issue facing the Valleys of south Wales. In fact, the Heads of the South Wales Valleys has probably the highest concentration of people on Incapacity Benefit anywhere in the United Kingdom.

This means that thousands of people are subsisting on benefits and the local economy is extremely weak. To turn this around is a huge challenge for Government. Much of the responsibility rests with Central Government, but the Welsh Assembly Government too has a vital contribution to make.

Caerphilly County Borough is in the heart of south Wales and is, in many ways, a microcosm of the Valleys as a whole. For example, it contains, in its southern half, areas which have benefited from the effect of the economic prosperity of Cardiff and the M4 corridor, and yet, in its northern extremity, the Borough contains areas of acute socio-economic deprivation and extremely high levels of economic inactivity.

This study examines how the challenge of moving towards full employment in being met in the Caerphilly County Borough. It looks at how current Government programmes are impacting and the way in which Central Government's agenda is developing. It also provides a strong commentary on what is happening on the ground and it identifies issues which still need to be addressed.

I hope the report will be read widely and discussed by those who have an interest in the future of the Valleys, not only by those concerned about Caerphilly County Borough. This is far too important a study simply to be put on the shelf.

Wayne David
MP for Caerphilly

1. INTRODUCTION

Economic inactivity in Caerphilly hit the headlines recently when it was announced that the Caerphilly constituency has the 14th highest dependence on Incapacity Benefit (IB) in the UK.¹ Altogether more than 27,000 of the County's 103,600 people of working age do not have a job and are not actively seeking one. Of these, 14,700 people were claiming Incapacity Benefit in February 2007.²

In many ways, Caerphilly's status as an area of high IB claims is surprising. The area is relatively close to the wide range and large number of employment opportunities in both Cardiff and Newport and in addition, there has been some job creation within the borough.

It is because of concerns about the apparent coincidence of high economic inactivity and dependence on out-of-work benefits alongside apparently buoyant local economies, as well as a drive to achieve full employment, that the UK Government has over the last two years set out to reform both the benefit system and welfare to work programmes. Some of the changes are already in train, with a new benefit regime due to be implemented from April 2008, whilst others (notably changes to welfare to work programmes) are still under discussion.

Nevertheless, it is clear that the status quo, in which a third of Caerphilly's working age population is 'workless', is set to change.

This study

This study was undertaken to explore some of the issues underlying Caerphilly's high levels of Incapacity Benefit claims, and to consider, in the light of recent proposals for reform, what more could be done via mainstream programmes and other action either to help people into a job or to support those who are unable to work.

The study is very small scale and exploratory in nature, and presents issues for further discussion rather than firm conclusions. It involved a review of relevant statistics and local research, interviews with representatives from stakeholder organizations (listed at Annex 1) and interviews with a small number of benefit claimants. As other studies have found, it proved difficult to identify claimants who were willing to be interviewed and we therefore relied on people who volunteered to participate whilst attending other venues, namely Bargoed

¹ Fothergill, S. and Smith, J.G. (2005) *Mobilising Britain's Missing Workforce - Unemployment, incapacity benefit, and the regions*, London: Catalyst

² Annual Population Survey (2006) via NOMIS

Citizen's Advice Bureau (on 8th November 2006 and 6th December 2006) and the MIND Centre at Ystrad Mynach. Altogether we interviewed 12 claimants.

The interviews were semi-structured and were conducted by Maggie McCollum, then a research assistant at the Bevan Foundation, who recorded the discussions and transcribed them. Some of the interviews were group interviews and others were individual, depending on the availability and preferences of interviewees. The questions were determined solely by us and the interviews were, and remain, confidential. We have quoted extensively from them, however, both as evidence of our findings and to illustrate the strength of feeling uncovered.

The findings are not, therefore in any way statistically representative, nor were they intended to be so. Nevertheless, they highlight some important issues that we suggest are worth further consideration and exploration.

The Bevan Foundation gratefully acknowledges the generous financial support of Wayne David MP towards the costs of this study. However, he has not directed the study in any way nor has he contributed to the contents of the report. The views expressed here are those of the author alone and are not necessarily shared by Wayne David MP or the trustees or members of the Bevan Foundation.

The report highlights that common perceptions about economic inactivity in Caerphilly are inaccurate in a number of ways. Most importantly, the report shows that economic inactivity is not an endemic, widespread problem. Rather, in numerical terms it is entirely the result of extraordinarily high levels of economic inactivity amongst men aged 50 plus, nearly half of whom are out of work. Economic inactivity is also concentrated amongst people who experience disadvantage in the labour market e.g. because they lack skills or are not in good health.

Following on from this, the report also suggests that the idea that there is a 'culture of benefit dependency' in Caerphilly is misplaced. Not only is there little evidence of such a 'culture' per se, but it can hardly be widespread when the population of prime working age is engaged in paid work to exactly the same extent as the rest of Britain. Instead, the report suggests that it is more helpful to consider how to raise the aspirations of people who are disadvantaged and how to help them into work.

The report also reviews the latest proposals for benefit and welfare to work reform, and suggests ways in which there may be scope for further change. In particular the report identifies the following issues for discussion:

- There needs to be a debate about how best to provide support to those who are most likely to be out of work, namely people over the age of 50, to help them to return to work in difficult labour market circumstances, or, if they are unable to find work, to lead full and fulfilling lives.
- Further consideration should be given to ways in which people's access to jobs can be improved, through a range of initiatives to enhance public transport services.
- Consideration should be given to providing universal, immediate access to welfare to work programmes for those who wish it, without the waiting time usually required to access programmes.
- There should be a discussion about how best to address fears amongst IB claimants about losing their benefits, in particular as people who already receive Incapacity Benefit are not currently proposed to be affected by the planned reforms.
- Consideration should be given to how improving public scrutiny of and accountability for the delivery of welfare to work programmes and there needs to be further thought given to whether private and voluntary organizations have sufficient capacity to deliver and to be sensitive to local circumstances and engaged with the local community.
- Consideration is needed of ways in which welfare to work programmes can engage with the community and community regeneration initiatives at local level, and if so how this should be done.
- Attention needs to be devoted to measures to help to raise expectations amongst people who are economically inactive, especially long-term benefit claimants.

2. HELPING PEOPLE INTO WORK: CURRENT POLICY

The last few years have seen considerable debate and discussion about tackling economic inactivity and reducing dependence on benefits, especially Incapacity Benefit. As well as the National Assembly for Wales Economic Development and Transport Committee's policy review of economic inactivity undertaken in 2005,³ there have been two UK Government Green Papers: by John Hutton in January 2006⁴ and the latest by Peter Hain in July 2007,⁵ as well as two independent reviews of aspects of welfare to work commissioned by the UK Government: one by David Freud on welfare to work programmes⁶ and the other on child poverty by Lisa Harker.⁷ The House of Commons Select Committee on Work and Pensions also reviewed the subject.⁸

In this flurry of activity a number of key themes are evident in the analysis of the current situation. All the papers acknowledge that the UK labour market has performed remarkably well since the late 1990s, with employment up and unemployment markedly down. However, they acknowledge that, despite recent growth, the UK has not yet reached 'full employment', which is defined as an employment rate of 80 percent.

The various reports then say that those who remain out-of-work are now primarily people who are 'hardest to reach', i.e. people whose personal and / or social circumstances mean that they do not engage with welfare to work programmes at all or if they do they are more difficult to help than most people. These groups include lone parents, older people, people facing multiple disadvantage, couples and carers (although not every group is highlighted by each report). If the full employment target is to be achieved, then people who are currently out of the workforce will need to be helped to find employment.

³ Economic Development and Transport Committee, (2005) *Economic Inactivity in Wales*, Cardiff: National Assembly for Wales

⁴ Department for Work and Pensions (2006) *A new deal for welfare: Empowering people to work* Cm 6730, London: HMSO

⁵ Department for Work and Pensions (2007) *In Work, Better Off: Next steps to full employment*, Cm 7130, London: HMSO

⁶ Freud, D. (2007) *Reducing dependency, increasing opportunity: options for the future of welfare to work, An independent report to the Department for Work and Pensions*. London: DWP

⁷ Harker, L. (2006) *Delivering on Child Poverty: what would it take? A report for the Department for Work and Pensions* Cm 6951, London: HMSO

⁸ House of Commons Work and Pensions Committee (2006) *Incapacity Benefits and Pathways to Work Third Report of Session 2005–06 HC 616*, London: HMSO

The reports also have a broadly common approach to the remedies proposed, although they differ in their emphasis. Most importantly, all the reports recognize the importance of work as both a route out of poverty and a key factor in individuals' wider wellbeing. They then argue, in various ways, that many people who are currently not economically active are in fact capable of some form of work, and, crucially, that receiving benefit should be conditional on efforts to get work and come off benefit. Each report then goes on to build on this overall theme and explore different aspects of 'welfare to work'.

There is broad agreement amongst the papers that the benefits system needs reform in order to encourage people into work. John Hutton's Green Paper set the framework for these changes, arguing that people who receive Incapacity Benefit are not encouraged by the benefit system to re-enter working life, e.g. because IB increases after a period of time and claimants are not required to engage in work-related activity. The subsequent Welfare Reform Act 2007, based on the Green Paper, replaces IB with a new Employment and Support Allowance (EAS) from 2008. EAS will manage claimants' receipt of the benefit much more actively, from the 'gateway' to initial payment through to medical assessment of capacity for work to support for return to work activities. However, Freud's subsequent and more radical proposal that there should be a single benefit system to replace the myriad of different benefits currently payable has not (yet) been taken forward.

Second, there is a shared view across the reports that there should be more 'conditionality' built into the benefits and welfare to work system. The idea that the state and its citizens have mutual rights and responsibilities has been present in some welfare to work programmes for a number of years. Crucially, in these programmes the 'right' to payment of benefits and access to help is conditional on the 'responsibility' to seek work and comply with the relevant requirements of Job Seekers Allowance and / or New Deal programme. However, what is new is the extension of the 'rights and responsibilities' approach from unemployed people to other groups, notably people receiving Incapacity Benefit and lone parents receiving Income Support. Whilst the various papers differ in the detail about how this 'conditionality' would be applied (and indeed in the case of Peter Hain's paper, it asks questions on some issues rather than making firm proposals), they are all agreed that benefit recipients must take active steps to move off them, unless there are exceptional circumstances.⁹ However, the arrangements are proposed to apply only to new claimants – existing recipients of IB will not be affected.

The third area of consensus is that welfare to work programmes need to be developed and enhanced if they are to meet the challenge of helping the 'hardest-to-reach' groups. The various reports recognize that the approach adopted in the New Deal programmes has been highly effective and has helped many thousands of people into work. However, all reports agree that the 'client group' approach which has driven New Deal programmes to date (e.g.

⁹ People who are deemed to be seriously ill or disabled will be exempt from this provision and it is likely that lone parents whose youngest child is under 7 years old will also be exempted.

50 plus, lone parent, disabled, IB claimant etc.) needs to be changed to a more personalized approach which reflects the needs of the client. Indeed Freud suggested that the 'client group' approach should be scrapped altogether and replaced with a single system of support. Although the latest Green Paper says:

'We want to move away from the rigid distinctions of the current New Deals between age groups'¹⁰

it is not clear if this amounts to amalgamating the different New Deals.

Another aspect of personalization is the time at which help is offered. Freud pointed out that the time a client waited before receiving support may be too long and that it also varied between different welfare to work programmes, (however his own proposals for change have in turn been said to be inconsistent¹¹). The current Green Paper sets out proposals to provide support to job-seekers and others considerably earlier than at present, and suggests that help will be 'fast-tracked' if warranted by a client's circumstances (as evidenced by his or her claim history). There is also broad agreement that welfare to work programmes should be more flexible than at present, building on the approach adopted in Employment Zones, offering whatever assistance a client requires, be it help with travel to work or further training.

The final area on which there is agreement, at least in principle, is on the delivery of welfare to work programmes. However, whilst all papers agree that programmes should be contracted out, Peter Hain's Green Paper appears to make a break from the approach that was adopted by John Hutton and was developed further by David Freud. Instead he envisages a role for the public sector as a contractor, as well as the private and voluntary sectors. This was confirmed in a recent media interview¹², although his announcement on the contracts to deliver the latest Pathways to Work Programme suggests that it has yet to take effect.¹³ Hain's Green Paper however does continue the earlier emphasis on 'outcome based' contracts.

This accord within the world of the Department for Work and Pensions has not been quite so evident in the wider community, however. The UK Government's proposals have been questioned by a range of organisations, from trades unions to think tanks to disability groups, for a number of reasons.

¹⁰ Department for Work and Pensions (2007) *In Work, Better Off: Next steps to full employment*, Cm 7130, London: HMSO para 36 page 49

¹¹ TUC (2007) *Reducing Poverty, Increasing Support: the TUC response to the Freud Report*, downloaded from <http://www.tuc.org.uk/welfare/tuc-13356-f0.pdf>

¹² 'Hain cool on private sector job contracts', *Financial Times* July 30 2007

¹³ Department for Work and Pensions (2007), *Enhanced role for the private and voluntary sector – Peter Hain announces pathways contracts*, DWP Press Notice 12th September 2007

One of the greatest concerns is that insufficient weight is given in all the various proposals to the role of labour *demand* in shaping access to job, in other words whether there are sufficient, suitable jobs available for all those returning to work to take. Whilst at UK level as a whole there is little evidence of a jobs shortage, it is still a cause for concern in areas of the UK which have seen the loss of their traditional jobs in the past and which have yet to replace them fully, as evidenced by their below average 'job densities'. In these areas there is a real risk that there are simply too few jobs to enable the target of 80 percent employment to be met locally. The 'jobs pledge' outlined in Peter Hain's Green Paper, in which major employers commit to create jobs which will be available to people coming off benefit, is a useful start but nevertheless does not overcome the reality of a genuine shortage of vacant jobs in some areas.

There is also concern that, notwithstanding recent legislation, some job-seekers face additional barriers to finding work because too many employers discriminate against people with disabilities or who are from ethnic minorities. Similarly, and again notwithstanding recent legislation, there are fears that there are too few jobs available that are sufficiently flexible for lone parents or people with disabilities who may be unable to fit in with 'standard' working arrangements. It is not just a question of the number of jobs available, but of whether they are adaptable enough to take on people who need extra support to work.

Second, there are concerns about the point at which it is fair and appropriate to compel people to find work. Whilst the principle of 'conditionality' is broadly accepted, there has been little debate about the point at which sanctions should be applied. Critics point out that conditionality must be accompanied by meaningful support for clients and sensitivity to different individual circumstances. There are particular concerns about applying conditionality requirements to lone parents of primary-school aged children, especially those who are themselves disabled or have a disabled child and given the lack of affordable, flexible childcare. Similarly, there are concerns about applying conditionality to people with moderate ill-health or disability. Whilst many more people with disabilities would like to work than currently do so, it must also be acknowledged that there are some people whose health or disability is such that they are unable to do so. At the time of writing this report many organizations were still formulating their responses to the latest Green Paper, but it seems likely that the proposal to require people who are still on benefit, despite receiving specialist job search support, to undertake a period of full-time work experience is likely to generate particular concern.

Third, there is some debate about the need to increase the emphasis on getting job-seekers into 'sustainable employment'.¹⁴ Sustainable employment underpins the conclusions of the Freud and Harker reports (as well as the Leitch report on skills), who see genuine

¹⁴ Centre for Local Economic Strategies (n.d.) Rethinking Worklessness: research on the Welfare Reform Green Paper, *CLES Rapid Research no. 4*, Manchester: CLES

sustainability being considerably longer than the period of 13 weeks currently used in welfare to work programmes. Sustaining a job for a longer period helps to consolidate people's return to the workforce as well as potentially helping them to progress from entry level jobs e.g. through further training and promotion. However there are at present no proposals to extend the period for which support is offered.

And last, but not least, the proposals for welfare reform in Wales are far from clear. Peter Hain's Green Paper rightly identifies those areas which interface with and are integral to reform, but which are the responsibility of the Welsh Assembly Government. These include, for example, childcare provision, education and skills, and local government. Understandably, the Green Paper is unable to make firm proposals for Wales on these matters, but in the absence of a complementary response from the Welsh Assembly Government it is difficult to form a view on the overall reform package in Wales. Co-operation between the UK Government and Welsh Assembly Government is therefore vital.

In conclusion, although changes to Incapacity Benefit have yet to take effect and the proposals for change to welfare to work programmes have yet to be finalized, the overall direction of travel is very clear. Benefits are to be much more tightly managed than ever before, almost all benefit claimants will be required to be more pro-active seeking work, and welfare to work programmes will offer more support, tailored to the individual.

3. ECONOMIC INACTIVITY AND UNEMPLOYMENT IN CAERPHELLY

Caerphilly is, in many ways, precisely the kind of area which has generated the current concerns about benefits and welfare to work. Economic inactivity in the area is above average, as are the area's claims for benefits such as Incapacity Benefit yet much of the area is very close to thriving local economies and plentiful employment. This section explores the position in Caerphilly in more detail. Throughout, the figures used are for Caerphilly County Borough.

Economic inactivity

The 'economic inactivity rate' in Caerphilly – i.e. the proportion of people of working age who do not have a job or are not actively seeking one – for 2006 stands at 25.7 per cent, some 4.3 percentage points above the Great Britain rate and also above the figure for Wales. The differences between the economic inactivity rate for Caerphilly and the rates for Wales and Britain are especially marked for males, where the gap is 1.8 and 6.3 percentage points respectively. The inactivity rate for women in Caerphilly, however, almost matches the Wales rate and is not far behind that for Britain.

In terms of economic prosperity, the Caerphilly borough is very diverse. To the west of Caerphilly town, for example, large and relatively prosperous housing estates have grown up in recent years and these contrast with the small and remote former mining communities in the northern Rhymney valley. It is in these communities, north of Bargoed, that the concentrations of economic inactivity are most pronounced.

Altogether the statistics show that there are 27,200 economically inactive people in Caerphilly. The number has been on a downward trend since its peak of 31,000 in 2004, and it has decreased more quickly than in Wales or Britain as a whole, it still stands at 2,200 more than in 1999/00.

Some people who are classed as economically inactive would nevertheless like a job if one was available. Although a slightly higher proportion of the working age population in Caerphilly wants to work than in Wales or Britain as a whole, the difference is much smaller than for total economic inactivity at less than half a percentage point. These figures suggest that 5.9 percent of the population of working age (6,300 people) are inactive but want to work.

Almost one in five of people of working age in Caerphilly said in 2006 that they did not want a job – 19.8 percent. This is nearly 4 percentage points more than the rate across Britain. More females than males said that they did not want a job (11,300 women compared with 9,700

men), but the proportion of women in Caerphilly who did not want to work is *lower* than the figure for Wales and only slightly above the GB figure. In contrast a substantially higher proportion of Caerphilly men did not want a job than in Britain as a whole – 17.8 percent compared with 12.2 percent.

Table 1 Economic inactivity (Jan 2006-Dec 2006)

	Caerphilly (numbers)	Caerphilly (%)	Wales (%)	Great Britain (%)
All economically inactive				
All people	27,200	25.7	24.9	21.4
Males	12,500	22.9	21.1	16.6
Females	14,800	28.7	28.8	26.5
Wanting a job				
All people	6,300	5.9	5.8	5.4
Males	2,800	5.1	4.9	4.4
Females	3,500	6.8	6.7	6.5
Not wanting a job				
All people	21,000	19.8	19.1	16.0
Males	9,700	17.8	16.2	12.2
Females	11,300	21.9	22.2	20.0

Source: Annual Population Survey 2006 via NOMIS

Notes: Relates to the population of working age.

Just why is it that economic inactivity is so high in Caerphilly? One widely promoted explanation is that people who were made redundant in the 1980s and early 1990s, from both the run down of mining and the recession in manufacturing, moved from employment to unemployment and then to economic inactivity fairly rapidly. For example Stephen Fothergill and Christina Beatty have argued that there has been a large scale ‘diversion’ of people from unemployment to sickness, which has been particularly evident in the former coalfield areas. They estimate that 9,000 people in Caerphilly – some 8.7 percent of the population of working age – had been diverted from unemployment to sickness between 1981 and August 2003.

This argument is reinforced by research which has shown that 12.9 percent of people who were unemployed in Caerphilly in 1995 and still lived in the area in 2000 were classed as disabled five years later.¹⁵ This figure is slighter higher than the 10 percent recorded for

¹⁵ McLennan, D., Lloyd, M., Noble, M., Idani, M.J., Dibben, C. and Wright, G. (2003) *Claiming Matters: chaning patters*

Wales as a whole.¹⁶ It is also higher than Fothergill and Beatty's estimate. Older unemployed people in Caerphilly were very considerably more likely to become disabled over the period: 28.3 per cent of the 40 – 49 age group and 16.9 percent of over 50s moved from unemployment to disability between 1995 and 2000. This is a very significantly higher rate of change than in Wales as a whole, where 21.0 per cent of 40 – 49 year olds and 12.4 per cent of over 50s became classed as disabled.

Whilst some have suggested that the 'diversion' from unemployment to sickness was a political response to intractable levels of joblessness, others have pointed out that the position is more complex. Indeed, there now seems to be a broad consensus, across different economic perspectives, that in a relatively slack labour market (i.e. when lots of people are chasing few jobs) people with various disadvantages e.g. poor health or low skills are less able to compete. Over time, they become demotivated and demoralized and sometimes also become ill, and withdraw from the labour market altogether. A number of empirical studies of transfers between Job Seekers Allowance and Incapacity Benefit confirms that people who change the benefit claimed are more likely to be disadvantaged in some way.¹⁷

There is, therefore, some powerful evidence, from a number of different sources, that there has been a substantial movement of people in Caerphilly from unemployment into sickness or disability. It seems that those people were likely to be those who were most disadvantaged in the labour market e.g. with health problems, although it is simply impossible to say whether or not these shifts were driven by a desire to reduce the unemployment count or simply reflected the ill-health of those concerned.

The analysis of economic inactivity which follows, lends support to the idea that people who are disadvantaged in Caerphilly have high levels of inactivity. Not only are they more likely to be economically inactive than their counterparts who do not suffer some sort of disadvantage, but they are also more likely to be economically inactive than disadvantaged people in Wales or Britain as a whole. The rest of this section explores economic inactivity amongst different age groups, people with different health conditions, different household circumstances and different levels of qualification.

Age

Statistics show that people who are economically inactive are predominantly older. Table 2 shows the economic inactivity rate for Caerphilly county for different age groups in 2006. It shows that for people under the age of 50, Caerphilly's inactivity rates are at or below the Wales inactivity rate and only slightly above the rates for Britain as a whole. What is striking

of benefit receipt across Wales 1995-2000 – case study report Caerphilly, Cardiff: Local Government Data Unit

¹⁶ *ibid.*

¹⁷ Bacon, J. (2003) *Moving between sickness and unemployment*, Labour Market Trends. vol 111 (10)

is the massive difference in economic inactivity amongst people aged over 50. For this age group, almost half the population aged 50–state pension age (44 percent) is not economically active. This difference in economic inactivity between under- and over-50 year olds is nothing like as marked in Wales or Britain as a whole.

These figures suggest that Caerphilly does **not** have a general problem of high levels of inactivity, across the whole population. Indeed, participation in work amongst people aged 16–49 is entirely in line with national rates. Rather, Caerphilly has a very particular and acute problem of inactivity amongst those aged over 50 to retirement.

Table 2 Economic Inactivity Rate for Age Groups 2006

	Caerphilly County	Wales	Great Britain
16-19	41	46	44
20 – 24	13	27	24
25 - 34	18	18	16
35 – 49	16	16	15
50 – retirement	44	33	27
Total rate	26	25	21

Source: Annual Population Survey downloaded from Nomis 11/09/08

If we look at economic inactivity amongst different age groups of males the picture is even more astounding (see Table 3). It suggests that something almost catastrophic has happened to men’s working lives in recent years. Whilst fewer than 10 percent of Caerphilly’s males aged 20–49 are economically inactive – with figures broadly consistent with those for Wales and Britain - at age 50 the inactivity rate suddenly leaps from 9 percent to 45 percent. More than 7,000 men aged 50-retirement are economically inactive.

The economic inactivity for females also varies by age, although less so than the rate for males. Female inactivity fluctuates much more over age groups, as women in their 20s and 30s spend time out of the workforce caring for children. Nevertheless, here too the inactivity rate almost doubles from 22 percent for 35-49 year olds to 43 percent for 50 – 59 year olds. Again, whilst there is some increase at age 50 evident in Britain and Wales as a whole, it is nothing like that which occurs in Caerphilly.

Table 3 Economic Inactivity Rate by Age Group and Gender 2006

Age Group	Males			Females		
	Caerphilly	Wales	Great Britain	Caerphilly	Wales	Great Britain
16 - 19	50	46	44	31	47	44
20 – 24	8	19	18	15	34	29
25 - 34	6	9	7	30	26	25
35 – 49	9	10	8	22	21	21
50 – retirement	45	33	25	43	34	29
Inactivity rate all ages	23	21	17	29	29	27

Source: Annual Population Survey downloaded from Nomis 11/09/08

It is impossible to ascertain from the statistics alone just why there is this marked and very substantial age effect in Caerphilly, although it seems likely that it is strongly associated with the severe loss of jobs from the coal industry and manufacturing in the 1980s and early 1990s

Health

The general health of Caerphilly’s population is not particularly good. The 2001 Census of Population showed that only 57 per cent of the population regarded their health as ‘good’, compared with 62 per cent of the population of Wales. The Census of Population also showed that the overall health status of the population has an impact on economic inactivity. The economic inactivity rate of those in good or fairly good health in Caerphilly was 23 percent and 50 percent respectively. In contrast 85 percent of people who said their health was not good were economically inactive. Caerphilly residents who had good health were less likely to be economically inactive than Wales as a whole, but people whose health was not good were more likely to be inactive. As before, Caerphilly does not appear to have an inactivity problem amongst people who are not disadvantaged in some way.

It is worth noting that the type of ill-health suffered by people who are economically inactive is broadly the same as that of people in Wales and Britain as a whole. The most common conditions are ‘difficulty in seeing or hearing’, which affects 31 percent of the people who are economically inactive, followed by ‘chest or breathing problems, heart, blood pressure or circulation problems, stomach, liver, kidney or digestive problems, diabetes’ (28.4 percent of people who are inactive) whilst just under a quarter are affected by ‘problems or disabilities connected with arms, legs, hands, feet, back or neck’.

Lone parents

Lone parents are a group which has been particularly highlighted in current policy proposals as needing more help and support to return to work.

The economic inactivity rate of lone parents in Caerphilly is undoubtedly higher than that of parents in couples. Altogether, in 2001 there were some 6,400 lone parents in Caerphilly, of whom 3,300 are economically inactive. Lone parents are more likely to be economically inactive than couple parents – whilst about 28 per cent all parents are economically inactive in Caerphilly, more than half of lone parents (48 percent) are inactive. The proportion of parents in couples who are in active and the proportion of lone parents who are inactive are higher in Caerphilly than Wales as a whole.

Qualifications

Qualifications and skills are an important factor in economic inactivity, and some have argued that long-term changes in the economy's skill requirements, involving a shift away from unskilled labour which does not require any qualifications towards skilled jobs which demand at least some qualifications, are the key explanation of inactivity.¹⁸ This view has also been explicitly adopted by the Welsh Assembly Government.¹⁹

Certainly there is a close association between lack of qualifications and economic inactivity in Caerphilly and elsewhere. Figures from the Annual Population Survey show that four out of ten of Caerphilly's economically inactive population does not have any qualifications, whilst only 15 per cent of the active population has none. However, whilst this link between lack of qualifications and inactivity is common across Wales and Britain, it seems to have a particularly strong impact in Caerphilly. And although Caerphilly has, in any event, a higher proportion of people without any qualifications than the Welsh or British average, not having a qualification on economic inactivity seems to have an even greater impact on the likelihood of being out of the labour market than would be expected. Once again, as with age and health, it appears that having some form of labour market disadvantage has a disproportionate effect on the likelihood of being economically inactive in Caerphilly.

There is also a clear relationship between age and lack of qualifications. The 2001 Census of Population showed that the combined effect of age and qualifications is that a quarter of economically inactive people were unqualified 50–64 year olds.

¹⁸ Faggio, G. and Nickell, S. (2005) *Inactivity Among Prime Age Men in the UK*, CEP Discussion Paper No 673, London: LSE downloaded from <http://cep.lse.ac.uk/pubs/download/dp0673.pdf>

¹⁹ Economic Development and Transport Committee, (2005) *Economic Inactivity in Wales*, Cardiff: National Assembly for Wales

Unemployment

The line that divides 'economic inactivity' and 'unemployment' is a fine one. All that distinguishes the two is whether or not someone has actually searched for a job in the last two weeks **and** whether or not they are available to start work within two weeks. It is easy to imagine that someone who actively wants to have a job may not meet these criteria (e.g. because it they may need more than two weeks to organise alternative arrangements for childcare) and so be classed as inactive. It is therefore important to look at unemployment as well as economic inactivity to get an overall picture of 'worklessness'.

The latest statistics also show that Caerphilly has slightly higher than average unemployment (i.e. people who are not in a job but are actively seeking one). Over 2006, 4,600 people were unemployed – a rate of 5.7%, compared with the Wales rate of 5.2 percent and that for Britain of 5.3 percent. The number of people who are unemployed has declined dramatically in the last ten years, from a rate of 9.3 percent (6,500 people) in 1996/97 although the rate of decline has leveled off in recent years.

Table 4 Changes in Unemployment Caerphilly 2001/02 – 2005/06

No. unemployed 2001/02	5,000
No. unemployed 2005/06	4,600
Net change	-400
Unemployment rate 2005/06	5.7

Unemployment varies between genders and across age groups. Strikingly, the rate of unemployment amongst Caerphilly's younger population is almost double the GB and Wales rate, at 15 percent for 20 -24 year olds compared with 8 percent for each of Wales and Britain. The rate for 25 – 34 year olds is also slightly above the comparator rates, whilst that for older age groups is either the same or less than the Welsh and British figures.

Conclusions

There is no doubt that Caerphilly experiences both higher than average rates of economic inactivity and higher than average unemployment as well. If unemployment and economic inactivity are taken together, more than one in three people of working age are not working. Of these, almost 11,000 people say they want a job, more than one in ten of those of working age.

However, this section has also shown that, perhaps contrary to popular opinion, Caerphilly does **not** appear to have a general problem of economic inactivity. Indeed, those of its population who are of prime working age, have reasonable qualifications and are in good health are no less likely to be economically active than elsewhere in Wales and Britain.

Where Caerphilly's economic inactivity problem lies is amongst people with some sort of labour market disadvantage, and particularly amongst its older workers. The impact of age on participation in work is so great, especially for males, that it appears that something catastrophic has happened to male employment some time ago. It seems highly likely that there is a strong association with job loss from colliery and manufacturing decline in the 1980s and early 1990s and these very high levels of inactivity amongst older males.

The statistics also show that people who are disadvantaged in the labour market in other ways, e.g. because of ill-health or lack of qualifications, are also more likely to be economically inactive in Caerphilly than the Welsh and GB averages. However, there will undoubtedly be some overlap with older people and so it is difficult to untangle the two.

The level and nature of worklessness in Caerphilly is a challenge to local, Wales and UK policy makers alike. Remaining sections will look at current policy responses.

4. JOBS AND EMPLOYMENT

The account of worklessness in the previous chapter is in marked contrast to Caerphilly's performance on the economy and employment.

Over the last decade the number of jobs located in the county has increased by over 5,000, to 48,600 jobs in 2005. Although the rate of increase is not as good as that for Wales or Britain, it is nevertheless an increase in jobs that ought, at least in theory, provide opportunities for Caerphilly residents.

As explained in Caerphilly County Borough Council's Topic Report on Employment,²⁰ much of the increase in jobs has been in the public sector, and to a lesser extent in private sector services. This growth has largely occurred in public administration, education and health sector, which now accounts for 24.3% of employment. In addition, there has been an increase of 50.8% since 1993 in banking, finance and insurance, which accounts for 10.8% of employment, and an increase in distribution, hotels and restaurants (21.1%), which equates to a 38.7% increase. In contrast there has been a decline in the manufacturing industry, which has decreased by 18.3% over the period 1993 to 2003. Nevertheless, manufacturing remains a key sector providing 29.5% of employment, which is a higher proportion than the Welsh or Great Britain average.

Table 5 Employee jobs in Caerphilly 1995 - 2005

	Caerphilly County Borough	Wales	Great Britain
Employee jobs 1995	43,422		
Employee jobs 2005	48,600		
Net change	+5,178		
Percentage change	11.9	18.9	16.6

Source: Nomis Labour Market Profiles

The growth in jobs in the area has been matched by an increase in the number of people living in the county who have a job – which takes account of people who live in the area but work elsewhere. This figure is also up from 69,000 in 1999 / 2000 to 75,300 in 2005/06, an increase of 6,300 between 1999 / 2000 and 2005/06.²¹

²⁰ Caerphilly County Borough Council (2007) *Local Development Plan Topic Paper 2 – Employment*, downloaded from <http://www.caerphilly.gov.uk/pdf/planning/ldp-topic-paper2.pdf>

²¹ Annual Business Inquiry via NOMIS

Amongst those we interviewed there were mixed views about whether sufficient jobs were available locally or whether there was a genuine shortage:

Traditional manufacturing jobs are leaking out. ... The majority of the jobs in the industrial estates are static, they are not recruiting. ... I think it's safe to say that in this area there isn't a lot of recruitment going on. There hasn't been anything new for a long time.

Employment organisation

There aren't many jobs that appeal to people in this area. It was a struggle finding something for myself.

Previous IB claimant

A small number of interviewees maintained that there were jobs in the area:

The excuse that there are no jobs is just not true - there are those good places to work out there. The jobs are not being filled locally despite the high level of inactivity.

Local authority officer

There are lots of bits and pieces of jobs,

Employment agency

Some individuals were demoralized by the range of jobs on offer, particularly if they were unsuccessful securing even the most basic of jobs:

I applied for Tesco's and I didn't even get an interview which made me think 'how many people in this area are actually unemployed!' ... I feel like I have to take a step back with the jobs I go for. I have been knocked to the bottom of the ladder.

IB claimant

Travel to work

Despite the numbers of jobs created in Caerphilly county in recent years, a high proportion of Caerphilly county borough residents work outside the area. In 2004, almost half of Caerphilly's working residents (47 percent, or 31,900 people) worked outside the borough – the highest percentage of people out-commuting in Wales.²² Almost two thirds of the county's out-commuters traveled to Cardiff or Newport.

The need to travel to find work was acknowledged by stakeholders we interviewed:

²² Welsh Assembly Government (2006) *Statistics on Commuting in Wales*, Statistical Bulletin 76/2006 downloaded from <http://new.wales.gov.uk/docrepos/40382/40382313/statistics/econ-2006/sb76-2006.pdf?lang=en>

People have to realise that you are not going to get a factory job on your doorstep. To get the jobs people need to travel.

Employment Agency

The younger element realise they have to travel.

Employment Agency

Travel to work between Caerphilly and Cardiff, and between the main valleys communities and Caerphilly, is relatively good in the daytime. For example, a train service every 15 minutes provides access to Cardiff city centre from Caerphilly in 19 minutes. Similarly, trains run three times an hour from Bargoed to Caerphilly in 29 minutes.

However, our interviews revealed that travel to work for people without access to a car is not necessarily straightforward when traveling outside peak times or along routes other than north-south. Caerphilly county has relatively low levels of car ownership – 29 percent of households did not own a car or van in 2001 - and travel by public transport

Links in the Rhymney Valley are not too bad. The problem is traveling across the valleys. ... If I want to go to Bargoed or over to Dowlais where there is work, it is 7 or 8 miles away and it just can't be done for a certain time. To get there for seven in the morning is hard. This is where the problems come in.

Employment Agency

The bus service here is not very good, it's not as if you are going to Scotland but it might as well be sometimes!"

Voluntary group

Traveline Cymru's website confirms there are very real difficulties getting to and from work by public transport. It takes a bus and a train – and 55 minutes – to travel from Bargoed town centre to Treforest Industrial Estate. The first journey arrives at 7.15 am, too late to fit in with many continental shift patterns. Even the journey from Senghenydd to Cardiff takes 50 minutes and involves two buses.

The time taken to travel, and the times of the first and last journeys, are exacerbated by the unreliability of services and cost. One individual described the difficulties he had faced trying to get to work:

When I worked voluntary for a time I had to use the buses because my car had got stolen. I had to catch two and I had to get the Harris bus, which cost £2.50. I had a five pound note and they couldn't change it and I had to get off. This was first thing in the morning. When I had the car I was in the place for 9 am but when I had to use the buses I had to change the times that I worked as the earliest bus down wouldn't get me there in time for the 9am start.

IB Claimant

The practical difficulties that people face are compounded by what some stakeholders saw as reluctance to travel to work, and in particular a reluctance to travel to areas outside their immediate locality. Stakeholders time and again commented on people's unwillingness to travel:

Encouraging people to travel is another massive issue, they have to realise that they are not going to get a job on their doorstep

Employment Agency

Transport ... is the first thing that people say. Some jobs could well be in people's reach but they will not think it is – it is down to people's perceptions.

Employment Agency

People often don't want to travel

Voluntary organisation

However, reluctance to travel is not something that is peculiar to the residents of Caerphilly. Short travel-to-work distances are common across throughout the UK as a whole - more than three-quarters of **all** employees travel less than 5 km to work. We would suggest it is unrealistic to expect Caerphilly to give up unilaterally the national preference for working locally, especially for those at the lower end of the labour market who may face economic and social constraints on their travel behaviour. This has important policy implications, especially for efforts to regenerate the northern part of the county borough.

Conclusion

This section suggests that although there has undoubtedly been some growth in the number of jobs in Caerphilly, and that there has been a corresponding increase in the number of Caerphilly residents with jobs, the economy is not exactly booming. The rate of jobs growth within the area is below average and although many jobs are available elsewhere e.g. Cardiff and Newport there can be a reluctance to travel (not unique to Caerphilly) and very real difficulties accessing them by public transport. Further, those jobs that have been created are not in traditional manufacturing industry but in the service sector e.g. education and health, finance and retail.

Together, these factors help to create a climate in which there is little sense of there being plentiful employment, and that getting a job is not easy. This hardly helps anyone who is already disadvantaged in the labour market, and may indeed not be particularly motivated to find work. The next section looks at current measures to try to re-engage people who are out of work with employment.

5. WELFARE TO WORK IN CAERPHILLY

In Caerphilly, as elsewhere, there are a number of programmes to help people to find work. This section reviews the availability of and participation in the various welfare to work programmes in the Caerphilly area, in the light of the recent proposals for change outlined earlier.

The county is covered by all the UK-wide welfare to work programmes, mainly the various New Deal programmes. In addition, it is part of the Heads of the Valleys, Caerphilly and Torfaen Employment Zone, is included in the roll-out of Pathways to Work, and has recently been included as part of the Heads of the Valleys 'pathfinder' City Strategy areas. These together should give the area a fully comprehensive range of support to help local people into jobs.

In addition, the different stakeholders in Caerphilly also come together in an 'economic inactivity beacon'. Collaborative working on economic inactivity has been fostered by Caerphilly County Borough Council since 2002. In 2005, the Caerphilly Standing Conference (which comprises more than 60 organisations) agreed to add economic inactivity to its twelve priority areas for collaborative work and action – a beacon. More than 15 organisations are members of the economic inactivity beacon, which is chaired by the regional director of Jobcentre Plus and administered by Caerphilly County Borough Council. Other organizations involved include GAVO, Caerphilly CAB, Groundwork, the Federation of Small Businesses, Caerphilly Health Alliance, the Welsh Assembly Government, Careers Gwent and Mid Glamorgan, and Brookes Avana.

The inactivity beacon works closely to pool intelligence and resources across a range of issues. Some of their recent activities are shown in Figure 1.

Figure 1 Selected Activities Undertaken by Caerphilly Economic Inactivity Beacon

• Designed and produced an electronic work directory to provide direct advice and signposting assistance to individuals and organizations.
• Held a conference attended by over 60 organisations.
• Overseeing the implementation of the Heads of the Valleys City Strategy JobMatch programme
• Overseeing a Community Expo to maximise funding available via the Deprived Area Fund
• Fostering linkages with the St Davids II development in Cardiff to ensure that job opportunities are available to Caerphilly residents
• Investigation of the employment opportunities created by the £130m hospital development at Ystrad Fawr
• Investigation of the employment opportunities that may be created through the regeneration of Bargoed town centre

In addition, Caerphilly County Borough Council leads a group of six local authorities in the Heads of the Valleys area which, together with Jobcentre Plus, is exploring current provision, identifying gaps and developing proposals to plug those gaps and add value to existing provision, with a view to submitting a regional application for convergence funding.

Current Mainstream Programmes

Participation in New Deal for Young People and New Deal 25 plus is mandatory for those who have received Job Seekers Allowance continuously²³ for 6 months in the case of 18 – 24 year olds or 18 months in the case of over 25 year olds. Participation in the other New Deal programmes – New Deal for Lone Parents, New Deal 50 plus, New Deal for Partners and the smaller scale New Deal for Disabled People and New Deal for Musicians – is voluntary, and is open to anyone who receives any of the main welfare benefits²⁴ (or is a partner of someone who receives the benefit), subject to certain conditions depending on the programme.

Employment Zones were introduced in areas with persistent long term unemployment, and came into operation in Caerphilly in October 2003. It essentially operates New Deal 25 plus for people who have received Job Seekers Allowance for 12 months, rather than the 18 months elsewhere, and also includes 18 – 24 year olds who have already participated in New Deal for Young People and subsequently received Job Seekers Allowance for 6 months. In addition, people facing particular difficulties in the labour market may be allowed to participate in the programme. Identified difficulties include disability, literacy or numeracy problems, people who have served in the armed forces, people who were looked after as children by a local authority, and ex offenders. Lone parents or people receiving pension credit and who work less than 16 hours a week may also volunteer to participate. The Employment Zone effectively supercedes New Deal 25 plus in Caerphilly, and complements the other New Deal programmes.

The basic model followed by all the New Deal and Employment Zone programmes is to provide individual support to the client. The approach essentially has three stages:

- Stage 1 The client sees a personal adviser who, after discussion, draws up an Action Plan. This might include advice on job options, help with job search, advice on childcare, information on in-work benefits etc.

- Stage 2 The client follows the Action Plan.

- Stage 3 The client starts work, with support available for 13 weeks.

²³ With certain allowances for breaks

²⁴ Job Seekers Allowance, Income Support, Incapacity Benefit, Severe Disablement Allowance, Pension Credit and Carer's Allowance (New Deal for Partners only)

There are slight variations in this approach depending on the New Deal programme. For example, in the case of New Deal for Young People, stage 2 may involve full time training, whilst in the case of Employment Zones the Action Plan might include providing practical help such as help with transport, clothing, or training specifically linked to a job. Similarly, New Deal for Disabled People gives the client a choice of specialist 'job broker', in order to meet their particular needs.

In addition to these programmes, which are directed at people who are economically active,²⁵ Caerphilly is included in the 'Eastern Valleys' Pathways to Work programme from October 2006. The Pathways to Work programme is aimed at new Incapacity Benefit claimants, some IB claimants who have been on IB for over a year, and existing IB claimants who volunteer to participate.

Pathways to Work follows the same basic model as New Deal, involving²⁶:

- support from a highly skilled personal adviser support and contact every month in the first 8 months of the claim when people can be most readily helped back to work;
- groundbreaking **NHS rehabilitation** support so that they can learn to manage and cope with their health condition (e.g. back pain, angina, mental illness) so they can get back to work;
- strong **local partnerships** with the New Deal for Disabled People - voluntary and private sector employment advisers;
- **£40 a week return to work credit** once they get a job so that it always pays to get back to work;
- work with local GPs and employers to ensure people on IB are not discouraged from working again.

Recently, the Heads of the Valleys area, of which Caerphilly is part, has been designated a 'pathfinder area' in the DWP's City Strategy. The strategy is based on the idea that local partners can deliver more if they combine and align their efforts behind shared priorities, and

²⁵ the voluntary programmes do allow for people who are receiving non-working benefits such as Incapacity Benefit to participate

²⁶ Department for Work and Pensions (2005) *25 Radical back-to-work scheme will cover 900,000 people on incapacity benefits within two years* Press Notice 25th January 2005 downloaded from <http://www.dwp.gov.uk/mediacentre/pressreleases/2005/jan/pathways250105.asp>

are given more freedom to try out new ideas and to tailor services in response to local need. According to DWP, it will aim to

- ensure provision is more attuned to the needs of local employers so individuals gain the skills and attributes they need to access the particular jobs that employers need to fill; and
- play a significant role in increasing local employment rates, ensuring those most disadvantaged in the labour market can receive the help and guidance they need.

Impact of Mainstream Welfare to Work Programmes

Welfare to work programmes have, taken together, clearly made an impact. Altogether more than 10,000 people in Caerphilly county borough have started some sort of New Deal programme since 1998, of whom 6,840 have gained a job. People from Caerphilly were also amongst the 7,000 people who have started Heads of the Valleys Employment Zone programmes, 3,280 of whom have found jobs (see Table 6).

By far the largest focus of activity is on New Deal for young people and for lone parents, which together accounted for the great majority of welfare to work support in Caerphilly. New Deal 50+ managed to assist just 580 people over the period 2003 to date (although more recent participants have been included in the Employment Zone programme), notwithstanding the efforts to encourage participation by Jobcentre Plus and others which have achieved some success. Yet over-50 year olds are a key group at risk of economic inactivity). The reasons for this low level of participation are not clear (and were outside the remit of this study).

Until the roll-out of Pathways to Work in October 2006, there was no specific assistance for people claiming IB (although they could of course access mainstream Jobcentre Plus services and use the services of a Personal Adviser if they wished), and at the time of writing there were no statistics available on the number of participants. However, the scale of the economic inactivity problem in Caerphilly, and its overwhelming concentration of worklessness amongst older economically inactive people, suggests that the Pathways to Work programme ought to be a major initiative in the area.

Table 6 New Deal Programme and Employment Zone starts in Caerphilly County

Programme	No. of individuals starting (cumulative to May 2007)	No. of individuals gaining a job (cumulative to Feb. 2007)
New Deal Young People 1998 – date	5,340	3,500
New Deal 25+ 1998 – date	1,020	430
New Deal Lone Parents 1998 – date	3,830	2,550
New Deal 50+ 2003 – date	580	310
New Deal Partners 2004 – date	60	50
Sub total Caerphilly county	10,830	6,840
Heads of the Valleys, Caerphilly and Torfaen Employment Zone April 2000-April 2007	7,060	3,280

Source: DWP statistics http://www.dwp.gov.uk/asd/asd1/tabtools/tabtool_nd.asp downloaded 24th August 2007.

Note: Participation in New Deal for Disabled People and Musicians is not available by local authority.

In this regard, the Welfare Reform Act 2007 and the proposals in Peter Hain’s Green Paper would appear to mark a very real departure from current practice in their focus on getting inactive people back to work. If the ‘core’ of the economic inactivity ‘problem’ in Caerphilly is to be tackled, there need to be major and sustained efforts to get over-50 year olds, many of whom have few qualifications, minor health conditions and lack of recent work experience, into work.

However, the latest Green Paper indicates that the changes will apply only to new claimants. Given that 8 out of 10 claimants of IB have been getting the benefit for more than two years, it is unlikely that the new benefit regime and welfare to work programmes will make a significant impact on current levels of inactivity in an area like Caerphilly.

Helping this client group back to work will be no small task for those contracted to deliver the programmes. There are concerns about the capacity of some organizations to deliver at present, let alone against challenges on this scale, and there must be robust mechanisms in place to ensure proper accountability.

Attitudes to welfare to work programmes

We found most interviewees, whether stakeholders or claimants, had relatively little to say about benefits and welfare to work despite the interviews taking place shortly after the publication of John Hutton's Green Paper. What comments were made centred around people's fear of losing their benefits, confusion about the number and administration of welfare to work programmes, and the scope of the programmes themselves.

Fear of loss of benefit

Benefit rules generally assume that the division between being unwell and unable to work and being well and actively seeking work is clear cut, although recent changes mean that people are able to carry out a modest amount of work for a limited period of time. Nevertheless, the small group of people we interviewed seemed reluctant to do anything that could be seen to indicate that they are not unwell, even if their behaviour could improve their health and possibly their prospects of working in future. In other words, once on IB, the feeling was that benefit rules appear to encourage people to stay there.

Many of the representatives of organisations we interviewed commented that people were afraid of losing their benefits:

They are scared of the implications that, if they are known to be looking for work, then is there an implication there that 'should you be on the benefit in the first place? ... People think 'if I talk to job agencies they will take my benefits off me' ... these are very real fears.

Voluntary organisation

We get a lot of people coming in to enquire about courses who are worried about losing their benefits

Education provider

A number of the individuals we interviewed were also concerned about losing their entitlement to benefit if they behaved in a way that might lead the Department for Work and Pensions to believe they were not genuinely unwell, e.g. if they attended an education course or expressed an interest in some sort of paid work. This was especially so amongst people who suffered mental ill-health who feared that if they proved to be unable to cope with a job they would have lost their entitlement to IB when they sought to re-claim.

[I] am better off being on the benefits rather than risking losing [them] for a job that I might not be able to cope with.

IB claimant

People don't interact with the Job Centre. People don't always want to know and feel mistrustful in regards to their benefits getting taken off them.

IB Claimant

This is not just concern about maintaining the *level* of benefit an individual receives, but also a reluctance to have to follow the labyrinthine path of making fresh claims for multiple benefits. For example, a household with children dependent on IB is likely to receive housing benefit, council tax benefit, child tax credit and free school meals as well as IB itself, all of which need separate claims that can sometimes take several weeks to process during which time a claimant may have no income.

Although there are currently arrangements in place to enable clients to 'resume' a former claim in certain circumstances, this was not widely known. It is likely that the latest reforms of benefit and welfare to work programme will address this issue, but steps need to be taken to ensure that clients are informed about it.

Administration of welfare to work programmes

The provision of some Welfare to Work Programmes is contracted out to different providers, who may be a local authority, private sector or voluntary sector, whilst others are operated by Job Centre Plus. However as noted earlier there may be moves to award future contracts only to private and voluntary sector providers.

Several stakeholders we interviewed expressed concerns about the range of different welfare to work programmes in Caerphilly. There is currently a considerable number of different programmes, each aimed at a different client group. Although initially useful, this approach can also be confusing to the potential client, to whom it may not be clear which is the relevant programme. As one interviewee put it:

There seems to be different initiatives coming out every week with very little difference between them, simply a rehash of old welfare to work programmes

Local authority officer

Whilst the latest City Strategy initiative is welcome, coming on top of the Heads of the Valleys programme and other changes, there is a risk that it will be seen to complicate matters even further.

Ironically, despite some scepticism about the number of different welfare to work programmes currently available, some interviewees suggested that they were unable to meet the needs of clients with more specialist requirements, notably those suffering mental ill-health. Although people with mental ill-health are included within the provisions of Pathways to Work, some of

those we interviewed felt that there was insufficient understanding of the needs of people with mental ill-health challenges.

Recent changes in contractors in Caerphilly were a source of considerable confusion to stakeholders we interviewed: they were uncertain about who provided what programme, as the contractor providing one of the main programmes in the area had recently changed. As a result, some stakeholders were sceptical about providers' motives and their capacity to deliver. There were also concerns about scrutiny of providers' performance, with calls for a clear process for third parties to be able to raise concerns and an open process to review achievements. Proposals to contract out even more welfare to work programmes to the private and voluntary sector, and to move towards large, regional contracts, make local scrutiny and accountability all the more important.

Eligibility for help

In all programmes, clients must have been receiving benefits for a specified period before they can participate, whether participation is voluntarily or mandatory. At present, the Pathways to Work programme aims to help people back to work after they have been claiming Incapacity Benefit for 8 weeks but claimants of other benefits, e.g. Job Seekers Allowance, must wait 12 months before they are eligible for support from, for example, New Deal 25+ or New Deal 50+. It is likely that much of the damage to an individual's self-esteem, skills, health status and contact with the world of work has already been done by the time he or she has been receiving benefit for 12 months and is required to participate in one of the programmes.

The latest Green Paper includes some proposals to offer help at an earlier stage to certain clients who are assessed as needing 'fast track' support, but this approach lacks transparency and may not encourage participation. One alternative is to offer help to everyone who seeks it after a period of being out of work for a minimal period e.g. 4 weeks. This would send a positive and simple message to potential clients and may also avoid short term unemployment becoming a long term problem.

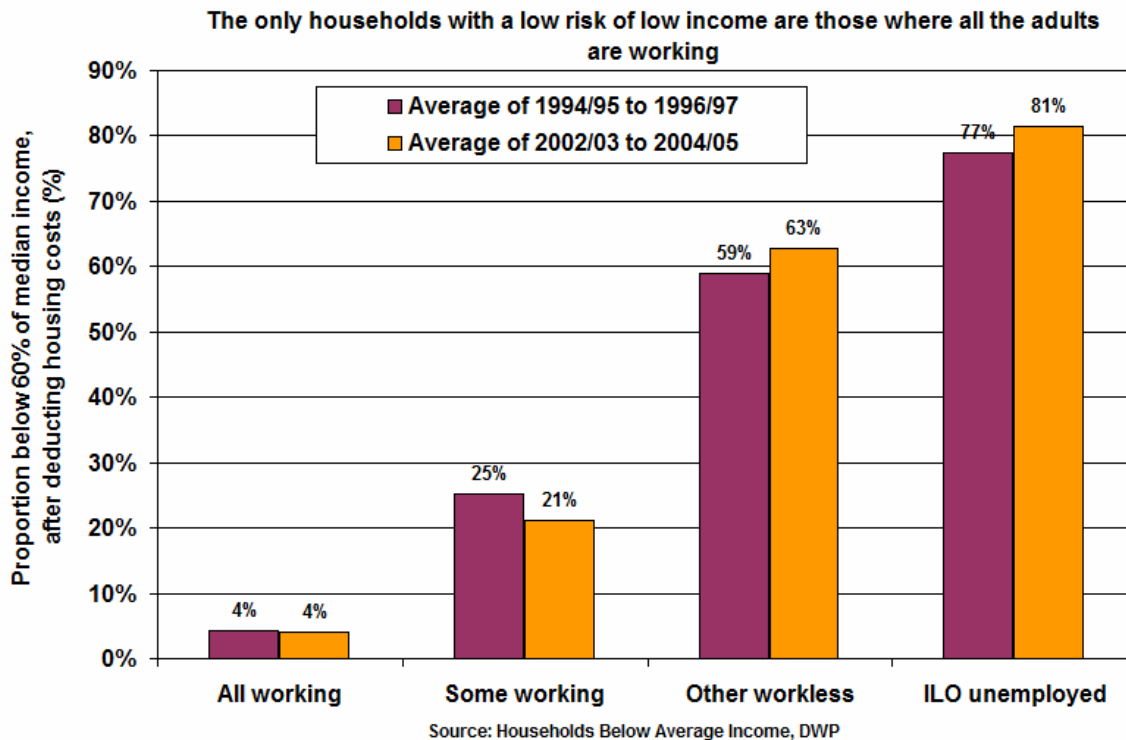
Some of those we interviewed suggested that support should be available to all household members, not just to claimants themselves. Whilst the New Deal Partners programme provides support to the partners of claimants of JSA, IB and other benefits on a voluntary basis, it does not allow for support to other household members such as adult children and it is not necessarily combined with, for example, participation of clients in other programmes. One interviewee argued that being able to help all household members would support clients returning to work:

What we would like to be able to offer is that if you become eligible for our programme due to time unemployed or on benefit, then if we could get the whole family involved in the programme to break these family pressures ... The programme ... can do great work with an individual but if when they go home they are getting messages from everyone else not to take part then it is hard to break this.

Employment Agency

Helping all family members is also important to helping households to avoid poverty and thus reap the benefits of work. Research by the New Policy Institute²⁷, summarized in Figure 1, shows that the more hours of work household members undertake the more likely the household is to avoid poverty. Only 4 percent of households where all adults are working experience low household income, whereas 21 percent of households where only some adults are working have low income.

Figure 2: risk of poverty among working-age household, by work status and over time



Source: P Kenway and V Winckler (2006) *Dreaming of £250 a week – a scoping study of in-work poverty in Wales*, Tredegar: Bevan Foundation / NPI

Conclusion

The various welfare to work programmes are very important in Caerphilly, and have helped to place thousands of people in sustained jobs through a variety of different types of support.

²⁷ Dreaming of £250 a week (2006) Bevan Foundation and New Policy Institute

Caerphilly also benefits from special designation as both an Employment Zone and as a City Strategy area. However, the focus of the vast majority of welfare to work programmes is on the unemployed rather than the economically inactive, with only the recent Pathways to Work programme offering any support to this group.

The UK Government's proposals to reform welfare to work programmes could mark a very substantial shift of focus away from the unemployed towards the economically inactive. However, if the provisions apply only to new IB claimants and not existing claimants their impact will be very much reduced.

Further, the scale of the task faced by potential contractors is huge and there are doubts about the capacity of the private and voluntary sectors alone to deliver. In addition, there are some concerns to ensure that contracts are effectively scrutinised and to ensure accountability – which will be all the more important if the basis of contracting is to be regional.

6. A CULTURE OF WORKLESSNESS?

The third area which we considered is whether there is a 'culture' of worklessness in Caerphilly which some claim has been fostered by the apparently high levels of IB and other benefit claims.

Benefit dependency?

The idea that there is widespread 'benefit dependency' and even a 'benefit culture' has gained currency in the policy community.

Figures from the Department of Work and Pensions show that in February 2007 there were 14,700 people in Caerphilly claiming Incapacity Benefit (IB) and a further 3,170 people claiming Job Seekers' Allowance (JSA), a total of almost 18,000 people claiming these two main 'out-of-work' benefits. In addition, 8,870 people received Income Support (IS), but as IS can 'top-up' other benefits to the Department for Work and Pensions amount the law says is needed for people in different circumstances to live on, this figure will include some JSA and IB claimants.

Although it is open to all claimants who cannot work because of ill-health or disability, it is clear that IB is dominated by older claimants. Around half of claimants in February 2007 were aged over 50 (46.9 percent of UK claimants and 52 percent of claimants in Caerphilly). In contrast JSA is the preserve of younger claimants: 30 percent of UK claimants in February 2007 were under 25 years old, and only 16.2 percent were aged 50 and over. In Caerphilly the difference was even sharper, with 40 percent of claimants being under 25 and 13 percent over 50 years old.

Significantly, IB is also dominated by long-term claims. Across the UK, half of all IB claimants in February 2007 had been receiving benefit for over five years. The figure rises to 58 percent in Caerphilly. A further 21 percent of Caerphilly's IB claimants had been claiming for between 2 and 5 years. In other words, almost eight out of ten of IB claimants have been receiving IB for more than two years.

Perhaps not surprisingly given these figures, amongst stakeholders we interviewed, the majority referred to a sub-group of claimants who were content to subsist on benefits:

It's a culture thing ... They are quite happy with their standard of living on benefits. I suppose it is a lack of ambition. It seems to be right across the board. Out of the people I see, a high percentage would rather stay on benefits.

Employment Agency

At the end of the day people may be happy enough getting their benefits each week and it can be nearly impossible to change these attitudes.

Employment Agency

Even some claimants themselves referred to other claimants who were happy to live on their benefits:

There is a big reliance on IB in the area. When I was on IB I couldn't wait to get off it but some people are getting more money and stay on it as they feel it is not worth them going to work.

Former IB claimant

However, a number of studies have found that a specific 'benefit culture' cannot be identified. A recent study by the Social Exclusion Unit concluded that there was no evidence that people on benefit had different values – the definition of a culture – from the rest of society. Similarly, a local study of Rhymney and Pontlottyn found that:

'there was very little evidence, in the opinions voiced, of a local 'work-shy' culture'
p18

However the Social Exclusion Unit study **did** find that people who were without a job were more likely to live with other people without work, and that living in areas with high concentrations of worklessness affected the life chances of children and young people and reduced people's expectations of starting a job and of actually starting one. In other words, whilst there may not be a benefit 'culture' there does seem to be a benefit 'effect' in areas with high levels of claimants.

Our interviewees were very aware of the impact of living in predominantly workless communities:

It's about role models - if everybody is working in that area then as an unemployed person you are out of synch with the area but if you are the only one in work then this makes you out of synch as well.

Employment Agency

For people on benefits who have grown up in that area that has a high number of people on benefits, it is hard to break that cycle. The impact of family and the social circle is important to take into account. I reached a point where I didn't want to be on benefits anymore and I decided I had to get a job, but it can be difficult to get out of that pattern.

Voluntary organisation

They were also clear that concentrations of worklessness were maintained because people who did have a job tended to move away:

The first thing people do if they are successful and get a well paid job is that they move out. People see progression in work as progression out of the area.

Employment Agency

it seems that if people are any good they end up going to places such as Cardiff or Pontypridd to find work. There are always people migrating out to find jobs. It's sort of the employment drain."

Voluntary organisation

Opinions differed about the approach that might be taken to change this 'dependency culture'. Whilst one group of stakeholders appeared to favour a top-down approach, arguing that:

If we are to move forward we need to change the culture of those people who are isolated and excluded from society.

Local authority officer

Others acknowledged that people's cultures and values reflected their circumstances, and that cannot be changed easily, especially at the behest of government. Instead, they suggested that welfare to work programmes should be much more meaningfully engaged with the local community and in particular with community regeneration initiatives.

It's all great for us to sit here but it's those people that have been out of work for a long time that need addressed. We need to find out [what] these people actually want.

Local authority officer

What is, however clear, is that there is little if any evidence of a 'culture of worklessness' or benefit dependency that pervades the people of Caerphilly. Rather, worklessness – and the dependence on benefit that goes with it – is concentrated amongst people who are most disadvantaged in the labour market, and who often live in the same communities. Shared experience of worklessness may well depress ambition and aspiration. However, rather than somewhat disparagingly referring to 'a benefit culture' or similar, I suggest it is more constructive to think about raising aspirations. In shifting the mindset in this way, it is possible to conceive of more positive policies and actions that would meaningfully tackle some of the labour market disadvantages that people who are 'benefit dependent' undoubtedly face.

Benefits and earnings

Several stakeholders noted that rates of pay in the area were perceived as a barrier to work by some clients:

People with families perceive rates of pay as a barrier - even it is not - if they have been on benefits for a few years and have a few kids they assume rightly or wrongly that they would need a fairly well paid job.

Employment Agency

People say 'Why should I go for work just for 20 quid?', and I say 'Well, you aren't going to work for just that, you are going to work for the 200 quid'.

Employment Agency

People can and do expect to earn more if they are working than if they are not, especially if working involves a substantial change in lifestyle e.g. having to make arrangements for childcare or travel outside the area. As the CAB pointed out:

It is important that people earn a level that will make a difference to the amount they are getting on benefits. There are expectations when people go to work and you will expect your lifestyle to improve. But often people don't take into account the cost of working, including travel, social interaction, and food. It shows that going to work isn't cheap.

Voluntary organisation

A recent study of Rhymney and Pontlottyn, commissioned by the Caerphilly Economic Inactivity Beacon and undertaken by Insight Social Research, found that 65 percent of people interviewed said that they would want £100 extra weekly income to make it worthwhile to return to work.²⁸ This figure was known by many of the stakeholders we interviewed and was regarded as unrealistically high.

²⁸ Insight Social Research Ltd (2006) *Economic Inactivity in Rhymney and Pontlottyn – report to Caerphilly County Borough Council*, Abercynon: Insight Research

Everybody wants to start at the top, if they are actually looking for a job they want to start at the top. ... It's a culture thing.

Employment Agency

However, one interviewee quite rightly pointed out that, out of context, this figure was meaningless:

One of the results of the Insight research shows that people expect £100 on top of benefits but this is meaningless. If you are a 24 year old single man or woman you will be on around £45 a week, therefore saying that 'I don't want to go back to work unless I earn £145 pound a week' doesn't seem that far fetched. But saying that, if you have a family of four and you are looking after your elderly father, then maybe the package of benefits you have got is actually quite substantial. The fact is that it is easy to point the finger and say 'they are all mad and just want to stay on benefits' but it depends on circumstances.

Voluntary organisation

Moreover, the relationship between benefits and earnings expectations is complicated by the availability of a number of in-work benefits, notably tax credits, which vary according to both the income and personal circumstances of the claimant. These benefits are explicitly designed to ensure that work pays. It is unfair and unrealistic to draw general conclusions about 'benefit dependency' from the Insight report's findings.

It is clear that there needs to be a more informed and open debate about the relationship between the pay and benefit rates, as well as much greater understanding of the various in-work benefits that are available.

Conclusions

There does not appear to be firm evidence of a 'benefit culture' in Caerphilly or anywhere else. Indeed, our evidence on economic activity rates and benefit claimant rates suggests that inactivity is not a phenomenon that occurs across the board. Rather it is concentrated amongst certain groups of people – notably over 50 year olds – and in certain places. It may well be that amongst older men and people in particular communities there is a reduction in aspiration and ambition, with being out of work being the norm. But this is **not** the case for the vast majority of those who are not working, for whatever reason, in Caerphilly. To talk of such a culture in blanket terms is positively unhelpful and we suggest that a more constructive approach would be to raise aspirations and tackle labour market disadvantage.

Negative views about benefit dependency are often coupled with less than positive views about claimants' earnings expectations. However the relationship between earnings and benefits is more complex. The combination of in-work benefits and the national minimum wage means that work almost always does pay, in strict financial terms. What does need further consideration is how to raise awareness that work pays, and to overcome the non-financial barriers to employment.

6. ISSUES FOR DISCUSSION

This section attempts to draw together the findings from the earlier chapters and to highlight some of the issues that we suggest warrant further discussion given the most recent proposals for further reform to the welfare to work system.

The small scale of this study means that it is not possible to make definitive recommendations. Nevertheless, the evidence from the interviews coupled with our own observations on the current position in Caerphilly raise some important points that we hope will be considered seriously.

Action for Over 50s

Given the prevalence of economic inactivity amongst people aged over 50 in Caerphilly it is vital that consideration is given to how best to address the needs of that group. Chapter 3 identified that Caerphilly's inactivity 'problem' is almost solely attributable to this age group, who comprise almost half of all the economically inactive people in the borough.

It is likely that this age group will be particularly challenging to place into jobs, notwithstanding that discrimination on the grounds of age has now been outlawed. Over 50s in general have fewer qualifications than younger age groups, are more likely to have health conditions than younger age groups, and are more likely to have caring responsibilities that impact on their ability to work – to name just a few of the challenges that may arise. Nevertheless the New Deal programme for over 50s has placed several thousands of clients into sustainable jobs (and achieved a success rate of over 50 per cent), whilst Caerphilly County Borough Council and other organizations have been successful e.g. through Caerphilly Positive Action partnership. Important thought these initiatives are, it would be helpful for consideration to be given to ways in which support for this age group to re-engage with work can be developed and enhanced further.

Second, if substantial numbers of over 50s cannot be found employment, for whatever reason, and thus remain in a limbo between working life and official retirement, then action needs to be taken to address their needs. This is particularly important as working has been shown to bring so many intangible benefits not least to health and wellbeing.

Improving access to jobs

It goes without saying that there need to be continued efforts to create jobs in Caerphilly and particularly in the northern part of the county. It is unlikely that Caerphilly's residents will buck

the national propensity to work close to home, and so efforts to create jobs within a few miles radius of people's homes remains vital. The Heads of the Valleys programme is a potentially powerful tool in this respect.

That said, Caerphilly's residents are likely to continue to look to jobs outside its boundaries in considerable numbers. However, many people are, and will continue to be unable to get to work without major improvements in public transport. The efforts of some welfare to work providers, such as Working Links, to provide clients with help with transport so that they may access work, e.g. driving lessons, loans of vehicles, and financial help with purchase of season tickets, appears to offer real practical solutions to some clients' travel needs. The proposal to extend this flexibility to all support is potentially very constructive. Similarly, the provision of information about local public transport services by Job Centre staff and others can help jobseekers to decide whether it is feasible to get from their homes to a job should be continued. However in some circumstances the difficulty it is not so much lack of information about public transport services as the lack of services themselves, especially in the early mornings and evenings. Efforts to ensure effective linkages between new jobs outside the area and Caerphilly's residents are also potentially very valuable, for example the working group established to maximise the benefits of the St Davids II retail development in Cardiff for Caerphilly people.

Urgent consideration needs to be given to ways in which public transport can be improved to help people to get to work. Options include:

- encouraging employers in a particular location (e.g. on an industrial estate or in the city centre) to co-operate to provide their employees with transport;
- increasing the funding available to local authorities to purchase socially necessary bus services with priority for increasing early morning and evening services which serve employment areas;
- collating examples of good practice in helping people to travel to work from elsewhere in Wales and the UK.

Enhancing welfare to work programmes

The second area which we suggest warrants further discussion is the proposed changes to welfare to work programmes in the area. The current proposals for change have been little discussed, perhaps because of confusion and competition between programme providers. Nevertheless we have identified four ways where there may be potential for debate about the proposed reforms.

First and foremost we suggest that the question of offering help and support to return to work to **any claimants at any time**, irrespective of which client group they belong to or how long they have been out of work or claiming benefit, should be seriously explored. This goes considerably further than the proposals in Peter Hain's Green Paper. Every effort needs to be made to ensure that people leaving employment – whether through ill-health, redundancy or simple personal choice – return to employment as soon as possible. Clearly there are issues about the costs and benefits of offering open access to programmes, and about the point at which participation is voluntary rather than mandatory. However, open access in areas of high unemployment or inactivity could help to challenge the culture of worklessness as well as easing access to employment for thousands of people. Providing open access to welfare to work programmes would also allow other members of the household of clients participating in a programme to receive help and support, and also get rid of the complex 'gateways' to help that many clients currently experience.

The second change which should be discussed are ways of reducing claimants' fears of losing their benefit status if they show an interest in returning to work or training, or take a job on a trial basis. This is not just an issue which applies to benefits administered by the Department for Work and Pensions but also to benefits administered by the local authority notably housing benefit and council tax benefit. Clearly the need to protect against fraud has to be balanced against the need to encourage people into employment. Whilst change from IB to Employment and Support Allowance from April 2008 and the proposed 'conditionality' on new claimants to seek work may help to address this issue, it is not clear if the message will reach the majority of Caerphilly's inactive IB claimants who have been on benefit for many years and who are not likely to be affected by the new rules. Further consideration needs to be given to how to encourage IB claimants to make the most of opportunities without jeopardizing their benefit status.

The third change we suggest is that there should be greater clarity and accountability in the delivery of current programmes. There should not be a presumption in favour of delivery by the private and voluntary sectors, where public sector provision can demonstrate that it is equally cost effective, and there needs to be closer and more open scrutiny of contractors' performance in delivering programmes. This would help to allay concerns about contractors' actions where there is no cause for concern, and ensure swift action where there is cause.

Elsewhere we have suggested that further consideration should be given to how welfare to work programmes can have greater impact on clients' long term employment prospects, through providing longer term training. This would help to move clients beyond entry-level jobs with correspondingly low levels of pay into better paid jobs with better prospects. If clients go into basic jobs where there is no progression or further training offered by the employer, then the individual is effectively consigned to low level, low paid jobs. Research has shown that such jobs are associated with frequent movements between employment and

unemployment. We suggest that the idea of supporting longer term training for people on IB and JSA should be developed further and piloted in Wales.

Concentrations of worklessness

Whilst we have questioned whether there is a culture of benefit dependency in Caerphilly, there are undoubtedly concentrations of worklessness in the area – amongst people and in certain places - where action needs to be taken to reduce the impact of the prevalence of unemployment and inactivity on the community's aspirations and prospects. Further consideration needs to be given to how best this might be done – the following are just suggestions for discussion.

First, Communities First is a potentially very valuable vehicle for working with local people to support entry to work. Activities undertaken by Communities First groups in Caerphilly include community based training, promotion of volunteering and volunteering opportunities, creation of local jobs e.g. cleaners / caretakers and a 'sports champion', and involvement in environmental improvement works. Liaison between Communities First and other stakeholders takes place via the Communities First / Community Regeneration Manager and Regeneration Strategic Co-ordinator's membership of the economic inactivity beacon and attendance at meetings of the Heads of the Valleys Employment Consortium. Nevertheless, it is not clear that, at local level, Communities First is achieving its full potential to help people to find work and there should be further consideration of ways in which its contribution could be enhanced. Communities First could also play a role in the local delivery of services, such as Jobcentre Plus services, within the community. The Insight study of Rhymney and Pontllynn found that people wanted services to be delivered locally, either at people's homes or at convenient community venues, at convenient times and in a more 'user friendly' way. (p.34) yet the trend within DWP is towards greater geographical concentration of services. Since work on this project began, outreach provision has been introduced in 5 areas through the Disadvantaged Areas Fund and in 9 City Strategy wards.

Second, we suggest that support should be given to organizations which are able to engage with the local community. Some providers of welfare to work programmes were justifiably proud of the ways in which they employed local people to deliver programmes and used innovative ways to encourage potential clients to participate in them, e.g. through providing free 'pet-chipping' or sessions on healthy living. Initiatives to engage the local community should be an integral part of the specification of welfare to work programmes and funded accordingly.

Third, consideration should be given to ways in which awareness can be raised of the various benefits that are available to people moving into employment which help to make work pay. Most obviously these are tax credits but also include housing and council tax benefits and the new Local Housing Allowance. Lack of awareness of the help that is available could be a

factor that contributes to negative views about the work / benefit balance, as could be the complexities of claiming help (especially tax credit) and fear of debt if overpayments are made. 'Better-off' calculations and financial literacy training have been built into the Caerphilly JobMatch model, and help to raise awareness of benefit entitlements amongst JobMatch participants. However there is still potential to raise wider awareness that 'work pays' e.g. amongst those who are not participating in JobMatch. There could be a role here for the local authority as well as Communities First groups and the voluntary sector.

Fourth, worklessness will only stop being concentrated in particular geographical areas if people do not move away from such areas when they do get a job. Initiatives such as those which reward clients' return to work with improvements to their homes appear to help to retain the population, and it is likely that other improvements, to the housing stock, local environment and community facilities, may also help to retain working people in the community. We suggest that initiatives that target concentrations of economic inactivity should be specified in contracts for welfare to work programmes.

Raising Aspirations

There should be radical measures to raise expectations amongst people who are economically inactive, especially long-term benefit claimants. The suggestions that access to jobs should be improved and that welfare to work programmes should be universally accessible will help in this respect, as should the new expectation that even IB claimants should demonstrate a willingness to return to work in due course. However, more could be done to enhance the aspirations of people in the long-term: whether through access to free education courses for adults (the anticipated provision of free NVQ 1 and 2 courses may help here), access to leisure and recreational opportunities, or through initiatives such as volunteering programmes.

Annex 1 Stakeholders Interviewed

Local authority officers Caerphilly CBC

Jan Bennett, Community Regeneration Manager.
Jane Roberts-Waite, Strategic Regeneration Co-ordinator.
Tina McMahon, Senior Strategic Regeneration Co-ordinator.
Lauren Murphy, Communities First Co-ordinator.
Richard Murphy, Communities First Co-ordinator.

Voluntary Organisations

Rob Gough (Co-ordinator, Caerphilly GAVO)
A volunteer, Caerphilly GAVO
Simon Ellington, Bargoed Citizens Advice Bureau
Pathways Co-ordinator, MIND, Ystrad Mynach
Dave Brunton, Senghenydd Youth Drop In Centre

Employment Agencies

Colin Davies, Working Links
Dave Evans, Working Links
Krysta Williams, Working Links

David Morgan, Marketing Officer, Job Centre Plus, Caerphilly
Robert Evans, New Deal Lone Parents and New Deal Partners, Job Centre Plus, Bargoed

Education Provider

Helen Vickery, Student Services Officer, Ystrad Mynach College

Helping people into jobs: issues for discussion in Caerphilly

by Victoria Winckler

Foreword by Wayne David MP



The Bevan Foundation

The Bevan Foundation is the social justice think tank for Wales. It develops and promotes new ideas to tackle poverty and disadvantage, through research, publishing reports and articles, and organising conferences and seminars.

A registered charity, it is funded by membership, grants and donations. Membership is open to all individuals and organizations interested in the Foundation's work.

For further information about the Bevan Foundation's activities and how to join, please contact us at the address below.

The author

This report was written by Victoria Winckler, Director of the Bevan Foundation. The interviews were conducted and transcribed by Maggie McCollum, a research assistant at the Bevan Foundation.

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FOREWORD

Economic inactivity is the single most important issue facing the Valleys of south Wales. In fact, the Heads of the South Wales Valleys has probably the highest concentration of people on Incapacity Benefit anywhere in the United Kingdom.

This means that thousands of people are subsisting on benefits and the local economy is extremely weak. To turn this around is a huge challenge for Government. Much of the responsibility rests with Central Government, but the Welsh Assembly Government too has a vital contribution to make.

Caerphilly County Borough is in the heart of south Wales and is, in many ways, a microcosm of the Valleys as a whole. For example, it contains, in its southern half, areas which have benefited from the effect of the economic prosperity of Cardiff and the M4 corridor, and yet, in its northern extremity, the Borough contains areas of acute socio-economic deprivation and extremely high levels of economic inactivity.

This study examines how the challenge of moving towards full employment in being met in the Caerphilly County Borough. It looks at how current Government programmes are impacting and the way in which Central Government's agenda is developing. It also provides a strong commentary on what is happening on the ground and it identifies issues which still need to be addressed.

I hope the report will be read widely and discussed by those who have an interest in the future of the Valleys, not only by those concerned about Caerphilly County Borough. This is far too important a study simply to be put on the shelf.

Wayne David
MP for Caerphilly

1. INTRODUCTION

Economic inactivity in Caerphilly hit the headlines recently when it was announced that the Caerphilly constituency has the 14th highest dependence on Incapacity Benefit (IB) in the UK.¹ Altogether more than 27,000 of the County's 103,600 people of working age do not have a job and are not actively seeking one. Of these, 14,700 people were claiming Incapacity Benefit in February 2007.²

In many ways, Caerphilly's status as an area of high IB claims is surprising. The area is relatively close to the wide range and large number of employment opportunities in both Cardiff and Newport and in addition, there has been some job creation within the borough.

It is because of concerns about the apparent coincidence of high economic inactivity and dependence on out-of-work benefits alongside apparently buoyant local economies, as well as a drive to achieve full employment, that the UK Government has over the last two years set out to reform both the benefit system and welfare to work programmes. Some of the changes are already in train, with a new benefit regime due to be implemented from April 2008, whilst others (notably changes to welfare to work programmes) are still under discussion.

Nevertheless, it is clear that the status quo, in which a third of Caerphilly's working age population is 'workless', is set to change.

This study

This study was undertaken to explore some of the issues underlying Caerphilly's high levels of Incapacity Benefit claims, and to consider, in the light of recent proposals for reform, what more could be done via mainstream programmes and other action either to help people into a job or to support those who are unable to work.

The study is very small scale and exploratory in nature, and presents issues for further discussion rather than firm conclusions. It involved a review of relevant statistics and local research, interviews with representatives from stakeholder organizations (listed at Annex 1) and interviews with a small number of benefit claimants. As other studies have found, it proved difficult to identify claimants who were willing to be interviewed and we therefore relied on people who volunteered to participate whilst attending other venues, namely Bargoed

¹ Fothergill, S. and Smith, J.G. (2005) *Mobilising Britain's Missing Workforce - Unemployment, incapacity benefit, and the regions*, London: Catalyst

² Annual Population Survey (2006) via NOMIS

Citizen's Advice Bureau (on 8th November 2006 and 6th December 2006) and the MIND Centre at Ystrad Mynach. Altogether we interviewed 12 claimants.

The interviews were semi-structured and were conducted by Maggie McCollum, then a research assistant at the Bevan Foundation, who recorded the discussions and transcribed them. Some of the interviews were group interviews and others were individual, depending on the availability and preferences of interviewees. The questions were determined solely by us and the interviews were, and remain, confidential. We have quoted extensively from them, however, both as evidence of our findings and to illustrate the strength of feeling uncovered.

The findings are not, therefore in any way statistically representative, nor were they intended to be so. Nevertheless, they highlight some important issues that we suggest are worth further consideration and exploration.

The Bevan Foundation gratefully acknowledges the generous financial support of Wayne David MP towards the costs of this study. However, he has not directed the study in any way nor has he contributed to the contents of the report. The views expressed here are those of the author alone and are not necessarily shared by Wayne David MP or the trustees or members of the Bevan Foundation.

The report highlights that common perceptions about economic inactivity in Caerphilly are inaccurate in a number of ways. Most importantly, the report shows that economic inactivity is not an endemic, widespread problem. Rather, in numerical terms it is entirely the result of extraordinarily high levels of economic inactivity amongst men aged 50 plus, nearly half of whom are out of work. Economic inactivity is also concentrated amongst people who experience disadvantage in the labour market e.g. because they lack skills or are not in good health.

Following on from this, the report also suggests that the idea that there is a 'culture of benefit dependency' in Caerphilly is misplaced. Not only is there little evidence of such a 'culture' per se, but it can hardly be widespread when the population of prime working age is engaged in paid work to exactly the same extent as the rest of Britain. Instead, the report suggests that it is more helpful to consider how to raise the aspirations of people who are disadvantaged and how to help them into work.

The report also reviews the latest proposals for benefit and welfare to work reform, and suggests ways in which there may be scope for further change. In particular the report identifies the following issues for discussion:

- There needs to be a debate about how best to provide support to those who are most likely to be out of work, namely people over the age of 50, to help them to return to work in difficult labour market circumstances, or, if they are unable to find work, to lead full and fulfilling lives.
- Further consideration should be given to ways in which people's access to jobs can be improved, through a range of initiatives to enhance public transport services.
- Consideration should be given to providing universal, immediate access to welfare to work programmes for those who wish it, without the waiting time usually required to access programmes.
- There should be a discussion about how best to address fears amongst IB claimants about losing their benefits, in particular as people who already receive Incapacity Benefit are not currently proposed to be affected by the planned reforms.
- Consideration should be given to how improving public scrutiny of and accountability for the delivery of welfare to work programmes and there needs to be further thought given to whether private and voluntary organizations have sufficient capacity to deliver and to be sensitive to local circumstances and engaged with the local community.
- Consideration is needed of ways in which welfare to work programmes can engage with the community and community regeneration initiatives at local level, and if so how this should be done.
- Attention needs to be devoted to measures to help to raise expectations amongst people who are economically inactive, especially long-term benefit claimants.

2. HELPING PEOPLE INTO WORK: CURRENT POLICY

The last few years have seen considerable debate and discussion about tackling economic inactivity and reducing dependence on benefits, especially Incapacity Benefit. As well as the National Assembly for Wales Economic Development and Transport Committee's policy review of economic inactivity undertaken in 2005,³ there have been two UK Government Green Papers: by John Hutton in January 2006⁴ and the latest by Peter Hain in July 2007,⁵ as well as two independent reviews of aspects of welfare to work commissioned by the UK Government: one by David Freud on welfare to work programmes⁶ and the other on child poverty by Lisa Harker.⁷ The House of Commons Select Committee on Work and Pensions also reviewed the subject.⁸

In this flurry of activity a number of key themes are evident in the analysis of the current situation. All the papers acknowledge that the UK labour market has performed remarkably well since the late 1990s, with employment up and unemployment markedly down. However, they acknowledge that, despite recent growth, the UK has not yet reached 'full employment', which is defined as an employment rate of 80 percent.

The various reports then say that those who remain out-of-work are now primarily people who are 'hardest to reach', i.e. people whose personal and / or social circumstances mean that they do not engage with welfare to work programmes at all or if they do they are more difficult to help than most people. These groups include lone parents, older people, people facing multiple disadvantage, couples and carers (although not every group is highlighted by each report). If the full employment target is to be achieved, then people who are currently out of the workforce will need to be helped to find employment.

³ Economic Development and Transport Committee, (2005) *Economic Inactivity in Wales*, Cardiff: National Assembly for Wales

⁴ Department for Work and Pensions (2006) *A new deal for welfare: Empowering people to work* Cm 6730, London: HMSO

⁵ Department for Work and Pensions (2007) *In Work, Better Off: Next steps to full employment*, Cm 7130, London: HMSO

⁶ Freud, D. (2007) *Reducing dependency, increasing opportunity: options for the future of welfare to work, An independent report to the Department for Work and Pensions*. London: DWP

⁷ Harker, L. (2006) *Delivering on Child Poverty: what would it take? A report for the Department for Work and Pensions* Cm 6951, London: HMSO

⁸ House of Commons Work and Pensions Committee (2006) *Incapacity Benefits and Pathways to Work Third Report of Session 2005–06 HC 616*, London: HMSO

The reports also have a broadly common approach to the remedies proposed, although they differ in their emphasis. Most importantly, all the reports recognize the importance of work as both a route out of poverty and a key factor in individuals' wider wellbeing. They then argue, in various ways, that many people who are currently not economically active are in fact capable of some form of work, and, crucially, that receiving benefit should be conditional on efforts to get work and come off benefit. Each report then goes on to build on this overall theme and explore different aspects of 'welfare to work'.

There is broad agreement amongst the papers that the benefits system needs reform in order to encourage people into work. John Hutton's Green Paper set the framework for these changes, arguing that people who receive Incapacity Benefit are not encouraged by the benefit system to re-enter working life, e.g. because IB increases after a period of time and claimants are not required to engage in work-related activity. The subsequent Welfare Reform Act 2007, based on the Green Paper, replaces IB with a new Employment and Support Allowance (EAS) from 2008. EAS will manage claimants' receipt of the benefit much more actively, from the 'gateway' to initial payment through to medical assessment of capacity for work to support for return to work activities. However, Freud's subsequent and more radical proposal that there should be a single benefit system to replace the myriad of different benefits currently payable has not (yet) been taken forward.

Second, there is a shared view across the reports that there should be more 'conditionality' built into the benefits and welfare to work system. The idea that the state and its citizens have mutual rights and responsibilities has been present in some welfare to work programmes for a number of years. Crucially, in these programmes the 'right' to payment of benefits and access to help is conditional on the 'responsibility' to seek work and comply with the relevant requirements of Job Seekers Allowance and / or New Deal programme. However, what is new is the extension of the 'rights and responsibilities' approach from unemployed people to other groups, notably people receiving Incapacity Benefit and lone parents receiving Income Support. Whilst the various papers differ in the detail about how this 'conditionality' would be applied (and indeed in the case of Peter Hain's paper, it asks questions on some issues rather than making firm proposals), they are all agreed that benefit recipients must take active steps to move off them, unless there are exceptional circumstances.⁹ However, the arrangements are proposed to apply only to new claimants – existing recipients of IB will not be affected.

The third area of consensus is that welfare to work programmes need to be developed and enhanced if they are to meet the challenge of helping the 'hardest-to-reach' groups. The various reports recognize that the approach adopted in the New Deal programmes has been highly effective and has helped many thousands of people into work. However, all reports agree that the 'client group' approach which has driven New Deal programmes to date (e.g.

⁹ People who are deemed to be seriously ill or disabled will be exempt from this provision and it is likely that lone parents whose youngest child is under 7 years old will also be exempted.

50 plus, lone parent, disabled, IB claimant etc.) needs to be changed to a more personalized approach which reflects the needs of the client. Indeed Freud suggested that the 'client group' approach should be scrapped altogether and replaced with a single system of support. Although the latest Green Paper says:

'We want to move away from the rigid distinctions of the current New Deals between age groups'¹⁰

it is not clear if this amounts to amalgamating the different New Deals.

Another aspect of personalization is the time at which help is offered. Freud pointed out that the time a client waited before receiving support may be too long and that it also varied between different welfare to work programmes, (however his own proposals for change have in turn been said to be inconsistent¹¹). The current Green Paper sets out proposals to provide support to job-seekers and others considerably earlier than at present, and suggests that help will be 'fast-tracked' if warranted by a client's circumstances (as evidenced by his or her claim history). There is also broad agreement that welfare to work programmes should be more flexible than at present, building on the approach adopted in Employment Zones, offering whatever assistance a client requires, be it help with travel to work or further training.

The final area on which there is agreement, at least in principle, is on the delivery of welfare to work programmes. However, whilst all papers agree that programmes should be contracted out, Peter Hain's Green Paper appears to make a break from the approach that was adopted by John Hutton and was developed further by David Freud. Instead he envisages a role for the public sector as a contractor, as well as the private and voluntary sectors. This was confirmed in a recent media interview¹², although his announcement on the contracts to deliver the latest Pathways to Work Programme suggests that it has yet to take effect.¹³ Hain's Green Paper paper however does continue the earlier emphasis on 'outcome based' contracts.

This accord within the world of the Department for Work and Pensions has not been quite so evident in the wider community, however. The UK Government's proposals have been questioned by a range of organisations, from trades unions to think tanks to disability groups, for a number of reasons.

¹⁰ Department for Work and Pensions (2007) *In Work, Better Off: Next steps to full employment*, Cm 7130, London: HMSO para 36 page 49

¹¹ TUC (2007) *Reducing Poverty, Increasing Support: the TUC response to the Freud Report*, downloaded from <http://www.tuc.org.uk/welfare/tuc-13356-f0.pdf>

¹² 'Hain cool on private sector job contracts', *Financial Times* July 30 2007

¹³ Department for Work and Pensions (2007), *Enhanced role for the private and voluntary sector – Peter Hain announces pathways contracts*, DWP Press Notice 12th September 2007

One of the greatest concerns is that insufficient weight is given in all the various proposals to the role of labour *demand* in shaping access to job, in other words whether there are sufficient, suitable jobs available for all those returning to work to take. Whilst at UK level as a whole there is little evidence of a jobs shortage, it is still a cause for concern in areas of the UK which have seen the loss of their traditional jobs in the past and which have yet to replace them fully, as evidenced by their below average 'job densities'. In these areas there is a real risk that there are simply too few jobs to enable the target of 80 percent employment to be met locally. The 'jobs pledge' outlined in Peter Hain's Green Paper, in which major employers commit to create jobs which will be available to people coming off benefit, is a useful start but nevertheless does not overcome the reality of a genuine shortage of vacant jobs in some areas.

There is also concern that, notwithstanding recent legislation, some job-seekers face additional barriers to finding work because too many employers discriminate against people with disabilities or who are from ethnic minorities. Similarly, and again notwithstanding recent legislation, there are fears that there are too few jobs available that are sufficiently flexible for lone parents or people with disabilities who may be unable to fit in with 'standard' working arrangements. It is not just a question of the number of jobs available, but of whether they are adaptable enough to take on people who need extra support to work.

Second, there are concerns about the point at which it is fair and appropriate to compel people to find work. Whilst the principle of 'conditionality' is broadly accepted, there has been little debate about the point at which sanctions should be applied. Critics point out that conditionality must be accompanied by meaningful support for clients and sensitivity to different individual circumstances. There are particular concerns about applying conditionality requirements to lone parents of primary-school aged children, especially those who are themselves disabled or have a disabled child and given the lack of affordable, flexible childcare. Similarly, there are concerns about applying conditionality to people with moderate ill-health or disability. Whilst many more people with disabilities would like to work than currently do so, it must also be acknowledged that there are some people whose health or disability is such that they are unable to do so. At the time of writing this report many organizations were still formulating their responses to the latest Green Paper, but it seems likely that the proposal to require people who are still on benefit, despite receiving specialist job search support, to undertake a period of full-time work experience is likely to generate particular concern.

Third, there is some debate about the need to increase the emphasis on getting job-seekers into 'sustainable employment'.¹⁴ Sustainable employment underpins the conclusions of the Freud and Harker reports (as well as the Leitch report on skills), who see genuine

¹⁴ Centre for Local Economic Strategies (n.d.) Rethinking Worklessness: research on the Welfare Reform Green Paper, *CLES Rapid Research no. 4*, Manchester: CLES

sustainability being considerably longer than the period of 13 weeks currently used in welfare to work programmes. Sustaining a job for a longer period helps to consolidate people's return to the workforce as well as potentially helping them to progress from entry level jobs e.g. through further training and promotion. However there are at present no proposals to extend the period for which support is offered.

And last, but not least, the proposals for welfare reform in Wales are far from clear. Peter Hain's Green Paper rightly identifies those areas which interface with and are integral to reform, but which are the responsibility of the Welsh Assembly Government. These include, for example, childcare provision, education and skills, and local government. Understandably, the Green Paper is unable to make firm proposals for Wales on these matters, but in the absence of a complementary response from the Welsh Assembly Government it is difficult to form a view on the overall reform package in Wales. Co-operation between the UK Government and Welsh Assembly Government is therefore vital.

In conclusion, although changes to Incapacity Benefit have yet to take effect and the proposals for change to welfare to work programmes have yet to be finalized, the overall direction of travel is very clear. Benefits are to be much more tightly managed than ever before, almost all benefit claimants will be required to be more pro-active seeking work, and welfare to work programmes will offer more support, tailored to the individual.

3. ECONOMIC INACTIVITY AND UNEMPLOYMENT IN CAERPHILLY

Caerphilly is, in many ways, precisely the kind of area which has generated the current concerns about benefits and welfare to work. Economic inactivity in the area is above average, as are the area's claims for benefits such as Incapacity Benefit yet much of the area is very close to thriving local economies and plentiful employment. This section explores the position in Caerphilly in more detail. Throughout, the figures used are for Caerphilly County Borough.

In terms of economic prosperity, the Caerphilly borough is very diverse. To the west of Caerphilly town, for example, large and relatively prosperous housing estates have grown up in recent years and these contrast with the small and remote former mining communities in the northern Rhymney valley. It is in these communities, north of Bargoed, that the concentrations of economic inactivity are most pronounced

Economic inactivity

The 'economic inactivity rate' in Caerphilly – i.e. the proportion of people of working age who do not have a job or are not actively seeking one – for 2006 stands at 25.7 per cent, some 4.3 percentage points above the Great Britain rate and also above the figure for Wales. The differences between the economic inactivity rate for Caerphilly and the rates for Wales and Britain are especially marked for males, where the gap is 1.8 and 6.3 percentage points respectively. The inactivity rate for women in Caerphilly, however, almost matches the Wales rate and is not far behind that for Britain.

Altogether the statistics show that there are 27,200 economically inactive people in Caerphilly. Although the number has been on a downward trend since its peak of 31,000 in 2004, and it has decreased more quickly than in Wales or Britain as a whole, it still stands at 2,200 more than in 1999/00.

Some people who are classed as economically inactive would nevertheless like a job if one was available. Although a slightly higher proportion of the working age population in Caerphilly wants to work than in Wales or Britain as a whole, the difference is much smaller than for total economic inactivity at less than half a percentage point. These figures suggest that 5.9 percent of the population of working age (6,300 people) are inactive but want to work.

Almost one in five of people of working age in Caerphilly said in 2006 that they did not want a job – 19.8 percent. This is nearly 4 percentage points more than the rate across Britain. More females than males said that they did not want a job (11,300 women compared with 9,700

men), but the proportion of women in Caerphilly who did not want to work is *lower* than the figure for Wales and only slightly above the GB figure. In contrast a substantially higher proportion of Caerphilly men did not want a job than in Britain as a whole – 17.8 percent compared with 12.2 percent.

Table 1 Economic inactivity (Jan 2006-Dec 2006)

	Caerphilly (numbers)	Caerphilly (%)	Wales (%)	Great Britain (%)
All economically inactive				
All people	27,200	25.7	24.9	21.4
Males	12,500	22.9	21.1	16.6
Females	14,800	28.7	28.8	26.5
Wanting a job				
All people	6,300	5.9	5.8	5.4
Males	2,800	5.1	4.9	4.4
Females	3,500	6.8	6.7	6.5
Not wanting a job				
All people	21,000	19.8	19.1	16.0
Males	9,700	17.8	16.2	12.2
Females	11,300	21.9	22.2	20.0

Source: Annual Population Survey 2006 via NOMIS

Notes: Relates to the population of working age.

Just why is it that economic inactivity is so high in Caerphilly? One widely promoted explanation is that people who were made redundant in the 1980s and early 1990s, from both the run down of mining and the recession in manufacturing, moved from employment to unemployment and then to economic inactivity fairly rapidly. For example Stephen Fothergill and Christina Beatty have argued that there has been a large scale ‘diversion’ of people from unemployment to sickness, which has been particularly evident in the former coalfield areas. They estimate that 9,000 people in Caerphilly – some 8.7 percent of the population of working age – had been diverted from unemployment to sickness between 1981 and August 2003.

This argument is reinforced by research which has shown that 12.9 percent of people who were unemployed in Caerphilly in 1995 and still lived in the area in 2000 were classed as disabled five years later.¹⁵ This figure is slighter higher than the 10 percent recorded for

¹⁵ McLennan, D., Lloyd, M., Noble, M., Idani, M.J., Dibben, C. and Wright, G. (2003) *Claiming Matters: chaning patters*

Wales as a whole.¹⁶ It is also higher than Fothergill and Beatty's estimate. Older unemployed people in Caerphilly were very considerably more likely to become disabled over the period: 28.3 per cent of the 40 – 49 age group and 16.9 percent of over 50s moved from unemployment to disability between 1995 and 2000. This is a very significantly higher rate of change than in Wales as a whole, where 21.0 per cent of 40 – 49 year olds and 12.4 per cent of over 50s became classed as disabled.

Whilst some have suggested that the 'diversion' from unemployment to sickness was a political response to intractable levels of joblessness, others have pointed out that the position is more complex. Indeed, there now seems to be a broad consensus, across different economic perspectives, that in a relatively slack labour market (i.e. when lots of people are chasing few jobs) people with various disadvantages e.g. poor health or low skills are less able to compete. Over time, they become demotivated and demoralized and sometimes also become ill, and withdraw from the labour market altogether. A number of empirical studies of transfers between Job Seekers Allowance and Incapacity Benefit confirms that people who change the benefit claimed are more likely to be disadvantaged in some way.¹⁷

There is, therefore, some powerful evidence, from a number of different sources, that there has been a substantial movement of people in Caerphilly from unemployment into sickness or disability. It seems that those people were likely to be those who were most disadvantaged in the labour market e.g. with health problems, although it is simply impossible to say whether or not these shifts were driven by a desire to reduce the unemployment count or simply reflected the ill-health of those concerned.

The analysis of economic inactivity which follows, lends support to the idea that people who are disadvantaged in Caerphilly have high levels of inactivity. Not only are they more likely to be economically inactive than their counterparts who do not suffer some sort of disadvantage, but they are also more likely to be economically inactive than disadvantaged people in Wales or Britain as a whole. The rest of this section explores economic inactivity amongst different age groups, people with different health conditions, different household circumstances and different levels of qualification.

Age

Statistics show that people who are economically inactive are predominantly older. Table 2 shows the economic inactivity rate for Caerphilly county for different age groups in 2006. It shows that for people under the age of 50, Caerphilly's inactivity rates are at or below the Wales inactivity rate and only slightly above the rates for Britain as a whole. What is striking

of benefit receipt across Wales 1995-2000 – case study report Caerphilly, Cardiff: Local Government Data Unit

¹⁶ *ibid.*

¹⁷ Bacon, J. (2003) *Moving between sickness and unemployment*, Labour Market Trends. vol 111 (10)

is the massive difference in economic inactivity amongst people aged over 50. For this age group, almost half the population aged 50–state pension age (44 percent) is not economically active. This difference in economic inactivity between under- and over-50 year olds is nothing like as marked in Wales or Britain as a whole.

These figures suggest that Caerphilly does **not** have a general problem of high levels of inactivity, across the whole population. Indeed, participation in work amongst people aged 16–49 is entirely in line with national rates. Rather, Caerphilly has a very particular and acute problem of inactivity amongst those aged over 50 to retirement.

Table 2 Economic Inactivity Rate for Age Groups 2006

	Caerphilly County	Wales	Great Britain
16-19	41	46	44
20 – 24	13	27	24
25 - 34	18	18	16
35 – 49	16	16	15
50 – retirement	44	33	27
Total rate	26	25	21

Source: Annual Population Survey downloaded from Nomis 11/09/08

If we look at economic inactivity amongst different age groups of males the picture is even more astounding (see Table 3). It suggests that something almost catastrophic has happened to men’s working lives in recent years. Whilst fewer than 10 percent of Caerphilly’s males aged 20–49 are economically inactive – with figures broadly consistent with those for Wales and Britain - at age 50 the inactivity rate suddenly leaps from 9 percent to 45 percent. More than 7,000 men aged 50-retirement are economically inactive.

The economic inactivity for females also varies by age, although less so than the rate for males. Female inactivity fluctuates much more over age groups, as women in their 20s and 30s spend time out of the workforce caring for children. Nevertheless, here too the inactivity rate almost doubles from 22 percent for 35-49 year olds to 43 percent for 50 – 59 year olds. Again, whilst there is some increase at age 50 evident in Britain and Wales as a whole, it is nothing like that which occurs in Caerphilly.

Table 3 Economic Inactivity Rate by Age Group and Gender 2006

Age Group	Males			Females		
	Caerphilly	Wales	Great Britain	Caerphilly	Wales	Great Britain
16 - 19	50	46	44	31	47	44
20 – 24	8	19	18	15	34	29
25 - 34	6	9	7	30	26	25
35 – 49	9	10	8	22	21	21
50 – retirement	45	33	25	43	34	29
Inactivity rate all ages	23	21	17	29	29	27

Source: Annual Population Survey downloaded from Nomis 11/09/08

It is impossible to ascertain from the statistics alone just why there is this marked and very substantial age effect in Caerphilly, although it seems likely that it is strongly associated with the severe loss of jobs from the coal industry and manufacturing in the 1980s and early 1990s

Health

The general health of Caerphilly’s population is not particularly good. The 2001 Census of Population showed that only 57 per cent of the population regarded their health as ‘good’, compared with 62 per cent of the population of Wales. The Census of Population also showed that the overall health status of the population has an impact on economic inactivity. The economic inactivity rate of those in good or fairly good health in Caerphilly was 23 percent and 50 percent respectively. In contrast 85 percent of people who said their health was not good were economically inactive. Caerphilly residents who had good health were less likely to be economically inactive than Wales as a whole, but people whose health was not good were more likely to be inactive. As before, Caerphilly does not appear to have an inactivity problem amongst people who are not disadvantaged in some way.

It is worth noting that the type of ill-health suffered by people who are economically inactive is broadly the same as that of people in Wales and Britain as a whole. The most common conditions are ‘difficulty in seeing or hearing’, which affects 31 percent of the people who are economically inactive, followed by ‘chest or breathing problems, heart, blood pressure or circulation problems, stomach, liver, kidney or digestive problems, diabetes’ (28.4 percent of people who are inactive) whilst just under a quarter are affected by ‘problems or disabilities connected with arms, legs, hands, feet, back or neck’.

Lone parents

Lone parents are a group which has been particularly highlighted in current policy proposals as needing more help and support to return to work.

The economic inactivity rate of lone parents in Caerphilly is undoubtedly higher than that of parents in couples. Altogether, in 2001 there were some 6,400 lone parents in Caerphilly, of whom 3,300 are economically inactive. Lone parents are more likely to be economically inactive than couple parents – whilst about 28 per cent all parents are economically inactive in Caerphilly, more than half of lone parents (48 per cent) are inactive. The proportion of parents in couples who are in active and the proportion of lone parents who are inactive are higher in Caerphilly than Wales as a whole.

Qualifications

Qualifications and skills are an important factor in economic inactivity, and some have argued that long-term changes in the economy's skill requirements, involving a shift away from unskilled labour which does not require any qualifications towards skilled jobs which demand at least some qualifications, are the key explanation of inactivity.¹⁸ This view has also been explicitly adopted by the Welsh Assembly Government.¹⁹

Certainly there is a close association between lack of qualifications and economic inactivity in Caerphilly and elsewhere. Figures from the Annual Population Survey show that four out of ten of Caerphilly's economically inactive population does not have any qualifications, whilst only 15 per cent of the active population has none. However, whilst this link between lack of qualifications and inactivity is common across Wales and Britain, it seems to have a particularly strong impact in Caerphilly. And although Caerphilly has, in any event, a higher proportion of people without any qualifications than the Welsh or British average, not having a qualification on economic inactivity seems to have an even greater impact on the likelihood of being out of the labour market than would be expected. Once again, as with age and health, it appears that having some form of labour market disadvantage has a disproportionate effect on the likelihood of being economically inactive in Caerphilly.

There is also a clear relationship between age and lack of qualifications. The 2001 Census of Population showed that the combined effect of age and qualifications is that a quarter of economically inactive people were unqualified 50–64 year olds.

¹⁸ Faggio, G. and Nickell, S. (2005) *Inactivity Among Prime Age Men in the UK*, CEP Discussion Paper No 673, London: LSE downloaded from <http://cep.lse.ac.uk/pubs/download/dp0673.pdf>

¹⁹ Economic Development and Transport Committee, (2005) *Economic Inactivity in Wales*, Cardiff: National Assembly for Wales

Unemployment

The line that divides 'economic inactivity' and 'unemployment' is a fine one. All that distinguishes the two is whether or not someone has actually searched for a job in the last two weeks **and** whether or not they are available to start work within two weeks. It is easy to imagine that someone who actively wants to have a job may not meet these criteria (e.g. because it they may need more than two weeks to organise alternative arrangements for childcare) and so be classed as inactive. It is therefore important to look at unemployment as well as economic inactivity to get an overall picture of 'worklessness'.

The latest statistics also show that Caerphilly has slightly higher than average unemployment (i.e. people who are not in a job but are actively seeking one). Over 2006, 4,600 people were unemployed – a rate of 5.7%, compared with the Wales rate of 5.2 percent and that for Britain of 5.3 percent. The number of people who are unemployed has declined dramatically in the last ten years, from a rate of 9.3 percent (6,500 people) in 1996/97 although the rate of decline has leveled off in recent years.

Table 4 Changes in Unemployment Caerphilly 2001/02 – 2005/06

No. unemployed 2001/02	5,000
No. unemployed 2005/06	4,600
Net change	-400
Unemployment rate 2005/06	5.7

Unemployment varies between genders and across age groups. Strikingly, the rate of unemployment amongst Caerphilly's younger population is almost double the GB and Wales rate, at 15 percent for 20 -24 year olds compared with 8 percent for each of Wales and Britain. The rate for 25 – 34 year olds is also slightly above the comparator rates, whilst that for older age groups is either the same or less than the Welsh and British figures.

Conclusions

There is no doubt that Caerphilly experiences both higher than average rates of economic inactivity and higher than average unemployment as well. If unemployment and economic inactivity are taken together, more than one in three people of working age are not working. Of these, almost 11,000 people say they want a job, more than one in ten of those of working age.

However, this section has also shown that, perhaps contrary to popular opinion, Caerphilly does **not** appear to have a general problem of economic inactivity. Indeed, those of its population who are of prime working age, have reasonable qualifications and are in good health are no less likely to be economically active than elsewhere in Wales and Britain.

Where Caerphilly's economic inactivity problem lies is amongst people with some sort of labour market disadvantage, and particularly amongst its older workers. The impact of age on participation in work is so great, especially for males, that it appears that something catastrophic has happened to male employment some time ago. It seems highly likely that there is a strong association with job loss from colliery and manufacturing decline in the 1980s and early 1990s and these very high levels of inactivity amongst older males.

The statistics also show that people who are disadvantaged in the labour market in other ways, e.g. because of ill-health or lack of qualifications, are also more likely to be economically inactive in Caerphilly than the Welsh and GB averages. However, there will undoubtedly be some overlap with older people and so it is difficult to untangle the two.

The level and nature of worklessness in Caerphilly is a challenge to local, Wales and UK policy makers alike. Remaining sections will look at current policy responses.

4. JOBS AND EMPLOYMENT

The account of worklessness in the previous chapter is in marked contrast to Caerphilly's performance on the economy and employment.

Over the last decade the number of jobs located in the county has increased by over 5,000, to 48,600 jobs in 2005. Although the rate of increase is not as good as that for Wales or Britain, it is nevertheless an increase in jobs that ought, at least in theory, provide opportunities for Caerphilly residents.

As explained in Caerphilly County Borough Council's Topic Report on Employment,²⁰ much of the increase in jobs has been in the public sector, and to a lesser extent in private sector services. This growth has largely occurred in public administration, education and health sector, which now accounts for 24.3% of employment. In addition, there has been an increase of 50.8% since 1993 in banking, finance and insurance, which accounts for 10.8% of employment, and an increase in distribution, hotels and restaurants (21.1%), which equates to a 38.7% increase. In contrast there has been a decline in the manufacturing industry, which has decreased by 18.3% over the period 1993 to 2003. Nevertheless, manufacturing remains a key sector providing 29.5% of employment, which is a higher proportion than the Welsh or Great Britain average.

Table 5 Employee jobs in Caerphilly 1995 - 2005

	Caerphilly County Borough	Wales	Great Britain
Employee jobs 1995	43,422		
Employee jobs 2005	48,600		
Net change	+5,178		
Percentage change	11.9	18.9	16.6

Source: Nomis Labour Market Profiles

The growth in jobs in the area has been matched by an increase in the number of people living in the county who have a job – which takes account of people who live in the area but work elsewhere. This figure is also up from 69,000 in 1999 / 2000 to 75,300 in 2005/06, an increase of 6,300 between 1999 / 2000 and 2005/06.²¹

²⁰ Caerphilly County Borough Council (2007) *Local Development Plan Topic Paper 2 – Employment*, downloaded from <http://www.caerphilly.gov.uk/pdf/planning/ldp-topic-paper2.pdf>

²¹ Annual Business Inquiry via NOMIS

Amongst those we interviewed there were mixed views about whether sufficient jobs were available locally or whether there was a genuine shortage:

Traditional manufacturing jobs are leaking out. ... The majority of the jobs in the industrial estates are static, they are not recruiting. ... I think it's safe to say that in this area there isn't a lot of recruitment going on. There hasn't been anything new for a long time.

Employment organisation

There aren't many jobs that appeal to people in this area. It was a struggle finding something for myself.

Previous IB claimant

A small number of interviewees maintained that there were jobs in the area:

The excuse that there are no jobs is just not true - there are those good places to work out there. The jobs are not being filled locally despite the high level of inactivity.

Local authority officer

There are lots of bits and pieces of jobs,

Employment agency

Some individuals were demoralized by the range of jobs on offer, particularly if they were unsuccessful securing even the most basic of jobs:

I applied for Tesco's and I didn't even get an interview which made me think 'how many people in this area are actually unemployed!' ... I feel like I have to take a step back with the jobs I go for. I have been knocked to the bottom of the ladder.

IB claimant

Travel to work

Despite the numbers of jobs created in Caerphilly county in recent years, a high proportion of Caerphilly county borough residents work outside the area. In 2004, almost half of Caerphilly's working residents (47 percent, or 31,900 people) worked outside the borough – the highest percentage of people out-commuting in Wales.²² Almost two thirds of the county's out-commuters traveled to Cardiff or Newport.

The need to travel to find work was acknowledged by stakeholders we interviewed:

²² Welsh Assembly Government (2006) *Statistics on Commuting in Wales*, Statistical Bulletin 76/2006 downloaded from <http://new.wales.gov.uk/docrepos/40382/40382313/statistics/econ-2006/sb76-2006.pdf?lang=en>

People have to realise that you are not going to get a factory job on your doorstep. To get the jobs people need to travel.

Employment Agency

The younger element realise they have to travel.

Employment Agency

Travel to work between Caerphilly and Cardiff, and between the main valleys communities and Caerphilly, is relatively good in the daytime. For example, a train service every 15 minutes provides access to Cardiff city centre from Caerphilly in 19 minutes. Similarly, trains run three times an hour from Bargoed to Caerphilly in 29 minutes.

However, our interviews revealed that travel to work for people without access to a car is not necessarily straightforward when traveling outside peak times or along routes other than north-south. Caerphilly county has relatively low levels of car ownership – 29 percent of households did not own a car or van in 2001 - and travel by public transport

Links in the Rhymney Valley are not too bad. The problem is traveling across the valleys. ... If I want to go to Bargoed or over to Dowlais where there is work, it is 7 or 8 miles away and it just can't be done for a certain time. To get there for seven in the morning is hard. This is where the problems come in.

Employment Agency

The bus service here is not very good, it's not as if you are going to Scotland but it might as well be sometimes!"

Voluntary group

Traveline Cymru's website confirms there are very real difficulties getting to and from work by public transport. It takes a bus and a train – and 55 minutes – to travel from Bargoed town centre to Treforest Industrial Estate. The first journey arrives at 7.15 am, too late to fit in with many continental shift patterns. Even the journey from Senghenydd to Cardiff takes 50 minutes and involves two buses.

The time taken to travel, and the times of the first and last journeys, are exacerbated by the unreliability of services and cost. One individual described the difficulties he had faced trying to get to work:

When I worked voluntary for a time I had to use the buses because my car had got stolen. I had to catch two and I had to get the Harris bus, which cost £2.50. I had a five pound note and they couldn't change it and I had to get off. This was first thing in the morning. When I had the car I was in the place for 9 am but when I had to use the buses I had to change the times that I worked as the earliest bus down wouldn't get me there in time for the 9am start.

IB Claimant

The practical difficulties that people face are compounded by what some stakeholders saw as reluctance to travel to work, and in particular a reluctance to travel to areas outside their immediate locality. Stakeholders time and again commented on people's unwillingness to travel:

Encouraging people to travel is another massive issue, they have to realise that they are not going to get a job on their doorstep

Employment Agency

Transport ... is the first thing that people say. Some jobs could well be in people's reach but they will not think it is – it is down to people's perceptions.

Employment Agency

People often don't want to travel

Voluntary organisation

However, reluctance to travel is not something that is peculiar to the residents of Caerphilly. Short travel-to-work distances are common across throughout the UK as a whole - more than three-quarters of **all** employees travel less than 5 km to work. We would suggest it is unrealistic to expect Caerphilly to give up unilaterally the national preference for working locally, especially for those at the lower end of the labour market who may face economic and social constraints on their travel behaviour. This has important policy implications, especially for efforts to regenerate the northern part of the county borough.

Conclusion

This section suggests that although there has undoubtedly been some growth in the number of jobs in Caerphilly, and that there has been a corresponding increase in the number of Caerphilly residents with jobs, the economy is not exactly booming. The rate of jobs growth within the area is below average and although many jobs are available elsewhere e.g. Cardiff and Newport there can be a reluctance to travel (not unique to Caerphilly) and very real difficulties accessing them by public transport. Further, those jobs that have been created are not in traditional manufacturing industry but in the service sector e.g. education and health, finance and retail.

Together, these factors help to create a climate in which there is little sense of there being plentiful employment, and that getting a job is not easy. This hardly helps anyone who is already disadvantaged in the labour market, and may indeed not be particularly motivated to find work. The next section looks at current measures to try to re-engage people who are out of work with employment.

5. WELFARE TO WORK IN CAERPHILLY

In Caerphilly, as elsewhere, there are a number of programmes to help people to find work. This section reviews the availability of and participation in the various welfare to work programmes in the Caerphilly area, in the light of the recent proposals for change outlined earlier.

The county is covered by all the UK-wide welfare to work programmes, mainly the various New Deal programmes. In addition, it is part of the Heads of the Valleys, Caerphilly and Torfaen Employment Zone, is included in the roll-out of Pathways to Work, and has recently been included as part of the Heads of the Valleys 'pathfinder' City Strategy areas. These together should give the area a fully comprehensive range of support to help local people into jobs.

In addition, the different stakeholders in Caerphilly also come together in an 'economic inactivity beacon'. Collaborative working on economic inactivity has been fostered by Caerphilly County Borough Council since 2002. In 2005, the Caerphilly Standing Conference (which comprises more than 60 organisations) agreed to add economic inactivity to its twelve priority areas for collaborative work and action – a beacon. More than 15 organisations are members of the economic inactivity beacon, which is chaired by the regional director of Jobcentre Plus and administered by Caerphilly County Borough Council. Other organizations involved include GAVO, Caerphilly CAB, Groundwork, the Federation of Small Businesses, Caerphilly Health Alliance, the Welsh Assembly Government, Careers Gwent and Mid Glamorgan, and Brookes Avana.

The inactivity beacon works closely to pool intelligence and resources across a range of issues. Some of their recent activities are shown in Figure 1.

Figure 1 Selected Activities Undertaken by Caerphilly Economic Inactivity Beacon

• Designed and produced an electronic work directory to provide direct advice and signposting assistance to individuals and organizations.
• Held a conference attended by over 60 organisations.
• Overseeing the implementation of the Heads of the Valleys City Strategy JobMatch programme
• Overseeing a Community Expo to maximise funding available via the Deprived Area Fund
• Fostering linkages with the St Davids II development in Cardiff to ensure that job opportunities are available to Caerphilly residents
• Investigation of the employment opportunities created by the £130m hospital development at Ystrad Fawr
• Investigation of the employment opportunities that may be created through the regeneration of Bargoed town centre

In addition, Caerphilly County Borough Council leads a group of six local authorities in the Heads of the Valleys area which, together with Jobcentre Plus, is exploring current provision, identifying gaps and developing proposals to plug those gaps and add value to existing provision, with a view to submitting a regional application for convergence funding.

Current Mainstream Programmes

Participation in New Deal for Young People and New Deal 25 plus is mandatory for those who have received Job Seekers Allowance continuously²³ for 6 months in the case of 18 – 24 year olds or 18 months in the case of over 25 year olds. Participation in the other New Deal programmes – New Deal for Lone Parents, New Deal 50 plus, New Deal for Partners and the smaller scale New Deal for Disabled People and New Deal for Musicians – is voluntary, and is open to anyone who receives any of the main welfare benefits²⁴ (or is a partner of someone who receives the benefit), subject to certain conditions depending on the programme.

Employment Zones were introduced in areas with persistent long term unemployment, and came into operation in Caerphilly in October 2003. It essentially operates New Deal 25 plus for people who have received Job Seekers Allowance for 12 months, rather than the 18 months elsewhere, and also includes 18 – 24 year olds who have already participated in New Deal for Young People and subsequently received Job Seekers Allowance for 6 months. In addition, people facing particular difficulties in the labour market may be allowed to participate in the programme. Identified difficulties include disability, literacy or numeracy problems, people who have served in the armed forces, people who were looked after as children by a local authority, and ex offenders. Lone parents or people receiving pension credit and who work less than 16 hours a week may also volunteer to participate. The Employment Zone effectively supercedes New Deal 25 plus in Caerphilly, and complements the other New Deal programmes.

The basic model followed by all the New Deal and Employment Zone programmes is to provide individual support to the client. The approach essentially has three stages:

- Stage 1 The client sees a personal adviser who, after discussion, draws up an Action Plan. This might include advice on job options, help with job search, advice on childcare, information on in-work benefits etc.

- Stage 2 The client follows the Action Plan.

- Stage 3 The client starts work, with support available for 13 weeks.

²³ With certain allowances for breaks

²⁴ Job Seekers Allowance, Income Support, Incapacity Benefit, Severe Disablement Allowance, Pension Credit and Carer's Allowance (New Deal for Partners only)

There are slight variations in this approach depending on the New Deal programme. For example, in the case of New Deal for Young People, stage 2 may involve full time training, whilst in the case of Employment Zones the Action Plan might include providing practical help such as help with transport, clothing, or training specifically linked to a job. Similarly, New Deal for Disabled People gives the client a choice of specialist 'job broker', in order to meet their particular needs.

In addition to these programmes, which are directed at people who are economically active,²⁵ Caerphilly is included in the 'Eastern Valleys' Pathways to Work programme from October 2006. The Pathways to Work programme is aimed at new Incapacity Benefit claimants, some IB claimants who have been on IB for over a year, and existing IB claimants who volunteer to participate.

Pathways to Work follows the same basic model as New Deal, involving²⁶:

- support from a highly skilled personal adviser support and contact every month in the first 8 months of the claim when people can be most readily helped back to work;
- groundbreaking **NHS rehabilitation** support so that they can learn to manage and cope with their health condition (e.g. back pain, angina, mental illness) so they can get back to work;
- strong **local partnerships** with the New Deal for Disabled People - voluntary and private sector employment advisers;
- **£40 a week return to work credit** once they get a job so that it always pays to get back to work;
- work with local GPs and employers to ensure people on IB are not discouraged from working again.

Recently, the Heads of the Valleys area, of which Caerphilly is part, has been designated a 'pathfinder area' in the DWP's City Strategy. The strategy is based on the idea that local partners can deliver more if they combine and align their efforts behind shared priorities, and

²⁵ the voluntary programmes do allow for people who are receiving non-working benefits such as Incapacity Benefit to participate

²⁶ Department for Work and Pensions (2005) *25 Radical back-to-work scheme will cover 900,000 people on incapacity benefits within two years* Press Notice 25th January 2005 downloaded from <http://www.dwp.gov.uk/mediacentre/pressreleases/2005/jan/pathways250105.asp>

are given more freedom to try out new ideas and to tailor services in response to local need. According to DWP, it will aim to

- ensure provision is more attuned to the needs of local employers so individuals gain the skills and attributes they need to access the particular jobs that employers need to fill; and
- play a significant role in increasing local employment rates, ensuring those most disadvantaged in the labour market can receive the help and guidance they need.

Impact of Mainstream Welfare to Work Programmes

Welfare to work programmes have, taken together, clearly made an impact. Altogether more than 10,000 people in Caerphilly county borough have started some sort of New Deal programme since 1998, of whom 6,840 have gained a job. People from Caerphilly were also amongst the 7,000 people who have started Heads of the Valleys Employment Zone programmes, 3,280 of whom have found jobs (see Table 6).

By far the largest focus of activity is on New Deal for young people and for lone parents, which together accounted for the great majority of welfare to work support in Caerphilly. New Deal 50+ managed to assist just 580 people over the period 2003 to date (although more recent participants have been included in the Employment Zone programme), notwithstanding the efforts to encourage participation by Jobcentre Plus and others which have achieved some success. Yet over-50 year olds are a key group at risk of economic inactivity). The reasons for this low level of participation are not clear (and were outside the remit of this study).

Until the roll-out of Pathways to Work in October 2006, there was no specific assistance for people claiming IB (although they could of course access mainstream Jobcentre Plus services and use the services of a Personal Adviser if they wished), and at the time of writing there were no statistics available on the number of participants. However, the scale of the economic inactivity problem in Caerphilly, and its overwhelming concentration of worklessness amongst older economically inactive people, suggests that the Pathways to Work programme ought to be a major initiative in the area.

Table 6 New Deal Programme and Employment Zone starts in Caerphilly County

Programme	No. of individuals starting (cumulative to May 2007)	No. of individuals gaining a job (cumulative to Feb. 2007)
New Deal Young People 1998 – date	5,340	3,500
New Deal 25+ 1998 – date	1,020	430
New Deal Lone Parents 1998 – date	3,830	2,550
New Deal 50+ 2003 – date	580	310
New Deal Partners 2004 – date	60	50
Sub total Caerphilly county	10,830	6,840
Heads of the Valleys, Caerphilly and Torfaen Employment Zone April 2000-April 2007	7,060	3,280

Source: DWP statistics http://www.dwp.gov.uk/asd/asd1/tabtools/tabtool_nd.asp downloaded 24th August 2007.

Note: Participation in New Deal for Disabled People and Musicians is not available by local authority.

In this regard, the Welfare Reform Act 2007 and the proposals in Peter Hain’s Green Paper would appear to mark a very real departure from current practice in their focus on getting inactive people back to work. If the ‘core’ of the economic inactivity ‘problem’ in Caerphilly is to be tackled, there need to be major and sustained efforts to get over-50 year olds, many of whom have few qualifications, minor health conditions and lack of recent work experience, into work.

However, the latest Green Paper indicates that the changes will apply only to new claimants. Given that 8 out of 10 claimants of IB have been getting the benefit for more than two years, it is unlikely that the new benefit regime and welfare to work programmes will make a significant impact on current levels of inactivity in an area like Caerphilly.

Helping this client group back to work will be no small task for those contracted to deliver the programmes. There are concerns about the capacity of some organizations to deliver at present, let alone against challenges on this scale, and there must be robust mechanisms in place to ensure proper accountability.

Attitudes to welfare to work programmes

We found most interviewees, whether stakeholders or claimants, had relatively little to say about benefits and welfare to work despite the interviews taking place shortly after the publication of John Hutton's Green Paper. What comments were made centred around people's fear of losing their benefits, confusion about the number and administration of welfare to work programmes, and the scope of the programmes themselves.

Fear of loss of benefit

Benefit rules generally assume that the division between being unwell and unable to work and being well and actively seeking work is clear cut, although recent changes mean that people are able to carry out a modest amount of work for a limited period of time. Nevertheless, the small group of people we interviewed seemed reluctant to do anything that could be seen to indicate that they are not unwell, even if their behaviour could improve their health and possibly their prospects of working in future. In other words, once on IB, the feeling was that benefit rules appear to encourage people to stay there.

Many of the representatives of organisations we interviewed commented that people were afraid of losing their benefits:

They are scared of the implications that, if they are known to be looking for work, then is there an implication there that 'should you be on the benefit in the first place? ... People think 'if I talk to job agencies they will take my benefits off me' ... these are very real fears.

Voluntary organisation

We get a lot of people coming in to enquire about courses who are worried about losing their benefits

Education provider

A number of the individuals we interviewed were also concerned about losing their entitlement to benefit if they behaved in a way that might lead the Department for Work and Pensions to believe they were not genuinely unwell, e.g. if they attended an education course or expressed an interest in some sort of paid work. This was especially so amongst people who suffered mental ill-health who feared that if they proved to be unable to cope with a job they would have lost their entitlement to IB when they sought to re-claim.

[I] am better off being on the benefits rather than risking losing [them] for a job that I might not be able to cope with.

IB claimant

People don't interact with the Job Centre. People don't always want to know and feel mistrustful in regards to their benefits getting taken off them.

IB Claimant

This is not just concern about maintaining the *level* of benefit an individual receives, but also a reluctance to have to follow the labyrinthine path of making fresh claims for multiple benefits. For example, a household with children dependent on IB is likely to receive housing benefit, council tax benefit, child tax credit and free school meals as well as IB itself, all of which need separate claims that can sometimes take several weeks to process during which time a claimant may have no income.

Although there are currently arrangements in place to enable clients to 'resume' a former claim in certain circumstances, this was not widely known. It is likely that the latest reforms of benefit and welfare to work programme will address this issue, but steps need to be taken to ensure that clients are informed about it.

Administration of welfare to work programmes

The provision of some Welfare to Work Programmes is contracted out to different providers, who may be a local authority, private sector or voluntary sector, whilst others are operated by Job Centre Plus. However as noted earlier there may be moves to award future contracts only to private and voluntary sector providers.

Several stakeholders we interviewed expressed concerns about the range of different welfare to work programmes in Caerphilly. There is currently a considerable number of different programmes, each aimed at a different client group. Although initially useful, this approach can also be confusing to the potential client, to whom it may not be clear which is the relevant programme. As one interviewee put it:

There seems to be different initiatives coming out every week with very little difference between them, simply a rehash of old welfare to work programmes

Local authority officer

Whilst the latest City Strategy initiative is welcome, coming on top of the Heads of the Valleys programme and other changes, there is a risk that it will be seen to complicate matters even further.

Ironically, despite some scepticism about the number of different welfare to work programmes currently available, some interviewees suggested that they were unable to meet the needs of clients with more specialist requirements, notably those suffering mental ill-health. Although people with mental ill-health are included within the provisions of Pathways to Work, some of

those we interviewed felt that there was insufficient understanding of the needs of people with mental ill-health challenges.

Recent changes in contractors in Caerphilly were a source of considerable confusion to stakeholders we interviewed: they were uncertain about who provided what programme, as the contractor providing one of the main programmes in the area had recently changed. As a result, some stakeholders were sceptical about providers' motives and their capacity to deliver. There were also concerns about scrutiny of providers' performance, with calls for a clear process for third parties to be able to raise concerns and an open process to review achievements. Proposals to contract out even more welfare to work programmes to the private and voluntary sector, and to move towards large, regional contracts, make local scrutiny and accountability all the more important.

Eligibility for help

In all programmes, clients must have been receiving benefits for a specified period before they can participate, whether participation is voluntarily or mandatory. At present, the Pathways to Work programme aims to help people back to work after they have been claiming Incapacity Benefit for 8 weeks but claimants of other benefits, e.g. Job Seekers Allowance, must wait 12 months before they are eligible for support from, for example, New Deal 25+ or New Deal 50+. It is likely that much of the damage to an individual's self-esteem, skills, health status and contact with the world of work has already been done by the time he or she has been receiving benefit for 12 months and is required to participate in one of the programmes.

The latest Green Paper includes some proposals to offer help at an earlier stage to certain clients who are assessed as needing 'fast track' support, but this approach lacks transparency and may not encourage participation. One alternative is to offer help to everyone who seeks it after a period of being out of work for a minimal period e.g. 4 weeks. This would send a positive and simple message to potential clients and may also avoid short term unemployment becoming a long term problem.

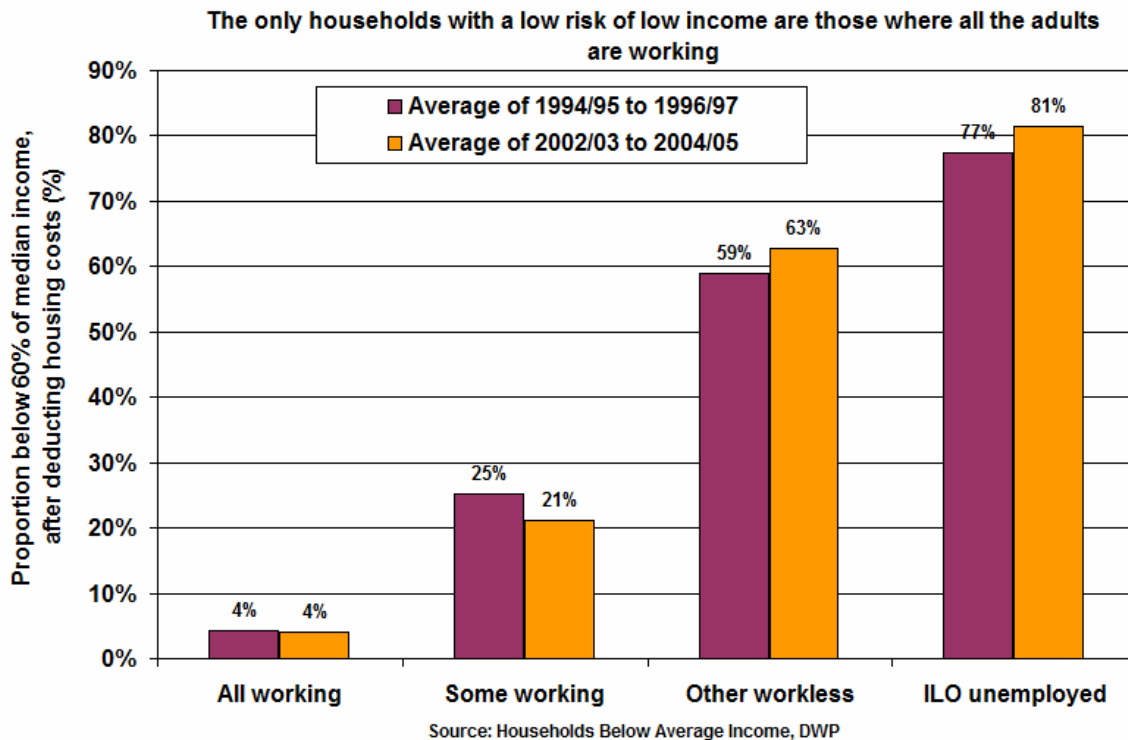
Some of those we interviewed suggested that support should be available to all household members, not just to claimants themselves. Whilst the New Deal Partners programme provides support to the partners of claimants of JSA, IB and other benefits on a voluntary basis, it does not allow for support to other household members such as adult children and it is not necessarily combined with, for example, participation of clients in other programmes. One interviewee argued that being able to help all household members would support clients returning to work:

What we would like to be able to offer is that if you become eligible for our programme due to time unemployed or on benefit, then if we could get the whole family involved in the programme to break these family pressures ... The programme ... can do great work with an individual but if when they go home they are getting messages from everyone else not to take part then it is hard to break this.

Employment Agency

Helping all family members is also important to helping households to avoid poverty and thus reap the benefits of work. Research by the New Policy Institute²⁷, summarized in Figure 1, shows that the more hours of work household members undertake the more likely the household is to avoid poverty. Only 4 percent of households where all adults are working experience low household income, whereas 21 percent of households where only some adults are working have low income.

Figure 2: risk of poverty among working-age household, by work status and over time



Source: P Kenway and V Winckler (2006) *Dreaming of £250 a week – a scoping study of in-work poverty in Wales*, Tredegar: Bevan Foundation / NPI

Conclusion

The various welfare to work programmes are very important in Caerphilly, and have helped to place thousands of people in sustained jobs through a variety of different types of support.

²⁷ *Dreaming of £250 a week* (2006) Bevan Foundation and New Policy Institute

Caerphilly also benefits from special designation as both an Employment Zone and as a City Strategy area. However, the focus of the vast majority of welfare to work programmes is on the unemployed rather than the economically inactive, with only the recent Pathways to Work programme offering any support to this group.

The UK Government's proposals to reform welfare to work programmes could mark a very substantial shift of focus away from the unemployed towards the economically inactive. However, if the provisions apply only to new IB claimants and not existing claimants their impact will be very much reduced.

Further, the scale of the task faced by potential contractors is huge and there are doubts about the capacity of the private and voluntary sectors alone to deliver. In addition, there are some concerns to ensure that contracts are effectively scrutinised and to ensure accountability – which will be all the more important if the basis of contracting is to be regional.

6. A CULTURE OF WORKLESSNESS?

The third area which we considered is whether there is a 'culture' of worklessness in Caerphilly which some claim has been fostered by the apparently high levels of IB and other benefit claims.

Benefit dependency?

The idea that there is widespread 'benefit dependency' and even a 'benefit culture' has gained currency in the policy community.

Figures from the Department of Work and Pensions show that in February 2007 there were 14,700 people in Caerphilly claiming Incapacity Benefit (IB) and a further 3,170 people claiming Job Seekers' Allowance (JSA), a total of almost 18,000 people claiming these two main 'out-of-work' benefits. In addition, 8,870 people received Income Support (IS), but as IS can 'top-up' other benefits to the Department for Work and Pensions amount the law says is needed for people in different circumstances to live on, this figure will include some JSA and IB claimants.

Although it is open to all claimants who cannot work because of ill-health or disability, it is clear that IB is dominated by older claimants. Around half of claimants in February 2007 were aged over 50 (46.9 percent of UK claimants and 52 percent of claimants in Caerphilly). In contrast JSA is the preserve of younger claimants: 30 percent of UK claimants in February 2007 were under 25 years old, and only 16.2 percent were aged 50 and over. In Caerphilly the difference was even sharper, with 40 percent of claimants being under 25 and 13 percent over 50 years old.

Significantly, IB is also dominated by long-term claims. Across the UK, half of all IB claimants in February 2007 had been receiving benefit for over five years. The figure rises to 58 percent in Caerphilly. A further 21 percent of Caerphilly's IB claimants had been claiming for between 2 and 5 years. In other words, almost eight out of ten of IB claimants have been receiving IB for more than two years.

Perhaps not surprisingly given these figures, amongst stakeholders we interviewed, the majority referred to a sub-group of claimants who were content to subsist on benefits:

It's a culture thing ... They are quite happy with their standard of living on benefits. I suppose it is a lack of ambition. It seems to be right across the board. Out of the people I see, a high percentage would rather stay on benefits.

Employment Agency

At the end of the day people may be happy enough getting their benefits each week and it can be nearly impossible to change these attitudes.

Employment Agency

Even some claimants themselves referred to other claimants who were happy to live on their benefits:

There is a big reliance on IB in the area. When I was on IB I couldn't wait to get off it but some people are getting more money and stay on it as they feel it is not worth them going to work.

Former IB claimant

However, a number of studies have found that a specific 'benefit culture' cannot be identified. A recent study by the Social Exclusion Unit concluded that there was no evidence that people on benefit had different values – the definition of a culture – from the rest of society. Similarly, a local study of Rhymney and Pontlottyn found that:

'there was very little evidence, in the opinions voiced, of a local 'work-shy' culture'
p18

However the Social Exclusion Unit study *did* find that people who were without a job were more likely to live with other people without work, and that living in areas with high concentrations of worklessness affected the life chances of children and young people and reduced people's expectations of starting a job and of actually starting one. In other words, whilst there may not be a benefit 'culture' there does seem to be a benefit 'effect' in areas with high levels of claimants.

Our interviewees were very aware of the impact of living in predominantly workless communities:

It's about role models - if everybody is working in that area then as an unemployed person you are out of synch with the area but if you are the only one in work then this makes you out of synch as well.

Employment Agency

For people on benefits who have grown up in that area that has a high number of people on benefits, it is hard to break that cycle. The impact of family and the social circle is important to take into account. I reached a point where I didn't want to be on benefits anymore and I decided I had to get a job, but it can be difficult to get out of that pattern.

Voluntary organisation

They were also clear that concentrations of worklessness were maintained because people who did have a job tended to move away:

The first thing people do if they are successful and get a well paid job is that they move out. People see progression in work as progression out of the area.

Employment Agency

it seems that if people are any good they end up going to places such as Cardiff or Pontypridd to find work. There are always people migrating out to find jobs. It's sort of the employment drain."

Voluntary organisation

Opinions differed about the approach that might be taken to change this 'dependency culture'. Whilst one group of stakeholders appeared to favour a top-down approach, arguing that:

If we are to move forward we need to change the culture of those people who are isolated and excluded from society.

Local authority officer

Others acknowledged that people's cultures and values reflected their circumstances, and that cannot be changed easily, especially at the behest of government. Instead, they suggested that welfare to work programmes should be much more meaningfully engaged with the local community and in particular with community regeneration initiatives.

It's all great for us to sit here but it's those people that have been out of work for a long time that need addressed. We need to find out [what] these people actually want.

Local authority officer

What is, however clear, is that there is little if any evidence of a 'culture of worklessness' or benefit dependency that pervades the people of Caerphilly. Rather, worklessness – and the dependence on benefit that goes with it – is concentrated amongst people who are most disadvantaged in the labour market, and who often live in the same communities. Shared experience of worklessness may well depress ambition and aspiration. However, rather than somewhat disparagingly referring to 'a benefit culture' or similar, I suggest it is more constructive to think about raising aspirations. In shifting the mindset in this way, it is possible to conceive of more positive policies and actions that would meaningfully tackle some of the labour market disadvantages that people who are 'benefit dependent' undoubtedly face.

Benefits and earnings

Several stakeholders noted that rates of pay in the area were perceived as a barrier to work by some clients:

People with families perceive rates of pay as a barrier - even it is not - if they have been on benefits for a few years and have a few kids they assume rightly or wrongly that they would need a fairly well paid job.

Employment Agency

People say 'Why should I go for work just for 20 quid?', and I say 'Well, you aren't going to work for just that, you are going to work for the 200 quid'.

Employment Agency

People can and do expect to earn more if they are working than if they are not, especially if working involves a substantial change in lifestyle e.g. having to make arrangements for childcare or travel outside the area. As the CAB pointed out:

It is important that people earn a level that will make a difference to the amount they are getting on benefits. There are expectations when people go to work and you will expect your lifestyle to improve. But often people don't take into account the cost of working, including travel, social interaction, and food. It shows that going to work isn't cheap.

Voluntary organisation

A recent study of Rhymney and Pontlottyn, commissioned by the Caerphilly Economic Inactivity Beacon and undertaken by Insight Social Research, found that 65 percent of people interviewed said that they would want £100 extra weekly income to make it worthwhile to return to work.²⁸ This figure was known by many of the stakeholders we interviewed and was regarded as unrealistically high.

²⁸ Insight Social Research Ltd (2006) *Economic Inactivity in Rhymney and Pontlottyn – report to Caerphilly County Borough Council*, Abercynon: Insight Research

Everybody wants to start at the top, if they are actually looking for a job they want to start at the top. ... It's a culture thing.

Employment Agency

However, one interviewee quite rightly pointed out that, out of context, this figure was meaningless:

One of the results of the Insight research shows that people expect £100 on top of benefits but this is meaningless. If you are a 24 year old single man or woman you will be on around £45 a week, therefore saying that 'I don't want to go back to work unless I earn £145 pound a week' doesn't seem that far fetched. But saying that, if you have a family of four and you are looking after your elderly father, then maybe the package of benefits you have got is actually quite substantial. The fact is that it is easy to point the finger and say 'they are all mad and just want to stay on benefits' but it depends on circumstances.

Voluntary organisation

Moreover, the relationship between benefits and earnings expectations is complicated by the availability of a number of in-work benefits, notably tax credits, which vary according to both the income and personal circumstances of the claimant. These benefits are explicitly designed to ensure that work pays. It is unfair and unrealistic to draw general conclusions about 'benefit dependency' from the Insight report's findings.

It is clear that there needs to be a more informed and open debate about the relationship between the pay and benefit rates, as well as much greater understanding of the various in-work benefits that are available.

Conclusions

There does not appear to be firm evidence of a 'benefit culture' in Caerphilly or anywhere else. Indeed, our evidence on economic activity rates and benefit claimant rates suggests that inactivity is not a phenomenon that occurs across the board. Rather it is concentrated amongst certain groups of people – notably over 50 year olds – and in certain places. It may well be that amongst older men and people in particular communities there is a reduction in aspiration and ambition, with being out of work being the norm. But this is **not** the case for the vast majority of those who are not working, for whatever reason, in Caerphilly. To talk of such a culture in blanket terms is positively unhelpful and we suggest that a more constructive approach would be to raise aspirations and tackle labour market disadvantage.

Negative views about benefit dependency are often coupled with less than positive views about claimants' earnings expectations. However the relationship between earnings and benefits is more complex. The combination of in-work benefits and the national minimum wage means that work almost always does pay, in strict financial terms. What does need further consideration is how to raise awareness that work pays, and to overcome the non-financial barriers to employment.

6. ISSUES FOR DISCUSSION

This section attempts to draw together the findings from the earlier chapters and to highlight some of the issues that we suggest warrant further discussion given the most recent proposals for further reform to the welfare to work system.

The small scale of this study means that it is not possible to make definitive recommendations. Nevertheless, the evidence from the interviews coupled with our own observations on the current position in Caerphilly raise some important points that we hope will be considered seriously.

Action for Over 50s

Given the prevalence of economic inactivity amongst people aged over 50 in Caerphilly it is vital that consideration is given to how best to address the needs of that group. Chapter 3 identified that Caerphilly's inactivity 'problem' is almost solely attributable to this age group, who comprise almost half of all the economically inactive people in the borough.

It is likely that this age group will be particularly challenging to place into jobs, notwithstanding that discrimination on the grounds of age has now been outlawed. Over 50s in general have fewer qualifications than younger age groups, are more likely to have health conditions than younger age groups, and are more likely to have caring responsibilities that impact on their ability to work – to name just a few of the challenges that may arise. Nevertheless the New Deal programme for over 50s has placed several thousands of clients into sustainable jobs (and achieved a success rate of over 50 per cent), whilst Caerphilly County Borough Council and other organizations have been successful e.g. through Caerphilly Positive Action partnership. Important thought these initiatives are, it would be helpful for consideration to be given to ways in which support for this age group to re-engage with work can be developed and enhanced further.

Second, if substantial numbers of over 50s cannot be found employment, for whatever reason, and thus remain in a limbo between working life and official retirement, then action needs to be taken to address their needs. This is particularly important as working has been shown to bring so many intangible benefits not least to health and wellbeing.

Improving access to jobs

It goes without saying that there need to be continued efforts to create jobs in Caerphilly and particularly in the northern part of the county. It is unlikely that Caerphilly's residents will buck

the national propensity to work close to home, and so efforts to create jobs within a few miles radius of people's homes remains vital. The Heads of the Valleys programme is a potentially powerful tool in this respect.

That said, Caerphilly's residents are likely to continue to look to jobs outside its boundaries in considerable numbers. However, many people are, and will continue to be unable to get to work without major improvements in public transport. The efforts of some welfare to work providers, such as Working Links, to provide clients with help with transport so that they may access work, e.g. driving lessons, loans of vehicles, and financial help with purchase of season tickets, appears to offer real practical solutions to some clients' travel needs. The proposal to extend this flexibility to all support is potentially very constructive. Similarly, the provision of information about local public transport services by Job Centre staff and others can help jobseekers to decide whether it is feasible to get from their homes to a job should be continued. However in some circumstances the difficulty it is not so much lack of information about public transport services as the lack of services themselves, especially in the early mornings and evenings. Efforts to ensure effective linkages between new jobs outside the area and Caerphilly's residents are also potentially very valuable, for example the working group established to maximise the benefits of the St Davids II retail development in Cardiff for Caerphilly people.

Urgent consideration needs to be given to ways in which public transport can be improved to help people to get to work. Options include:

- encouraging employers in a particular location (e.g. on an industrial estate or in the city centre) to co-operate to provide their employees with transport;
- increasing the funding available to local authorities to purchase socially necessary bus services with priority for increasing early morning and evening services which serve employment areas;
- collating examples of good practice in helping people to travel to work from elsewhere in Wales and the UK.

Enhancing welfare to work programmes

The second area which we suggest warrants further discussion is the proposed changes to welfare to work programmes in the area. The current proposals for change have been little discussed, perhaps because of confusion and competition between programme providers. Nevertheless we have identified four ways where there may be potential for debate about the proposed reforms.

First and foremost we suggest that the question of offering help and support to return to work to **any claimants at any time**, irrespective of which client group they belong to or how long they have been out of work or claiming benefit, should be seriously explored. This goes considerably further than the proposals in Peter Hain's Green Paper. Every effort needs to be made to ensure that people leaving employment – whether through ill-health, redundancy or simple personal choice – return to employment as soon as possible. Clearly there are issues about the costs and benefits of offering open access to programmes, and about the point at which participation is voluntary rather than mandatory. However, open access in areas of high unemployment or inactivity could help to challenge the culture of worklessness as well as easing access to employment for thousands of people. Providing open access to welfare to work programmes would also allow other members of the household of clients participating in a programme to receive help and support, and also get rid of the complex 'gateways' to help that many clients currently experience.

The second change which should be discussed are ways of reducing claimants' fears of losing their benefit status if they show an interest in returning to work or training, or take a job on a trial basis. This is not just an issue which applies to benefits administered by the Department for Work and Pensions but also to benefits administered by the local authority notably housing benefit and council tax benefit. Clearly the need to protect against fraud has to be balanced against the need to encourage people into employment. Whilst change from IB to Employment and Support Allowance from April 2008 and the proposed 'conditionality' on new claimants to seek work may help to address this issue, it is not clear if the message will reach the majority of Caerphilly's inactive IB claimants who have been on benefit for many years and who are not likely to be affected by the new rules. Further consideration needs to be given to how to encourage IB claimants to make the most of opportunities without jeopardizing their benefit status.

The third change we suggest is that there should be greater clarity and accountability in the delivery of current programmes. There should not be a presumption in favour of delivery by the private and voluntary sectors, where public sector provision can demonstrate that it is equally cost effective, and there needs to be closer and more open scrutiny of contractors' performance in delivering programmes. This would help to allay concerns about contractors' actions where there is no cause for concern, and ensure swift action where there is cause.

Elsewhere we have suggested that further consideration should be given to how welfare to work programmes can have greater impact on clients' long term employment prospects, through providing longer term training. This would help to move clients beyond entry-level jobs with correspondingly low levels of pay into better paid jobs with better prospects. If clients go into basic jobs where there is no progression or further training offered by the employer, then the individual is effectively consigned to low level, low paid jobs. Research has shown that such jobs are associated with frequent movements between employment and

unemployment. We suggest that the idea of supporting longer term training for people on IB and JSA should be developed further and piloted in Wales.

Concentrations of worklessness

Whilst we have questioned whether there is a culture of benefit dependency in Caerphilly, there are undoubtedly concentrations of worklessness in the area – amongst people and in certain places - where action needs to be taken to reduce the impact of the prevalence of unemployment and inactivity on the community's aspirations and prospects. Further consideration needs to be given to how best this might be done – the following are just suggestions for discussion.

First, Communities First is a potentially very valuable vehicle for working with local people to support entry to work. Activities undertaken by Communities First groups in Caerphilly include community based training, promotion of volunteering and volunteering opportunities, creation of local jobs e.g. cleaners / caretakers and a 'sports champion', and involvement in environmental improvement works. Liaison between Communities First and other stakeholders takes place via the Communities First / Community Regeneration Manager and Regeneration Strategic Co-ordinator's membership of the economic inactivity beacon and attendance at meetings of the Heads of the Valleys Employment Consortium. Nevertheless, it is not clear that, at local level, Communities First is achieving its full potential to help people to find work and there should be further consideration of ways in which its contribution could be enhanced. Communities First could also play a role in the local delivery of services, such as Jobcentre Plus services, within the community. The Insight study of Rhymney and Pontllynn found that people wanted services to be delivered locally, either at people's homes or at convenient community venues, at convenient times and in a more 'user friendly' way. (p.34) yet the trend within DWP is towards greater geographical concentration of services. Since work on this project began, outreach provision has been introduced in 5 areas through the Disadvantaged Areas Fund and in 9 City Strategy wards.

Second, we suggest that support should be given to organizations which are able to engage with the local community. Some providers of welfare to work programmes were justifiably proud of the ways in which they employed local people to deliver programmes and used innovative ways to encourage potential clients to participate in them, e.g. through providing free 'pet-chipping' or sessions on healthy living. Initiatives to engage the local community should be an integral part of the specification of welfare to work programmes and funded accordingly.

Third, consideration should be given to ways in which awareness can be raised of the various benefits that are available to people moving into employment which help to make work pay. Most obviously these are tax credits but also include housing and council tax benefits and the new Local Housing Allowance. Lack of awareness of the help that is available could be a

factor that contributes to negative views about the work / benefit balance, as could be the complexities of claiming help (especially tax credit) and fear of debt if overpayments are made. 'Better-off' calculations and financial literacy training have been built into the Caerphilly JobMatch model, and help to raise awareness of benefit entitlements amongst JobMatch participants. However there is still potential to raise wider awareness that 'work pays' e.g. amongst those who are not participating in JobMatch. There could be a role here for the local authority as well as Communities First groups and the voluntary sector.

Fourth, worklessness will only stop being concentrated in particular geographical areas if people do not move away from such areas when they do get a job. Initiatives such as those which reward clients' return to work with improvements to their homes appear to help to retain the population, and it is likely that other improvements, to the housing stock, local environment and community facilities, may also help to retain working people in the community. We suggest that initiatives that target concentrations of economic inactivity should be specified in contracts for welfare to work programmes.

Raising Aspirations

There should be radical measures to raise expectations amongst people who are economically inactive, especially long-term benefit claimants. The suggestions that access to jobs should be improved and that welfare to work programmes should be universally accessible will help in this respect, as should the new expectation that even IB claimants should demonstrate a willingness to return to work in due course. However, more could be done to enhance the aspirations of people in the long-term: whether through access to free education courses for adults (the anticipated provision of free NVQ 1 and 2 courses may help here), access to leisure and recreational opportunities, or through initiatives such as volunteering programmes.

Annex 1 Stakeholders Interviewed

Local authority officers Caerphilly CBC

Jan Bennett, Community Regeneration Manager.
Jane Roberts-Waite, Strategic Regeneration Co-ordinator.
Tina McMahon, Senior Strategic Regeneration Co-ordinator.
Lauren Murphy, Communities First Co-ordinator.
Richard Murphy, Communities First Co-ordinator.

Voluntary Organisations

Rob Gough (Co-ordinator, Caerphilly GAVO)
A volunteer, Caerphilly GAVO
Simon Ellington, Bargoed Citizens Advice Bureau
Pathways Co-ordinator, MIND, Ystrad Mynach
Dave Brunton, Senghenydd Youth Drop In Centre

Employment Agencies

Colin Davies, Working Links
Dave Evans, Working Links
Krysta Williams, Working Links

David Morgan, Marketing Officer, Job Centre Plus, Caerphilly
Robert Evans, New Deal Lone Parents and New Deal Partners, Job Centre Plus, Bargoed

Education Provider

Helen Vickery, Student Services Officer, Ystrad Mynach College