

UK EMPLOYMENT ACTION PLAN 2002

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OVERVIEW

Introduction

The UK Employment Action Plan 2002 was produced after extensive consultation and agreement across Government Departments and agencies responsible for the employment, economic and social fields. Beyond Government, the production of the Plan involves a wide range of stakeholders. This year the main external partners were the CBI, TUC, CEEP UK and the Regional Development Agencies (the main strategic coordinators of local activity in England). The Devolved Administrations of Northern Ireland, Scotland and Wales have made their own separate contributions.

Economic and labour market context

The UK continues to perform well against the key economic and labour market indicators, in spite of the uncertain conditions prevailing in the wake of 11 September.

For 2001, the UK's position can be characterised by:

- economic growth at 2.2%, just below its long-term trend rate and higher than in any other G7 country;
- an overall employment rate of 74.6%;
- an overall ILO unemployment rate of 5.1%.

UK Employment Strategy

It is against this background that the UK employment strategy pursues the goals set by the Lisbon and Stockholm European Councils through the framework provided by the Employment Guidelines.

To date, the UK has exceeded the Lisbon and Stockholm employment targets (see Objective A in Annex A): almost three quarters (74.6%) of the UK's working age population are in work, with employment having reached a new record of 28.4 million at the end of 2001. The increase in employment continues to take place across society, with the number in employment rising amongst both men and women (the female employment rate is now 69.3%); across most age groups, particularly amongst the young and old (the 55-64 year old employment rate is now 53%); and amongst disadvantaged groups, such as lone parents, ethnic minorities and those with disabilities; and, across almost every region.

The UK has a highly dynamic and diverse labour market, with jobs coming up across the country, in all sectors and occupations, and with most people moving into these jobs quickly. This Government has also taken steps to make work pay, tackling unemployment and poverty traps. However, even with stable growth and the right incentives, some people struggle to get jobs and need additional support tailored to their particular needs. A central challenge for the UK is therefore to match the people without jobs to the jobs without people, as quickly as possible.

Building on the achievements of the past 5 years, the UK strategy now seeks to make further progress towards the goal of creating and sustaining full employment. The range of policies that move people from welfare to work, make work pay, modernise delivery, improve basic skills and widen access to learning opportunity throughout life has been strengthened to provide more help to those who need it most, particularly those in the most disadvantaged groups and areas. This strategy was presented in the Green Paper '*Towards Full Employment in a Modern Society*' which was published shortly before, and thus informed, the UK Employment Action Plan 2001.

Following that, alongside the Pre-Budget Report, the Government also published in

November 2001 a further paper, *'The Changing Welfare State: Employment Opportunity for All'*. In particular, this sets out action to help and support many of the, approximately, 4 million people of working age who are not in the labour market but would like to work.

Action across the Employment Guidelines for more and better jobs

UK employment targets

The policy context for the UK Employment Action Plan comprises of a set of strategic goals for the short and medium term that direct and measure the action which is needed to achieve employment opportunities for all (see Objective E in Annex A). These are:

To ensure by 2004 -

- a reduction in the number of households with children and with no one in work;
- a continued reduction in the number of unemployed people over 18 years old, taking account of the economic cycle;
- improved literacy and numeracy skills for 750,000; and,
- the gap in employment rates is closed for the over 50s, ethnic minorities, disabled people and other disadvantaged groups and areas.

To ensure by 2010 -

- a higher percentage of people in employment than ever before - taking account of the economic cycle, at least three quarters of people of working age in work;
- an increase to 70% in the proportion of lone parents (95% of whom are women) in work;
- a majority of young people going on to university or further education; and,
- a halving of child poverty, on the way to eradicating it within 20 years.

These targets address the main challenges facing the UK in all four areas of employability, enterprise, adaptability and equality. Further targets are set by individual Government departments and some of these, such as those relating to investment in human resources, are given in this Plan under the relevant Guidelines.

Further action

Over the next few years, the UK will be building on existing policies to address in particular:

- economic inactivity and dependence on welfare, especially where this affects families with children;
- remaining pockets of high unemployment and low employment, including through locally driven enterprise and by working with employers;
- structural change, by intervening early in circumstances of redundancy to prevent people drifting into long-term worklessness;
- discrimination which blocks some people, notably women, ethnic minorities, disabled people and older people, from opportunities; and,
- education standards and the learning culture in general, to continue to invest in the productivity of our current and future workforce, including through partnership because action is not for governments alone, but is a shared responsibility.

The cornerstone of this further work is Jobcentre Plus which will provide: the platform to ensure that everyone who wants to work gets the help they need, when they need it; a new approach to help people get into jobs, or improve their prospects for work in the future; face to face support on a regular basis, to check the right benefits; training and other help.

Quality in work (See Objective B in Annex A)

Much of our focus in this overview, and throughout the Plan, is on getting people into work in the first place. We have stressed at EU level that it is essential that attempts to improve quality of employment do not jeopardise the creation of jobs and the promotion of social

inclusion. The basic prerequisite for quality in work is work itself - there is no quality for those without a job; therefore meeting the Lisbon targets must be the first priority.

However, taken as a whole, measures in this Plan have or will significantly contribute to improving the quality in work by improving opportunities for those in work and by building on the framework of decent standards and protection at work which has been introduced since 1997. Beginning with investment to improve productivity, the UK recognises that there are potentially great benefits for the individual and society if businesses and employers explore ways to improve the quality of their workforce and the jobs they offer. It is a vital part of being both productive and competitive that, while offering opportunity and choice, employment also offers flexibility. At the same time, this must be underpinned by minimum standards of fairness and security. Promoting good practice within an effective regulatory framework completes this balanced approach.

PRIORITY ACTIONS IN DEVOLVED ADMINISTRATIONS

The following are summary overviews - more detailed information is at Annex B. For both devolved and operational issues, there are a number of respects in which arrangements in the devolved administrations may vary from those outlined in the Employment Action Plan.

SCOTLAND

The Scottish Executive aims to improve the lives and opportunities of all of the people of Scotland by creating a knowledge-driven economy which can meet the challenges of a highly competitive global environment. Priorities relating to this and to employment include the following, as set out in the document *'Working Together for Scotland - A Programme for Government'*:

- building an enterprise culture;
- ensuring that every Scot is ready for tomorrow's jobs; and,
- fostering a culture of lifelong learning.

Underpinning the programme for Government are a number of strategic documents, such as *'The Way Forward : Framework for Economic Development in Scotland'*; *'A Smart, Successful Scotland – Ambitions for the Enterprise Networks'*; and *'Social Justice ... a Scotland where everyone matters'*.

Unemployment in Scotland is currently at its lowest level for a generation. The Scottish Executive works with the relevant central Government departments and Jobcentre Plus in delivering the range of New Deals in Scotland which have made a significant impact in helping people back to work. Key current priorities relating to the Employability pillar are to:

- develop demand-led sector initiatives which will help to develop skills for the labour market to meet employer demand - including in the IT sector, retail, hospitality and construction; and,
- promote social inclusion, by focusing greater support on hard-to-help groups among the unemployed.

The Executive also has a range of initiatives which support the Entrepreneurship pillar, such as Scotland's first ever science strategy.

WALES

The Welsh Assembly Government is determined to tackle weaknesses in the Welsh economy and raise levels of employment and skills. The economy is currently under-performing, with Welsh GDP per head only 80% of the UK average. To increase this to 90% needs parallel action on the demand and supply side of the labour market.

In the context of its overall strategic plan for creating a sustainable, inclusive and equal Wales, *'Plan for Wales 2001'*, the Welsh Assembly Government has produced strategies

aimed at developing the Welsh economy, making Wales a 'learning country' and creating strong and inclusive communities. These strategies complement the UK Employment Action Plan and make full use of EU structural funds and programmes.

The National Economic Development Strategy, '*A Winning Wales*', was launched at the beginning of 2002. It sets out a 10-year strategy for transforming the economy of Wales. Targets include raising total employment by 135,000 and improving enterprise, innovation, training and education performance at every level.

A 10 year comprehensive education and lifelong learning programme for Wales, '*The Learning Country*', has been published. It sets out measures to raise standards, break down barriers to learning, lift the skills base, remove obstacles to effective teaching and create a learning country.

The '*Skills and Employment Action Plan*' sets out practical, evidence-based steps to underpin the above strategies by raising skill levels and by increasing the demand for skilled employment in Wales.

In addition, the Welsh Assembly Government has established a Community Regeneration and Social Inclusion Policy Board to drive forward the social inclusion agenda in Wales, in particular through the Communities First programme. The programme aims to make up the gap between the most deprived communities and the more affluent ones through locally agreed Partnerships and Action Plans focused on regeneration priorities.

NORTHERN IRELAND

The Northern Ireland (NI) economy has achieved significant success in recent years with increasing employment and manufacturing output, and falling unemployment. Long-term unemployment, however, remains relatively high. NI has:

- the lowest employment rate of any UK region, with only 67% of those of working age being in a job - 7% below the UK average, but 2% above the European average;
- the second highest Jobseeker's Allowance claimant rate of any UK region at January 2002 - 4.8% of the workforce are claiming Jobseeker's Allowance compared to the national average of 3.2%.

The NI Executive's vision, in the Belfast Agreement, is of a peaceful, inclusive, prosperous, stable and fair society. The Executive rolls forward its Programme for Government, agreed in March 2001, on an annual basis and monitors the progress of 256 actions at quarterly intervals. Public Service Agreements setting out specific actions and targets linked to budgets have been agreed for the eleven departments which make up the Executive. These Agreements are an integral part of the Programme for Government.

Underpinning the Executive's priorities are measures which guide the implementation of programmes. Two key elements of the Executive's approach are:

- the New Targeting Social Need Policy which aims to reduce the significant levels of deprivation, long-term unemployment, benefit dependency and community differentials. Resources and effort are directed towards people, groups and areas in greatest need;
- a Taskforce on Employability and Long-Term Unemployment has been established. The Taskforce focuses on the factors that make people employable or impede their employability: knowledge, skills and motivation are considerations as are childcare and readiness or ability to travel to work.

The Executive has established Executive Programme Funds to support cross Departmental developments and initiatives in furtherance of its programme objectives.

Response to Council Recommendations on the implementation of UK employment policies and Horizontal Objectives C & D (See Annex A)

1. The Council recommends that the UK should further foster social partnership at the national level, in particular to improve productivity and skills, and the modernisation of working life.

At national level, the UK has a distinctive model of social partnership, which this Government is developing and strengthening, in conjunction with the TUC, CBI and other partners, including those representing Small and Medium Size Enterprises (SMEs).

Rather than building new institutions and formal structures, the involvement of social partners, and civil society more generally, is determined by the particular needs of the issue under consideration. This enables maximum expertise to be brought to bear to address key topical issues related to the modernisation of working life such as 'family-friendly' policies. Here, the involvement in the **Work and Parents Taskforce**, which included the CBI, the TUC and people who run businesses, has enabled the Government to come up with innovative yet practical solutions to help working parents to balance their work and family lives. In teleworking, the **Teleworking Working Group**, with strong involvement from the CBI, TUC and CEEP UK, is developing a draft code of practice which may provide a vehicle for implementing the outcome of the EU level discussions between UNICE, ETUC and CEEP.

Over the past year, the scope of social partner initiatives has broadened. At the invitation of the Government, the TUC and CBI were asked to examine ways in which UK productivity could be improved. In their report '**The UK Productivity Challenge**', they made recommendations in four key areas - investment, skills, technology and innovation, and best practice. The CBI and TUC have agreed to continue to work together to take forward this agenda and will report annually.

In addition to being represented on flexible task-focused groups, the TUC and CBI are represented on permanent bodies, for example, the **Low Pay Commission** (which advises on the levels of National Minimum Wage), ACAS and the Health and Safety Commission. Each body also has independent members to bring in a wide range of different experience and perspectives.

As well as national level work, the Social Partners are involved in discussions with Regional Development Agencies and Trade Associations to focus attention on those sectors and regions where improvement is most urgently needed.

2. The Council recommends that the UK should pursue efforts to reduce the gender pay gap and take action to improve childcare provision, with a view to making it easier for men and women with parental responsibilities to take employment. Special attention should be given to the needs of lone parents.

In previous Employment Action Plans, the Government has given a full analysis of gender gaps in the UK and set out a range of actions to tackle them.

To understand more fully what more needs to be done, in April 2001 the Government commissioned an independent, in-depth review, known as the '**Kingsmill Review**', into women's employment prospects and pay in the UK. The '**Report into Women's Employment and Pay**' was published in December 2001 at the same time as a **National Institute for Economic and Social Research (NIESR) gender pay gap study**. The findings of the Kingsmill Review were presented at a Government-hosted conference on equal pay. The report outlined what action businesses and others can take to close the pay gap and was generally accepted by Government. The NIESR research identified the complexities behind the pay gap and has enabled the UK Government to focus actions

where they will make a difference. Initiatives currently in place or being developed include:

- Government appointed **Fair Pay Champions** from business and trade unions will help the drive towards achieving equal pay through the promotion and sharing of good practice in their sectors. **Castle Awards** were introduced in March 2002 to encourage, identify and reward good practice in reviewing pay systems and structures within organisations to recognise employers who show excellence in addressing equal pay;
- trade unions will receive extra funding for a pilot project that will enable 500 **union equal pay representatives** to be trained in pay negotiations and review methodology in 2001-02;
- the Equal Opportunities Commission (EOC) has received Government funding to produce a technical model for employers to carry out pay reviews. The **Equal Pay Review Model** will be piloted to be workable for business and effective for women from March 2002. This will help the EOC's work to build the capacity of employers, including the development of software to assist those who have computerised pay systems;
- the pay gap is already lower in local authorities than the private sector, but the UK has included the new **Equality Standard for Local Government** as a Best Value Performance Indicator for 2002-03. The Equality Standard provides a framework through which local authorities can address their legal obligations under the full range of anti-discrimination law and promote and sustain good equality practice. Equal pay is a key component of the standard - pay reviews are required for the second of the five level programme;
- the Government has made a commitment that Government departments and agencies will carry out reviews of their pay systems by April 2003 and prepare action plans to reduce any equal pay gaps. These will go wider than gender, to race and equality;
- the **Employment Bill** (further covered under Guideline 14) includes provision for a new questionnaire procedure that will make it easier for women to obtain information from employers about whether they are receiving equal pay;
- under the Community Framework Strategy on Gender Equality (2001-2005), the UK, represented by the Women and Equality Unit, is also participating in a transnational project, **Towards a Closing of the Gender Pay Gap** (October 2001 - December 2002). The project is led by Norway and involves Austria, Iceland, Greece, Denmark and the UK. The project aims to promote equal pay between men and women for equal work and work of equal value and to identify an efficient mix of tools and instruments for promoting equal pay in the context of each partner country. It will study and compare the gender pay gap and wage formation and pay systems in a broader perspective, in both the public and the private sector. It will target three occupational areas: secondary education teachers; unskilled workers in the food processing industry; and, skilled engineers. The project will produce: a) a report, including comparable main indicators; b) a website; c) a conference in November 2002, with a report on best practices in bargaining systems and activities in firms to close the gender pay gap; and, d) a handbook of ways to make wage systems more equal.

In the UK, only 49.4% of working age women with a youngest child aged under two years are in employment compared with 89.1% of men in that category (LFS, Winter 2001). Through the **Childcare Strategy** launched in 1998, the Government is working with families, providers and partners to increase the availability of affordable, accessible, quality childcare in every neighbourhood. It is also actively promoting the development of integrated early education, childcare and other family support programmes. A wide ranging research and survey programme is in place to evaluate initiatives and services, e.g. biennial **Parents Demand for Childcare Surveys**. Later this year, the conclusions from the Government's important **interdepartmental review of childcare** will establish a vision for childcare over next 10 years that meets needs of children and families.

The Strategy has resulted in a major expansion of childcare provision. Between 1997 and September 2001, over **484,000 new childcare places** have been created, benefiting

884,000 children. Between 2000-01 and 2003-04, childcare funding will more than treble to over £200 million, and additional funding is available from the New Opportunities Fund to target increased **provision in disadvantaged areas**. The latter is part of the Government's particular effort to increase provision in the most disadvantaged areas where childcare can still be scarce. Action to this end is also being taken through **Neighbourhood Childcare Initiative** and the unprecedented investment in flagship **Neighbourhood Nurseries**. For these areas, and for all working parents, the Government has committed itself to initiatives such as increasing full-time places for pre-school children and establishing **integrated early years and family support services**. This approach is going to be extended to statutory age schooling in some areas once the legal provision is in place. Further detail is given under Guideline 18.

The Government's ambition is that there should be **a childcare place for each lone parent entering employment by 2004**. The New Deal for Lone Parents, which helps to make work a realistic option for this priority group, is covered under Guidelines 1 and 17 especially.

In the context of Guideline 2, the Government recognises the impact of child-care costs, and provides substantial support for low income families through the childcare component of the **Working Families Tax Credit**. This is proving increasingly popular, with over 158,000 families now in receipt. Help is also available for student parents and benefit claimants.

At same time, the Government is putting a strong focus on the quality of provision through active regulation, investment in training, new qualifications, sharing good practice, provider support networks and plans for a quality assurance rating system. **Early Year Development and Childcare Partnerships** in each area monitor and audit provision, fully appraising local supply and demand, and whether services reach disadvantaged areas and groups, as well as the trends in costs and the implications for affordability. They report regularly on these and other matters to Government.

European Social Funds (ESF) contribution

ESF funds vocational training which aims to help people work in non-traditional occupations and thereby help the UK Government address some of the gender gaps which exist in the labour market.

In ESF Objective 3, 14% of all male beneficiaries and 15% of all female beneficiaries will benefit from improved awareness of opportunities in occupations dominated by men or women. The new ESF programme aims to help tackle sectoral gender segregation in the workplace. For example, the Labour Force Survey for 2001 (1st quarter) shows that women represent about 2.5% of the workforce in craft and related occupations. In the ESF, 8% of ESF beneficiaries in the craft and related occupations will be women.

One of the strategic objectives of the ESF EQUAL programme is to identify ways of reducing the gender pay gap and to support job desegregation. Development partnerships which have a national focus include: Bradford College/JIVE Partners - testing new ways to overcome barriers to non-traditional employment, change attitudes, and enable women to enter and progress in the highly segregated sectors of engineering, construction and technology. JIVE will also be forming a transnational partnership with Swedish partners to share knowledge and good practice; NTP Limited/Furich transport - tackling gender imbalance in the transport industry. The project has a particular emphasis on encouraging women into the industry; and East Lancashire Careers Service - constructing a national resource base to combat stereotyping within the careers guidance sector.

The ESF Objective 3 programme aims to help women by improving access to learning and removing barriers to employment. ESF is adding value by providing direct support to the Childcare Strategy. ESF support has helped to: increase the scale of the Childcare Recruitment Campaign's promotional work; increase the size of the childcare workforce

(key Government targets in Education and Skills Strategy to 2006); provide additional childminder start-up grants to help more people become childminders, and, provide additional support for childminders in deprived areas.

59% of ESF project applicants have said they will offer childcare support to their own beneficiaries - an approach which is consistent with the equal opportunities mainstreaming strategies developed for ESF in the UK.

ESF has been used to add value to the 'Women Mean Business' fair organised by the Cabinet Office's Women's Unit. This fair is designed to inform and motivate women returnees to work - for example, by encouraging them to set up their own businesses or learn new skills to help them return to work. Previously, this fair was only held in London - but ESF support has now enabled it to be run nationwide.

In Wales, ESF Objective 3 helps fund The Women's Workshop's Integrated Computer Programme project. This provides an integrated programme of training in ICT, personal and career development, basic skills and management studies and work experience to women who have previously been socially excluded from mainstream training and employment. It also aims to raise women's self esteem and increase their earnings potential.

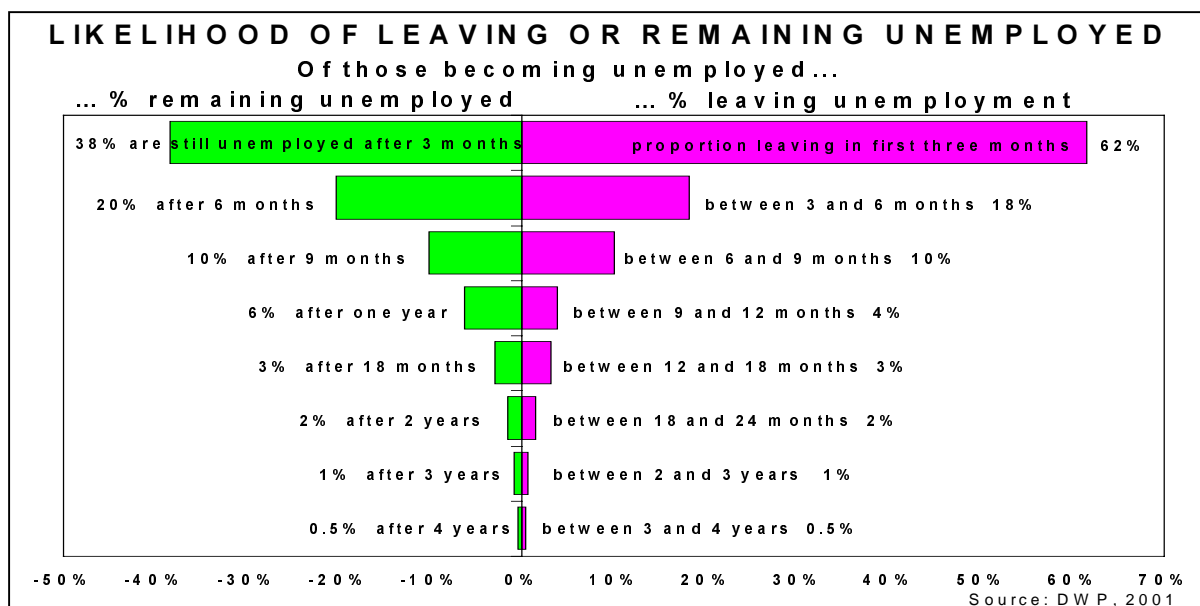
In addition, a project on childcare in the social economy (Sheffield Out of School Network), funded through the European Regional Development Fund, aims to create jobs in the social economy by supporting the development of existing childcare and social economy businesses, and by establishing and sustaining new ones. It also allows parents and carers to take up employment and training.

3. The Council recommends that the UK should reinforce active labour market policies for the adult unemployed before the 12 month point to supplement the support provided by the Jobseeker's Allowance benefit and schemes to improve job search effectiveness. Within this context, particular attention should be paid to groups facing particular problems in the labour market.

As previous Employment Action Plans make clear, the **Jobseeker's Allowance** (JSA) regime is an active rather than passive unemployment benefit system, where all jobseekers, however long they have been unemployed, are required to actively seek work.

At the start of their claim, all claimants are asked about their labour market activity and must sign a **Jobseeker's Agreement**, which sets out the steps they will take to get back to work. Checks to ensure that this activity is being carried out are conducted at **fortnightly interviews**, where the claimant can also access help with job-search and a job-brokering service. At the six month stage, if the jobseeker is still unemployed, **additional back to work help** becomes available, including job-search skills (e.g. programme centres), job matching (e.g. work trials) and remedial assistance. The range and intensity of this help then increases the longer the claimant remains out of work, culminating in entry on to the New Deal. Thus, all claimants, whether before or after the 12-month point, not only benefit from active measures, but are required to take them up as a condition of their benefit claim.

This approach works effectively, with **most jobseekers leaving JSA very quickly**. More than three quarters of claimants leave the register before six months and less than a tenth never reach 12 months unemployment (see chart). Furthermore, this active management of benefits continues to work well past 12 months unemployment: over half of 25-49 year olds passing through 12 months unemployment leave before 18 months, the point at which they have to join New Deal 25+. As a result, the UK has **one of the lowest proportions of long-term unemployed in the EU** - the fifth lowest in 2000 - despite benefits being universal and open-ended.



Since most unemployed people leave JSA before 12 months, the introduction of non-targeted, large-scale programmes for the adult unemployed before this point would lead to **significant deadweight costs** (probably at least 90%). Perhaps more importantly, **participation on such programmes could distance jobseekers from the labour market** and so reduce their chances of finding work quickly. This would not only be bad for the individual, but would also mean a less efficient labour market, thus reducing employment overall.

The UK fully recognises the importance of ending the waste of long-term unemployment and the useful role that programmes and training measures can play. The UK therefore provides a range of closely targeted active measures aimed at helping those who experience particular problems finding work.

The **New Deal** has helped more than 440,000¹ long-term jobseekers move into work and has led to the virtual elimination of long-term youth unemployment. But again, this success is underpinned by maintaining regular contact with the jobs market and continual jobsearch, particularly during the Gateway stage, which evaluation evidence suggests is one of the most effective elements of New Deal.

In principle, entry on to New Deal is based on the length of a person's JSA claim. The dynamic nature of the UK labour market, with a **wide range of vacancies coming up all of the time**, means that very few people are truly unemployable, making it difficult to accurately predict which particular individuals will become long-term unemployed. There are, however, some groups who face such a **significant labour market disadvantage** (e.g. those with disabilities, learning difficulties, English as a second language), or who are part of a large-scale redundancy, that they are given early access on to programmes. In 2001, 30,000 such individuals accessed the New Deal in this way.

Basic skills needs are a particular UK priority. The Employment Service (ES) launched a pilot in September 2001 which used early screening to identify and meet the literacy and numeracy needs of jobseekers. The ES has developed new screening tools and intensive training courses and also offers financial incentives to encourage participants to complete courses and gain a qualification. Jobseekers with basic skills needs who refuse to take up learning can be sanctioned if appropriate.

¹ The number of people helped into jobs through NDYP, NDLTU and the enhanced NDLTU up to the end of December 2001.

The broadening focus of the welfare to work agenda also means that the Government is not just interested in long-term unemployment, but in **labour market disadvantage** more generally. Programmes such as the New Deal for Lone Parents and the New Deal for Disabled People have been introduced and extended to give those who are inactive but want to work the advice and support they need to re-engage with the labour market and move into work.

Thus, the UK's active labour market policies help to ensure that the most help is given to **those who face the greatest difficulty finding work**. Reinforcing active measures for adults before 12 months unemployment would divert attention and resources away from the groups that need it most.

The UK approach - of actively managing the benefit system with additional help focused tightly on the long-term unemployed is consistent with **international evidence**. The OECD recently concluded that *"Job-search assistance programmes have the most positive post-programme effects on the re-employment chances of participants and large-scale public employment programmes the least positive post-programme effects. Training programmes and recruitment incentives to the private sector fall somewhere in between, with success depending largely on design characteristics and the type of target groups addressed by the programmes."*²

Further information under Guidelines 1-2, and 3, 7 and 17 for priority groups.

European Social Funds (ESF) contribution

The ESF Objective 3 programme is designed to support active labour market policies. It supports measures such as the provision of advice and guidance, active job search strategies and employability measures. 47% of ESF beneficiaries aged 16-24 will receive support before reaching 6 months unemployment and 41% of beneficiaries aged 25 or over will receive support before reaching 12 months unemployment.

ESF projects are delivered by a wide range of partners involved in employment and training. 56% of ESF projects approved said they had direct links to Government programmes. ESF contributes to the Government's Welfare to Work strategy by funding additional support for a range of projects operating under the New Deal for Young People and the New deal for 25+. Projects can use New Deal funding to match fund ESF projects which increase the support they can offer to unemployed people.

In Scotland, Objective 3 adds value to a wide range of New Deal activities. For example, throughout the Highlands and Islands, ESF assisted projects work with training organisations and the Employment Service in order to design training projects which work together to maximise the benefits of ESF and New Deal. The Intermediate Labour Market approach is a package of measures, which has shown to be effective in helping socially excluded individuals back to work. ESF adds value by helping to increase the length and scope of a package of measures which include: skills training; personal and social development; paid work experience; integrated counselling; and job-search support.

The Government's Connexions service aims to provide integrated advice, guidance and access to personal development opportunities for young people aged from 13-19 in England to facilitate a smooth transition from school to further education, employment and adult life. The ESF adds value to Connexions by helping to train additional Connexions advisers, thereby contributing to the Government target of extending the Connexions Service across the country during 2002-03 (Objective 2 - Education and Skills: Delivering Results, a Strategy to 2006).

² OECD, *Labour Market Policies and the Public Employment Service*, Prague Conference, July 2001, pp 22].

4. The Council recommends that the UK should reinforce current efforts to encourage and develop work-based training to address increasing workforce skill gaps and low levels of basic skills.

When the Government set up the **Learning and Skills Council (LSC)**, an important part of its remit was to create a clear national agenda for action on workforce development. In fulfilling this task, the LSC works with the social partners, the Small Business Service, the new **Sector Skills Councils**, Investors in People (IIP) UK and the University for Industry. Its priorities include: strengthening links between what people learn and the jobs they will have in the future; creating excellence in vocational learning to help all achieve their potential; and, working with employers to give everyone the chance to boost skills and productivity.

There are a large number of low-skilled adults in the UK workforce. The LSC is currently developing its first **workforce development strategy**, building on its Corporate Plan and work by the Government's Performance Innovation Unit on workforce development. It will set clear targets and measures for improving the skills levels of the workforce and will also include proposals for engaging more employers of all sizes in learning, including increasing the range of training offered by employers for employees. Key to achieving these outcomes will also be action taken at regional and local level - see Guidelines 6, 10 and 11.

The strategy will also encompass the LSC's responsibility for implementing new **Employer Training Pilots**, announced in November 2001. Pilots will be launched in 6 local areas across the UK from September 2002. They will test a new policy approach which matches free courses for employees, who are training to gain basic skills or level 2 qualifications, with paid time off work to train. Financial help is available for their employers, alongside information and support measures for individuals, employers and training providers.

Attainment levels for young, new entrants to the labour market are rising, but have not been keeping pace with those of other industrialised countries. **Modern Apprenticeships (MAs)** prepare young people for an economy requiring a high level of skills. MAs aim to increase radically the supply of skills at craft, supervisory and technician (intermediate) level within industry. They give quality work-based learning for young people to achieve qualifications and form part of the 'vocational ladder' which provides alternative and complementary pathways for young people from age 14. The Government is implementing an action plan to improve quality and performance, as recommended by the MA Advisory Committee in September 2001. The LSC - working closely with the new Sector Skills Councils and Connexions Service - will spearhead the delivery of the new generation of MAs. Key recommendations include:

- a target for 2004 of 28% of young people (175,000) entering MAs before they are 22 (currently about 23% or 140,000);
- a national framework for apprenticeships, defining basic standards and strengthening the relationship between employer and apprentice;
- an entitlement to a MA place for all 16 and 17 year olds with five or more secondary qualifications, from September 2004;
- a marketing campaign to boost take-up over three years;
- new technical certificates for MAs which ensure that in-depth technical knowledge is a key component of an overarching Apprenticeship Diploma; and,
- a new leaflet encouraging public sector organisations to embrace the next generation of apprenticeships.

To establish what more the UK should be doing, the Government's Performance and Innovation Unit's (PIU) report, '**In Demand: Adult Skills in the 21st Century**' (November 2001), examines how workforce development can help increase productivity and tackle social exclusion. The PIU will be working closely with the departments responsible for education and skills across the UK, and other major stakeholders, to work up detailed recommendations for action. A further report outlining these recommendations and including

a timetable for implementation is expected in Summer 2002.

Long-term priorities for workforce development are to:

- raise demand from employers and individuals, by developing a demand-led system;
- help employers, particularly small employers, to drive up demand, particularly in the context of their business strategies; and,
- increase the supply of high quality development which is responsive to the needs of individuals and businesses.

The report states that the Government should provide a framework which supports this and that relevant Government departments should work together to provide a coherent vision and strategy.

While the UK does not set a specific target for increasing investment in human resources as covered by Horizontal Objective C, a comprehensive set of **Learning Targets** is in place which focus on outputs, such as the level of adults with qualifications. These are covered in Guideline 4 and, in addition, Guideline 15 covers **Investors in People**, which aims to encourage employers to invest in the development of all employees to achieve business goals. There are two National Learning Targets for organisations in England. These are for 10,000 small organisations (10-49 employees) and 45% of medium or large organisations to achieve Investors in People recognition by December 2002. By January 2002, 8,931 small organisations and 38% medium or large organizations had achieved iP status.

The efforts of the UK government have also helped to increase **employer expenditure**. In 1993, employer investment in training was measured at £10.6 billion per year. By 2000 this had increased to £23.8 billion.³ In addition, the **TUC and unions** spend over £10 million per annum of their own funds on training officers, representatives and members. A further £15 million a year is generated and reinvested through the TUC's work with partner providers.

Sharing the responsibility for developing the national strategy, the CBI and the TUC have jointly looked at skills, particularly in relation to **productivity**, as announced in last year's Employment Action Plan. They reported to the Chancellor in September 2001, identifying skills shortages and gaps and putting forward proposals to address these which included a range of areas for action by employers, employees and Government. The proposals are currently under consideration.

European Social Funds (ESF) contribution

One of the strategic objectives of ESF is to widen participation in lifelong learning so that people continue throughout their lives to develop their knowledge, skills and understanding and improve their employability in a changing labour market. Over half of all ESF beneficiaries will be working towards a qualification. 36% of unemployed ESF beneficiaries and 21% of employed ESF beneficiaries will be working towards a qualification.

From 2001, local Learning and Skills Councils (LSCs) can become co-financing organisations and will match fund ESF 'at source' to add value to their projects and streamline administration. LSCs in England will use Objective 3 Priority 4 funding to boost basic skills training in Small to Medium Sized Enterprises.

ESF adds value to the national Adult Learners Week - a UK wide festival of adult learning - by helping to fund a range of promotional activities which generate positive images of adult learning. ESF is also used to help fund the 'Sign UP Now' initiative - a sister campaign to the Adult Learners week which aims to encourage people to sign up for further vocational and education courses.

³ Source: Continuing Vocational Training Survey in Enterprises 1994 (CVTS) - Eurostat ISBN 92-828-1498-X

PILLAR I. IMPROVING EMPLOYABILITY

Guidelines 1 and 2 on prevention of long-term unemployment and activation of measures, with more employment-friendly benefits, taxes and training systems.

These Guidelines (see Annex A) primarily describe the need for a fresh start, attention to skills and the removal of barriers to work, including by a modernised employment service. A commitment to getting people back to work and opening up employment opportunity for all lies at the heart of the Government's welfare to work strategy. In particular, this involves focusing on the needs of young people, the long-term unemployed and others who experience greater disadvantage in the labour market. Key to this is the emphasis on active job-search provided by the Jobseeker's Allowance (JSA) regime supplemented by additional measures such as the New Deals, which target help on those who are hardest to reach and whose attachment to the labour market is weakest.

Although those claiming unemployment related benefits crept up slightly toward the end of the year, over the 12 month period, unemployment fell on both the ILO measure - down 22,000 to 1.52 million (5.1%) and the claimant measure - down 65,000 to 0.96 million (3.2%). The fall in unemployment was again faster amongst the long-term unemployed, who now account for 23% of all ILO unemployed, down from 26% a year ago.

Active measures

As described in previous Employment Action Plans, the bedrock of the UK's labour market policy remains the JSA regime, which combines the payment of benefit with active and continuous job search.

Jobseeker Agreements, contracts between the jobseeker and personal adviser, are drawn up at the beginning of a claim. This contract sets out an effective, individually tailored route map back to work and emphasises the obligations of the individual jobseeker. Jobseeker Agreements are considered jointly at mandatory fortnightly reviews and subject to amendment in the light of altered circumstances. Advice about opportunities and access to information about jobs during the review ensures the JSA regime maintains an individual's attachment to the labour market and thus increases their probability of finding work. The intensity of support and opportunity to access other active measures increases in proportion to the length of time people are unemployed, culminating into entry onto the New Deal (see below). As the majority of people claim JSA for less than six months, this allows the opportunities to be targeted to those who find it hardest to get back into work.

This additional help includes universal screening for basic skills needs, job matching, Work Trials, Programme Centres (cover the skills needed to apply for and start a job) and a self-employment programme. Flexibility within the system means that those facing substantial labour market disadvantage (e.g. disabled people, those with learning difficulties, lone parents, those affected by large scale redundancies) can access this additional help from day one of their claim, as well as gain entry onto the New Deal.

UK performance against common European Indicators: The active nature of the JSA regime meant that all 2.78 million people claiming JSA in 2001 were offered and began a new start. This included 1.05 million young people before 6 months and 1.73 million adults aged 25 and over before 12 months unemployment.

While most claimants leave JSA quickly without the need for significant training, a range of additional help becomes available for those unable to find work after six months, initially as part of the JSA regime, but ultimately through the New Deal. Alongside early access for those facing substantial labour market disadvantage, this approach ensures that the greater help is given to those who most need it, without incurring the large dead-weight costs that

would be associated with universal access. Even using a narrow definition that excludes help with jobsearch, CVs and interviews, 12.7% of those claiming JSA in 2001 participated in an active measure.

The individually tailored nature of intervention under JSA, which helps produce high flows out of unemployment in the UK, makes the setting of a training focused target as suggested by Guideline 2 inappropriate.

The second key element of the UK's employment strategy is the New Deals that give long-term jobseekers aged 18-24, 25 plus, 50 plus, and people with disabilities, a real chance to develop their potential, gain skills and experience, and find work.

In line with the Government's objective to increase the effective labour supply, the New Deal for Lone Parents, for Partners of the Unemployed and for Disabled People now extend to help economically inactive people of working age to explore work options.

The active nature of the JSA regime continues to ensure that unemployment for most people is a short-term experience. In 2001, 2.7 million people joined and 2.81 million left claimant unemployment, almost two thirds within three months and three-quarters within six months. Less than 1 in 10 claimed JSA for 12 months or more.

For those who do become long-term unemployed, the New Deal continues to help jobseekers move from welfare into work. To the end of November 2001, almost 350,000 young people had found jobs through the New Deal, whilst long-term youth unemployment of over 12 months had been virtually eradicated. Independent research concludes that long-term youth unemployment would be almost twice as high without the New Deal for Young People (NDYP)⁴. A further 90,000 people have found jobs through New Deal 25+, helping to reduce by more than 40% the level of long-term unemployment amongst those over 25. Importantly, more than three-quarters of the jobs obtained through these programmes were sustained.

To deliver this programme, the Employment Service (ES) has a range of performance targets (see annex C). Those for 2001-2 include:

- to help into work 720,000 welfare recipients and other disadvantaged people and 1,225,000 jobless people;
- for 75% of long term JSA claimants to be still employed 13 weeks after starting a job (measured by non-JSA dependence);
- to ensure that the relevant labour market responsibilities of people on JSA are fulfilled in 90% of cases checked;
- to achieve a 92.5% customer service level for jobseekers and a 82% customer service level for employers.

Of its 9 targets for the 2000-2001 operational year, the ES hit 7 and narrowly missed the remaining two, against the backdrop of a labour market which meant that fewer people than expected became unemployed.

Modernising Employment Services

The Government has an objective under its Public Service Agreement to modernise welfare delivery so as to improve the accessibility and accuracy of services. This has included a strong focus on harnessing the advantages of new technologies through the ICT Development Programme. It is a measure of this programme's positive impact that between April 2001 to March 2002, 107,274 jobseekers found work via the telephone matching

⁴ Riley and Young (2002) The New Deal for Young People: "Implications for Employment and Public Finances", Research and Development Report ESR 62, Employment Service.

service ES Direct. Ongoing improvements to the computer system used by staff in Jobcentres will vastly improve the ability of those staff to match clients with jobs. The greater use of the Internet and the rollout of Job Points will enable jobseekers to access vacancies in a quicker, more efficient way.

The introduction of Jobcentre Plus (April 2002) aims to change dramatically the way services are delivered to people of working age. By bringing together the ES and the Benefits Agency under one roof, all people of working age claiming benefit will receive a work focused service. Jobcentre Plus extends to the inactive client group the successful approach that has been applied to the active client group. Help and support will now be focused on those groups and communities suffering greatest labour market disadvantage. Closer partnerships with employers will ensure that those disadvantaged groups have the opportunity to take up the jobs that are available. Jobcentre Plus will mark the next crucial step in our transformation of what was essentially a passive benefit payment system into an active welfare state, helping people into jobs, with a greater focus on the needs of employers. How the ES currently works with partners is covered under Guidelines 6 and 11.

Enhancing and improving programmes

The New Deals for Young People and for 25+ have been enhanced and extended, as reported on in the 2001 Plan. The Innovation Fund, which provides capital to delivery partners for testing out new ideas and activities to improve performance outcomes, is launching its fourth bidding round. Independent evaluation of the first two rounds has been published and good practice disseminated. Over the coming year, delivery partners will be closely involved in helping to improve programme design; focusing on extending the support given to people in the hardest to-help-groups and on improving job matching services to employers.

As announced in the 2001 Plan, the ES launched a pilot to provide intensive training following early screening of jobseekers for literacy, numeracy and language skills needs, in September 2001. Claimants receive financial incentives to encourage attendance and completion coupled with sanctions if jobseekers assessed as having a need refuse to fulfil their responsibility to take up learning opportunities.

It was also announced in Budget 2002 (in April) that this focus on putting work and employability first, will be extended even further. In May, a scheme called Step-Up will be introduced in six of Britain's high unemployment areas, extending to 20 areas by December. This will oblige long-term unemployed people to swap benefits for work, that is, a guaranteed job and secure waged employment. In selected cities this new regime will be matched by mandatory work preparation training courses. Starting in pilot areas, the unemployed who are recurrently in and out of work will also now come within the same rights and responsibilities of the New Deal.

Making work pay

These new obligations are also accompanied by opportunities, particularly targeted and tailored for priority groups. With the introduction of the National Minimum Wage, which is due to be increased from October 2002, and a programme of tax-benefit reform, the Government has placed making work pay at the centre of its strategy. The UK has been one of the pioneering Member States in using tax-benefit reform to help tackle the unemployment and poverty traps by increasing financial incentives to move into work and progress up the earnings ladder once in employment. Tackling the unemployment trap should help to increase the effective supply of labour by encouraging those who are workless but not looking for a job actively to seek work.

The 2001 Employment Action Plan sets out the reforms so far, and estimates of their impact,

in some detail. Still more can be achieved, and several new measures will further complete the comprehensively reformed tax-benefit system. The principle behind the Working Families Tax Credit and Disabled Person's Tax Credit will be extended to those without children or disability in 2003, with the introduction of the Working Tax Credit. For the first time single people and adult couples will be eligible for in-work support, currently enjoyed by 1.3 million families with children.

There will also be a complementary Child Tax Credit, which will bring together the child elements of many existing credits and benefits, and will be available to families right up the income scale. Furthermore, the tax burden for families will be reduced, single earner families will be treated in the same way as dual-earner families, particularly with appropriate levels of minimum incomes guaranteed, and support for childcare costs will be extended. 90% of families will benefit from this new system.

These elements of Budget 2002 amount to a package of reforms which address the long-term challenge of family prosperity for all. Further announcements will be made soon, including about a national campaign with employers, lone parent organisations and Jobcentre Plus to inform people - largely women - about vacancies, income options and available childcare, backed up by a mentoring scheme.

Guideline 3: developing a policy for active ageing (see Annex A)

The UK's active ageing strategy is focused on increasing the recruitment and retention in employment of the over 50s and ensuring all employers adopt age positive employment practices in the years leading up to the implementation of age legislation by 2006. This work is critical to overcoming the inefficiencies in the employment market caused by unjustified policies and practices, and also helps to ensure the employment market adequately evolves to meet the future demographic challenge. Equally important is helping the over 50s to remain economically and socially active longer and to be financially secure in later life. Underpinning this work, the New Deal 50 plus continues to help address long-term unemployment and inactivity amongst older people. It has already helped over 60,000 people off benefits and back into work.

The employment rate for those between 50 and the state pension age (SPA) has increased in each of the past 4 years and currently stands at 67.9% in Winter 2001-02, up 0.4 percentage points on 2000. Furthermore, because it has risen faster than the employment rate of the population as a whole, the gap between total employment and 50 to SPA employment has fallen from 7.3 percentage points in 1997-98 to 6.7 percentage points in the winter of 2001-2002. The UK is one of the few Member States to have already achieved the employment rate target of 50% for 55-64 year olds in work.

The Age Positive Campaign is strongly promoting the Code of Practice on Age Diversity in Employment through awards, advertising initiatives and events. The Code highlights the business benefits of an age diverse workforce and sets the standard of good practice approaches in recruitment, selection, training, promotion, redundancy and retirement. The evaluation of the impact of the Code indicates that it has improved employer policies on age, but there is still more to be done to help smaller employers understand the benefits and adopt non-ageist practices.

That is why, over the last year the Government with the social partners, has developed, tested and delivered a model programme, featuring a one day workshop, to persuade and help smaller employers adopt age diverse employment practices. The programme has received positive feedback so we will be making it more widely available across Great Britain over the coming year.

The Age Positive website went on-line in December 2001 to provide case studies

demonstrating the business benefits of age positive employment practices. It provides extensive information and guidance for employers and individuals alike.

We are currently looking at ways of helping employers and older people adopt more flexible approaches to later retirement that will help ease the transition from work to a later, more active retirement, while offering real business benefits and avoiding any perverse incentives on e.g. labour supply. With the Employers Forum on Age we have now published findings from the project 'Flexible Working Practices including Progressive Retirement'. The project identified good practice case studies of gradual or flexible retirement practices, to help older people stay in work longer.

Building on the success of New Deal 50 plus the Government is developing 'recruit and train' packages for those sectors with skills and labour shortages such as the Information Technology and Healthcare sectors.

Guideline 4: Developing skills for the new labour market in the context of Lifelong Learning (see Annex A)

The Lifelong Learning strategy, as set out in the 2001 Plan, is central to the UK's overall employment strategy. The Government's vision is of a learning society in which people from all walks of life expect to learn and upgrade their skills throughout their lifetime.

Basic skills

The UK has experienced particular problems with low level of basic skills. A commitment to address this, through national strategies to tackle both child and adult literacy and numeracy problems, lies at the heart of our education strategy.

'Skills for Life' is the national strategy for improving adult literacy and numeracy skills, prioritising the unemployed and benefit claimants, prisoners and others supervised in the community, public sector employees, workers in low-skilled jobs and other groups at risk of exclusion. The target is to improve the literacy and numeracy skills of 750,000 adults by 2004. The Government is on track to meet the target - between April 2001 to end January 2002, over 120,000 adults have been helped to improve their skills

Raising standards

The Government has set a range of demanding targets aimed at improving educational outcomes across the board, these are set out below. Progress includes significant increases in success at all levels for young people since 1996⁵:

- 75% of 19-year-olds with a 'level 2' qualification⁶ against a target of 85% for 2002;
- 50% of 19 year olds qualified at, or equivalent to, 'level 3'⁷ or above, against a target of 55% by 2004;
- 54% of 21-year-olds with a level 3 qualification - an 8% points increase since 1996 - towards the 60% target for 2002;
- 48% of economically active adults⁸ have a level 3, or equivalent, qualification - an increase of over 6 percentage points or an extra 1.7 million people since 1996 - compared to a target of 50% (and 52% by 2004 - LSC target); and,

⁵ Results from Labour Force Survey for Autumn 2001 for England only. The Learning and Skills Council (LSC) is taking over target setting and from summer 2001 the enhanced Labour Force Survey is providing data on participation that will enable the LSC to monitor progress at regional and local level.

⁶ "level 2" = 5 GCSEs at grades A*-C, an NVQ level 2, an intermediate GNVQ or the equivalent.

⁷ "level 3" = 2 A levels, an NVQ level 3, an Advanced GNVQ or the equivalent.

⁸ All those, between the ages of 18 and 59/64, who are in employment or actively seeking employment.

- 24% have qualified to 'level 4'⁹ (which equates to over 6.6 million people and just short of an extra 1.1 million people with Higher Education level qualifications in 5 years). The target is 28% and research from the London School of Economics (LFS 1994-2000) shows that this level of qualification significantly enhances job prospects and earnings.

Increasing participation

While raising standards within the education system is a key priority the UK also recognises the vital importance of addressing the problem of non-participation. To that end the UK adopted a Learning Participation Target aimed at reducing the number of non-learners, including amongst the economically inactive, by 7% by the end of 2002 - equivalent to about 0.5 million learners. This target was successfully achieved a year early.

These targets and achievements contribute to the EU target of raising the levels of participation by 2010. The Government is seeking to improve the level of young people staying on in education after statutory school age, which in England stood at 76%¹⁰ of 16-18 year olds (Winter 00/01) while 13%¹¹ of 18-24 year olds were not in education, training or employment in 2001, down two percentage points since 1997. This slow down in participation rates in full time education partially explains the slower progress against some of the targets above.

The Government is addressing the under-representation of certain groups in Higher Education (HE) and is aiming to see higher education become the norm rather than the exception. The Government has developed dedicated initiatives to widen participation such as the Excellence Challenge. These initiatives are a major contribution to the Government's policy of promoting economic competitiveness and productivity, social cohesion, equality of opportunity, personal fulfilment and the development of scholarships and world-class teaching and learning.

The Government's target is that by 2010 participation of 18-30 year olds, as measured by the Initial Entry Rate, reaches 50%. If this is to happen, it is critical that more young people who come from families with no HE in their backgrounds are able to enter universities and other institutions.

Since 1998, the total additional funding for institutions is £1.7bn, an increase of 37% in cash terms over the six years to 2003-2004, and 18 per cent increase in real terms. These plans have enabled institutions to recruit an additional 45,000 students in 2001-2002. Further expansion is planned in the following two years to make steady progress towards the Government's 50% target.

Widening access

If the UK is to create a culture of Lifelong Learning it is essential that access to learning resources, facilities and information is opened up as widely as possible. At the heart of the UK's effort in this area is the University for Industry (Ufi/learndirect) which is stimulating demand for lifelong learning and making opportunities available for adults and business (particularly SMEs) using Information Communication Technology (ICT):

- Ufi currently has over 1,600 'learndirect' centres grouped into over 130 hubs offering 594 courses;
- there have been over 334,000 learners to date and 767,000 course registrations;
- around 60% of learners, over 144,000 people in 2000-02 were classed as new to learning;

⁹ "level 4" = NVQ level 4, i.e. having a degree or a higher level vocational qualification.

¹⁰ Official DfES estimates and refers to academic age 16-18, published June 2001

¹¹ Spring LFS data

- the learndirect helpline has received over 3.7 million calls since January 1998, with 93% of customers finding the service good or very good and over 50% of calls coming from people with no post-GCSE qualifications;
- the website, with a database of over 500,000 opportunities, has received over 5.4 million hits since May 2000.

Similarly, UK online centres help to support the Government's overall drive to ensure that everyone who wants to can access ICT, particularly targeting those in disadvantaged communities. Over 2,600 centres are now operational throughout England with more opening each month, against a goal of 6,000 (England only) by the end of 2002.

The commitment to open 1 million Individual Learning Accounts (ILAs) by March 2002 was surpassed a year early:

- over 2.6 million accounts were opened, over 1.4 million courses booked and some 8,900 learning providers were registered;
- ILAs helped non-traditional learners by helping to tackle financial barriers - half of the recipients could not have afforded their course without it;
- ILAs helped stimulate the learning market - 22% of users had not participated in any learning in the previous 12 months.

ILAs were withdrawn following evidence of fraud and theft but a new programme will build on the considerable success of ILAs, as well as making improvements and remedying shortcomings.

More to be done

Building on these achievements, the Government will announce during 2002, a number of new initiatives designed to drive forward the policy objectives stated in last year's NAP. These include:

- a promotional campaign to raise awareness and boost demand for literacy and numeracy courses. The Get On campaign started last Autumn and over 75,000 people have called the hotline seeking a free motivational video or advice on local courses. A toolkit for employers was launched in March 2002. It is designed to raise awareness and provide advice and guidance on the implementation of basic skills programmes within the workforce;
- the first LSC Corporate Plan was published July 2001 and sets out the objectives and strategy for delivery through the 47 local offices until March 2004;
- a second LSC Bite Size learning campaign, aimed at encouraging people back into learning, is planned for this year after over 80,000 people attended short 'taster' courses in 2001. 40% of attendees were new learners and 60% expected to proceed to further learning as a result;
- the Ufi's draft Strategic Plan which contains a range of proposed targets for the period up to 2004-05 was being launched as this Employment Action Plan was being finalised;
- the Wired up Communities initiative aims to close the digital divide hindering economic regeneration in disadvantaged areas by connecting around 14,000 households to local community websites, the Internet and Government services. Seven pilot projects are rolling out technology such as PCs and set top boxes to people's homes and decisions will be taken on expanding the initiative after the subsequent final evaluation report is published in Autumn 2002.

In addition: our response to the fourth Council Recommendation (see Overview) sets out how we are seeking to improve workforce development in the UK, which is also covered under Guideline 15; and we set out a range of actions to address skill gaps under our implementation of Guidelines 6, 10, and 11 which address how the UK meets local employment and skill needs.

Guideline 5: e-learning (see Annex A)

The Government has built on the five underpinning targets set out in the last Action Plan and is committed to developing strategies which will enable school leavers to gain a good grounding and proficiency in the use of ICT and to ensure that teachers feel confident and are competent to teach using ICT within the curriculum.

It is estimated that in the UK, 90% of all jobs will require a basic competence in keyboard and ICT skills. For 2003, the Government is committed to establishing a connection to the internet in each school and providing access to a secure networked access to management information systems for relevant school staff. By April 2001, 97% of all schools were connected to the internet and the aim is to increase this to 100% by December 2002.

In England, the Government has set a baseline target for 2003 of at least 1 computer for 11 pupils in primary school and 1 for 7 pupils in each secondary school.

The New Opportunities Fund is providing £230 million to provide all serving teachers (including school library staff) in the UK with training in the effective use of ICT in schools. The programme is running ahead of schedule with over 400,000 teachers signed up and over 250,000 teachers have completed the training.

Curriculum Online aims to provide online access to digital learning materials that are easily accessible to teachers and which can be used to support teaching across the curriculum. £50 million was provided in December 2001 to fund this programme. There are three main components: a web 'shop window' with online curriculum resources including a library of e-learning materials; access to commercial products for school purchase, including a guide to the best by teachers for teachers; and money for schools to buy digital curriculum resources.

Guideline 6: see Pillar II (alongside Guidelines 10 & 11)

Guideline 7: Combating discrimination and promoting social inclusion by access to employment (see Annex A)

The necessity of combating discrimination and exclusion are themes which run throughout the UK's employment strategy. For example, activity described under Guidelines 1,2 and 4, as well as the regional dimension set out under Guidelines 6 and 11, also serve to deliver social cohesion, while the UK Social Inclusion Action Plan for 2001, as well as the Government's annual '*Opportunity for All*' reports, provides the detailed information on this policy area.

In Great Britain, employment rates for lone parents, older workers, minority ethnic people, and people with a long-term illness or disability are lower than those for other working age people. However, in general, these rates have increased faster than the overall employment rate, which has helped narrow the gap. In particular, the employment rate for disabled people has increased from 45.1% in 1998 to 47.8% in 2001, closing the gap with the working age employment rate from 28.8 percentage points in 1997 to 27.1 percentage points in 2001.

Improvements in the employment rate and policies aimed at making work pay should, in time, feed through to the low-income indicators for people of working age. The latest data (1999/2000) does not yet fully capture the positive effect of all benefit and tax credit changes that have been introduced.

Within the overall Government goals given in the Overview, the Employment Service (ES) has been set targets for 2001-2, to help into work:

- 70,000 people who are either jobless lone parents, participants in the New Deals for

Partners, the New Deal for Disabled People or other disabled people claiming “inactive” benefits;

- 410,000 participants in the JSA New Deals, New Deal 50+, Employment Zones, other disabled people not covered by the target above, and others at a particular disadvantage.

Disabled People

Within the framework of transposing the Article 13 Directive, the Government has embarked upon a programme to secure comprehensive and enforceable civil rights for disabled people. The Disability Rights Commission (DRC) has a key role in informing the Government on policy, ensuring implementation of legislation and in promoting full participation in society of disabled people. Recent and current activities include:

- in its first year, handling 65,000 helpline calls (20,000 above target); tackling 2,200 cases brought to it by disabled people (ten times initial estimates); and providing legal advice in over 40 cases;
- working closely with businesses to get public commitment to change and to increase participation of disabled people;
- promoting the benefits of disabled people's new rights to mainstream education in advance of new legislation coming into effect in September 2002;
- a research project with the Regional Development Agency for Yorkshire and Humber to look at different ways of ensuring that disabled people have access to advice and support to enter self-employment.

The Government published ‘*Towards Inclusion*’ in March 2001 as a response to the Disability Rights Task Force’s final report. It includes proposals for further legislation in the areas of employment which will bring a further 7 million jobs into scope of the Disability Discrimination Act, including 600,000 in which disabled people already work. Newly covered employers will have to make any necessary reasonable adjustments to premises or working arrangements for disabled employees and job applicants.

The UK Disability Forum for Europe were asked to make a contribution to this Plan on priorities for future action. They replied that:

- far too many disabled people are still unemployed. The percentage of disabled people of working age who are unemployed is much higher than that of the general working age population. This underlines the need for concentrating efforts and resources on solving a problem whose magnitude is unacceptable in our society;
- programmes should be devised which will convince prospective employers of the employability of disabled people. Work experience can produce concrete outcomes;
- nobody should face retirement simply because their employer believes that a disability occurring during employment prevents the employee from continuing to work. Disability leave, during which efforts must be made to make reasonable adjustments, should be compulsory;
- training programmes for disabled people should take advantage of mentoring possibilities. A prospective employee who is disabled can acquire know-how and gain in self-confidence by spending time with a mentor;
- efforts must be made to ensure that a disabled person is not prevented from taking up employment because of difficulties in travelling from home to work.

There are approximately 2.7 million people claiming incapacity related benefits in the UK (the number is smaller if you strictly consider Incapacity Benefits). According to the ‘*Family Resources Survey*’, approaching a third of those claiming Incapacity Benefits say they are either looking for work or would like to work, although these results are likely to overstate the true number due to survey bias. Pilots for the New Deal for Disabled People have helped over 8,200 people on incapacity benefits into work. From July 2001, the programme was

extended nationally. People on qualifying benefits in the UK have access to a network of innovative Job Brokers. This gives the client greater choice in selecting a Job Broker (who provides support and services to people on incapacity benefits who want to work and to employers), and more freedom to develop joint solutions by focusing on outcomes that achieve lasting paid employment for disabled people and those with health conditions.

A Job Retention and Rehabilitation Pilot aims to test the effectiveness of early work-focused interventions to help people who are at risk of losing their employment owing to a wide range of illness or disabilities. The feasibility testing phase is currently being evaluated with a view to providing a 'live' service to customers later in the year.

Introduced in April 2001 Workstep provides job support to over 22,000 people with disabilities who face complex barriers to getting or keeping a job but who can work effectively with the right support. Managed by the ES in partnership with other organisations, Workstep places greater emphasis on individual development and flexibility of support arrangements to help clients progress to open employment where appropriate.

Ethnic Minorities

The Government is committed to improving opportunities and services to ethnic minority people without work. The New Deal for Young People (NDYP) was the first employment programme to have a targeted race strategy to reach out to ethnic minority jobseekers and employers.

To strengthen efforts, a new outreach provision will be delivered by expert organisations with a proven record in the field to help ethnic minorities access the range of support available to them. This complements action taken (under Guideline 11) to address disadvantaged areas: seven Employment Zones and almost half of Action Teams are in areas with comparatively high minority ethnic populations. The Government is currently undertaking a study of the labour market achievements of minority ethnic groups. An interim analytical report was published in February 2002.

The CBI and TUC are continuing to work jointly on policy recommendations that focus on how to ensure that labour market agencies like the ES effectively bring together ethnic minority jobseekers and employers; especially in sectors and areas where businesses may not be 'reaching' ethnic minority job applicants through current recruitment methods. Recommendations are likely to include hands-on guidance on how firms can undertake outreach work to build links with ethnic minority communities, and better coordination of employers, voluntary sector and Government employment initiatives.

Race equality will be further promoted in the public sector as a result of the revised legislative framework which is currently being put in place as a result of the Race Relations (Amendment) Act 2000. This introduces a new statutory duty to promote race equality in the public sector will be a key lever in delivering change. Similarly to the DRC, the Commission for Race Equality (CRE) plays a central role in promoting equal opportunity, particularly through partnership, and has powers of investigation and enforcement. It has just finished consulting on a Code of Practice. The CRE is also involved in the strategy for implementing the European EQUAL programme and is working with the Government, in partnership with employers, to make the business case for race equality at work.

The Cabinet Office Performance and Innovation Unit will report in summer 2002 on the disadvantages faced by black and Asian people in the labour market. The Government will draw up further measures to address ethnic inequalities in the labour market in the light of recommendations contained in the report.

Migrants

The Government has published a White Paper '*Secure Borders, Safe Haven*' (February 2002) and a National Refugee Action Plan. A National Refugee Integration Forum will oversee the implementation of a national integration strategy. A sub group will look exclusively at matters surrounding employment, training and adult education, and address the difficulties that refugees have in entering the labour market. There are also several refugee integration funds administered by the UK and by the EU which are being evaluated in detail to assess their effectiveness.

More generally the Government is developing all policies for all migrants so that they promote social inclusion (as well as sustainable growth), in particular through a cross-Government group of relevant departments. Currently we have plans to extend English language training to a wider range of migrants and we have a project underway to look at how to measure inclusion and integration in the migration context, including economic measures of success such as employment rates.

To support and progress this policy development, the Government will be holding a large seminar in June on integration issues for migrants and refugees - what works, how integration can be measured, international evidence and experience, how to better integrate policy and existing research on these issues.

Ex-offenders

The UK is doing a lot of work on getting ex-offenders, including those with a history of drug misuse problems, into employment because this can also prevent them re-offending. Current projects in this area are:

- a Custody to Work programme to increase the number of prisoners (currently about 29% of sentenced discharges) getting jobs or education or training places after release, complemented work with those on probation;
- developments within the New Deals and Jobcentre Plus on - eligibility of released prisoners for early New Deal access, closer working by ES with prisons to ensure that all released prisoners who need it have a New Jobseekers Interview pre-arranged for discharge, pilots in some prisons from Summer 2002 of the new Jobpoints with access to information about job vacancies;
- Basic Skills programmes - by end of 2001 49,744 educational and vocational qualifications had been awarded against a target of 23,400. A Basic Skills programme for those on probation started this April to address a finding that 39% of Pre-Sentence Reports identified basic skills needs which is a much higher percentage than in the general population.

PILLAR II. DEVELOPING ENTREPRENEURSHIP AND JOB CREATION

Guidelines 8 & 9: Making it easier to start up and run businesses, promoting enterprise and self-employment, and combating undeclared work (see Annex A)

UK context

Small businesses account for nearly half of the UK economy's output and 55% of all jobs in the private sector - over 10 million jobs in all. The UK already offers one of the best environments in Europe for business creation. The Government's vision is to make the UK the best place in the world to set up and run a business by 2005. Reaching that goal would be an important contribution to both the national and the EU aim of achieving full employment by 2010, in the most competitive and dynamic knowledge-based economic area in the world. Providing employment opportunity for all includes opening up enterprise opportunities to everyone and giving them a genuine chance to start and succeed in

business. The most progress needs to be made over the next few years in the area of education and in promoting more enterprise in disadvantaged communities. The Government wants to see a more enterprising UK where, in every region, more small businesses are starting up and where people can work their way up - a ladder of opportunity from employment to self-employment, from micro business to growing business.

The Government has a target to generate more sustainable enterprise in the 20% most disadvantaged local authority wards, 69% of which are in the 88 areas covered by the National Strategy for Neighbourhood Renewal (NSNR - see Guideline 11). The Government will measure its progress by measuring the gap in business start up rates between the most and least 20% disadvantaged wards. This is currently 35%. The initial target is to reduce the gap by a percentage point each year until 2005. This is 5 times the current trend rate.

To contribute to the creation of a genuine enterprise culture, the Small Business Council (SBC) was established in May 2000 to be an independent advisor, or critic if need be, for the Government. It feeds in directly to Ministers, as well as to the Small Business Service (SBS - see previous Plans), which was created to put small business at the heart of policy making. The SBS has the lead in developing a Government-wide, comprehensive strategy for helping people starting a business. The SBS has published a consultation document with the intention of developing and implementing final plans in the early Autumn 2002.

The SBS has a remit to relieve disadvantage and one of its main tools is the Phoenix Development Fund which encourages innovative forms of business support in disadvantaged areas and amongst groups under-represented in terms of business ownership. The fund is supporting 96 projects at a total cost of just under £30 million. Projects cover a very diverse range of activity and include support for disadvantaged communities, ethnic minorities, women, lone parents, people with disabilities, social enterprises as well as specific sectors in particular communities.

To enable all the various parties engaged in neighbourhood renewal to focus on the regeneration targets and to measure progress locally, the SBS will be publishing data for each of the 88 local authority districts, disaggregated to ward level. This will be updated annually as data becomes available. The SBS will also be commissioning triennial surveys of business attitudes. This is being used to set longer term targets to increase the proportion of local people involved in enterprise (reducing the shortfall compared with the least disadvantaged wards, currently 22%, by a quarter by 2005), or considering business start-ups in the next 2 years (currently 7% to increase to 10% by 2005).

Statistics

The recent SBS Household Survey of Entrepreneurship (2001) indicates that around one in six of the adult population in England (18%) are involved in business activity (which includes part-time and secondary income activities (including the informal economy - see below)). Small businesses make up 99% of Britain's business community and improving their business performance is key to driving up the UK's productivity. According to the annual Global Entrepreneurship Monitor (GEM), in 2001 (pre-September 11th), 21% of people in the UK thought there would be good start-up opportunities in the next six months (35% in 2000 and 16% in 1999). In the US the figure is 35%.

Within the overall UK labour market situation the position on self-employment and on business start-ups and stocks is given below. The trend has been fairly constant since 1997. There are now an estimated 3.7 million active businesses in the UK. Around 1.1 million are employers and around 2.6 million are sole-traders or partnerships. It has been estimated that about 7% of all businesses are owned by people who belong to ethnic minorities and research carried out by a major bank, plus the self-employment figures, suggest that about a third of businesses are owned by women.

There are regional variations in business start-up rates: there were 65 VAT registrations for every 10,000 residents aged 16 or over in London compared with 21 in the North East; registrations per 10,000 adults were higher in England (41) than in Wales (26) in Scotland (28) and in Northern Ireland (27).

Thousands

YEAR	Starts VAT(i) Registrations	Stock VAT Stock	Stock LFS total self- employed (ii)	Stock LFS employers	Stock LFS sole-traders
1997	183	1,603	3,335	865	2,486
1998	186	1,621	3,257	846	2,432
1999	178	1,652	3,202	818	2,384
2000	183	1,658	3,139	822	2,315
2001	-	1,664	3,147	-	-

Sources: VAT Registration Data from SBS & Labour Force Survey (LFS).

Notes: (i) VAT data is for the start of each calendar year & (ii) LFS data is presented for March-May each year. (Recording all business start-ups is not done to avoid unfair burdens.) Data for 2001 is for the first 3 quarters.

Registration

The recent Commission report on implementation of the Charter for Small Enterprises, singled out the UK for our low business start-up costs and speedy registration. Today, incorporation of a limited company takes a maximum of five days but can also be done on a 'same day' basis. The cost is about 33 euros or about 128 euros for 'same day' incorporation. About one day is required for pre-registration procedures and for Tax and National Insurance.

About 30% of company incorporations are now done electronically following the introduction of a new system in July 2001 (for those that register for the service). It is also possible for companies to file some of their statutory documents electronically. So far the uptake of these services has been slow but it is hoped that their usage will increase. Enormous use is made of the on-line services to obtain company information with the significant majority of searchers using these.

Financial issues

The SBS Household Survey identified that access to finance is the most commonly perceived barrier to starting a business - around half of would-be entrepreneurs identified inability to get funding or fear of debt or failure as key issues. The GEM indicates that 31.5% of UK respondents say that fear of failure would prevent them from starting a business. In the US that level is 21%.

The Phoenix Fund is used to support 48 Community Development Finance Institutions, to provide alternative sources of funding. The SBS has also supported the development of a training and development package, sponsoring the involvement of 68 Institutions, and is encouraging the establishment of a trade association to foster the spread of good practice. Working with others, especially private sector sources of business funds, the SBS is also actively involved in implementing the Social Investment Task Force's recommendations that a Community Development Capital Venture Fund and Community Investment Tax Credit be established. The Fund has received State Aids clearance from the European Commission and will be launched shortly. Legislation for the Tax Credit will be included in the Finance Bill 2002 and negotiations on State Aids are continuing.

Overheads and burdens in running a business

Estimates of average overhead costs for small businesses are difficult to make but the UK now has the lowest-ever corporation tax rates for small companies and the lowest starting rate among major industrialised countries - more detail under Guideline 12.

The Government is committed to better regulation. This means legislating only where necessary, and in the most efficient way, and involves the use of Regulatory Impact Assessments (see previous Plans), and deregulation and simplification of existing legislation wherever possible. Following the enactment of the Regulatory Reform Act 2001, the Government launched an Action Plan in February 2002. The Plan brings together proposals for changes that will benefit businesses, the voluntary sector, the wider public sector, including local authorities, and the individual citizen. Also from February, the head of the SBC will attend the Ministerial Panel on regulatory accountability.

To offer small companies direct help with their administration, the Government also announced in Budget 2002, in April, cash awards to small firms going on-line as the UK moves to universal e-filing in stages over the next eight years.

Advice and guidance

The SBS established a national network of business advice, run through 45 local Business Links. These are independent organisations, with a significant degree of autonomy, so that their operations can reflect widely varying local economic circumstances. In agreeing resources for Business Link Operators, SBS makes allocations based on: the number of businesses in the area (and therefore have most demand); the level of local deprivation; and the level of enterprise in the area (which need stimulation). Business Links provide a start up package in areas of high unemployment such as disadvantaged neighbourhoods.

Learning for enterprise

The GEM also indicates that 41% of the UK population think they have the skills to start a business, but expert interviewees believe that many people do not have the skills and are unmotivated to go for growth. Much of the framework to address this is covered below, in terms of addressing skill gaps, but the Government is also seeking to address the issue at school level.

Measures described in previous Plans to build enterprise capacity through education have produced good links between schools and industry and some 95% of young people go on to do work experience in the last two years of compulsory education to improve their general job competence. However, an independent review, *'Enterprise and the Economy in Education'* (February 2002), found that under 30% of young people gain experience of enterprise. This review recommends that Government and business should provide the opportunity for all young people to experience enterprise activity during their school career, in particular by:

- increasing the time that every pupil spends on gaining real and practical experience of enterprise, especially of setting up and running small businesses;
- linking every school with local enterprise, with business people spending their time to encourage pupils to pursue careers in business;
- improving links between the young and business in economically deprived areas;
- developing new learning materials for enterprise and personal finance.

The review reflects the Government's approach, published in a Green Paper (also February) on learning for 14-19 year olds, of delivering good quality vocational learning and supporting work-based learning for all young people. The proposed education reforms provide a framework for responding to the recommendations and to advance economic, business and

financial literacy in the UK. In the first place, Ministers are considering the review's recommendations within the broader outcomes of the current review of public spending but they are committed to publishing a formal response to the report and an implementation plan as soon as possible.

Already established, Enterprise Insight seeks to develop a more positive image of entrepreneurship among young people. It is working with Government agencies on the national curriculum proposals to encourage young people to be entrepreneurial. Teachers and career guidance staff are being encouraged to be aware of the opportunities which enterprise presents, and every teacher is being asked to take opportunities for contact and interchange with business.

New Entrepreneur Scholarships aim to help entrepreneurs from deprived areas access high quality management and business training to develop a business idea into reality. Managed by the Learning and Skills Council they are open to anyone over 18 not in full-time education starting a new business, with 200 places available in 2001-2002, rising to 400 places per year after that.

Undeclared work

Some estimates suggest that, without action to address undeclared work, billions of pounds are lost to the informal economy every year, thus inhibiting growth and productivity. As the Government delivers more opportunities to work by removing barriers and the economy produces vacancies, so there is an obligation on people to take up opportunities. Therefore, alongside incentives to work there are also penalties. At the same time, information and confidential support is actively made available so that people are aware of the legitimate opportunities that are available.

This framework was completed by the Government's response to the report by Lord Grabiner on the hidden economy, as covered in the 2000 and 2001 Plans. Measures for regional and local action on employment, as described under Guideline 11 especially, are also relevant because undeclared work can become one of the problems in disadvantaged areas, where long-term unemployment is more prevalent. The Phoenix Fund (see above) also includes a number of projects that encourage the legitimisation of businesses currently operating in the informal economy.

<i>Guideline 10: Exploiting opportunities for employment in the knowledge-based society and in services</i> (see Annex A)
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The UK business framework

The Government aims to increase the capacity of all businesses, to grow, to invest, to develop skills, to adopt best practice, and to exploit opportunities. The key to this is providing the right framework at the macro level and that has helped the UK to continue to have a service sector which is one of the largest in Europe and which drives the growth in employment, accounting for 77% of all jobs. Recent surveys by the CBI show that business confidence in the service sector is rising. Therefore, the UK starts from a high base and improvements to maintain this position are more likely to focus on the needs within sectors and regions or of specific occupations.

Clusters

Work on 'clusters' is a good example of developments which support national growth. Firms can cluster together within sectors or across related groups of sectors. The 1998 Competitiveness White Paper identified clusters as a way of strengthening business development because they can create a critical mass of growth, collaboration, competition

and opportunities for investment and knowledge sharing. The White Paper committed the Government to further investigation of the concept and in November 1999 two initiatives were announced, namely, a high level Ministerially-led group to steer policy and a research project to map existing activity.

The research report, '*Business Clusters in the UK; A First Assessment*' (February 2001) was published alongside the Government White Paper '*Opportunity For All In A World Of Change*' and identified over 150 manufacturing and service clusters around the UK. Clusters can have a key role within regional economies and the Government is encouraging Regional Development Agencies (RDAs), in England, to develop existing and embryonic clusters building on their natural regional capabilities. The RDAs, who are part of the steering group, have produced strategies identifying potential centres of growth, which will now be developed in the next versions of the RDAs' economic strategies. In the meantime, further work is being done to fill gaps in our understanding about clusters and the steering group will use that to agree on a clusters policy that has now been handed over to RDAs to implement.

Guideline 6: Active policies to develop job matching and to prevent and combat emerging bottlenecks (see Annex A)

As stated in the Overview, the UK labour market is highly dynamic, with jobs arising all of the time, across the whole country, and in all sectors and occupations. It is the role of the Employment Service (ES) and local Jobcentre to match people to these jobs as quickly and efficiently as possible. Where there are skills gaps - generally they are small and concentrated in specific sectors such as IT - the measures used to combat them include greater engagement with employers, improved matching services, use of IT, and insertion of education or training.

Engaging with employers

The UK has set up the National Employer Panel as an employer-led body that provides independent advice to Ministers on the design, delivery and performance of labour market policies and programmes to make sure that they are responsive to the changing needs of employers and individuals. Their remit encompasses all the New Deals and other welfare to work activities delivered by the central Government department, by the Employment Service (ES) or, from April 2002 onwards, by Jobcentre Plus and by partner organisations at the national and local levels.

Improving policies and their delivery

The Government believes that matching the demands of business is key to improving employability and addressing skill needs. Working closely with and understanding employers' needs helps the Government to improve support for people without work and to move them quickly into jobs. A great deal has been done as set out in previous Plans and elsewhere in this Plan. In particular, partnership and employment need were designed into the operation of the Learning and Skills Council (LSC) and RDAs, it is being embedded to improve further education and it is a feature of the New Deal. Through coordination across departments and agencies and collaboration with stakeholders, the Government aims to achieve the goal of full employment through an improved public service.

Within the ES itself, there is an increased sectoral approach to employer contact, where needed, through the Large Organisations Unit, which deals with major companies recruiting nationally, and the Employer Directorate, which provides strategic leadership for employer-focused services. Jobcentre Plus created local Account Managers who work as a dedicated link, on an outreach basis, between local employers, training providers and the job centre.

The New Deal as a tool for local needs

The New Deal, as the key policy tool in the UK for increasing participation in the labour market, has always engaged the participation of employers. Under a commitment to continuous improvement, it has been developed to adapt to changing needs. With the introduction of Jobcentre Plus the Government is improving its delivery and application locally. Jobcentre Plus, in collaboration, for example, with the Employers Panel and the new Sector Skills Councils will develop both gateways customised to individual needs and employer-approved training, particularly tailored to the needs of growth sectors. The New Deal Innovation Fund will also be used to develop projects within industries and occupations with good employment prospects or which have previously been inaccessible to the unemployed or inactive people.

Job matching

This job matching approach, which is central to the UK's active labour market policies, as Guidelines 1 and 2 describe, will be complemented by improved labour market intelligence. Within their framework strategies, RDAs will work, particularly with the skills analysis by the LSC and SSCs, to improve monitoring and forecasting of trends, and identification of opportunities, particularly assessing the capacity of local education and training provision.

The success of the New Deal in helping unemployed people into work (see Guideline 1) has also led to the evolution of new measures to better reach the skills and employment needs of wider inactive groups and the disadvantaged. In this area information in two directions is crucial - information to the job seeker about opportunities and information to the employer to promote available labour.

Within the Modernising the Employment Service programme, the national ES continues to develop its current services through its Jobmatch and one stop 'worktrain' websites. Access to vacancies will be further expanded from April 2002 with the introduction of: Employer Direct, which will enable employers to input and manage their vacancies directly via e-mail and the ES internet Job bank; and Jobseeker Direct, which will allow people to access vacancies at home, schools, and libraries. Also from April 2002, the ES will roll out CV Bank which will allow employers direct access to jobseekers' employment details. These enhancements will encourage mobility within the UK as well as the EU, the latter through direct access and through EURES. EURES database vacancies are transferred to the ES job bank on a daily basis. The ES has around 18 EURES advisers or contacts across the English regions and Devolved Administrations.

Meeting the skills needs of business

There are skills shortages in the UK but these are not widespread. Analysis (including by the National Skills Taskforce) shows that:

- the proportion of establishments reporting skills shortage vacancies (hard-to-fill vacancies caused by a lack of available skills, qualifications or experience among applicants) fell between late 1999 and early April 2001, and given the current level of employment, the levels are healthy;
- 8% of establishments surveyed report hard-to-fill vacancies and half of those (4% of all establishments) reported skills shortage vacancies¹²;
- the highest single share of total skills shortage vacancies is found in the Skilled Trades occupational group with 20% while Professional and Associate Professional occupations have the next largest shares each with 18%;

¹² Hogarth, T. et al (2001) *Employers Skills Survey 2001* Department for Education and Skills, Nottingham, covered 27,000 establishments in England, across all sectors of the economy and included establishments of all sizes with more than one employee.

- the highest single share across sectors is in Business Services at 33% of the total, then Manufacturing (13%) and Wholesale and Retail at 12%.

However, the effect on business of the skills shortages which do exist are well known and the Government is working with business to address them. Enterprises already receive help with a wide range of business training through Business Links, which work with local LSCs to ensure that training meets local skills needs. Nationally, the SBS is involved in the workforce development strategy (see response to recommendation 4), as well as with new Sector Skills Councils (SSCs) and the Sector Skills Development Agency, and in meeting the Learning Targets (see Guideline 4). It is also feeds business needs into Investors in People UK, the University for industry and 'learndirect'.

Vocational education

Centres of Vocational Excellence (CoVEs), announced in November 2000, will play a key role in enabling further education colleges to be more sharply focused on meeting the skills needs of employers at local, regional and sectoral levels. The LSC is implementing the programme and by 2003-4 the Government wants half (around 150) of all colleges to have developed a CoVE. National consultation ended in June 2001, the Prospectus was published in July 2001, 16 pathfinder centres began work in September 2001 and in October 2001, the LSC published detailed planning guidance. 71 CoVEs came on stream from April 2002. The LSC will deal with a further three bidding rounds over the next 18 months.

Sector skills needs

SSCs will build on the successful aspects of sector skills arrangements delivered by National Training Organisations, to improve the framework and the delivery. They are being created by business for business and once fully implemented will be the main way employers can influence the skills agenda. They will work in partnership (in England) with RDAs, the LSC, ES and the Connexions Service to ensure a coherent approach to tackling skills shortages for all sizes of employers. The first SSCs were licensed in March 2002 and the Sector Skills Development Agency (SSDA), which will guide and underpin the new SSC network, became operational from April.

Networks

The Government is also exploring the potential of collaborative approaches to skills provision based on the clusters concept (see page 29) and exchange of good practice. The Employer Learning Networks encourage further collaborative action by employers to increase their capacity to develop the high skilled and world class workforces they need. Funding is provided for new groupings in sectors and areas where there are currently significant gaps in provision. The fund is aimed primarily at assisting small businesses and is designed to help employers share resources, expertise and knowledge. 18 projects completed in 2001 were evaluated by March 2002 and results are being studied.

Information Communication Technology (ICT) skills

The 2001 Employers Skills Survey revealed that 34% of skill shortage vacancies in all sectors need technical and practical skills, while 20% need advanced IT skills. Besides programmes such as Modern Apprenticeships (see response to fourth Recommendation in Overview) and the ICT focus of Ufi and linked initiatives (see Guideline 4), the Government is expanding specialist ICT and other high technology learning programmes in the further and higher education system to address these needs. By 2004/05 up to an additional 10,000 students a year will be trained to learn or update ICT or other high technology skills.

As is explained under Guideline 15 the Government is establishing New Technology Institutes and these will form part of a major new network, involving University Innovation Centres, based in every region, to boost the level of research and development, innovation

and technology transfer and to provide regions with the skills in ICT and high technology they need.

In Budget 2002, specifically to help manufacturers invest in the technologies of the future, the Government announced plans to legislate, following consultation, for a new volume-based Research and Development Tax Credit for large companies.

Guideline 11: Regional and local action for employment (see Annex A)

The UK Regional employment picture continues to demonstrate three main features as reported in previous Plans:¹³

- all regions have areas with high employment rates (of at least 79%) and areas with low employment rates (below 71%), often close to each other
- only 36 out of all 408 Local Authority Districts (in GB) had an employment rate below the EU average of 65.3%;
- the areas with the lowest employment rates were in inner cities, particularly London, some coastal areas and a few ex-coalfield sites.

Information on their countries' strategies has been provided by Scotland, Wales and Northern Ireland and is presented at Annex B to this Plan.

National strategy for disadvantaged areas

The Government has a target to improve the economic performance of each region, measured by the trend growth in each region's GDP per head. As reported in last year's Plan, the National Strategy for Neighbourhood Renewal (NSNR) provides an overall framework for regional and local action, particularly for delivering employment opportunities to people in disadvantaged areas. It is coordinated at national level by the Neighbourhood Renewal Unit which works across Government and with regional and local partners. The partners include, at national level, the SBS, RDAs and Government Offices (Gos) in England, as well as new local frameworks.

New Deal for Communities

Empowerment of local people to address local problems is central to removing disadvantage and the New Deal for Communities (NDC) was launched in 1998 as a 10-year programme to help that process. It now operates in 39 neighbourhoods around England and is testing out the new approaches outlined under the NSNR. All the first 17 partnerships had their Delivery Plans approved by Summer 2000 and Round 2 partnerships from Spring 2001 onwards.

The first NDC Annual Review in September 2001 showed that the partnerships are making genuine progress in boosting employment, improving services, raising educational achievements and in actively engaging residents in making the decisions that affect their communities. The Review accepts that many of the problems that have blighted neglected neighbourhoods for so long cannot be solved in the short-term, but says that the NDC is proving to be a catalyst for ensuring that service providers meet local needs and that issues are tackled at local and Government levels, through the bending of mainstream services. The Review also uses lessons learnt to provide practical advice to new NDC and neighbourhood renewal programmes, such as making sure that the involvement offered is genuine and active and includes excluded groups.

Skills and Knowledge programme

In December 2001, the Government announced its new Skills and Knowledge programme to support poorest areas. This £21.6 million programme aims to help everyone involved in

¹³ Latest available data, LFS data March 2000-Feb 2001

neighbourhood renewal - local residents, regeneration practitioners, professionals and civil servants - gain the skills and knowledge they need to deliver lasting change.

The Skills and Knowledge programme will include:

- a Learning and Development Strategy, produced by Spring 2002 in collaboration with key partners, to provide a long term vision for learning for everyone involved;
- Community Learning Chests, to provide grants for people or organisations to access training and advice, or to finance study visits;
- on-line access to evidence of 'what works', available towards the end of 2002;
- recruitment of face-to-face advisers to support neighbourhood partnerships. Available regionally from Spring 2002;
- opportunities for better networking amongst renewal partnerships. Rolling out from Summer 2002; and,
- pilot project on 'residents consultancy'.

The programme will be delivered at three levels:

- local/neighbourhood - by Local Strategic Partnerships (LSPs) and communities who will work together to produce local learning plans;
- regional - by GOs working with other regional partners; and
- national - by two newly created teams based in the Neighbourhood Renewal Unit, working with other Government departments.

Business investment

In addition, businesses must extend beyond existing prosperous areas, if local initiatives in poorer areas are to achieve their full potential. To promote to business the opportunities available in disadvantaged areas, City Growth Strategies are being piloted as business led approaches to regeneration, beginning with research into strengths and weaknesses of selected cities, which has recently been invited by RDAs. The SBS is also working with others to pilot business brokers for 9 neighbourhood renewal districts, following successful bids by (LSPs - see below). The role of the broker will include: presenting the business case for investment in poorer communities; providing one-stop shop advice to local businesses on how to actively help neighbourhood renewal; promoting private-public partnerships for regeneration; and, encouraging links between business and community projects. Both these initiatives will join up in some areas and both will feed into a growing network of volunteer business mentors available through Business Links.

Social enterprise

To widen opportunity as far as possible, the UK does recognise that, just as there must be alternative sources of funding for enterprise (see Guideline 9), so there is a need for alternative forms of business. The Inner City 100 is a showcase of the fastest growing 100 enterprises in disadvantaged inner cities. The Government is supporting the scheme, for which the first awards were announced in November 2001, including for seven social enterprises. An Inner City 100 survey showed that social enterprises are likely to constitute around 10% of the fastest growing businesses in those areas. Social enterprises help long term or hard to place individuals back into work. They offer accessible opportunities for people to develop confidence and skills as well. They are close to their customers and provide locally rooted role models for business and personal success. SBS is working with Business Links to encourage them to develop a better understanding of social enterprise and to reach out to them.

The Government is committed to improving public service delivery particularly in disadvantaged neighbourhoods as a driver for wider renewal and delivering opportunity for all. Social enterprise can also unleash the entrepreneurial talents of public service workers, enabling them to deliver local services that are more responsive to local needs. The

Government put in place a new Social Enterprise Unit in October 2001 to champion this sector. Its remit is to promote understanding of social enterprise across Government and beyond, help with the co-ordination and dissemination of information and best practice, and act as a champion for the sector. A number of Working Groups, primarily composed of practitioners and other key stakeholders, have looked at key issues and are currently reporting to Ministers. Their recommendations will help shape the Unit's targets and long term strategy.

Regional partners

Regional Development Agencies (RDAs)

In England, RDAs join up the economic activities of Government departments within a regional strategic framework. They have a great deal of autonomy so that their activities can meet widely varying economic circumstances, including large-scale restructuring. From April 2002 they are being given a single programme of funding to pursue their duties. They support activity which contributes to their over-arching target of improving their region's economic performance. They operate through partnerships with national, regional and local organisations. Some 30% of the 2002-2003 allocation of £1.5bn to RDAs has been allocated on the basis of disadvantage.

The RDAs have developed Frameworks for Regional Skills Action (FRESA), which have been endorsed by the Government. The FRESAs aim to enhance and join up the often excellent work of each individual department or agency, providing a true partnership and cohesion. A wide range of partners including TUC, CBI, local government and the ES, utilise their strengths and provide an infrastructure for the economic development of their region. The FRESA template sets out the broad strategic intent, but it is not prescriptive. It allows for the freedom and innovation necessary to allow local issues to be addressed and local solutions found. It is a significant step toward better use of local information to drive forward change and growth.

As part of its commitment to improving and modernising Government, each Summer, the Ministers consider the performance of departments and agencies against targets. RDAs have been set 11 agreed targets as part of the single finance programme. RDAs corporate plans must address the agreed targets, and will have three tiers covering objectives, outcome targets (longer term), and milestones (outputs). See Annex C. Failure to meet targets may affect future funding allocations and RDAs put monitoring and evaluation arrangements into place in April 2002. From now on they are required to report progress on milestones quarterly and outcomes annually. The single programme of funding will be evaluated biennially.

Government Offices

Government Offices (GOs) continue to be the arm of Government in the regions, responsible for implementing and communicating national policy, working closely with RDAs. GOs' strong links with local authorities and sub-regional partners mean that they are well placed to influence a wide range of policies and provide information about how they are working on the ground. They deal with many issues that are important to business including: education and skills, in collaboration with local LSCs etc; management of European structural funds; and implementation of neighbourhood renewal. The GOs encourage business engagement with local strategic partnerships.

Local partnerships

Local government

Local authorities in England have a significant stake in the work of their RDA. Four of the thirteen board members of each RDA are drawn from local government - with the choice reflecting a balance between type and size of authority, as well as geographical and political

spread.

Local Strategic Partnerships

Under the NSNR, Local Strategic Partnerships (LSPs) are being established, particularly to improve the quality and responsiveness of public services. They will be single bodies, with membership determined locally, that bring together the different parts of the public sector (local authorities, the health service, Jobcentre Plus and so on) as well as the private, business, community and voluntary sectors. The results of accreditation for LSPs in the 88 target areas was announced in February 2002. This followed a process of self-assessment by the LSPs, confirmed by GOs and key local stakeholders. Next year, Partnerships will need to demonstrate that they have made progress on their core tasks to:

- work with the local authority in preparing and implementing a community strategy, which the Local Government Act 2000 placed a statutory duty on local authorities to produce;
- develop and deliver a local neighbourhood renewal strategy to secure more jobs and close the gap between deprived neighbourhoods and the rest;
- bring together local plans, partnerships and initiatives so that mainstream public service providers work effectively together to meet local needs and priorities;
- work with local authorities that are developing a local public service agreement to contribute ideas on the targets the authority might wish to put forward, contributing to tackling deprivation.

Action Teams

By January 2002 there were 63 Action Teams in local wards with particularly high concentrations of jobless people. From January 2002, 5 of the existing contracted out teams split to form 15 separate, more focused teams. Action Teams work on an 'outreach' basis with jobless people - they take their services out to communities they help. Each team has a great deal of flexibility to assist people into work, e.g. they might provide debt counselling, or tax and insure people's cars, or provide help with childcare costs. Action Team help is open to disadvantaged groups - not just unemployed people, but inactive and non-benefit recipients too.

After one year of operation to mid-October 2001, the teams had engaged with over 39,401 jobless people and found work for 16,811 of them - 43% into jobs. The evaluation of the first year's operation is now being considered. The development of Action Teams will benefit from this assessment and the continuing monitoring and improvement process that is in place.

European Social Fund (ESF)

One of the key priorities of ESF is to reduce the impact of disadvantage faced by excluded groups and support their integration into the labour market through target group or area based approaches. ESF adds value to projects which support the National Neighbourhood Renewal Strategy, across the UK's most deprived neighbourhoods.

For example, in Wales ESF is used to support initiatives including Communities First, People in Communities and NDC. It adds value by allowing projects to build capacity of community groups. Merthyr Tydfil County Borough Council's Neighbourhood Learning project uses ESF to help economically inactive and socially excluded residents become involved in lifelong learning as a stepping stone to employability through ES projects. In Tower Hamlets, London, ESF Objective 2 is used to fund training for the Cultural Industries Development Agency to enable it to support and train people in the creative industries who are at risk of becoming long term unemployed. Most of the final beneficiaries will be from black ethnic minorities.

ESF also adds value to Action Teams, which have begun to work locally with partners to match fund ESF to add value to current provision. For example, in the Objective 1 area of

Cornwall ESF has added value to the Cornwall Action Team by helping to pay for: additional Community Development Workers, who work together to provide training and job search advice for the most disadvantaged people; and additional creche, childcare, training and job search facilities. ESF also helps support an outreach base which will help Action Team clients access to much improved facilities.

In Scotland, ESF Objective 2 (West North Ayr) ESF adds value to the Modern Apprenticeship Plus scheme by adding additional support to socially excluded residents in North Ayr - enabling them to access and complete their Modern Apprenticeship programme. The Scottish Objective 3 programme also assists the Prince's Trust Young Offenders Youth Opportunities programme by helping over 500 young ex-offenders to improve the quality of their lives and their communities and by helping them develop skills and employability.

ESF adds value to the Employment Zones (EZ – see 2001 Plan) initiative. EZs aim to provide new and innovative solutions for areas experiencing high levels of unemployment. They target claimants who are long term unemployed. ESF funds additional and specialist support for hard-to-help clients such as people who are very long term unemployed, people who lack basic skills and people with mental illness. Examples of projects include: Action For Employment in the Liverpool EZ, which aims to develop employability through basic skills training, work placement and vocational support; and, Birmingham's EZ which uses ESF to provide 150 residents of the Kingstanding ward with careers advice and motivational support.

Guideline 12: Tax reforms for employment and training (see Annex A)

The UK tax climate contributes to the low overall business costs and business friendly climate (see Guidelines 8 and 9). The Government has made tax-benefit reform a central part of its overall strategy to help people move from welfare into work (see Guideline 2). Increasing incentives to take up work at the lower end of the income distribution has played a large part in the UK's 'making work pay' agenda.

Tax burden on small business

The UK has the most favourable corporation tax for small companies in any of the advanced industrialised countries and a capital gains tax regime more favourable to enterprise than that of the United States. To continue building a modern regime, the Government announced proposals in Budget 2002 for new exemptions from tax on some gains, a cut which could cover three quarters of all business, and changes which mean that companies with smaller taxable profits will pay no corporation tax at all.

Having assisted small firms manage their scarce resources with these important steps on corporation and capital gains tax, the Government will go further and reform the administration of VAT. To start with the burden of having to record VAT charged on every individual purchase and sale will be removed. A new flat rate calculation for VAT payments applies immediately and from April 2003 will include almost half VAT-registered firms - 700,000 small firms. For the same group, automatic fines for late payment will be abolished. To cut compliance costs and improve cash flow, a new system will allow approved companies to defer paying VAT on imports until they submit their VAT return, after consultation on the detail. Finally, in response to requests from the small business community, a new rule on bad debt relief will allow VAT recovery after six months.

Fiscal policy and skills

The Government has placed a lot of emphasis on freeing up investment into human resources, and all expenditure by employers on training and education are 100% tax deductible. Employee training is not considered as a benefit in kind, so it is not subject to income tax.

Expenditure on training is tax deductible, but furthermore, the Government announced in the Pre-Budget Report (November 2001) that it will launch pilot initiatives in April 2002 (to begin in September 2002) to test new policy approaches aimed at increasing training levels among those lacking basic skills and level 2 qualifications (see Guideline 4). Employer Training Projects will explore a possible new policy approach based on 4 key elements:

- free learning provision and accreditation for employees without basic skills or level 2 qualifications, to work towards recognised qualifications in areas which could raise productivity, up to the level 2 standard (including basic skills), with approved providers. This would build on the current provision of free courses for basic skills under the Government's Skills for Life initiative;
- some form of arrangement for individuals to take up training - such as a minimum entitlement for all employees who have not attained basic skills or level 2 qualifications to paid time off each year to train towards the standard. The Government will explore different possible time periods in the pilots;
- financial support for employers whose staff take time off to train to acquire basic literacy, numeracy and ICT skills and to progress to level 2, with additional financial incentives for small firms. This financial incentive could be delivered through a tax credit or other mechanism. The Government will consult on these options, and will explore different levels of compensation in the pilots; and,
- extended information, guidance and support for employers and individuals taking part in, or considering taking part in, any new system. Among other possibilities, these could include arrangements along the lines of Union Learning Representatives, which have proved successful.

The Environment

Taxation sends a clear message about Governmental priorities, and the UK Government's statement of intent for environmental taxation is to use the tax system to promote sustainable growth, by shifting the tax burden away from "goods", such as employment, towards "bads", such as pollution.

The Government is developing a Green Technology Challenge, which is intended to give tax incentives for investments in qualifying environmentally beneficial technologies. The Climate Change Levy, introduced in April 2001, taxes energy used by business and the public sector. This is offset by support for energy efficiency and a cut in employers' National Insurance Contributions (NICs). This is to encourage employment and ensure that Levy revenue is recycled back to business. The Government is also preparing to introduce a new Aggregates Levy, which will also be offset by a cut in employers' NICs, and a new Sustainability Fund to reduce the environmental impact of aggregates extraction. Budget 2002 in April also introduced an exemption for all electricity produced by combined heat and power from the Climate Change Levy. Electricity generation from coalmine methane offers new employment opportunities as well as environmental gains, and this too will, from this summer, be exempted from the Climate Change Levy.

PILLAR III. ENCOURAGING ADAPTABILITY OF BUSINESSES AND THEIR EMPLOYEES

Guideline 13 & 14: Modernising work organisation

These Guidelines (see Annex A) address activity which impacts on how work is managed, through activity by the unions and employers - the social partners - or in collaboration with them. The UK Government is committed to maintaining a framework and environment conducive to the on-going modernisation of the organisation of work. Within the UK's

decentralised and voluntarist tradition, the social partners are key players in the pursuit and delivery of this modernisation.

Modernising work organisation

The social partners in the UK are involved at all levels in the process of modernising work organisation.

Since the previous Plan, further work has been taken forward in partnership to deliver real changes to the workplace, to raise productivity, to bring even more flexibility to the labour market and to promote new forms of working. Projects here include:

- the CBI's 'Work Organisation Project': by drawing on examples from company case studies, the CBI is highlighting to UK employers the opportunities to improve their business performance and to enhance the opportunities available to their employees by making improvements to work organisation. The project is receiving Objective 3 Funding via the UK Work Organisation Network;
- the CBI's '*HEADSTART*': launched in April 2000 as a benchmarking and evaluation tool for companies to enhance their performance by reviewing their people management policies and practice through facilitated discussions with a cross-section of employees. The tool is organised around the themes of work organisation, leadership and culture, employee development and employee involvement. By July 2001, in excess of 1000 businesses had benefited from a package of benchmarking tools, including 'Headstart';
- the TUC and the CBI project 'Partnerships for Prevention' : a toolkit for a joined up approach to health and safety with a set of case studies;
- the TUC partnership process 'Changing Times': launched in August 2001 as an innovative way to help unions and managers at plant level organise work in a way that gives employees more choice over the pattern of their working hours whilst improving organisational efficiency and becoming more customer-focused;
- a partnership pilot project 'Our Time': initiated by the Inland Revenue and civil service unions, with TUC assistance, to give staff more options about when and how they work their hours, including compressed working, time-banking and no-core flexitime. It is hoped that the pilot will provide a template for the Inland Revenue and other Government departments;
- the 'Partnership Fund': which supports organisations who are committed to working in partnership with employees to solve business issues and to develop better employment relations within the workplace. 112 projects are being funded jointly by the Government and by the applicants and this is likely to rise to 150 projects by May 2002. The Fund produces a report and website to disseminate good practice arising from the projects. The Government will be providing a further £20 million to expand the Fund and other best practice initiatives, and is asking the CBI and TUC to advise on priorities.

Although the UK system is not characterised by formal national and sectoral structures, a sectoral agreement – '*Modernising Work in Local Government*' – has been adopted to enhance the role of social partnership in modernising employment relations within local government. This covers development of employment policies and procedures to achieve fairness and equality in pay, access to training and promotion, and to develop work-life balance. It also provides a commitment to the implementation of locally agreed development plans designed to enhance investment in skills and individual development across the workforce.

The TUC, CBI and CEEP UK are also involved in promoting new forms of working through membership of the Teleworking Working Group which is helping the Government to draft a Code of Practice on teleworking, a potentially high growth area for employment.

Reconciling work and family life

The UK is continuing to look into ways to provide working parents with more choice to balance their work and family lives while recognising the needs of business. An independent Work and Parents Taskforce, which included the TUC and CBI, was established in June 2001 to examine how best to implement a legislative duty for employers to consider seriously requests for flexible working from employees of young children. This duty will be implemented in the Employment Bill, discussed in more detail below.

The ability to work flexible hours has an important role to play in allowing workers to better reconcile work-life balance. The number of hours people work varies considerably.¹⁴ On average, for those in employment, average actual hours of work was 32.6 hours a week for all workers, down very slightly from 33.0 hours per week a year earlier. Women worked fewer hours than men on average, 26.6 hours a week compared to 37.6 for men. Average actual hours worked by women per week was unchanged over the year, but fell very slightly for men. However, it is important to note that there is no “standard” working week in the UK. It is this diversity that provides people with the choice of work to suit their individual needs and circumstances. This flexibility is particularly important for women. 44% of all women in work, take advantage of opportunities for part-time employment because they choose to, not because they cannot find a job (but just 9% of male employment). Only 6% of women said they worked part-time because they could not find a full-time job.

The legislative framework

Since 1997, the UK Government has put in place a comprehensive framework of decent minimum standards in the workplace without damaging employment levels. Every employee now has the right to a minimum wage, paid holidays, rest breaks, time off for family emergencies and parental leave and part-time workers have the same rights as their full time colleagues.

An Employment Bill currently before Parliament will add to this approach through a balanced package of support for employers and employees. The Bill will:

- make it easier to settle disputes in the workplace rather than resorting to an employment tribunal. It encourages firms to develop in-house procedures for handling grievances and disciplinary issues;
- standardise qualification and notification periods, reducing red tape for employers, and increase the threshold for small employers' relief when administering maternity, paternity and adoptive pay;
- impose a duty on employers to consider seriously requests from parents with children under 6 who want to work flexibly;
- prevent discrimination in pay and pensions for fixed term employees, which would have not been possible otherwise under Regulations to implement the Fixed Term Work Directive;
- introduce a new right for union learning representatives to have time off to ensure that they are adequately trained and to carry out their duties.

Other steps are being taken to implement the Work and Parents Green Paper. In January 2002, the right to take time off in addition to paid parental leave, was extended to working parents of children born or adopted between 15 December 1994 and 14 December 1999. At the same time, working parents of disabled children had their unpaid parental leave entitlement, which again was in addition to paid parental leave, increased from 13 weeks to 18 weeks.

An important role is also played by legislation agreed at the EU level. The Government

¹⁴ LFS December 2001-February 2002

continues to work closely with the Social Partners when implementing directives. Building on the success of the approach adopted to implement the Part-time Work directive, the TUC and CBI's participation in the Fixed Term Work Working Group has facilitated a common understanding of the likely impact of the regulations that will implement the Fixed Term Work Directive when the Employment Bill is passed, ensuring that all employers and workers receive the necessary information to adapt to the new provisions.

The Government has launched a public consultation on implementation of the Article 13 Directives tackling discrimination in employment on the grounds of age, disability, race or ethnic origin, religion and sexual orientation. The TUC, CBI and other business and employee groups are being closely involved.

The Government has also published, for public consultation, formal proposals to reform the Transfer of Undertakings (Protection of Employment) Regulations 1981, which implements the Acquired Rights Directive in the UK. The aim of these proposals is to improve the Regulations' operation for business as well as employees in the light of changes that have taken place since 1981, including the 1998 revision of the Directive. The Government considers that this reform should help to 'take the fear out of transfer' for the affected employees and so help to secure their co-operation with and commitment to the process of necessary business restructuring and public sector modernisation. The Government envisages placing new Regulations before Parliament later in 2002.

The Government is overhauling and modernising the existing legislative framework governing agency conduct to ensure that the revised Regulations achieve the correct balance between the interests of agencies, work-seekers and hirers. This will place tighter controls on client accounts, upfront fees from those seeking work and transfers fees when people switch to permanent employment. The draft Regulations are expected to be laid before Parliament later this year.

Health and safety – sustainable development

The Government believes that good standards of workplace health and safety have a key role in guaranteeing a sustainable work environment. Health and safety measures which are commensurate with the risk of the work activity underpin an efficient labour market by giving workers the protection they need to be able to contribute as active members of the workforce throughout their working lives. This is particularly important in view of the demographic changes reflecting an ageing workforce, and changing working patterns - well-established sources of risk.

The UK strategy is based on the principle that good health and safety is also good business, and a sound working environment increases productivity and competitiveness. Proportionate regulation of health and safety and effective management of occupational risks, which prevent injuries and illnesses, result in fewer staff absences and greater productivity, while at the same time contributing to effective governance of corporate risk. For individuals it improves their employability, and raises morale.

The UK's tripartite Health and Safety Commission (HSC) represents employers, employees, local authorities and the public interest, and has specific responsibilities for maintaining and improving health, safety and welfare at work. This ensures that the social partners and their stakeholders are fully involved in the development and delivery of public policy on health and safety - including the implementation of Community law. Furthermore, workforce involvement, and in particular the work of safety representatives, has made an important contribution to raising standards of health and safety in the last 25 years.

In June 2000, the HSC adopted national outcome targets as part of a new National Strategy to deliver radically improved health and safety by 2010:

- reduction in the number of working days lost per 100,000 workers from work related injury and ill health by 30%;
- reduction in the incidence of fatal and major injuries by 10%;
- reduction in the incidence rate of loss of work related ill health by 20%; and
- achieve half of each improvement by 2004.

The strategy also focused on strengthening enforcement, more effective working with SMEs, improved training and targeting high risk sectors and activities.

The Health and Safety Ministers and the HSC have over the past year engaged industry sectors to contribute to the delivery of these national targets by taking ownership of setting and delivering their own targets. A good deal of progress has been made: 25 industry sectors have publicly signed up to targets in occupational health and safety. The construction industry, for example, has pledged to reduce the rates of fatalities and major injuries by 66% by 2010 and the health services sector aim to reduce all accidents by 30% by 2004. The Paper and Board and quarrying sectors aim to reduce accidents and injuries by 50%.

Although it is too soon to measure delivery of such targets, there are signs (from research work) that targets stimulate the adoption of clear objectives for organisations, managers and employees. It is expected that sectors will deliver targets via specific projects - such as that on manual handling in an Health Service Hospital Trust which reduced the cost of injuries at work from £800k to £25k and hours lost dropped from 6,720 to 192 between 1993 to 1999. This was the equivalent of having 25 nurses at work every day. Costs for this project, including purchase of equipment, were £280k.

Guideline 15: Supporting adaptability in enterprises through Lifelong Learning (see Annex A)

Principal objectives of the UK's lifelong learning strategy include: developing the skills and knowledge necessary for a productive workforce and a globally competitive economy; fostering greater creativity, innovative thinking and enterprise; and increasing and widening participation in learning. Within that context, the conditions for giving everyone in the UK who is employed or able to work the opportunity to achieve information society literacy are covered under the UK's response (in the Overview) to the Council Recommendation on workforce development, Guideline 4 on lifelong learning and Guidelines 6, 10 and 11 on sectoral and regional needs. Many of the initiatives covered in more detail in those sections are implemented through partnerships. For example, the University for industry (Ufi), which operates under the brand name 'learndirect', works with partners to boost people's employability, and organisations' productivity and effectiveness. The learndirect network has centres that are grouped into hubs and these can be sectoral and can be located in employers and unions.

Productivity challenge

The CBI and TUC published their historic joint report on the Productivity Challenge in October 2001. This made an important contribution to the agenda which they share with the Government on raising the skills of the UK workforce. For some time, the CBI and the TUC have clearly demonstrated their commitment to this agenda by facilitating learning at work, with their campaigns and services. Their work since the Productivity Challenge report has focused on skills up to intermediate level. In particular, they have identified the following priorities:

- tackling the basic skills problems of individuals;
- introducing targeted incentives to help raise skills levels amongst those with low or no qualifications;

- increasing the proportion of the adult workforce qualified to level 2; and
- increasing the number of small organisations who meet the Investors In People (IiP) standard.

For future action, the TUC and the CBI will:

- raise awareness of basic skills problems - they will be supporting a Basic Skills Champions Group (to advocate with the Government action to raise skills);
- work with their members to ensure that employers, employees and unions are aware of the benefits of training and help spread good practice - a joint document on basic skills case studies, including on ICT, is imminent;
- seek to work with other employer representative bodies, individual trade unions and relevant agencies to encourage the spread of good practice across all sectors and ensure a consistent approach.

They have made proposals to Government which are under consideration in the context of the annual review of public spending.

Union Learning Fund

The Union Learning Fund (ULF) has enabled unions to work with employers, National Training Organisations (currently being replaced by Sector Skill Councils) and providers to increase employee demand for learning and to raise skills levels. The ULF has now completed its fourth year, and has to date supported 311 projects from over 66 unions, working in almost 3,000 workplaces. The projects have ranged from basic skills to continuing professional development, and have achieved some impressive results:

- almost 14,000 people have taken part in learning;
- 3,250 Union Learning Representatives (ULRs) have been trained;
- 66 new learning centres opened;
- 160 accredited courses and qualifications established;
- over 25,000 people have been reached by awareness raising activity;

Union Learning Representatives

A consultation ended in July 2001 on giving ULRs statutory recognition in the workplace, to raise their profile and improve their effectiveness. The Government believes that ULRs are already very effective at encouraging workforce development, particularly among workers with the lowest levels of skills, who may be sceptical about management efforts to get them to train. However, to reinforce their role and boost their numbers, the Government has proposed statutory recognition for ULRs that would provide them with time off to carry out their duties and to receive sufficient training. It would also ensure that employers, union members and union officials cannot doubt their legitimacy. Legislation has been put before Parliament to give ULRs these new rights and protection against victimisation.

Investors in people

IiP is a success throughout the UK – at January 2002, 25,595 organisations are recognised and 20,249 more are working towards recognition. This means that 40% of the UK workforce work in organisations covered by the Standard. As part of Investors in People (IiP) organisations ensure all employees have individual learning development plans. This reflects the approach advocated in the framework of actions for the lifelong development of competencies and qualifications recently concluded by the social partners at EU level. Progress against IiP targets is reported under the response to the fourth Recommendation. Findings from '*The Wider Role and Benefits of IiP*' report (PACEC. 2001): 73% of recognised companies surveyed said the Standard had been very or fairly useful in helping the organisation achieve its overall objectives; 64% said it had a positive impact on the

organisation's culture; 50% said it had a great or fair impact on business growth or performance; 47% said that since achieving recognition the effects and impacts had accumulated. In Budget 2002 the Government made a key response to the social partners' Productivity Challenge work by announcing that finance will be given to help more small businesses achieve liP status.

ICT skills

Basic skills - literacy and numeracy - are a high priority for the UK and an essential precondition for Information and Communication Technology (ICT) skills. Therefore, the development of ICT skills is generally served by the UK's strategy for lifelong learning and the skills agenda. The Government measures progress against the Learning Targets (see Guideline 4) on, for example, the position of adults in employment (or actively seeking employment) on the ladder of vocational qualifications.

Specifically, it is estimated that by 2006, 90% of all jobs will require basic competence in keyboard and ICT skills; and the UK needs more ICT skills at technician level. Actions to address this include:

- in line with the Government White Paper on enterprise, skills, and innovation, (February 2001 - see last Plan), New Technology Institutes will provide ICT learning programmes, working closely with local small businesses through consortia involving education institutions and business partners. These will also address the regional needs covered under Guidelines 6 and 11 in particular by making appropriate links with Centres of Vocational Excellence, University Innovation Centres, the Small Business Service, the Manufacturing Advisory Service, and Regional Development Agencies;
- the TUC, with partner colleges, already runs an extensive programme of IT training for members and, under the umbrella of the Ufi, 'learndirect' already provides courses in IT skills (80% of courses taken are in this area) and delivers, or makes available, three quarters of its courses through the website. Taster courses are being developed for trade union members on Ufi, covering basic ICT skills for using technologically driven learning programmes.

PILLAR IV. STRENGTHENING EQUAL OPPORTUNITIES POLICIES FOR WOMEN AND MEN

The UK Government wants to ensure women's talents are used to the full and are fairly rewarded. It is introducing a range of strategies to ensure that women are not held back by restricted career options, by breaks in their career, or by the choices they make because of their caring responsibilities. It aims to ensure women reach their full potential by:

- tackling gender stereotyping;
- improving support for women returning to the labour market;
- promoting work-life balance;
- raising skill levels and opening up access to lifelong learning; and,
- ensuring that the Equal Pay Act is applied efficiently and effectively.

The Women and Equality Unit (WEU) supports the Ministers for Women in helping the Government put gender policies at the heart of Government. The WEU's aim is to bring about measurable improvements in the position of women that will benefit all of society. It works on specific issues on a project basis alongside the Prime Minister's office and central Government departments. It also has responsibility across the UK for policy and legislation on gender equality and sexual orientation and sponsors the Equal Opportunities Commission (EOC), as well as ensuring the UK fulfils its international obligations and raises the profile of women's issues in the EU.

At 69.3%, the employment rate for women is now the highest since the Labour Force Survey

began in 1984 and is well above the EU's Lisbon target. The UK has one of the highest female labour market participation rates in the EU (45%) and is one of the few countries with a lower ILO unemployment rate for women than for men - 4.4% compared with 5.6%. (The rate is even lower for older women.)

Guideline 16: Gender Mainstreaming (see Annex A)

Non-Government bodies

By modernising the way it works, the Government aims to make life better for people through policies that are inclusive and fair, and services that respond to their needs. To achieve this, policy-makers have been asked to broaden participation in Government through the process of consultation, to improve the use of evidence and research in order to understand the problems being addressed, and to learn lessons for the future from experience. Accordingly, as well as the EOC, the Government also works closely with the EU's Equality Advisory Committee and the Women's National Commission (WNC) - an official, independent advisory body which gives the views of women to Government.

Contact with women and their representatives is not only through well-established bodies but also through specific fora for particular campaigns. This reflects the UK's approach to social partnership more broadly, by focussing expertise on specific issues. For example, along with other Government departments, NGOs and various voluntary sector organisations, the WEU is also a member of a roundtable group on violence against women set up by the WNC. This directly informs policy developed to tackle domestic violence. The WEU has also set up a National Reference Group for the EU trans-national project 'Towards a Closing of the Gender Pay Gap' (see 2nd Council Recommendation in Overview). The Group consists of representatives from business associations, trade unions, the EOC, NGOs and officials from different Government departments. Alongside this, the WEU continues to hold a strong relationship with the regional network of women's organisations.

Gender impact

Gender mainstreaming is a strategy for addressing gender equality: accepting and valuing equally the differences between women and men and the diverse roles they play in society. It aims to achieve greater equality between women and men by bringing a gender equality perspective into everyday policy-making (into the mainstream), and by complementing the more traditional approaches to promoting gender equality, such as legislation and positive action.

The Government issued the Policy Appraisal for Equal Treatment Guidelines to all departments in November 1998. They were produced to help policy-makers consider the impact of their policies on women, people from different ethnic minorities and disabled people. The Guidelines underlined the Government's commitment to the equality process, by highlighting the simple steps that officials need to take from inception to delivery of policies. When policy proposals are presented, they must include an impact analysis which clearly brings out the effect on the priority groups, and how any relevant differences have been addressed.

During 2002-03, the WEU is producing a Gender Impact Assessment (GIA) framework to help assess the impact of policies and services on women and men. This document will support more effective policy-making by explaining the concept of gender mainstreaming and by providing the GIA tool. In short, the GIA consists of a sequence of steps to be followed paying attention to, among other matters, the following topics: identifying issues, defining outcomes, collection of data, communication strategy, monitoring and evaluation. In developing the GIA Framework WEU drew on work carried out by the Council of Europe, NGOs and liaised closely with other Government departments.

The European Social Fund (ESF) Objective 3 Programme and the Community Initiative EQUAL also make an important contribution by establishing an equal opportunities mainstreaming management system. Key components are:

- a Mainstreaming Action Plan for Great Britain (GB) together with an English Operational Programme and equivalent approaches in Wales and Scotland;
- in England, a reporting template linked to the English Operational Programme and an annual reporting round;
- establishment of an Equal Opportunities Working Group, whose terms of reference include reporting on progress to the Objective 3 GB Monitoring Committee. Equal opportunities are a standing item on the agenda for the Monitoring Committee;
- ad hoc equal opportunities workshops, organised by the ESF Unit, for officers responsible for the implementation of equal opportunities mainstreaming in the regional Government Offices in England; and,
- plans currently being carried forward, with a view to training project assessors and selectors on equal opportunities.

Measurement

The WEU commissioned in September 2001 a project called 'Key Indicators of Women's Position in Britain' with the aim of providing a comprehensive overview of available up-to-date information on the position of women in Britain. This review will cover a wide range of areas, such as employment, work-life balance, education and training, financial resources, participation in public life, crime, health, transport, housing and leisure-time activities. The project will produce a set of indicators which will be accurate, relevant and as economical as possible to collect and up-date. This will provide a baseline against which to monitor improvements in the position of women relative to that of men in the UK.

The WEU 'Gender Briefing' also provides a wide range of statistical information on women's position in the labour market and is up-dated every quarter. The Briefing is disseminated widely and posted on the Unit's website. It provides a framework for public debate and is widely used by academic researchers and other with an interest in gender issues.

The Government's statistical body, the Office for National Statistics, collects a very wide range of labour market data disaggregated by sex, including data on employment, unemployment, earnings and economic activity. This data is used for the statistical annexe of this Plan which breaks down by gender the performance data for the EU indicators. The Gender Research Forum, established in June 2001, is organised and run by the WEU and co-sponsored by the Economic and Social Research Council and the ONS. It provides users and providers of gender research with an opportunity to exchange information and views on current gender-related research, and has been established in conjunction with existing groups and networks, such as the EOC's research database. Finally, the Government also meets regularly with the Women's Budget Group, consisting of leading academics who work on gender issues.

<i>Guideline 17: Tackling gender gaps</i> (see Annex A)
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The Government's target for increasing the proportion of lone parents in work, nearly all of whom are women, is key to increasing participation in the labour market generally so that employment opportunity for all can be achieved. As reported in previous Employment Action Plans, New Deal for Lone Parents (NDLP) provides the principal engine to achieve this. The voluntary programme provides a range of support to lone parents who want to work, including advice on childcare, training and in-work benefits. From its launch in October 1998 to January 2002, 318,990 lone parents have participated on the programme with 132,730 moving into jobs.

One of the Government's key policy objectives is to close the gender gap in skills, work and pay. The Government's main concern is that if any pay gap exists it should be the result of women's genuine choices and not the result of any barriers to their choices. Further information is given in the response to the Council's second recommendation (in the Overview).

Progress continues to be made on the position of women in the UK labour market, both in terms of their level of participation in paid work and in the range of occupations open to them¹⁵. To do more, the emphasis in the UK is to use women to actively promote career choices to other, especially younger, women. Being central to a knowledge economy, priority is being given to Science, Engineering and Technology (SET) policy making. The target of 25% involvement of women on SET related advisory bodies by 2000 has now been increased to 40% involvement by 2005.

Other key initiatives include:

- *Science Year* in the UK (September 2001-02) which is involving women in SET at the planning stage and is bringing organisations closer together. Grants are available for *Science Week* and other small events, as these can reach a large audience - e.g. 5,700 girls and women were at Science Week 2000;
- the ATHENA project, funded by the Office of Science and Technology and the Higher Education Funding Councils, aims to address under-representation and retention of women in the academic sector by actively promoting the wide range of scientific or technical careers available and by providing young women with appropriate role models;
- the Speaking Out Project aims to build a pool of women scientists and engineers to visit schools and careers fairs. The Project aims to visit every school by 2003 and will also offer training and resource packs;
- a study of the education and employment of women in Information Technology and Electronic Communications (ITEC) in UK, USA, Spain, Ireland, Canada and Taiwan, was launched in November 2001. It considered good practice and identified actions for the UK to improve the participation of women in this sector;
- the UK is also a participant in the European Women Experts Database which was re-launched in September 2001. The database contains names of high profile women known to be strategic-thinking experts with good presentational skills.

The WEU is working closely with the EOC, TUC and Opportunity Now in the EU project 'Advancing Women in the Workplace'. The UK is leading this trans-national project under the Community Framework Strategy on Gender Equality (2001-2005), and work will culminate in 2003. The objectives are to: a) get a thorough understanding of the position of women in the EU labour market, and in particular the barriers to women's advancement in the three partner countries (UK, Ireland, Denmark); b) facilitate sharing of good practice across the three partner countries to help social partners tackle barriers to women's advancement; c) produce and disseminate widely good practice examples; and, d) help develop networks across the EU.

To ensure that the diversity of women's experiences, their perspectives and their voices are reflected at the highest levels, the Government introduced the Sex Discrimination (Election Candidates) Act in 2001. The Act enables political parties, if they so wish, to adopt positive measures to reduce inequality in the numbers of men and women elected as representatives of their party.

The Government is aiming to encourage more women, including ethnic minority and

¹⁵ 'Women and the LabourMarket'. National Statistics. Labour Market Trends, Brenda Twomey, March 2002

disabled women, who are already involved in public life at local or regional level, to apply for national public appointments. The WEU are running seminars in the English regions which will be attended by ministers and by representatives from academia, school governing bodies, health service trusts, magistrates, rural and environmental groups, local business organisations and the voluntary sector. The WEU will be running a further targeted seminars in partnership with Opportunity Now, aimed at women in enterprises, with the TUC and with the Commission for Racial Equality.

Guideline 18: Reconciling work and family life (see Annex A)

Providing employment opportunity also depends on providing flexible forms of work so that people, particularly women, have a real choice. This means they should be able to manage their job alongside their responsibilities outside of work.

The Government, through its Work-Life Balance Campaign, is persuading and encouraging employers to introduce ways of working which meet the needs of the business and their customers, while simultaneously enabling all employees to strike a balance between work and home responsibilities. Many parents benefit from these flexible working policies - both those already in the labour market, and those who plan to return to it.

This is underpinned by a Childcare Strategy so that women have a real choice about work. Through the Strategy, the Government is working with families, providers and partners to increase the availability of affordable, accessible, good quality childcare in every neighbourhood. It is also actively promoting the development of integrated early education, childcare and other family support programmes.

Mothers looking to return to work are a very diverse group. For those who have been out of the workplace for some time, the WEU hold 'taster days' in a range of fields. These give participants a better idea of opportunities that are available and the support offered to help them overcome the barriers they may face. 'Taster days' also help the Government to gather evidence and draw out key policy lessons.

Childcare

The Childcare Strategy has resulted in a major expansion of childcare provision. The Government is on track to meeting its ambitious target of creating 900,000 new childcare places for 1.6 million children by 2004. It has also set a target that there should be a childcare place for every lone parent entering employment in the most disadvantaged areas. Detailed information is given in the response to the second Council recommendation (in the Overview).

The Government has confirmed the establishment of up to 900 Neighbourhood Nurseries in the most disadvantaged areas by 2004. These will become centres of community activity, critical to the regeneration of their areas and will work closely with other local schemes for children and families. Early Years Development and Childcare Partnerships have already created the first 'Neighbourhood Nursery' places in existing settings, and the first new Nurseries have now opened.

Early education and support services

The Government is also continuing its financial support to state nursery schools to encourage them to develop and extend their facilities, including branching out into offering childcare and other services. And the current Education Bill includes provisions to give school governing bodies more freedom to develop facilities and services such as childcare, after school study and family learning within their schools to benefit pupils, their families and the wider community. The Government has committed itself to create, by 2004, up to

100,000 new full-time places for 3 and 4 year olds offering integrated early education and childcare support and to establish, by 2004, up to 100 Early Excellence Centres as beacons of good practice in integrated early years and family support services.

Rights to time off

Childcare provision is underpinned by a comprehensive package of rights. Since December 1999, all employees have had the right to a reasonable amount of time off to deal with emergencies involving a dependent. Many rights are being updated. From January 2002, rights to parental leave have been extended. In 2003, there will be further increases to maternity leave (to one year in total), statutory maternity pay (from 18 weeks to 26 weeks), and paid paternity leave for working fathers. From 2003, employers will have a duty to seriously consider requests for flexible working arrangements from parents with children under the age of six.

Flexible working

Legislation apart, some employers have found that by introducing flexible working policies they have been able to recruit and retain skilled staff who might otherwise have found it hard to combine work with their family commitments. The Government's long-term aim is that everyone should feel they have more choice and control over their working hours than at present.

The rationale of the Work-Life Balance Campaign remains to demonstrate convincingly to employers, through research evidence and good practice case study evidence, the business benefits of introducing flexible working policies - such as increased recruitment, retention and morale, and improved sickness and stress absenteeism rates.