

## Welsh Assembly Government Policy Review: Economic Inactivity

The following comments are based upon a combination of practical experience of tackling unemployment issues mainly in the south Wales Valleys and relevant academic research. Previous experience includes as a senior manager in the Employment Service operating at national strategic, as well as, local operational level in the south Wales Valleys and now “below the gloss line” on a community regeneration strategy in Gurnos, Merthyr Tydfil. This is complemented by two programmes of academic research focused upon establishing the underlying causes of economic inactivity: (MPhil, 1999 University of Wales Swansea) into the dispositional barriers that prevent long-term unemployed people from participating in lifelong learning - as a step on the way to employability and becoming economically active. Currently nearing the end of a further programme of research (PhD) at SOCSI Cardiff University - focused on the effectiveness of current community regeneration strategies in enabling socially excluded people to use lifelong learning as the vehicle to escape dependency and social exclusion through capacity building, employability, economic activity and active citizenship. Both programmes of research focus on the importance of soft skills to employability).

### Context

A similar consultation exercise was conducted by the Department of Work and Pensions only recently and perhaps, unsurprisingly, the issues highlighted then are almost identical to those mentioned in the Background Paper produced by the Welsh Assembly Government.

The critical difference between the labour market of the 1960's and 1970's and that of the 21<sup>st</sup> century is the fact that today's labour market is much more sophisticated and has far fewer opportunities for unskilled, semi-skilled and good old fashioned manual work that did so much to mop up those who could not fit in elsewhere. The south Wales labour market was then typified by heavy, primary (labour intensive/male oriented) industries. As well as creating the conditions where physical injury and disability was an occupational hazard and most household incomes included a mix of wages and “compo.” (Industrial Injuries Benefit) or sickness benefit, these industries provided a decent wage and a good deal of security/stability of employment.

The 21<sup>st</sup> century labour market is radically different, to the extent that commentators such as Charles Handy explain that there has not so much been a change in the labour market as a change in the nature of work itself. Herein lies the rub for the new Welfare to Work agenda and any strategy devised by the Welsh Assembly Government to tackle economic inactivity. Employment for life has been replaced by the need to become employable for life – hence the need for individuals to become self-reliant, self-directed, competent and co-responsible life long learners.

Put simply what this means for people in this area is that there is a huge mismatch between what employers are looking for in terms of skills and *attitudes* from their employees to enable them to remain competitive in the 21<sup>st</sup> century labour market and the skills and *attitudes* that economically inactive people have to offer. It is possible to break this mismatch down further into three broad categories:

1. Those who are reasonably job ready and need only minimum advice, guidance and support to re-enter the labour market.
2. Those who need further support before they can be regarded as job ready. These include people who might not have worked for some time, have obsolete skills and/or some debilitating illness – but would be interested in returning to work if a suitable job turned up. These need information, advice, guidance, job-focused training and jobsearch skills/support to enable them to become employable and compete for jobs in the new labour market.
3. Those furthest from the labour market who have not worked for a long time, have no or redundant skills and/or some illness/disability and as far as they are concerned their perception is that they will never work again. In effect these people have developed a mindset where employment is no longer part of their thinking/value system. (This is not meant as a criticism of such people – more in the way of an explanation of the reality for a significant number of people). Such dispositional barriers are notoriously difficult to overcome – and are the least understood in current interventions to ensure the employability of economically inactive people.

The good news is that those in categories 1 and 2 are relatively easy to help into employability. The bad news is that these categories have been the happy hunting ground for almost all “programmes driven” labour market interventions introduced by the UK government over the last 30 years or so. TEC/ELWa, MSC/Employment Service programmes spawned an industry of cherry picking training provision based upon devising learning and jobsearch support programmes designed specifically to maximise income from contracts. This is because these programmes remain focused on fulfilling the requirements of the contract and not upon the identification/meeting the needs of the participant.

The real challenge facing the Welsh Assembly Government is that several years of a tightening labour market has seen the supply of cherries dry-up and those furthest from the labour market are not cost effective to harvest as they need too much nurturing to get them ripe for the new labour market.

Those furthest from the labour market need genuinely learner centred provision, which should incorporate:

- A sophisticated assessment process that is able to separate out those who will never be able to work again (e.g. through severity of illness/disability) and those who could work with the right sort of intervention/support. The assessment process should also be able to diagnose the underlying needs of individuals and the range of support needed to enable him/her to become employable.
- An appropriate blend of information, advice, guidance and *counselling* to enable people to overcome the physical as well as the psychological (Mindset based upon negative beliefs, etc.) barriers to employability. It is interesting to note that the original UK National Skills Task Force recognised the importance of counselling but the UK government did not take this up. (Presumably on grounds of cost).
- Good quality personal development and support aimed at restoring belief in capacity to learn, learning how to learn, instilling self-efficacy, locus of control, intrinsic motivation and resilience. These are

important to ensure that individuals become co-responsible for their own future development and are equipped to escape the low skills trap.

- Good quality training and job-search support. This should include supported progression from initial capacity building through employability, job search and sustaining a job for at least the first month in employment. The identification/addressing Basic Skills needs should also feature here.

### **Yesterday's solutions will not address tomorrow's problems**

The Personnel Director of Vauxhall Motors in the late 1980s explained that British industry would disappear if it continued to believe that the future would be a repetition of the past and persisted with attempts to solve tomorrow's problems with yesterday's solutions.

The problems facing the Welsh Assembly Government are quite profound and whereas there will undoubtedly be some successes through the age old cherry picking game encouraged and perpetuated by the contract/programmes driven approach encompassed within the various versions of New Deal, tackling the underlying structural issues of economic inactivity and polarisation of social/economic opportunities demands a more sophisticated approach. The issues we need to be devising solutions for in the more socially and economically disadvantaged areas of south Wales include:

1. Enabling disadvantaged jobseekers to understand how the world of work has changed and what they need to do in order to equip themselves to compete for/retain employment in a labour market where employment for life has been replaced by the need for employability for life.
2. A dependency culture prevails and both the cause and effect of this needs to be properly understood by those who seek to help socially excluded people to re-enter the labour market. This is a cultural change issue and one that requires sophisticated and high grade - labour intensive/high cost - interventions based upon objective research and non-judgmental step change personal development and job focused training and support packages. (Time bound and Jobcentre based interviews simply will not suffice for the hard-core economically active who have a multiplicity of barriers to overcome).
3. The reality of the low skills/benefit trap need to be understood and properly worked out (customised) solutions introduced. The in-work benefits/benefits run-on/safety net provision is a most welcome introduction. However, we need to understand the real and gut wrenching fear of loss of benefits so many people experience in the light of their own and very real experience of a transient labour market and 20+ pages of form filling to reclaim benefits. The stable (male oriented) labour market of the 1960s and 1970s has been replaced by a bewildering pick and mix of short term, part-time and temporary employment. Those who depend on benefits are understandably reluctant to risk even the miserly security this brings to speculate that they may/may not survive in the new world of work.
4. The growth in "temping" across all occupations - even in the heartland of the former mining valleys - is a major obstacle to the New Deal model. Increasingly employers in areas such as Merthyr Tydfil are turning to employment agencies to actually employ new recruits for a temporary period until they prove their worth.

- This practice was unheard of until the late 1990s. There are at least six employment agencies currently operating in Merthyr Tydfil.
5. The programme of support currently available is too shallow and those who have not been in work for some time will need a much more sophisticated programme of support. A proportion of new claims for Incapacity Benefit will come from people in this category. The problem will be even more apparent when the time comes to tackle the stock of existing claimants. (These issues will be multiplied “many-fold” for those who will perceive themselves as “forced off” Incapacity Benefit onto JSA).
  6. The real issue for our most disadvantaged communities is that what we are encountering in addressing economic inactivity is a real double whammy. Residents genuinely believe that there is no work and as the vast majority have low skills/low or no qualifications and are chronic non-learners, they are understandably psychologically switched off learning. Research supports the fact that the greatest barriers to adult participation in any form of learning (including Basic Skills) are the dispositional barriers and the most significant dispositional barrier of all is a fear of learning, based upon a negative prior experience of learning.
  7. We also need to recognise how the quality of life experienced by residents of our most disadvantaged communities impacts on their capacity to focus on employment/employability. In reality it is very difficult to do this if you are plagued by neighbours from hell, live in fear of crime and are at your wits end battling to keep at bay the variety of wolves that prowl around these communities – day and night.

From this, it will be seen that the quick fix will not work. In the much more sophisticated world of work of the 21<sup>st</sup> Century, organisations such as the Department for Work and Pensions, Jobcentre Plus, Careers Wales, ELWa etc. owe it to socially excluded people to devise more sophisticated solutions to today’s as well as tomorrow’s problems. Addressing economic inactivity through tackling its root causes and meeting the underlying needs of economically inactive people requires real joined up policy and operational solutions. This raises a set of key questions:

- (i) Why did the original DWP consultation paper and subsequent report ignore the obvious potential of community regeneration initiatives such as the Welsh Assembly Government’s *Communities First* programme?
- (ii) How well prepared are *Communities First* partnership boards for tackling economic inactivity?
- (iii) How well prepared is Jobcentre Plus? Whilst acknowledging the logic of focusing on the flow of new claimants, failure to tackle the stock of economically inactive people flies in the face of the Welsh Assembly Government’s policy aims of ensuring economic prosperity for all through the creation of a dynamic and high skills economy. Can we afford to wait for this model to work before addressing the stock? Will not Wales lose out on the opportunity to galvanise EU Objective 1 status and its *Communities First* programme to eradicate economic and social polarisation once and for all?
- (iv) Where will agencies such as Jobcentre Plus, Working Links etc. find staff with the right blend of knowledge and skills to be able to provide the necessary quality of advice/counselling/support that economically inactive people will undoubtedly require. (New Deal Personal Advisers have a commendable track record in assisting those who are just below job readiness but are struggling to come to terms

- with those who are furthest from the labour market. Jobcentre based Personal Advisers also suffer in comparison with non-traditional civil servants employed by semi-private sector agencies such as Working Links when it comes to innovation/discretion.
- (v) Will the prevailing emphasis on Jobcentre based interventions suffice. The sort of cultural shift that is needed cannot be achieved by relatively short and job focused interviews in an institutional environment.
  - (vi) How do we ensure that agencies such as Jobcentre Plus and Employment Action Teams do not continue to fuel the low skills trap by encouraging economically inactive people into any job without first ensuring that they become competent, self-directed and co-responsible lifelong learners?
  - (vii) Will the additional resources/expertise required from the NHS as is envisaged within the DWP strategy materialise? Is it there in sufficient quantities and in the right places to meet the potential demand? Who will lead/manage the multi-discipline operational partnerships? (This will require careful/sensitive management as differences in cultural/professional custom and practice can prove problematic).
  - (viii) SMEs are notoriously difficult to engage in any sort of government-based initiative. The south Wales Valleys have a disproportionately high number of SMEs – How will this potential disadvantage be addressed? Should there be some form of financial incentive to encourage active participation in measures to retain/re-employ incapacity benefit claimants? (Appeals to better nature have failed miserably in the past).

**Local solutions for local problems that focus on meeting customer need will always be better than centrally devised and “programmes” driven provision**

The electoral wards included in the *Communities First* programme have the highest concentrations of incapacity benefit lead economic inactivity in the UK. There is ample scope to capitalise upon the opportunities created by the *Communities First* programme to address this problem through a strategy that will include measures to achieve a real and meaningful cultural shift. This is in line with the Welsh Assembly Government’s policy as articulated in documents such as *Winning Wales* and the *Entrepreneurship Action Plan*. This will require that capacity building is focused more widely to embrace measures designed to equip residents with the necessary skills and attitudes that they now need to move from a state of benefits dependency through informal learning, capacity building, active citizenship, employability and enterprise to economic activity.

*Sadly, the model described in the DWP consultation paper fails to recognise the obvious potential of community regeneration initiatives to add value to the process of rehabilitating incapacity benefit claimants. It is important that the Welsh Assembly Government does not do the same. There are mutual benefits to be gained from Communities First projects and Welfare to Work agencies working together to ensure capacity building leads to economic inactivity in a joined up way. (Just think what an asset it would be to Communities First projects could rely on referrals from Welfare to Work agencies for volunteering, active community projects, etc. And what an asset Communities First programme staff could be in designing active community activities/capacity building as informal entry routes to employability – as well as providing real work experience and practical support with staff acting as*

advocates/mentors for these agencies – ALL BASED ON RESIDENTS' HOME GROUND.

The sort of measures that could work well with the model as suggested include:

- (a) The ISECCA project currently operating in the West Country. This is a highly successful project led by local GPs and built around the Pacific Institute Steps for Excellence for Personal Success (STEPS) programme that enables referrals from GPs to experience a programme that builds capacity to cope effectively with their illness and instils locus of control and motivation to the extent that participants take responsibility for their own rehabilitation and jobsearch activity.
- (b) The highly successful programme devised by Dr Judy Proudfoot of Maudsley Hospital, London that was built around Cognitive Based Therapy for the really long term unemployed, many of whom suffered from mental health problems. This programme was sponsored by the Employment Service and was reported in the Lancet in 1997.
- (c) Introducing elements of the Jobs II programme devised by Michigan University that focuses on building confidence, motivation, and resilience to enable participants to find their own jobs.
- (d) Enhancing confidence and employability through introducing an intensive programme of support built around: in depth assessment of underlying needs; ensuring participant understanding/acceptance of the need for continued learning and development; overcoming fear of learning and enhancing capacity to learn through informal entry and “learning to learn” and *Overcoming Learning Blockages* programmes (devised by Trish Perry when she was Senior Occupational Psychologist at the Department of Employment); building “confidence” and motivation through properly crafted programmes to build personal self-efficacy, locus of control, intrinsic motivation and resilience; enhancing employability through improving Basic Skills, job readiness and employer awareness through job focused training as well as the *Behaviours at Work* programme devised by Trish Perry; provision of jobsearch advice and guidance – interview techniques, practice, etc. – coupled with ongoing support for individual/employer during the critically important early weeks of employment.
- (e) Encouraging and supporting volunteering in a range of community regeneration initiatives as a means of getting people out of the house, broadening horizons, opening up options, relieving depression and generally lifting confidence as a means of hooking people into a more intensive programme of learning/support.

From this it will be seen that the challenge facing the Welsh Assembly Government is to achieve nothing less than a cultural shift in the belief systems of a large section of the population and this will require a strong emphasis on understanding and addressing the soft skills needs of participants. In particular there is a need to focus on what are termed the four underpinning soft skills. These are the crucially important “skills” that enable individuals to develop the necessary inner strength, drive and determination to overcome the dispositional barriers that have prevented them from being able to learn (invariably, deficiencies in Basic Skills are the effect of this root cause). These include: self-efficacy (particularly in learning – I believe that I can do it); locus of control (if it is to be it is up to me); intrinsic motivation (the ability to raise aspirations and to set and achieve personal goals) as well as resilience (the capacity to overcome setbacks and negative peer group pressure). Enterprise is a high-grade soft skills and one that can be learned as demonstrated by the innovative

programme devised by the Academy of Enterprise in England – and much vaunted by DEMOS.

**Unless and until the potential of community based regeneration initiatives are recognised properly and incorporated within the Welfare to Work Agenda which is the Department of Work and Pensions’ strategy for tackling economic inactivity, it will miss a golden opportunity to add value through ensuring local solutions to local problems and flies in the face of the recommendations contained within the Policy Action Teams reports on *Skills for All* and *Jobs for All* – rather surprisingly, both reports were produced by DfEE.**

### **Other relevant issues**

1. The role of ELWa in tackling economic inactivity. Do they have one? Should they have one? Should they be more strategically involved in community regeneration?
2. The philosophical divide within community regeneration and how this perpetuates social exclusion. (The “alternative society” approach characterised by those who pity poor valley people and see community regeneration as a vehicle to create “projects” to occupy their time until jobs come along that fit their capabilities so that they can eventually become, “like them.” The other approach is based upon an unshakable belief in the latent talents of the people of these communities and an understanding of how and why this potential is not being realised through our existing education and training system and a determination and understanding of the need to repair the damage through enabling people to develop positive belief in themselves and their community so that they take effective control over their own destiny – there is also something (lots) in there about reconnecting with democracy). The theoretical evidence base explains how self-belief can be rebuilt through instilling self-efficacy, locus of control, intrinsic motivation and resilience. I would like to see all learning programmes incorporating these features - with teachers, tutors and support staff trained *properly* to *understand* the profound issues involved and how to design and deliver effective learning strategies to build/sustain positive self-belief – particularly in individual capacity to learn. This is the way to widen participation and raise attainment levels in all learning, strategically – it is much more than “Key Skills.”
3. The quality of training available to economically inactive people and how decades of cherry picking and “programmes driven” provision has led to a situation where training providers are simply not geared to either understanding or addressing the underlying needs of those furthest from the labour market. (If they cannot calculate a decent unit price for it, they cannot understand it – let alone deliver it).
4. How Jobcentre Plus and Employment Action Teams are simply deferring the problem by fuelling the “low skills trap.” (Too many people are being processed into low skills jobs without first equipping them to become the self-reliant, self-directed and competent life-long learners they must become to take responsibility for their own learning – as the research shows that too many employers will only train for immediate (i.e. low skill) task. It would be interesting to establish how many production operatives LG Phillips, St Merryn Meats, T Mobile have managed to train to NVQ Level 3 and above!!!

5. How ELWa fails to understand and therefore has not developed an effective strategy to address the “low skills trap.”
6. How the past drive to achieve “scores” within schools has fuelled (and is still fuelling) social exclusion through continuing to switch people off learning and perpetuating the corrosive cycle of – negative experience of learning – fear of learning – reduced capacity to learn – chronic non-learner – “can’t learn therefore can’t earn” – economically inactive – dependency – scheme sick - condemned to social exclusion.

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