



Monthly Labour Market Report

Welcome

The Monthly Labour Market Report from the Learning and Skills Observatory Wales (LSO) aims to provide the main headlines on the Welsh labour market and is based on the latest data available.

This month's issue puts the spotlight on the DWP Work Programme in Wales.

This report was produced by the Centre for Economic and Social Inclusion (known as *Inclusion*), commissioned by Welsh Government to blend Wales' available labour market information (LMI) (from the various sources) and produce a monthly analysis. Whilst the report is owned by Welsh Government it is not validated in terms of its specific content or interpretation.

Inclusion has an unrivalled understanding of the labour market based on over 28 years of experience of working with the range of stakeholders involved in delivering employment and skills services. We collect and analyse both national and local labour market data through our well developed Local Labour Market Information System, conduct research on employment and skills issues at the local level, run events that bring together policymakers and providers in the skills and employment sector, and produce weekly e-briefings that summarise what is new in employment and skills for our subscribers.

We currently supply monthly employment and skills data to the Greater London Authority, as well as providing labour market tools and analysis for Greater Manchester.

Any enquiries regarding this document/publication should be sent to:

Lovedeep Vaid

Inclusion

3rd floor, 89 Albert Embankment, London SE1 7TP

Direct Line: 020 7840 8348

Email: lovedeep.vaid@cesi.org.uk

Latest labour market trends

Employment

Employment data from the Labour Force Survey (LFS) – estimates obtained from a large sample quarterly rolling survey of households – show that Wales outperformed much of the rest of the UK in the quarter March-May 2013. Performance was good both in absolute terms and relative to most other UK nations and regions.

The (seasonally adjusted) Labour Force Survey estimate of the number of people aged 16 and over in employment in Wales increased by 13,000 (+1.0%) compared to the previous quarter (December 2012-February 2013) to a total of 1.363 million. There was a corresponding increase in total UK employment of 16,000 (+0.1%). Employment fell in 3 of the 9 English regions (the North East, West Midlands and East of England). Only the South East registered a larger quarterly absolute rise in employment (25,000) than in Wales but the percentage increase was smaller (+0.6%). The quarterly increase in employment in Wales is comprised of an increase in male employment of 9,000 (+1.2%) and an increase in female employment of 4,000 (+0.7%).

The working age employment rate for Wales (i.e. the proportion of the population aged 16-64 in employment) increased in the quarter by 0.6 percentage points. By contrast the UK employment rate fell by 0.1 percentage points. However, as the Office for National Statistics notes “none of the (regional) increases in the employment rate were of particular note, with the largest being for Wales at 0.6 percentage points, although the general picture for Wales suggests a much gentler increase.” The ‘general picture’ in this context refers to the longer-term trend over the past year.

The relative changes in employment rates result in an employment rate gap between Wales (69.4%) and the UK average (71.4%) of 2 percentage points (see LMI scorecard). Within the UK only North East England (66.1%), Northern Ireland (66.7%) and the West Midlands (69.3%) have a lower employment rate than Wales, while the North West rate is equal to that of Wales.

Unemployment and economic inactivity

The number of people in Wales who are unemployed on the International Labour Organisation (ILO) Labour Force Survey based measure increased by 1,000 (+1.0%) to 122,000 in the March-May quarter of 2013. The ILO unemployment rate was unchanged at 8.2%, compared to a fall of 0.2 percentage points to 7.8% in the UK average rate of ILO unemployment. The male ILO unemployment rate in Wales for March-May 2013 is 8.5%, the female unemployment rate 7.8%. The average annual ILO unemployment rates by age for the year ending 31 March 2013 in Wales were as follows: 16-24 year olds, 22.2%; 25-34 year olds, 8.8%; 35-49 year olds, 5.3%; 50-64 year olds, 4.7%.

The administrative count of people unemployed and claiming Jobseeker’s Allowance (JSA) is somewhat lower (75,700, 5.2% in June 2013) than ILO unemployment because non-JSA claimant jobseekers are excluded. The number of JSA claimants in Wales fell by 1,100 between May and June. However care should be taken in interpreting change in the claimant count since this can be influenced by changes to the benefit system as well as underlying change in the labour market.

ILO unemployment in Wales increased slightly during the March-May quarter despite an increase in employment because of a corresponding increase of 14,000 in the supply of available labour in the Wales economy (i.e. the number of economically active people). This supply increase mostly consisted of women, with the result that the number of women unemployed increased by 4,000 while the number of men unemployed fell

by 3,000. Note, however, that quarterly changes in these variables can be volatile – care should thus be taken not to read too much into a single quarter's figures.

The 8.2% ILO unemployment rate for Wales in March-May 2013 is 0.4 percentage points higher than the UK average. Within the UK nations and regions only North East England (10.4%), the West Midlands (9.8%), Yorkshire and Humberside (9.0%) and London (8.6%) had a higher unemployment rate than Wales.

As the LMI scorecard shows the working age rate of economic inactivity in Wales (24.2%) is 1.7 percentage points higher than the UK average (22.5%). Within the UK regions and nations only Northern Ireland (27.5%), the North East (26.0%) and the North West (24.6%) have higher inactivity rates.

Key groups targeted by government employment measures

Government measures such as the Work Programme and Youth Contract are targeted at long-term welfare benefit claimants who need particular forms of specialist back to work support.

The government publishes administrative data showing the number of people in receipt of key out of work benefits, including JSA, Employment and Support Allowance (ESA)/Incapacity Benefit, and Lone Parent Benefit. The latest available administrative data for the key out of work benefits that allow for regional comparison are those for November 2012. The table below shows the number of people on these benefits in Wales, the number on these benefits as a proportion of the resident population in both Wales and Great Britain, and the percentage change in the number of people on these benefits in both Wales and Great Britain in the year to November 2012. These data were examined in an earlier Observatory publication.

Up to date data (for June 2013) are at present available only for JSA claimants. 21,190 (29.3%) JSA claimants in Wales have been in receipt of the benefit for more than 12 months. This is a similar to the UK average proportion of long-term JSA claimants (29.6%).

Particular policy attention is directed at the young unemployed, especially those in receipt of JSA for 9 months or more. Official statistics show that in June 2013 4,450 18-24 year olds in Wales had been unemployed and on JSA for between 6 and 12 months. A further 4,235 18-24 year olds had been on JSA for more than 12 months. These totals represent 21.3% and 20.3% of total 18-24 year olds JSA claims respectively. The corresponding UK proportions are 21.2% and 19.1%.

Table 1 Recipients of key out of work benefits, Wales and GB November 2012

Benefit type	Wales	Wales	GB	Wales	GB
	Number on benefit	% of resident pop on benefit	% of resident pop on benefit	% change in number on benefit in year to November 2012	% change in number on benefit in year to November 2012
JSA	76,270	3.9	3.6	1.1	-2.4
ESA/Incapacity	165,120	8.5	6.3	-7	-3
Lone Parent	27,120	1.4	1.3	-10.1	-12.3
All key out of work benefits (including others than those shown above)	276,600	14.2	11.6	-5.4	-4.1

Source: DWP

LMI scorecard

The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

	Source
Working age employment rate	1
Working age male employment rate	1
Working age female employment rate	1
ILO unemployment rate 16+	1
Claimant count as a proportion of the working age population	2
Working age economic inactivity	1
Index of workforce jobs	3
Proportion of the working age population with no qualifications	4
Proportion of the working age population qualified to NQF4+	4
Proportion of the working age population who claim out of work benefits	5
Children living in workless households	6
Proportion of 16–18 year olds who are not in employment, education or training	7

- 1 LFS, ONS: subject to sampling variability and should be used with caution
- 2 Claimant count seasonally adjusted, NOMIS: trends can be affected by changes to benefit rules
- 3 Employer surveys, household surveys and administrative sources, ONS
- 4 Annual Population Survey/Annual Local LFS, ONS. Data is subject to sampling variability and should be used with caution.
- 5 Department for Work and Pensions, NOMIS
- 6 Household LFS, ONS: subject to sampling variability and should be used with caution
- 7 Source: ONS, Higher Education Statistics Agency, Welsh Government Lifelong Learning Wales Record, Pupil Level Annual School Census, Annual Population Survey.

LMI Scorecard

July 2013

		Wales		Difference between Wales and National (latest figures): Better Worse	NATIONAL (UK or GB depending on indicator)	
		Trend (Three to four years)	Latest result & trend		Latest result & trend	Trend (Three to four years)
Supply of Labour	Working age employment rate (%)		69.4% ↑	-2.0 Charts cover: Mar-May 10 to Mar-May 13	71.4% ↑	
	Working age male employment rate (%)		74.0% ↑	-2.2 Charts cover: Mar-May 10 to Mar-May 13	76.2% ↑	
	Working age female employment rate (%)		64.9% ↑	-1.7 Charts cover: Mar-May 10 to Mar-May 13	66.6% ↑	
	ILO Unemployment rate 16+ (%)		8.2% ➔	0.4 Charts cover: Mar-May 10 to Mar-May 13	7.8% ➔	
	Claimant Count as a proportion of the working age population, seasonally adjusted (%)		5.2% ➔	0.8 Charts cover: Jun 10 to Jun 13	4.4% ➔	
	Working age economic inactivity (%)		24.2% ↓	1.7 Charts cover: Mar-May 10 to Mar-May 13	22.5% ↓	
Demand	Index of workforce jobs. 2008 Q1=100		99.2% ↓	-1.5 Charts cover: 2008 Q1 to 2013 Q1	100.7% ➔	
Skill gaps	Proportion of the working age population with no qualifications (%)		10.6% ↓	1.6 Charts cover: Year to Dec 09 to year to Dec 12	9.0% ↓	
	Proportion of the working age population qualified to NQF4+ (%)		32.6% ↑	-4.1 Charts cover: Year to Dec 09 to year to Dec 12	36.7% ↑	
Worklessness & NEETS	Proportion of the working age population who claim out of work benefits		14.2% ↓	2.6 Charts cover: Aug 09 to Nov 12	11.6% ↓	
	Children living in workless households (%)		19.1% ↑	4.1 Charts cover: Apr-Jun 2008 to 2012	15.0% ↓	
	Proportion of 16-18 year olds who are NEET (%)		10% ↓	1 Charts cover: 2008 to 2012	10% England ➔	

The Work Programme in Wales

Introduction

Launched in 2011 across Great Britain, the Work Programme is the government's flagship initiative to help long-term unemployed people into work. The programme aims to deliver flexible support to help long-term claimants of Jobseeker's Allowance (JSA), and some claimants of health-related benefits, to move into sustainable jobs. Providers (or 'primes') from the private, public and voluntary sectors have payment-by-results contracts with the Department for Work and Pensions (DWP) within geographical areas, called Contract Package Areas (CPAs). Primes then manage networks of sub-contractors who deliver some or all of the services on their behalf. Claimant eligibility for the Work Programme is set by DWP and managed by Jobcentre Plus.

Wales forms one of the 18 Work Programme CPAs, in which two prime providers – Rehab JobFit and Working Links – hold contracts.

The second set of Work Programme performance statistics were published on 27 June 2013. These cover the first two contract years of the Work Programme – from June 2011 to March 2013. The statistics show the number of participant referrals; the number of people who actually started on the programme; the number of job outcome payments that have been made to providers (which occur after a customer has been in work for either three or six months); and the number of sustainment payments to providers (which are made for each four-week period a participant spends in work following a job outcome). It is possible to analyse these statistics by each of the nine participant groups, localities, and participant characteristics. DWP has also released information on job outcomes by the month when participants joined.

DWP's contractual measure of Work Programme performance is a 'minimum performance level' (MPL): job outcomes as a proportion of referrals for three key participant groups. There is growing consensus that this contractual measure is a poor way to judge performance.¹ Perhaps reflecting this, DWP increasingly uses a business plan transparency measure: the proportion of each monthly group of referrals for whom providers have achieved a job outcome payment within 12 months. It is this measure that is most useful for analysing how the Work Programme is faring in Wales.

Work Programme participation

Of the 1.204 million people who had been referred to the Work Programme in Great Britain up to the end of March 2013, 63,300 (5%) were referred in the Welsh CPA. This means that an estimated 3% of the Welsh working-age population have been referred to the programme so far. Of those referred in Wales, 61,200 (97%) have started receiving support from providers.

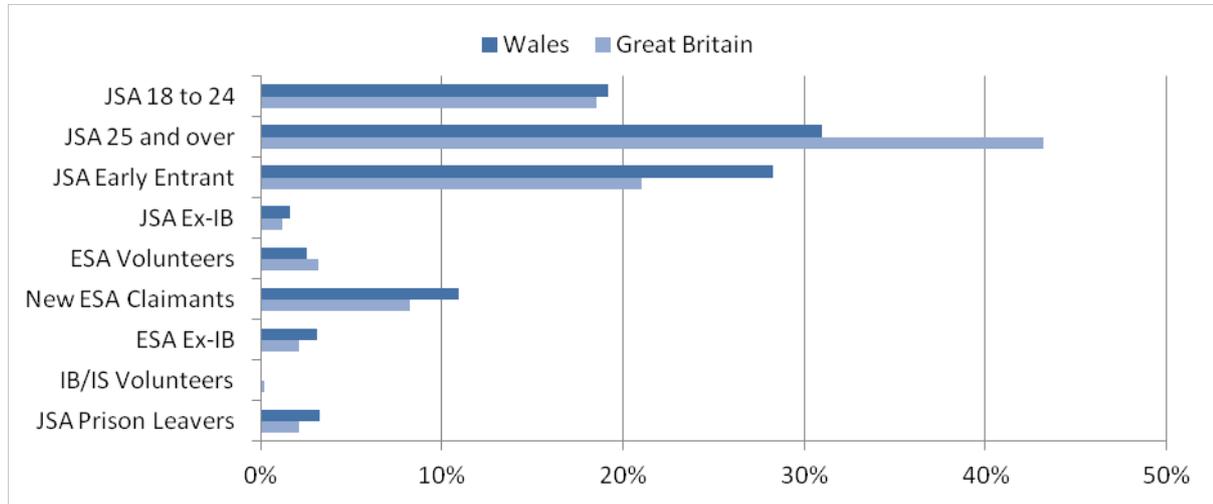
Reflecting the GB pattern, monthly referral numbers in Wales have been steadily declining since the programme began, and were, on average, 29% lower during April 2012–March 2013 than in the first year of the programme.

Figure 1, below, shows the share of referrals to date within each of the nine participant groups, comparing Wales to GB as a whole. It shows that a smaller proportion of participants in Wales are in the main group for those aged 25 and over claiming JSA, but a larger proportion are in the Early Entrant group for JSA claimants

¹ For details see Centre for Economic and Social Inclusion (2013) *Briefing paper: Measuring Work Programme performance*: http://stats.cesi.org.uk/Measuring_WP_Performance.pdf; and UK Statistics Authority (2013) *Final Report on Statistics Relating to the DWP Work Programme and Pre-Work Programme*, Monitoring Review 2/13: <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/work-programme-statistics.pdf>

with certain labour market disadvantages.² Overall, 83% of those referred to the Work Programme in Wales claim JSA.

Figure 1: Work Programme referrals by participant group (June 2011–March 2013)



DWP: Information, Governance and Security Directorate; Inclusion calculations.

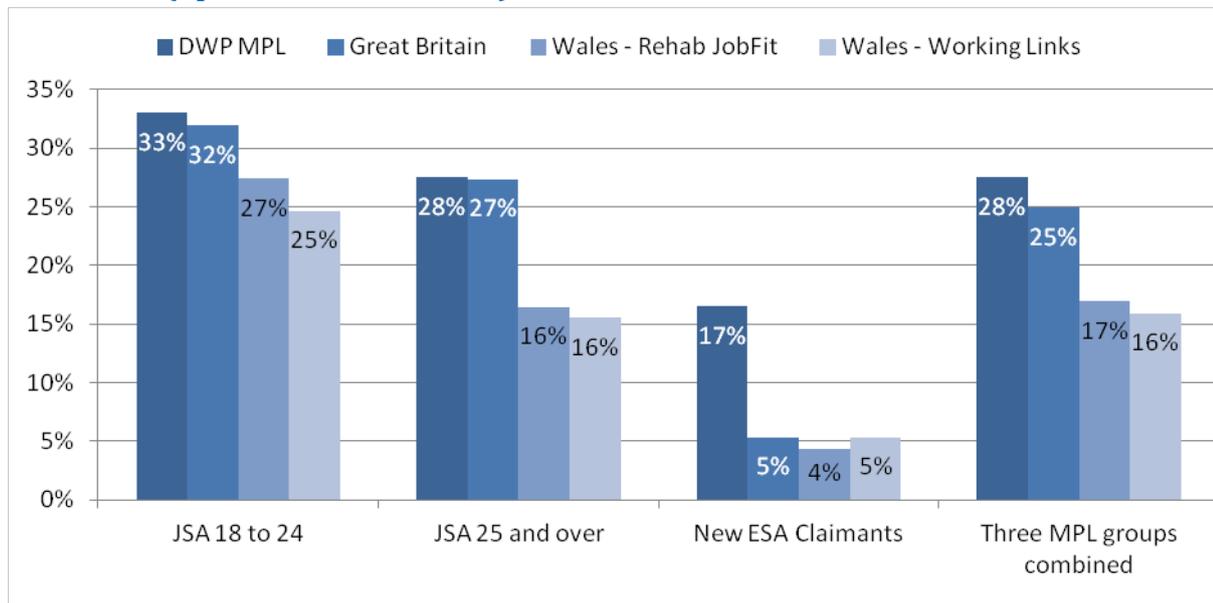
Work Programme performance overall

From the beginning of the programme to the end of March 2013, 5,800 job outcome payments had been made to providers in Wales. The figure for the whole of Great Britain was 132,000.

Figure 2, below, shows job outcome performance in the second year of the Work Programme, against the contractual standard set by DWP. It shows that while performance was only just off contractual minimums for the two main JSA groups in GB, it was far lower than this for both providers in Wales. For the group containing new Employment and Support Allowance (ESA) claimants, performance fell far short of the minimum standard in both Wales and Great Britain.

² This group includes those transferred from previous programmes; young claimants who were previously not in education, employment or training; disabled people; those with drug or alcohol dependency; care leavers; and homeless people.

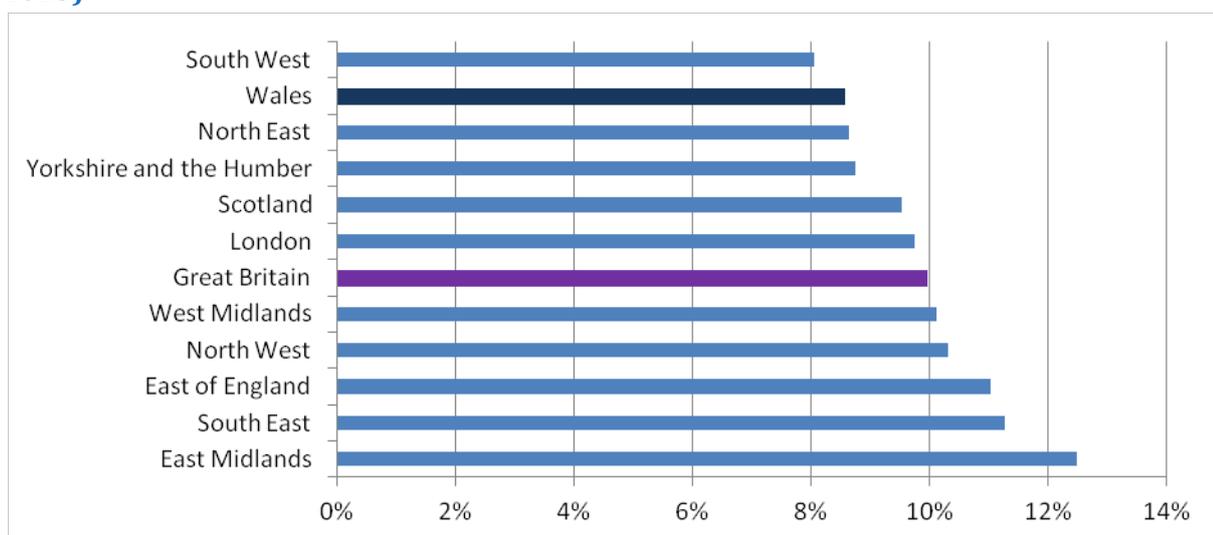
Figure 2: Job outcomes as a proportion of referrals, by MPL group and compared to the DWP benchmark (April 2012–March 2013)



Source: DWP: Information, Governance and Security Directorate; Inclusion calculations.

On the more robust business plan measure – which captures job outcomes achieved within 12 months of each participant being referred to the programme – Wales is also falling short of Great Britain. So far 8.6% of participants in Wales have achieved a paid job outcome within a year, compared to 10% in Great Britain. Figure 3, below, shows that of all the regions in Great Britain, only the South West is performing worse than Wales.

Figure 3: Proportion of job outcomes paid within one year of referral, by region (June 2011–March 2013)



Source: DWP: Information, Governance and Security Directorate; Inclusion calculations. Weighted by the number of referrals in each month.

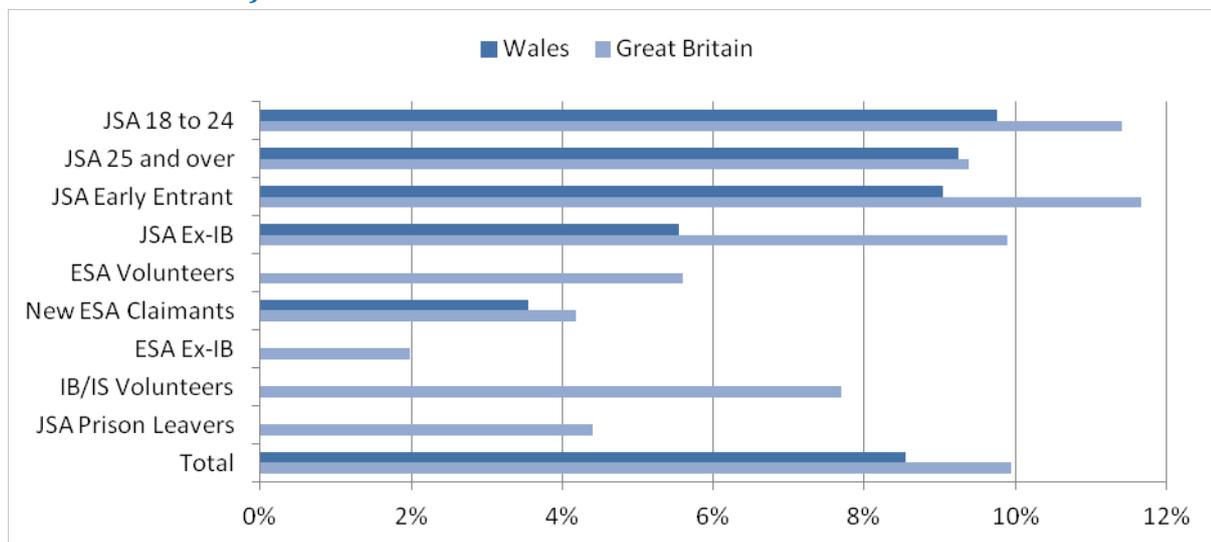
While Welsh Work Programme performance lags behind Great Britain in terms of job outcomes, the same is not true for sustainment beyond a three or six month job outcome. Up to the end of March 2013, 26,400 sustainment payments have been made to providers in Wales, equating to 4.6 payments (or 18 weeks in work) following every job outcome achieved so far. This is exactly the same as the figure for Great Britain, and also in

line with DWP's expectations for the build up in sustainment payments at the time the programme was commissioned.

Work Programme performance for different participants

Performance varies substantially between the nine different participant groups on the Work Programme. DWP expected that job outcomes would vary between different groups of participants, and set different minimum or illustrative benchmarks for each participant group accordingly. Figure 4, below, shows that the Work Programme in Wales has achieved a lower level of outcomes than it has in Great Britain for all nine participant groups.

Figure 4: Proportion of job outcomes paid within one year of referral, by participant group (June 2011–March 2013)



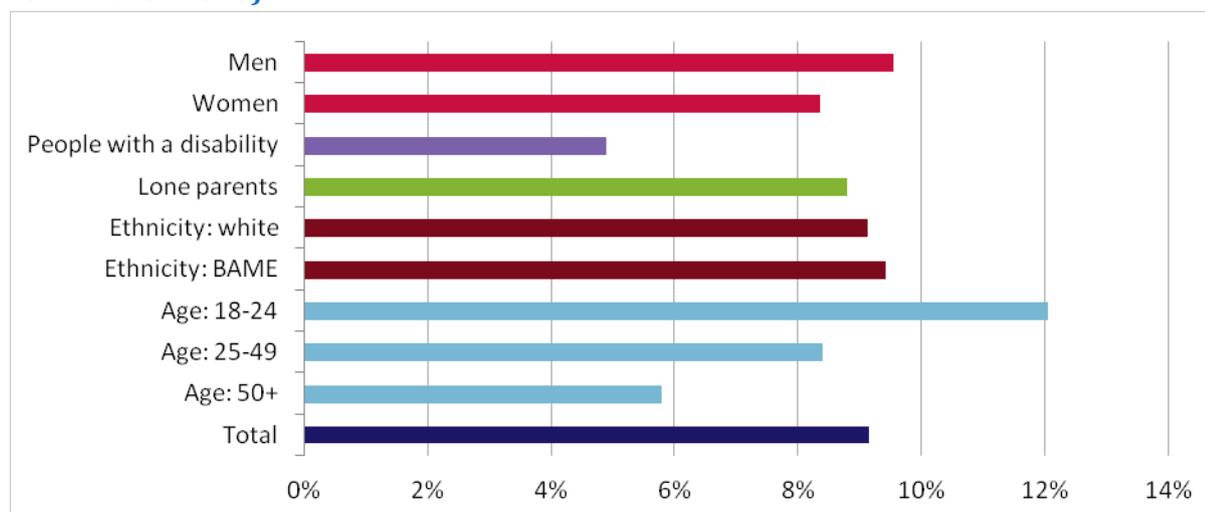
Source: DWP: Information, Governance and Security Directorate; Inclusion calculations. Weighted by the number of referrals in each month. Monthly outcome numbers in each participant group are rounded to the nearest 10, meaning that some of the groups showing 0% performance may have, in fact, recorded some job outcomes.

As well as varying between participant groups, Work Programme performance in Wales varies by participant characteristics. Figure 5, below, shows that the programme is performing far below average for participants aged over 50 and those with a disability.

It should be noted that participants with a disability are found in all nine participants groups. Indeed, more than two in five Work Programme participants in Wales with a disability were referred to one of the two main groups for long-term unemployed JSA claimants (and therefore attract lower outcome fees), rather than the groups capturing those claiming health-related benefits.

Work Programme performance in Wales also varies substantially by local authority, ranging from only 6% of participants achieving a job outcome within one year of referral in Ceredigion, to 12% in Conwy, as shown in table 2, below.

Figure 5: Job outcomes as a proportion of referrals, Wales, by participant characteristics (June 2011–March 2013)



Source: DWP: Information, Governance and Security Directorate; Inclusion calculations. Job outcomes as a proportion of referrals are presented because the proportion of job outcomes paid within one year of referral cannot be analysed by participant characteristic.

Table 2: Work Programme performance and unemployment rates, Wales, by local authority

Local Authority	Work Programme performance (job outcomes paid within one year of referral, June 2011-March 2013)	Unemployment rate (April 2012-March 2013)
Ceredigion	5.6%	4%
Neath Port Talbot	6.9%	7%
Caerphilly	7.1%	9%
Cardiff	7.3%	10%
Blaenau Gwent	7.4%	17%
Torfaen	7.9%	12%
Monmouthshire	8.2%	5%
Rhondda, Cynon, Taff	8.3%	13%
Isle of Anglesey	8.4%	7%
Newport	8.5%	9%
Gwynedd	8.8%	6%
Carmarthenshire	8.8%	6%
The Vale of Glamorgan	9.0%	8%
Powys	9.1%	5%
Merthyr Tydfil	9.1%	11%
Swansea	9.2%	9%
Bridgend	9.5%	9%
Denbighshire	9.9%	7%
Flintshire	10.8%	6%
Wrexham	10.9%	7%
Pembrokeshire	11.5%	7%
Conwy	12.1%	7%

Source: DWP: Information, Governance and Security Directorate; Annual Population Survey, ONS; Inclusion calculations.

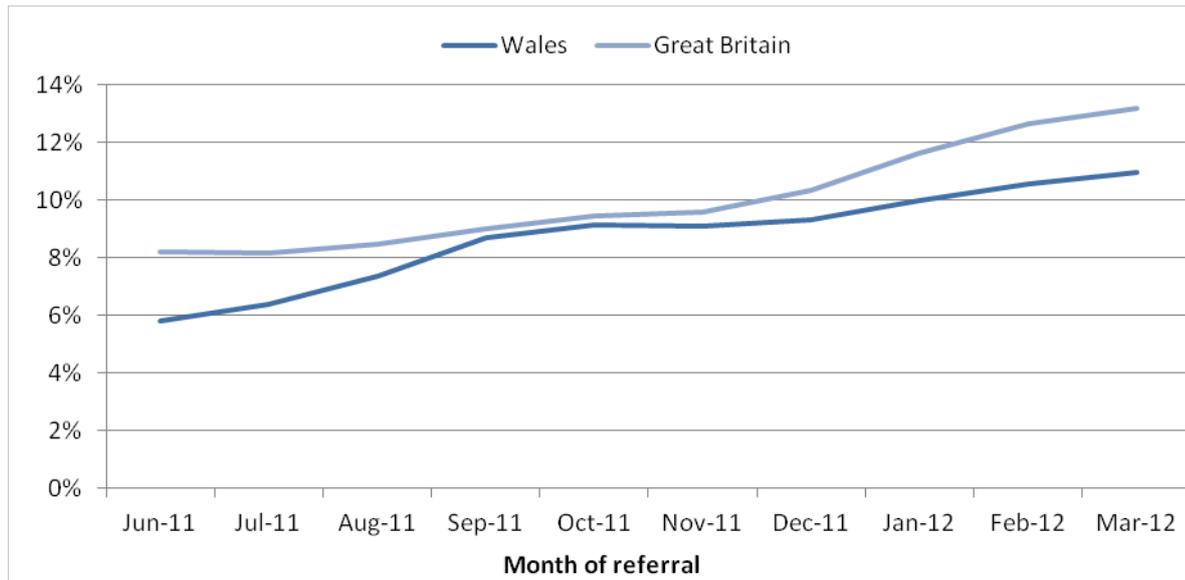
There is some indication the Welsh performance varies according to the state of the local economy. For example, the three local authorities with the highest unemployment rates all have below-average programme

outcomes. However the trend is not clear cut, for example Ceredigion, the local authority with the lowest programme performance, has a relatively healthy unemployment rate.

Work Programme performance over time

In both Wales and Great Britain, Work Programme performance has improved month-on-month since the programme began. Figure 6, below, shows that Wales closed the gap on Great Britain after the first few monthly groups of referrals, but has fallen behind again since.

Figure 6: Proportion of job outcomes paid within one year of referral, quarterly rolling average



Source: DWP: Information, Governance and Security Directorate; Inclusion calculations. Weighted by the number of referrals in each month.

Analysis: the performance of the Work Programme across Great Britain

The Work Programme statistics published at the end of June showed improvements on the very poor first set of results published in late 2012, but two years in the programme is still not even achieving the minimum standards set by the government. Ongoing poor performance may be partly (but not wholly) explained by the fact that the national economy is weaker than was envisaged when the Work Programme was commissioned and when minimum benchmarks were set. The Centre for Economic and Social Inclusion has estimated that this discrepancy would have depressed actual performance by around 17% in the second contract year of the programme.³

Although not quite hitting minimum benchmarks yet, the Work Programme across Great Britain is performing in line with comparable previous programmes for long-term unemployed jobseekers. Performance for long-term unemployed JSA claimants aged over 25 is very slightly ahead of where the Employment Zones were, and very slightly behind where the Flexible New Deal was, at the same point.⁴ Government spending per participant on the Work Programme is lower than on all predecessor programmes, suggesting that, although not delivering the

³ Centre for Economic and Social Inclusion (2013) *Work Programme performance: Inclusion analysis*, 27 June 2013: http://stats.cesi.org.uk/website_documents/WP_stats_inclusion_briefing_June_2013.pdf

⁴ Centre for Economic and Social Inclusion (2013) *Work Programme performance: Inclusion analysis*, 27 June 2013: http://stats.cesi.org.uk/website_documents/WP_stats_inclusion_briefing_June_2013.pdf

step-change in outcomes that was envisioned when it was commissioned, the Work Programme may be achieving some level of cost-effectiveness.

In both Great Britain as a whole and in Wales, performance is falling particularly short of expectations for more disadvantaged participants such as those with disabilities and those claiming Employment and Support Allowance. The ability of the programme to achieve results for the more disadvantaged, and to address the needs of all participant groups, is an ongoing cause for concern.

Analysis: the performance of the Work Programme in Wales

On just about all measures of performance and for all groups, the Work Programme is performing less well in Wales than it is in Great Britain as a whole. Indeed, Wales is the second-worst performing region of all, and the gap between Wales and Great Britain as a whole shows no signs of narrowing. This is concerning in terms of the effectiveness of the programme in delivering the support that Welsh jobseekers need.

There are likely to be multiple reasons for this low level of performance. One may be that, across Great Britain, there is some (but not conclusive) evidence that areas with depressed economies, and particularly more rural areas, are achieving lower levels of outcomes. Part of this may be due to economies of scale and geographic constraints, with areas like the South West and Wales presenting providers with the challenge of a very dispersed group of participants.

A further factor that is likely to be holding back programme performance in Wales is the ability of participants to access other types of provision. The Welsh Government's Welsh European Funding Office has determined that a Work Programme participant should be provided with all the support they need to get back to work within the programme itself, and therefore should not be allowed to access other programmes or skills provision, for example, that funded by the European Social Fund (ESF). This affects the opportunities available to participants as many Welsh programmes receive ESF funding. And this is in contrast to England, where customers are able to access Skills Funding Agency programmes, many of which have an element of ESF funding, and where Work Programme and skills providers collaborate to support participants and align skills and employment support.⁵ The inability of Work Programme participants in Wales to access public skills provision has will have had a marked impact on the resources available to Welsh Work Programme providers, which may well be feeding through into the performance figures.

Finally, it may be the case that the prime providers and sub-contractors delivering the programme in Wales are simply not as effective as some of those delivering elsewhere, although there is nowhere near enough evidence to say so conclusively, for example, no data on sub-contractor performance has been published. Whether or not this is the case, understanding what works, scaling up the best-performing approaches, actively managing poor performing providers and sub-contractors, and learning from other parts of Great Britain should be a priority both for the Department for Work and Pensions and the prime providers delivering in Wales.

⁵ Written evidence submitted to the Welsh Affairs Select Committee on the Work Programme in Wales by Rehab JobFit and Working Links, 27 February 2013.

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