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The Causes and Dynamics of Worklessness: Literature Review February 2009



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1 Introduction

The Observatory is undertaking a 3 year programme of research to inform the Economic Inclusion Panel. As part of the wider programme of work on economic inclusion, several projects were identified by partners as key areas for future research. One of the areas identified was the causes and dynamics of worklessness.

As there is a wide range of research and information available on this topic, and in order to gain a full understanding of the gaps in the available evidence, the Economic Inclusion Data Group agreed that the first stage of this project was to undertake a thorough review of the evidence via a literature review. This report presents the findings of this literature review.

Much has been written over the last few years on the subject of worklessness and in particular on the concentrations of worklessness in certain communities and among particular groups of people. Tackling worklessness has become a priority for the Government and as such there are several national targets that are focused on this issue. The new Public Service Agreements (PSA) set out the priorities for Government during the spending period 2008-2011 and there are two PSAs that are directly relevant to the issue of worklessness. PSA 8 aims to 'maximise the employment opportunities for all' and will be measured by a reduction in the gap between the employment rates of some of the most disadvantaged groups (disabled people, lone parents, ethnic minorities, people aged 50 and over, those with no qualifications, and those living in the most deprived local authority wards) and the overall population and a reduction in the number of people claiming out-of-work benefits and the time people spend on these benefits. PSA 16 aims to increase the proportion of socially excluded adults in settled accommodation and in employment, education and training. There are four groups of socially excluded adults included in this target: offenders, care leavers, adults with mental health problems and adults with learning difficulties. An analysis of the issues facing most of the groups targeted by these two Government policies has been included in this literature review.

One of the new Government initiatives to tackle worklessness is the Working Neighbourhoods Fund (WNF). This fund will be provided to 65 eligible local authority districts to tackle worklessness. Eligibility was defined using data from the Index of Multiple Deprivation 2007 and a weighted measure of the number of people claiming benefits and the number of workless people in each authority. In the West Midlands, the eligible authorities are Birmingham, Sandwell, Stoke-on-Trent, Walsall and Wolverhampton.

In the literature various different definitions of worklessness are used. In the work to produce a set of indicators on economic inclusion, the Observatory, in discussion with partners, used a broad definition of worklessness that included everyone of working age¹ who is either ILO unemployed² or economically inactive. Or, to put this another way, it includes everyone of working age who is not employed (this can be calculated as 1 minus the employment rate). In some of the literature the focus is on more limited definitions of worklessness, either unemployment alone or people claiming out-of-work benefits. Where this is the case, this has been specified in the text (or is obvious from the term used) and so in general in this review, worklessness refers to everyone who is not employed.

Using this definition gives a worklessness rate in the West Midlands of 28% compared to 26% nationally (2007 data). These figures equate to nearly 900,000 workless people in the West Midlands of whom over 80% are economically inactive and the remainder are unemployed. Throughout the report, statistics relating to the rate of worklessness for specific groups of people have been presented. In the main, these are taken from data produced for the economic inclusion indicators which were developed by the Economic Inclusion Data Group to provide a snapshot of the position of the West Midlands with respect to economic inclusion.

During the literature search, it was found that several literature reviews have already been conducted around the issue of worklessness. Where appropriate, and where a literature review has already been completed around a specific issue e.g. on a specific group of people facing worklessness, the literature review has been referenced rather than duplicating work by returning to each reference in the review.

The report is split into three sections: the first section concentrates on the causes of worklessness, the second looks at the dynamics of worklessness and the third section assesses the gaps in the existing evidence. Literature from the last 10 years has been included and where possible the focus is on the West Midlands, although the majority of the research and evidence is national.

¹ Women aged 16-59 and men aged 16-64

² International Labour Organisation definition of unemployment and includes those who are actively seeking and available for work.

2 Causes of Worklessness

To try to understand the causes of worklessness it is necessary to look at the risk factors for becoming workless and the factors that act as barriers to employment. To do this we have looked at the groups of people who are more likely to become workless and the main issues, risk factors and barriers affecting each group. The barriers to employment can be understood as causes of worklessness and can act on several different levels, and each of these is considered in this review. Individual and household level barriers (or those acting within the supply side of the labour market) are presented in section 2.1 during the discussion of the groups of people at risk of worklessness. Then in section 2.2, demand side factors, which relate more to structural level barriers, are discussed.

Section 2.3 provides a summary of the causes of worklessness and picks out some of the key issues and overlapping barriers identified through the study of particular groups of people at risk of worklessness.

Although much of the literature and statistics show a correlation between certain groups of people and higher rates of worklessness, it is important to bear in mind that for many of these correlations there is little evidence to show causation. For example, when looking at workless people living in deprived areas (section 2.1.13) we don't know whether people are living in these areas because they are workless or whether they are workless because they are living in a deprived area; the causal direction is not clear. So in some respects presenting these issues as causes of worklessness may be incorrect. However, because of the disproportionate level of worklessness among certain groups, this remains a good way to try to understand worklessness and present the issues.

2.1 Groups at risk of worklessness and associated barriers to employment

A recent report from the Department for Work and Pensions states that “unemployment and economic inactivity (together termed as ‘worklessness’) have become progressively concentrated within certain groups and within particular geographical communities” (Fletcher et al., 2008, p7)

In recognition of this, and in order to try to make sense of the large quantities of available literature, this section of the report has been organised around particular groups of people that the statistics and research show are more at risk of worklessness.

For each group, the evidence supporting their higher risk of worklessness is presented along with a discussion about the barriers facing the group with respect to entering employment. For many of these groups of people the barriers they face are similar, but there are some groups who face quite distinct barriers. There are also some groups of people who experience multiple disadvantage and belong to more than one of these groups and these people are discussed separately in section 2.1.14. We start by looking at disabled people and those in poor health.

2.1.1 Disabled people and those in poor health

In looking at disability, ill-health and worklessness, it is first necessary to define what we mean by disability. The Disability Discrimination Act 1995 (DDA) defines a disabled person as having “a physical or mental impairment which has a substantial and long-term adverse effect on his ability to carry out normal day-to-day activities”. In the Labour Force Survey (LFS) respondents are asked about their long-term health problems or disabilities to determine which of three categories they belong to: DDA disabled only, work-limited disabled only, or DDA *and* work-limited disabled. The ‘work-limited disabled’ category refers to people whose health problem or disability limits the amount of paid work they can do.

For the economic inclusion indicators all of these definitions were used, that is, people were defined as disabled if they had a long term health problem or disability which either limited their day-to-day activities (DDA definition) or limited the amount of work they could do or both. Using this definition, 19% of the working age population in the West Midlands have a long term health problem or disability. In the West Midlands in 2007, data from the LFS showed that 52% of disabled people of working age were workless, a rate almost double the worklessness rate for all working age people of 28%.

Many other studies have also shown that disabled people have higher rates of worklessness than the general population. A survey of disabled people (using the DDA definition) in 1998 found that only 46% were in work (and therefore the worklessness rate was 54%). (Meager et al, 1998) A more recent study by Meager and Hill (2005) shows that 50% of long-term disabled people (DDA or work-limited) are in employment and that this varies by the type of disability. Berthoud and Blekesaune's (2007) analysis of General Household Survey (GHS) data, found that the employment rate of disabled people fell between 1974 and 1995 but that, since then, it has remained more stable at around 45%.³ As well as the link between disability/ill-health and worklessness there is also an association between the severity of the disability and the level of worklessness. Using data from the LFS, Rigg (2005) shows that the employment rate of more severely disabled people is 30 points lower than for less severely disabled people (using the number of health problems as a proxy for disability severity). Rigg also looks at the employment rate of disabled people when controlling for other characteristics that can affect labour market participation. He finds that "rates of work attachment are far lower amongst disabled people, only a relatively modest part of which can be explained by differences in individual characteristics (such as the lower level of qualifications among disabled people)." (Rigg, 2005, p7)

Although it is clear that poor-health and disability are associated with worklessness, the causal direction is not clear. In a literature review carried out by Mclean et al (2005), they say that "all review articles express at least some concern with the question of causality in the relationship between unemployment and health: whether poorer health causes unemployment or whether unemployment causes poorer health (selection versus causation)." (Mclean et al, 2005, p9)

Waddell and Burton (2006) say that although there is partly a health selection effect, unemployment is a cause of poor health. They find that work, generally, is good for your health for both healthy and disabled people. They also find that unemployment is harmful for health including higher mortality rates, poor general health, poor mental health, higher medical consumption and higher hospital admission rates. However, they qualify their conclusion that work is good for health by saying that "beneficial health effects depend on the nature and quality of work" (Waddell and Burton, 2006, pix)

³ The definition of disability in the GHS is different to that in the LFS. The GHS asks whether respondents have a 'limiting long-standing illness'.

A large proportion of the working age people claiming out-of-work benefits are claiming Incapacity Benefits. In the West Midlands, 239,000 people were claiming Incapacity Benefits in 2007, a far larger number than those claiming Jobseekers allowance (99,000). This group of people is increasingly being targeted by the Government with more active policies to help them return to work. In October 2008, Incapacity Benefits were replaced by the Employment and Support Allowance for new claimants. This benefit will provide greater support for people with health problems and disabilities to return to work but will also introduce sanctions for people with less severe problems who do not undertake some work-related activity.

40% of people claiming Incapacity Benefits are claiming because they have a mental health condition. Francis et al (2008) show that in some wards in Birmingham and Solihull there are even higher proportions of people with mental health conditions. They find that in more than half of Birmingham wards the proportion of Incapacity Benefit claimants with mental health conditions is above the average for England, Scotland and Wales and that in 25% of Birmingham wards the proportion is greater than 45%.

A report on mental health and social exclusion by the Social Exclusion Unit (2004b), says that the employment rate of those with mental health problems is the lowest of all of the main groups of disabled people and that these are some of the most excluded people in society. They list five reasons why this group of people are so excluded: stigma and discrimination (including from employers), low expectations of professionals about what people with mental health problems can do (including returning to work), lack of clear responsibility, lack of support to enable people to work and barriers to engaging in the community, such as decent housing and transport.

A large study of a representative sample of new claimants of Incapacity Benefits provides an analysis of the characteristics of claimants. (Kemp and Davidson, 2007) The study found that the proportion of claimants from each ethnic group was similar to the proportion in the general population, with 91% from a white ethnic background. Older men made up disproportionate number of claimants and claimants were twice as likely as the general population to have no qualifications. Another large representative survey of disabled people claiming Incapacity Benefits (Loumidis et al, 2001) found that 52% of claimants were older than 50 and 57% of claimants had no qualifications. These analyses provide an insight into the barriers faced by people who are disabled or in poor health.

Poor health is often seen as the biggest barrier to work for disabled people (Loumidis et al., 2001) but there are many other barriers reported by people who are disabled or in poor health. Loumidis et al.'s survey identified the following barriers: difficulty in identifying suitable jobs, low confidence, fewer opportunities, and worries about leaving benefits, in addition to barriers related to the older age and fewer qualifications of people claiming Incapacity Benefits. This survey also asked respondents about the services that would ease the claimants return to work. The most commonly reported answer was for the claimant to know that they could get their original benefits back, followed by transport to work and top up earnings in tax credits. These findings indicate that financial issues play an important part in decisions about entering employment.

Francis et al.'s literature review (2008) and Hedges and Sykes qualitative research (2001) also identified financial considerations (fears about losing benefits) and economic considerations as barriers to employment. The economic barriers identified by Hedges and Sykes related to the fact that for many disabled people the employment options open to them are often low paid and may not provide sufficient income to get by on. These barriers were in addition to other barriers such as low skills, availability of employment, length of time since last employment, attitudinal barriers, age, ethnicity, caring responsibilities, transport, and lack of confidence.

Low qualifications and poor skills are a major barrier for many of those with health problems. An analysis of nine years worth of LFS data by Berthoud (2003) found that people who were impaired (a health problem affecting the type of work the respondent could do) were more than twice as likely to have low qualifications and skills than the general population (aged 17-59).

Meager and Hill (2005) say that although the policy response to helping disabled people into work often focuses on these supply side barriers there are also barriers on the demand side to do with local labour markets (this is discussed further in section 2.2.2). However, Meager and Hill say that "Our analysis does indeed suggest that the disadvantage experienced by disabled people may indeed be partly associated with supply side barriers, including those related to personal characteristics." (Meager and Hill, 2005, p29)

Another important barrier to employment cited by disabled people and those in poor health is employer attitudes and discrimination. Meager et al.'s survey found that "one in six disabled people (16%) who are or have been economically active say that they have experienced discrimination or unfair treatment in a work-related context." (Meager et al., 1998, p1) A qualitative study by Molloy et al. (2003) found that the perceived attitude of employers was a key barrier reported by all groups in the study. People thought that their disability would mean that they would be less likely to get a job than a non-disabled person. They believed that employers thought that employing a disabled person would mean making adjustments to the workplace and this would cause trouble and be costly.

However, Goldstone's survey (2002) of employer's attitudes towards employing disabled people found that many had a positive attitude. Over half of the respondents agreed that employing people with disabilities was beneficial for other people and had a positive impact on staff and morale. She also found that 78% of employers reported having made changes or flexible arrangements for existing disabled employees and 77% for new recruits.

2.1.2 Black and Minority Ethnic groups

All of the main black and minority ethnic (BME) groups (Black/Black British, Indian and Pakistani/Bangladeshi) have higher rates of worklessness than the white population, although there are significant differences between these groups. In the economic inclusion indicators work we showed that in the West Midlands the worklessness rates of those from Pakistani/Bangladeshi, Black/Black British and Indian populations were 32, 19 and 9 percentage points higher respectively than the white population. The worklessness rate for the Pakistani/Bangladeshi group is particularly high at 57% of the working age population, largely due to the very high worklessness rate amongst women from this group (80%).

A recent Strategy Unit report (2003) on the position of ethnic minority groups in the labour market emphasises the difference between minority ethnic groups with respect to their labour market achievements but also that all minority ethnic groups experience disadvantage in the labour market if you take into account their educational qualifications and other characteristics. The report highlights several factors behind this disadvantage (and policies to address these) which include educational underachievement, discrimination, and being concentrated in deprived areas where poor public transport can be an issue. On discrimination the report says "whilst equal opportunities legislation has had some success in combating overt discrimination and harassment, indirect discrimination, where policies or practices have the inadvertent result of systematically disadvantaging ethnic minorities, remains a problem." (Strategy Unit, 2003, p7)

In a literature review by Tackey et al. (2006) they cite several reasons (acting at structural, community and individual levels) why people from Pakistani and Bangladeshi groups have lower levels of employment than white groups and other ethnic groups. Structural reasons include Pakistanis being more concentrated in the Midlands (particularly Birmingham which has the largest number of Pakistanis in the world outside Pakistan) and the North than other ethnic groups. These are areas which were more affected by the decline of manufacturing during the 1980's. For Bangladeshi's, although many settled in the more prosperous South East, a large part of their immigration occurred in the 1980's when the economy was in recession and they were therefore not able to benefit from the growth that has occurred in this region. Other structural reasons cited include the rise of workless households (which may have disproportionately affected these groups) and discrimination. Community level reasons for the lower employment rates of Pakistani and Bangladeshi groups include those to do with the areas where Pakistanis and Bangladeshis are more likely to live. These can often be deprived areas which are located on the outskirts of areas where the employment opportunities are. Lower human capital is suggested as the individual level reason for the lower employment rate of Pakistanis and Bangladeshis. This includes lower levels of qualifications, lower levels of English language proficiency (Bangladeshis have the lowest and Pakistanis the second lowest levels of English language fluency of all Asian groups in the UK), poorer health, more caring responsibilities and a younger age profile meaning there are more women of childbearing age.

Berthoud and Blekesaune's analysis (2007) of the employment disadvantage experienced by different groups over time showed that all of the ethnic groups studied (Caribbeans, Indians, Pakistanis and Bangladeshis), except Caribbean women, experienced an employment penalty compared to the white population. This employment penalty is calculated by looking at employment rates for different groups and controlling for other personal characteristics that can affect labour market participation - age, disability, family structure, educational qualifications and the regional unemployment rate. Berthoud and Blekesaune found that the penalty for Pakistani and Bangladeshi women was the highest of all the groups and this was consistently high over the period between 1975 and 2003. This was even after factors such as the family structure (whether the women was married or had children, often highlighted as explaining Pakistani and Bangladeshi women's low employment rates) had been taken into account.

Alongside the literature review undertaken by Tackey et al. (2006), they also carried out qualitative interviews with 250 Pakistanis and Bangladeshis, a mixture of employed people, job seekers and non job seekers. They were asked about the barriers that they face in entering employment and several common barriers were identified - age (for those over 40), poor health, religion, criminal records and drug dependency, housing, childcare and caring, benefits trap, low confidence, language, skills and qualifications, experience, contacts, and characteristics of the local labour market. Respondents were selected from several areas, one of which was Birmingham, and Birmingham was one of the places where area-based barriers (such as the local labour market and attitudes to travel) were highlighted as important. There was a difference between the key barriers highlighted by Bangladeshis (language, age and health problems) and Pakistanis (family commitments, lack of relevant experience, and qualifications).

2.1.3 Lone parents

Nearly one in four children (24%) now live in lone parent families, up from only 8% in 1972. (ONS, 2008a) The employment rate of lone parents is 56%, compared to 72% for married/cohabiting mothers and 91% for married/cohabiting fathers. (ONS, 2008b) This gives a worklessness rate for lone parents of 44%, much higher than for married or cohabiting parents. However, over the last decade the employment rates of lone parents have increased quite dramatically, up by 10 percentage points between 1998 and 2008. Over the same time period, the employment rates of married/cohabiting mothers and fathers also increased but the increases were smaller, 3 and 2 percentage points respectively.

The increase in the employment rates of lone parents is partly in response to changes in Government policy. Over the last decade the Government has introduced various measures to try to increase the number of lone parents in employment (the target is 70% by 2010), such as the New Deal for Lone Parents, tax credits, and the availability of more childcare. This strategy is continuing with the recent reduction in the age of the youngest child at which the parent is expected to look for work instead of claim benefits. A lone parent cannot currently claim Income Support, and must instead look for work, when their youngest child reaches 12, and by 2010 this will reduce to 7.

One of the reasons that the Government is trying to reduce the worklessness rate of lone parents is to reduce child poverty. In the West Midlands, 33% of children are living in poverty (defined as households where the income is below 60% of median household income after housing costs). Children living in lone parent families are more at risk of living in poverty; 52% of children in lone parent families are living in poverty (using the same measure as above) compared to 23% of children living in a couple family. This figure increases to 77% of children living with lone parents who are not working. (DWP, 2008) The Government believes that helping lone parents to return to work is the best way to lift them out of poverty and therefore help to reduce child poverty.

In a Joseph Rowntree Foundation Report, Gregg et al. (2006) discuss whether policies to increase labour market participation of lone parents will mean that the Government reaches its target employment rate for lone parents. The report concludes that from the current policy position (the report was written in 2006), the Government will miss the 70% employment rate for lone parents but that the rate could reach 65% by 2010. The report also highlights the fact that a significant number of children in poverty are living in two parent households (discussed in section 2.1.5) and that being in work does not necessarily lift people out of poverty.

Although the worklessness rates of lone parents are decreasing, this group is still at a higher risk of being workless than other parents and still faces significant barriers to employment. Despite the increase in childcare provision, research shows that lack of childcare is still one of the main reasons that lone parents cite as being a barrier to work. In a large survey of parents with children under 14 by Woodland et al. (2002), they found that 30% of lone mothers cited a lack of free/cheap childcare as a reason for not working compared to 19% of mothers in a two parent family. They also found that of 78% of non-working lone mothers agreed that they would prefer to go out to work or study if they had access to good quality, convenient, reliable and affordable childcare. This compared to 54% of non-working mothers with partners and the authors say provides "further evidence that lone mothers may be more interested in taking advantage of good quality childcare and entering paid employment". (Woodland et al. 2002, p229)

A recent qualitative study of lone parents who had been referred for sanctions for failing to attend a Work Focused Interview as part of their claim for Income Support also found that the cost and quality of childcare were mentioned by the parents as barriers to employment. (Goodwin, 2008) Some parents had made an active decision not to work while their children were young, whilst most of the parents saw employment as a longer-term aim.

Another study which looked more specifically at lone parents with health problems (some claiming health-related benefits and some not), also found that childcare acted as a constraint. Other barriers mentioned by participants included lack of work experience, lack of confidence, perceived attitude of employers towards health problems, concerns about making work pay, needing flexible employment, and a lack of qualifications and skills. (Casebourne and Britton, 2004) Berthoud's analysis of multiple disadvantage from several years of the LFS (2003) found that many lone parents were more likely to lack qualifications and skills than the general population; 17% of those aged 17 to 59 lacked qualifications and skills compared to 34% of lone parents. This suggests that lack of qualifications and skills are also important barriers for lone parents and add to their disadvantage in the labour market.

2.1.4 Carers

A report by the Social Exclusion Unit (2004a) found that in areas where there are concentrations of worklessness, although the proportion of people providing unpaid care (1 in 10) is similar to other areas, the amount of time spent caring is not the same. In these areas 32% of carers provide more than 50 hours of unpaid adult care each week compared to 20% in the population as a whole and 10% in areas with the lowest levels of worklessness.

Howard (2002) says that as a person's caring responsibilities increase (over 20 hours) it becomes more difficult to stay in employment. A report by Atkinson et al (2007) supports this, finding that only 20% of people providing more than 20 hours of unpaid care are in paid employment compared to 50% of people providing less than 20 hours of unpaid care. This suggests that high levels of intensive caring in an area, as shown above exist in areas with concentrations of worklessness, is, in itself, linked to the level of worklessness as well as indicating that there may be higher proportions of people with disabilities and health problems.

In addition, Howard says that carers are more likely to belong to other groups who are disadvantaged in the labour market such as ethnic minorities, older people, and people with poor health. Howard highlights three types of barriers to work facing carers: individual, system and labour market barriers. Individual barriers include lack of confidence, age, lack of skills and poor health. The systems and labour market barriers are more specific to carers. For example, systems barriers include lack of information and support in finding alternative care when they are at work, and labour market barriers include lack of awareness by employers of the needs of carers, like flexible working hours.

2.1.5 People with workless partners - workless couple households

A workless household is defined as a household that includes at least one person of working-age, where no one in the household aged 16 or over is in employment.

There are currently more than 3 million workless households in the UK (16% of all working age households) and these can be broken down into one person households without children (34%), couples with dependent children (9%), lone parents with dependent children (23%), others with dependent children (0.5%) and other household types (33%, these are couples without dependent children). (ONS, 2008b) Lone parents have been covered separately in section 2.1.3, but this section is focusing on the workless households that contain two adults (or more) who are not working - workless couples.

A recent report by Berthoud (2007) looked the changes in worklessness and employment over three decades (1973 - 2003) within families and for certain groups of individuals. Berthoud found that there have been two key trends in employment rates over this time - that the increase in the employment rate of mothers has mainly been for mothers who have a partner who works and the decrease in the employment rates of poorly qualified disabled men were mainly men who were either single or had a workless partner. These trends have led to a polarisation of employment patterns among families. He says "This polarisation between two-earner and no-earner (work-rich and work-poor) families has been strengthened by an increasing tendency for couples to share the same labour market position, even after their personal prospects have been taken into account." (Berthoud, 2007, p10) Hasluck and Green's review (2005) of workless couples also noted the polarisation of households into 'work rich' and 'work poor' households. In their review they included evidence from other countries which are comparable to the UK, and found that in many developed countries (USA, Canada, Australia and New Zealand) this polarisation had also occurred. However, the percentage of workless households in the UK was higher than many other OECD countries and above the OECD average.

The ONS data above show that the majority of workless couple households do not have children (couples with dependent children only make up 9% of workless households compared to other household types - workless couples without dependent children - who make up 33% of workless households). Hasluck and Green suggest that this is important from a policy perspective "since it suggests that in contrast to policy interventions directed at lone parents, childcare policies will be of relevance to only a minority of workless couples." (Hasluck and Green, 2005, p17) Despite the small number of workless couples who have children, for children that do live in workless households there is a significant impact. A National Audit Office report (NAO, 2007a) says that young people who grow up in workless households are less likely to enter employment, education or training. Children living in these families are also at high risk of living in poverty; 77% of children living in workless couple households are living in poverty (defined as household income below 60% of median after housing costs). (DWP, 2008)

Multivariate analysis of the New Deal for Communities Household Survey 2002 by Noble et al. (2005) looked at various individual and household risk factors for becoming workless. In this analysis worklessness was defined using benefits data and included those claiming Jobseekers allowance and Incapacity Benefits. One of the risk factors included in the analysis was having a workless partner. The research found that although having a partner makes it more unlikely that someone will become workless and claim benefits, they found that "having an unemployed or disabled/Long term sick partner has a strong positive effect on the risk of worklessness, particularly on the risk of being a JSA claimant. Those living with an unemployed partner are more than 6 times more likely to become JSA claimants than those without an unemployed partner." (Noble et al., 2005, p127) The NAO report (2007a) also states that "partners of people who do not work are less likely to work." (NAO, 2007a, p13) This finding again highlights Berthoud's description of the polarisation of families into those that are work rich and those that are work poor.

The NAO report says that people living in workless households often face multiple barriers to work; it states that "half of all adults living in workless households have a long-term disability, half of workless households live in social rented accommodation (local authority or housing association; and just over a third have no qualifications". (NAOa, 2007, p26)

Hasluck and Green (2005) cite a long list of barriers to work for workless couples. They say that there are many different reasons why this group of people is workless (more than for lone parents who are workless) and they also highlight the presence of multiple barriers. The barriers they discuss, citing their relevance to workless couple households, are lack of qualifications, health problems, caring responsibilities, attitudes about employment, lack of confidence, personal attitudes about age, employer attitudes, financial - benefits disincentive, transitional financial problems, unwillingness to reduce wage reservation, personal barriers - drug and alcohol dependency, history of offending, numeracy and literacy problems, and local labour market conditions. Although many of these barriers are not specific to workless couple households, many factors that are experienced by one partner - such as low confidence - are more likely to impact on their partner's views about employment.

2.1.6 Older people

The worklessness rate for older people (aged 50 to retirement) was 28% in the West Midlands in 2007. Although this rate is only slightly above the worklessness rate for all those of working age, there is much in the literature about the fall in the employment rates of older people. Berthoud and Blekesaune (2007) found that the trend towards lower employment rates in older people emerged towards the end of the 1970's and the gap between the employment rate of older workers and younger workers widened during the 1980's and 90's, although has narrowed more recently. They also found that, after controlling for other factors associated with lower employment rates (disability, gender, ethnicity, qualification level and regional unemployment), older people still experience higher rates of worklessness.

Campbell (1999) also finds a fall in the employment rate of older workers from the late 1970's and shows that this fall was more substantial for older men. He suggests five possible reasons for the decrease in the employment rate of older workers:

- more people are choosing to retire early,
- older workers are involuntarily reducing their labour supply as a result of constrained choices or distorted incentives (for example, if an older worker loses their job over time they may become discouraged from working if they are unable to find a new job),
- the rise in occupational pensions,
- a shift in labour demand away from older men - this is discussed in section 2.2.2,
- age discrimination.

Moss and Arrowsmith (2003) show that although employment rates increased across all age groups between 1992 and 2002, people aged from 50 to retirement still have lower employment rates than younger age groups. They say that the barriers faced by older workers can be grouped into two categories - those likely to be directly related to age and those not directly related to age. The barriers they cite as likely to be directly related to age are health problems, caring responsibilities, lack of qualifications/work experience, lack of confidence, personal attitudes about age and employer's attitudes. Other barriers cited that may affect older people but also affect other age groups, are financial barriers/benefits disincentive, and personal barriers such as transport, alcohol/drug dependency, history of offending and poor literacy or numeracy skills.

Looking specifically at the lack of qualifications, Moss and Arrowsmith (2003) say that there are two elements to this barrier. Older workers may not have formal qualifications and they also may have skills that are outdated and do not match the current labour market. (This particular point is discussed further in section 2.2.2.) Campbell (1999) also looks at qualification levels and analyses these by employment rates and age. He finds that employment rates increase with qualification levels and this is true for all age groups but for any given qualification level older people have lower employment rates. Interestingly, he also found that the highest qualified older men (in their late 50's) experienced one of the larger decreases in the employment rate, along with those with no qualifications, between 1979 and 1997. It could be that these are the men who are more likely to retire early. In a study consisting of over 2,000 interviews with older people, Humphrey et al. (2003) found that people with degrees were more likely to expect to retire early.

Age discrimination and employer's attitudes are also barriers which merit further discussion here as these are not relevant to all of the groups at risk of worklessness. Age discrimination cannot be measured quantitatively, but through Campbell's analysis of qualitative research, he concludes "Discrimination - in the sense of unequal treatment of people who could do the job equally well - on the grounds of age seems to have been experienced by relatively few older people." (Campbell, 1999, p62) However, in a series of focus groups with New Deal 50+ clients, Atkinson et al. (2000) found that almost all of the participants cited ageism as the main barrier stopping them from getting work. This research was carried out before the Employment Equality (Age) Regulations 2006 made it unlawful to discriminate against employees or jobseekers on the grounds of age.

Health problems are a major reason for older people being out of work. In Humphrey et al.'s research (2003), they found that of older people (below state pension age) who were not in work, 50% were not looking for work due to health problems. This proportion was higher for men (58%) than women (40%). In a qualitative study of older people, Irving et al. (2005) found that ill-health was identified as the main 'push factor' for leaving the labour market. However, Irving et al. also found that poor health tended to not be the only reason for participants to be out of work: "Typically, a health condition was compounded by other barriers such as caring responsibilities, the 'benefit trap' (the perception or reality that they were better off on benefits), outdated skills and fear of re-entering the labour market." (Irving et al. 2005, p82)

2.1.7 Workers in the informal economy

People who work in the informal economy are often defined as workless as they may be claiming out-of-work benefits. In Ritchie et al.'s literature review on workless people and communities (2005), they define worklessness as those individuals "who are unemployed and claiming unemployment benefits, individuals who are economically inactive and eligible for inactive benefits (who may or may not be claiming them), and individuals who are working exclusively in the informal economy (who may or may not be also claiming benefits)." Although there are no data on the number of people working in the informal economy, it has been estimated to account for between 7 and 13% of GDP in the UK. (Social Exclusion Unit, 2004a)

In a report by the Social Exclusion Unit (2004a) on concentrations of worklessness in deprived areas, they say that working in the informal economy "can make formal work less attractive, especially when formal employment means a loss of benefits." (Social Exclusion Unit, 2004, p42) A Joseph Rowntree Report (2006) suggests that people work in the informal economy as a response to experiencing poverty and that many see it as the only way to support themselves and their families. Some of the research participants in this study found that benefits did not provide adequate income for survival and they had to supplement this with income from informal work. Having low qualifications acted as a barrier to formal employment as the job opportunities available were likely to be low paid. Therefore, "with the benefits as a safety net, and another income to provide a little extra money, the alternative of an insecure and low-paid job seemed less attractive to them." (Katungi et al, 2006, p8) Another reason given for working in the informal economy was that it provides more flexibility for those with health problems or childcare issues.

Research carried out by Street UK (Capisarow and Barbour, 2004) also highlights that for those working in the informal economy, formal work alternatives were generally worse and may not be available for people with their skills.

2.1.8 Offenders/ex-offenders

Supporting adult offenders to find employment is a Government priority and included in a Public Service Agreement - PSA 16. This PSA is about increasing the proportion of vulnerable and socially excluded adults in settled accommodation and in employment, education and training, and adult offenders are one of four groups included in this target.

Data used to measure the National Indicator on offenders in employment (NI 144, which makes up one of 8 indicators included in PSA 16) show that in the West Midlands in 2006/07, only 35% of offenders under probation supervision were in employment at the end of their order or licence, meaning that the majority of this group (65%) were workless. However, there are no reliable data on the level of worklessness amongst offenders who receive fines or conditional discharges rather than a custodial sentence or community order. (Metcalf et al, 2001)

In Metcalf et al.'s study (2001) they found that offenders face many barriers to employment, such as health problems, substance misuse, housing problems, low self-confidence, low qualifications, poor literacy and numeracy skills, and a poor work history. They say that "poor employment characteristics (irrespective of record) play a major role in raising unemployment rates for people with a criminal record above that of the general population." (Metcalf et al, 2001, P194) Several barriers were also highlighted in a qualitative research study with 40 prisoners about to be released (Hartfree et al, 2008). In this study the respondents identified a lack of suitable jobs, curfew restrictions, problems obtaining licences and certificates and transport as barriers to employment. Several also had problems with housing and substance misuse and sorting out these issues took priority over finding employment.

As well as the barriers described above which already inhibit offenders employment chances, they also face an additional barrier that is specific to this group of people and is discussed in both of these research reports. That is the discrimination they may face, or believe they may face, as a result of having a criminal record. In Hartfree et al.'s research, they found that several participants had either been unable to return to previous jobs because of their criminal record or had applied for jobs but not been successful because of their record. Experiences like this meant that some interviewees did not disclose criminal records when applying for jobs and preferred to risk being sacked if their record later became known.

Metcalf et al found that having a criminal record influenced the types of jobs that offenders applied for. They would often lower their expectations about the types of jobs they could get to avoid jobs where they believed that having a criminal record would hinder their chances of a successful application. As part of the same study, Metcalf et al. also carried out a survey of 1,000 employers to get their views on employing someone with a criminal record. This survey found that if employers identified a criminal record, the offender was significantly disadvantaged and they faced "a one in ten chance of automatic rejection irrespective of the nature of the record; for most offences, automatic rejection or strong disadvantage would be encountered in the majority of vacancies; and any criminal record resulted in some disadvantage in nearly all vacancies." (Metcalf et al, 2001, P196)

2.1.9 Homeless people

Although there is little evidence about the number of homeless people who are workless, it can be assumed that most homeless people are workless due to the extent of the barriers they face. A study by Singh (2005) of 500 homeless people, found that 52% were claiming Jobseekers Allowance, 34% were claiming Income Support and 14% were claiming Incapacity Benefits - these are all out-of-work benefits. However, the survey found that 77% of respondents wanted to work at the time of the research and 97% wanted to work in the future.

This research also identified the wide range of barriers to employment experienced by homeless people, with the main barrier, as identified by 24% of respondents, being housing issues - either lack of suitable accommodation or hostel costs. Other barriers which ranked highly were physical and mental health problems, being unable to find a suitable job (e.g. where the income would cover housing costs), lack of experience, and dependency issues.

The interviews carried out as part of this research also looked at the issue of 'the benefits trap' for homeless people. As the author says "For those living in hostels and other forms of temporary accommodation, the difference in living expenses when they are working and not working can be very high, and can remove much of the financial incentive for employment." (Singh, 2005, p39) Interviewees were asked whether they would accept a job that only left them with a small amount of spending money after living expenses and 56% said that they would, believing it would provide them with the experience necessary to gain a better paid job in the future.

The issue of the financial incentives of work for homeless people is also discussed by Business in the Community (BITC) in their response to the consultation on the DWP green paper 'No one written off: reforming welfare to reward responsibility'. (BITC, 2008) Research carried out by the New Economics Foundation on behalf of BITC (awaiting publication) has found that 'loss aversion' explains an important barrier to employment for homeless people. Loss aversion is described as "the observation that people value what they lose - benefits, for example - more than what they gain, such as a salary". (BITC, 2008, p4)

2.1.10 Refugees and Asylum Seekers

There is much less in the literature on the economic status of refugees and asylum seekers than for some of the other groups, probably due to the smaller population size and difficulty in gaining access to this group. A survey of 400 refugees and asylum seekers in 2002 found that only 29% were working. (Bloch, 2002) This is one of the highest rates of worklessness (71%) of all the high risk groups included in this review and is much higher than the rates for people from minority ethnic groups.

Refugees and asylum seekers face many barriers to employment. In the survey by Bloch (2002), language and literacy were identified as the main barriers to employment, with lack of UK work experience also rating highly as a barrier. Many other factors were also listed as barriers by respondents, including having no qualifications, unfamiliarity with the UK system, employer discrimination, and lack of information. Another barrier given by respondents was waiting for the decision on their immigration status. Lack of legal status was also highlighted as a barrier by Brahmhatt et al (2007) in a smaller survey of refugees and asylum seekers, as well as discrimination, childcare, lack of advice and qualifications, health problems and lack of English.

2.1.11 Living in social housing

The recent review of social housing by Hills (2007) found that the worklessness rate in social housing (over 50%) was nearly twice as high as in the private rented sector and that nearly a third of the 9.1 million people who are workless live in the social rented sector. This means that people living in social housing have a high risk of being workless. However, because people living in social housing are also more likely to belong to other groups which are disadvantaged in the labour market - those with health problems/disabilities, lone parents, minority ethnic groups, older people, those with no qualifications - Hills also looked at the worklessness rate of those living in social housing controlling for these other factors. He found that:

“where a social tenant is affected by one such disadvantage, their rate of worklessness is much higher than for those with the same disadvantage (although not necessarily to the same degree) who do not live in social housing. For instance, of those with no qualifications, 43 per cent are workless if they do not live in social housing, but 70 per cent of those living in social housing. 35 per cent of lone parents are workless outside social housing, but 64 per cent within it. For those with none of the specified labour market disadvantages, 13 per cent are workless outside social housing, but 29 per cent within it.” (Hills, 2007, p101)

So people living in social housing have higher rates of worklessness than people with the same disadvantages who live in other tenures. Hills suggests four possible reasons for this: worries about the loss of benefits, particularly housing benefit, when entering employment; a lack of mobility within social housing may prevent people moving home to get a job; neighbourhood effects, such as poor transport, especially as social housing is concentrated in deprived areas; and possible welfare dependency.

A recent qualitative study (Fletcher et al., 2008) of social tenants focuses on five research questions which address some of the ideas raised by Hills. These included a) whether there is an 'area effect' of living in social housing that distances people from work, b) whether the benefit system distances social tenants from work more than people living in the private rented sector and c) whether there are any additional barriers for people living in social housing that help explain their high levels of worklessness. On each of these three questions, the report concluded that:

- a) "The main area effects were about 'people' and included: reported experiences of postcode discrimination; social norms and routines that result in peer influences resistant to formal paid work; and the narrow spatial horizons of some residents which serve to restrict the geographical extent of job search and travel to work."
- b) The effects of the tax and benefit system emerged as a significant issue for both social tenants and those in the private rented sector. Issues included a lack of clarity about the financial consequences of entering work, the complexity of the tax and benefits system which may act as a work disincentive, and poor job quality acting as a significant labour market barrier for many residents with low human capital, for whom the low paid, insecure nature of the available employment opportunities meant that work did not pay.
- c) "Six particular characteristics were found to inform the weak competitive position of many social tenants in the labour market: health issues; childcare responsibilities; debt; drug and alcohol dependence; criminal records; and multiple disadvantage. In some cases these multiple disadvantages were severe. These severe, often multiple and unseen or denied problems are unlikely to be fully appreciated by traditional survey measures and point to why previous analysis has struggled to explain the relatively high levels of worklessness within the social rented sector."

The issue of multiple disadvantage will be discussed in section 2.1.14.

2.1.12 Young people

As students are included in the definition of worklessness used in this review and the Government wants to increase the number of people (young people in particular) in education, it is not appropriate to look at the level of worklessness amongst young people. Instead, we have looked at young people who are Not in Education, Employment or Training (NEET). In the West Midlands, 7% of young people aged 16-18 were NEET in 2007.

A report by the British Chambers of Commerce on NEETS (2008) says that there are a number of reasons why young people become NEET. Educational disaffection, family disadvantage and poverty, being in care, teenage motherhood, having special educational needs, being a young carer, belonging to certain BME groups, and participating in crime and risk activities all increase a young person's risk of becoming NEET.

The Government set up the New Deal for Young People (NDYP) to specifically target young people and those aged 18-24 who have been claiming Jobseekers allowance for more than 6 months are required to take part in this New Deal. An analysis of over 6,000 young people who had been through the NDYP found that 80% of participants had at least one of four known markers of disadvantage - living in social rented accommodation, no qualifications, suffering from a health problem or disability expected to last for more than a year, or no job prior to their unemployment spell- and 40% experienced multiple disadvantage. (Bryson et al., 2002) This research also found that the barriers to work mentioned most frequently by participants were that there were no jobs nearby and a lack of personal transport. Although these barriers do affect many of the other groups discussed in this review, there are no other groups for whom these are the most significant barriers to employment.

One of the problems of being unemployed when young is that it can affect labour market participation throughout a person's lifetime. Burgess et al. (1999) looked at a cohort of young people who were entering the labour market in 1981 when unemployment generally was high and the labour market was particularly difficult for young people. They found that for the young people with low skills (although not high or mid-skilled young people) there was a 'lasting adverse effect' of the high aggregate unemployment at the time in that they have subsequently experienced higher unemployment rates across several years. They say "the 'Class of 81' have continued to feel the impact of the deep recession that coincided with their entry into the labour market". (Burgess et al., 1999, p1)

2.1.13 Living in deprived areas – spatial patterns of worklessness

Worklessness has become concentrated in particular communities and neighborhoods, often where there is also a high level of deprivation. As a report on the Working Neighbourhoods Fund describes “many of the most disadvantaged people in the labour market also live in the most disadvantaged places”. (DCLG and DWP, 2007, p10) The Social Exclusion Unit (2004a) describes how three quarters of all ‘concentrations of worklessness’ (the 10% of small areas with the highest rates of benefit claimants) fall within the 15% most deprived wards. In Sanderson’s literature review of worklessness in deprived areas (2006) he says that although nationally employment levels have been high and regional differences between employment levels have decreased, “there has been a growth in spatial disparities at a more local level, especially within larger urban areas”. (Sanderson, 2006, p12) These local areas where worklessness is high are often located close to affluent areas and areas where there is a strong demand for labour and significant employment opportunities.

The West Midlands is relatively more deprived than England with 27% of Lower Super Output Areas⁴ (LSOAs) in the Region in the most deprived 20% of LSOAs nationally. Areas of multiple deprivation are largely concentrated in the urban areas of region, particularly Birmingham, Coventry, Dudley, Sandwell, Stoke-on-Trent, Walsall and Wolverhampton. Across the region, 13% of the working age population were claiming an out-of-work benefit⁵ in 2007, however, in just under one in ten LSOAs this rate was more than double. Half of claimants of out-of-work benefits live in a quarter of the region’s LSOAs and these are centred on the region’s large urban areas. The DCLG and DWP say that “Understanding spatial patterns of worklessness requires an in-depth analysis of the drivers of decline in different areas. There are numerous social, economic and physical factors that can interact and reinforce each other resulting in concentrations of deprivation and worklessness more specifically.” (DCLG and DWP, 2007, p11) In this review we have so far concentrated on particular groups of people that are more likely to experience worklessness and the barriers they face. Often these have been individual and household level barriers. However, living in a deprived area can also present its own particular problems to employment for the people living there and introduces environmental and community level barriers. It is these barriers that this section of the review will concentrate on.

⁴ These are small geographical areas containing approximately 1,500 people.

⁵ Jobseekers allowance, Incapacity Benefits, Income Support for Lone Parents, Other on income related benefits

Some of the groups of people that are disadvantaged in the labour market are more likely to be living in deprived areas. Over 70% of ethnic minorities live in the 10% most deprived wards. Over 40% of people living in deprived areas have no qualifications and nearly 10% are long-term sick or disabled. (Strategy Unit and ODPM, 2005) However, despite the individual barriers experienced by people living in deprived areas, the report by the Strategy Unit and ODPM also argues that living in a deprived area introduces additional 'area effects'. This means that people living in deprived areas are adversely affected by where they live in addition to any personal characteristics that might disadvantage them in the labour market.

A lack of adequate public transport has been cited by many of the groups in this review as a barrier to employment, for example for disabled people, BME groups, older people and particularly for young people, and it is also relevant to those living in deprived areas who may not have access to private transport. The problems caused by transport and the links with social exclusion were presented in a report by the Social Exclusion Unit. (2003) People living in areas where there is a concentration of worklessness are more likely to walk to work and use the bus. (Social Exclusion Unit, 2004a) So, for people living in deprived areas, public transport and the distance to work are important and the location of deprived areas often means that these factors can become barriers to employment. Sanderson (2006) says "peripheral housing estates are particularly likely to have poor services and the predominantly radial structure of bus routes in urban areas creates problems of access to places of new job growth outside the main urban areas." (Sanderson, 2006, p51)

Research by Green and Owen (2006) suggests that distance to work and the location of employment opportunities is more important for certain groups than others. For people with low skills in particular, who are less likely to travel more than 5 km to work, the local labour market is important. As we have already seen, many people living in deprived areas have low skills. In deprived areas where there are fewer employment opportunities locally, people are likely to need to travel further afield and so the availability of transport is important. Green and Owen conclude by saying "geography matters most for those with poor skills and so the quantity and quality of labour market opportunities available locally is of particular importance for them."

Another area level or neighbourhood effect that can act as a barrier to employment for the people living there is the influence of social networks that may be separate and disconnected from the world to work. Recruitment practices, especially for low skilled jobs, can often be informal and rely on word of mouth. In deprived areas, where higher numbers of working age people are workless and therefore there is less contact with working people, there may be less information available informally about job opportunities. In addition to this, in these areas there may be low expectations and aspirations about work and this can act as a negative influence on individuals via social networks. (Sanderson, 2006; Social Exclusion Unit, 2004a)

It has also been argued that there may be some degree of postcode discrimination by employers towards those from deprived neighbourhoods. The Social Exclusion Unit (2004a) found that this issue was raised repeatedly in their consultation on tackling concentrations of worklessness. In Ritchie et al.'s literature review (2005) they cite several pieces of research that have looked at the effects of area reputation on the chances of residents finding employment and find that their chances can be affected.

2.1.14 Multiple disadvantage

As we have already seen, there are some overlaps between risk factors of worklessness. For example, disabled people and those claiming Incapacity Benefits are more likely to be older and have no qualifications and lone parents are also more likely to lack skills and qualifications.

There are various pieces of research that have tried to explain the impact of belonging to several of these different disadvantaged groups and whether this increases the risk of someone becoming workless. For example, can the risk of worklessness for someone who is living in social housing *and* has a long term health problem or disability be explained simply by adding the two separate risk levels together?

Understanding the relationships between different risk factors and barriers to employment is important from a policy perspective. The Government's welfare to work policy through the New Deals has been criticised for not being as good at dealing with people who have multiple problems. The people who are least disadvantaged are the easiest to help through welfare to work policies and the most disadvantaged, who may have multiple problems, are the hardest to help. (Dean and Melrose, 2002; Social Exclusion Unit, 2004a) A recent DWP report by Pleace and Bretherton says "Adults who face multiple barriers to employment may experience sustained social exclusion. Alongside the concern for the well-being of people in this situation, there is evidence of high 'lifetime' costs to the Exchequer because benefits are claimed for sustained periods and people tend to make high use of publicly-funded services." (Pleace and Bretherton, 2006, p1)

Analysis of the LFS presented in a NAO report (2007a) shows that the more barriers a person faces the higher the rate of worklessness. For example, disabled people have a employment rate of about 50%, for people who are disabled and live in social housing this decreases to about 25% and then for people that are also lone parents this decreases again to just over 20%.

Berthoud's analysis (2003) of nine years of LFS data explores different combinations of disadvantage to look at the cumulative effect on employment and worklessness. The variables included in the analysis are age, family structure, skill level, impairment, ethnic group, and labour demand. Berthoud looked at six different hypotheses for explaining the risks of multiple disadvantage, from the additive model where the effects of each disadvantage can just be added together, to the combination model where specific combinations of disadvantages have specific risk levels. Of the people included in the analysis (over 500,000 aged between 17 and 59), over two thirds had at least one of characteristics analysed and nearly 10% were affected by multiple disadvantage (having at least three of the risk factors). The level of risk of being workless amongst the sample ranged from 4% (for those with no disadvantages) to 91% for the small group who had all six disadvantages. The average risk for the whole group was about 17%. The most important independent indicator of risk was family structure, with lone parents having the highest risk followed by those with low qualifications and skills and then those who were impaired.

Berthoud found that there were some specific combinations of disadvantage that produced different levels of risk to what would be expected if you just aggregated each risk factor. For example, lone parents from Caribbean and African ethnic groups faced a lower risk of worklessness than would have been predicted by adding these two risk factors. Similarly, older Pakistani and Bangladeshis with low qualifications and skills had higher levels of worklessness than would have been predicted. However, in general Berthoud found that the risk of worklessness can largely be explained just by adding together the independent effects of each disadvantage. So within each disadvantaged group there is a fairly wide range of risk, depending on which other risk factors apply. For example, lone parent's risk mainly ranges from about 20% to 90%, with the age of the youngest child being important. Another finding to emerge is that changes in the economy do affect risk levels. Labour demand (regional unemployment rates) was included as a variable in the analysis and so, using the additive model, by increasing labour demand you can lower the risk of being workless for these groups. Berthoud says that for policy analysts the findings from this research are important as they imply that "addressing the hindrances to employment associated with one kind of disadvantage will yield dividends without having to worry too much about its links with all possible other disadvantages." (Berthoud, 2003, p43)

Several of the pieces of research cited in this review which have focused on one specific group at risk of worklessness have also looked at the level of multiple disadvantage experienced by the group. For example, in Hills' review of social housing (2007), he found that social tenants were more likely to have overlapping labour market disadvantages - 37% of social tenants had two or more disadvantages compared to 29% of owner occupiers and 13% of private tenants. In addition to this, social tenants who did face multiple barriers had much lower employment rates than the overall employment rate for people with the same number of disadvantages.

2.1.15 Summary of groups at high risk of worklessness

In section 2.1, we have discussed the wide range of barriers to employment facing a variety of groups at high risk of worklessness. This section provides a brief summary of the key issues for each group.

Disabled people and those in poor health - The worklessness rate for this group of people is particularly high (52%) and this highlights the degree of disadvantage and number of barriers to employment that this group faces. The level of worklessness varies with the type of disability (people with mental health problems experience the highest rates) and increases with the severity of the disability. As well as the barriers to employment caused by their health problem or disability, this group also faces many other barriers. Low qualifications and poor skills are particularly important for this group of people: claimants of Incapacity Benefits have been found to be twice as likely to have no qualifications and people with a work-limiting health problem/disability to be twice as likely to have low qualifications as the general population. Employer attitudes and the older age of those in poor health are also important barriers.

Black and Minority Ethnic groups - All of the key BME groups have higher rates of worklessness than the white population with those from Pakistani/Bangladeshi groups experiencing the highest rates (57%) and women from this group even higher at 80%. Several reports have stressed that there are important differences between the labour market participation and experiences of different BME groups (with some groups doing much better than others) but the Strategy Unit says that indirect discrimination still remains a barrier to employment for all BME groups. Additional key barriers for these groups include those do with where they live - they are more likely to live in deprived areas, low levels of skills (including language problems for some) and qualifications and health problems.

Lone parents - Lone parents have a worklessness rate of 44%, much higher than for married or cohabiting parents. Although this is still fairly high, the employment rate of lone parents has increased dramatically over the last decade, partly in response to Government policy. Tackling worklessness amongst lone parents is particularly important from a child poverty perspective as 77% of children living with lone parents who are workless are living in poverty. Childcare remains a significant barrier to employment for lone parents and they are also more likely than the general population to lack qualifications and skills.

Carers - As might be expected, levels of worklessness increase as the amount of time spent caring increases. Only 20% of people providing more than 20 hours of unpaid care per week are in employment. In areas where there are concentrations of worklessness people are spending greater amounts of time providing unpaid care and therefore, are at increased risk of worklessness. Carers are also more likely to belong to other groups who are disadvantaged in the labour market, such as ethnic minorities, older people, and people with poor health. Carers require more flexible employment opportunities and information and support in finding alternative care to help them increase their labour market participation.

People with workless partners (workless couple households) - Over the last three decades there has been an increase in the number of workless households and a polarisation of households into those that are 'work rich' and those that are 'work poor'. Having a workless partner has been found to increase the chances that an individual will become workless. Living in a workless household means you are more likely to have a long-term disability, live in social rented accommodation and have no qualification and these factors can all act as barriers to employment.

Older people - The worklessness rate of older people is only slightly above the level of the general population. However, the last couple of decades have seen a decrease in the employment rates of older people. This is partly because some older people are choosing to retire early and are able to due to the rise of occupational pensions but also because there has been a shift in labour demand away from older workers, particularly men. Older workers may face specific barriers to employment due to health problems, employer discrimination and having low qualifications or outdated skills.

Workers in the informal economy - People working exclusively in the informal economy are defined as workless and may be claiming out-of-work benefits. Those working in the informal economy may be working informally in response to poverty. They may have low qualifications and poor skills and therefore the job opportunities available are likely to be low paid and may not provide an appealing alternative to working in the informal economy.

Offenders/ex-offenders - Data used to measure the PSA target on adult offenders show that 65% of offenders under probation supervision were workless at the end of their order or licence. This group may face multiple barriers to employment, such as health and housing problems, substance misuse problems, poor literacy and numeracy skills and poor work history. In addition to these barriers, they may also face discrimination from employers if they disclose their criminal record.

Homeless people - Homeless people often have multiple and significant problems that make employment very difficult. Sorting out their housing problems is usually a priority over finding employment. For those living in temporary accommodation and claiming benefits there may be a financial disincentive for gaining employment as living costs increase when they are working.

Refugees and asylum seekers - Although there is limited data on this group of people, one survey of 400 refugees and asylum seekers found that they had a very high worklessness rate of 71%. Language and literacy problems are likely to be the main barriers to employment alongside lack of legal status, employer discrimination and lack of UK work experience.

Living in social housing - The worklessness rate of those living in social housing (over 50%) is nearly twice as high as in the private rented sector. Although social tenants are more likely to have other characteristics that are disadvantaging in the labour market, even when these characteristics are controlled for they still have higher rates of worklessness. Suggested reasons for this centre on neighbourhood effects, such as poor transport and postcode discrimination, and worries about the loss of housing benefit when entering employment. Social tenants were also more likely to face multiple disadvantage.

Young people - 7% of young people (aged 16-18) in the region are not in education, employment or training. The most significant barriers to work cited by young people who had taken part in the New Deal for Young People were that there were no jobs nearby and a lack of personal transport.

Living in deprived areas - Worklessness has become concentrated in particular areas and these areas are often those where there is a high level of deprivation. Many of the groups that are at high risk of worklessness are more likely to be living in deprived areas. The location of deprived areas is important; they may be on the periphery of large employment centres and poor public transport may limit employment opportunities. The effect of social networks and postcode discrimination are also factors affecting labour market participation.

Multiple disadvantage - The more barriers an individual faces the higher their risk of worklessness. Some of the people at risk of worklessness face multiple disadvantage and belong to several of these high risk groups. These are the people who are particularly hard to reach and pose a specific challenge to policy makers due to the number of barriers they are facing. However, research has shown that a person's overall risk of worklessness can be estimated by adding the risk of each separate risk factor together. This means that addressing any of the independent risk factors or barriers would lower the overall level of risk of worklessness and so policy makers can lower overall worklessness rates by concentrating on one risk factor.

2.2 Demand side barriers

The first part of this review has concentrated on worklessness and the barriers to work from the supply side of the labour market. However, there are also barriers to employment that act from the demand side. Much of the Government policy to support people into work over the last 10 years has also focused on supply side issues, for instance increasing the skills of people looking for employment.

A recent review of Government policy with respect to social exclusion published by the Social Exclusion Unit states that "current policies focus primarily on 'the supply side' in the sense of helping the excluded enter the labour market. There is scope for developing policy that would draw the excluded into employment through stimulating the demand for labour." (Hasluck and Green, 2004, p6)

This section of this literature review looks at the causes of worklessness from the demand side of the labour market. There are fewer barriers acting from the demand side and as such this is a more focused section of the review than the previous section looking at supply side barriers and groups at high risk of worklessness.

2.2.1 Structural changes in the labour market

The decline in primary and secondary sector jobs such as mining and manufacturing over the last 30 years is well documented in the literature on worklessness. (Green and Owen, 2006; Sanderson, 2006; Tackey et al., 2006) This decline has disproportionately affected some regions and some groups of people. The West Midlands region is one of the regions where this sectoral change has had a big impact on the labour market due to the previous size of the manufacturing industry in the region and the number of job losses. The British Chambers of Commerce describes the loss of manufacturing jobs in the region as having "a disastrous impact on the regional economy", and says that "Birmingham's severe experience of recession and subsequent restructuring in the 1980s led to enormous economic change" (British Chambers of Commerce, p2). The loss of manufacturing jobs has mainly been met with a rise in the number of jobs in the service sector, particularly in financial and legal sectors in Birmingham. This shift from manufacturing to service sector jobs is predicted to continue over the next decade. (Learning and Skills Council, 2008) This is important as manufacturing still makes up a large part of the West Midlands economy.

In addition to the shift from the manufacturing to the service sector industries there has also been a change in the occupational structure within sectors. Green and Owen (2006) describe how there has been a decline in skilled trades and elementary occupations and a rise in managerial, professional, personal service and sales and customer service occupations. A report from the Audit Commission (1999) also explains that there has been a change in the manner of employment from full time permanent jobs to part time positions through employment agencies.

All of these changes have meant that, in general, there has been a shift in labour demand away from unskilled manual labour and positions traditionally held by men towards more highly skilled positions requiring more qualifications. Older men have been particularly affected by the job losses that have occurred over the last couple of decades. Tackey et al. (2006) also argue that Pakistani and Bangladeshi men have been disproportionately affected by the decline in manufacturing due to the high proportion of men from these groups who worked in this industry.

Nickell (2003) argues that this shift in labour demand is an underlying cause of the increase in relative poverty levels since the late 1980's. He argues that because the lower demand for unskilled labour has not been matched by a decrease in the supply of unskilled labour, "this has substantially weakened the low-skill labour market which has increased both pay dispersion and worklessness, particularly among low-skilled men." (Nickell, 2003, p20)

The issue of the 'spatial mismatch' between the location of the job losses and new jobs is also discussed in much of the literature. Sanderson (2006) says that the "spatial distribution of new jobs growth has not matched the spatial distribution of job losses in the traditional primary and manufacturing industries." (Sanderson, 2006, p26) This 'spatial mismatch' has led to an increase in the levels of worklessness in particular areas that have experienced these job losses, such as mining towns.

These structural changes in the economy have also created a 'skills gap' where there is a mismatch in the skills held by those who worked in the manufacturing industry for a long period, mainly older men, and the skills required in the service sector. Qualitative research on the labour market participation of older workers (Irving et al., 2005) found that some older people who had previously worked in engineering and manufacturing jobs found it difficult to think about doing different work and some felt they were too old to retrain. As they had no experience in other occupations, some respondents also felt unable to compete for jobs. This situation has been described as the 'discouraged worker' effect where people move into inactivity rather than unemployment because they do not think there are suitable jobs available to them.

The skills gap is relevant to the West Midlands. In Tackey et al.'s case study of the Birmingham labour market (2006), they say that "there is currently seen to be a mismatch between the available skills in the working age population and the skills required in the labour market, as the traditional manufacturing industry, requiring few qualifications, continues to decline, and is overtaken by jobs which require qualifications." (Tackey et al., 2006, p78)

2.2.2 Labour demand

The second of the demand side barriers included in this review is looking at whether there are sufficient job opportunities in areas that have higher rates of worklessness or whether weak labour demand can be identified as a cause of worklessness. As previously described, Government policy has concentrated on the supply side of the labour market with the implication being that lack of demand for labour is not a cause of worklessness and there are enough job opportunities available. The location of many areas where there are concentrations of worklessness being close to large centres of employment is often cited as evidence for the need to focus on supply side barriers.

One of the problems identified in the literature in this area is the problem of measuring labour demand. Vacancy statistics only reflect the employers that advertise vacancies through Jobcentre Plus; they account for about 51% of the estimated total vacancies. (NAO, 2007b) An alternative measure of labour demand, which is now used by ONS, is the National Vacancy Survey which provides estimates of recruitment activity regionally and locally. Using vacancy statistics as a measure of labour demand has been criticised as vacancy levels are affected by staff turnover and high levels of vacancies can be caused by high turnover in a small number of jobs. (Social Exclusion Unit, 2004a) However, vacancy data are used in the analyses of labour demand with many studies looking at the level of vacancies compared to the number of people unemployed or workless.

When analysing labour demand, many commentators say that it is important to look at the geography and nature of the jobs available as well as simply the number of vacancies. (NAO, 2007b; Social Exclusion Unit, 2004a) As the Social Exclusion Unit says "having a large number of professional jobs on one's doorstep is of little use to someone with no qualifications" (Social Exclusion Unit, 2004a, p39). 'Travel to work' areas (TTWA) are often used to analyse local labour markets and look at the geography of labour demand. These areas can be larger than local authorities and reflect commuting patterns and the location of work for the majority of the resident population. However, for people living in deprived areas who may not have access to personal transport and where public transport is poor, TTWAs may not reflect the area where they would be able to look for job opportunities. The Social Exclusion Unit (2004a) says "the lack of public or personal transport, the costs of travel and limited travel horizons can make jobs inaccessible, or seem so." (ibid) Some evidence relating to the job opportunities perceived to be available to those living in deprived areas comes from the New Deal for Communities Household Survey 2002 of deprived areas which were taking part in the New Deal for Communities programme. This survey showed that 25% of the people claiming Jobseekers allowance thought there were no suitable jobs available and 20% that there were no jobs available. (Noble et al., 2005)

The Social Exclusion Unit undertook an analysis of the change in the number of workplaces at local authority level and the relationship with concentrations of worklessness. They found that concentrations of worklessness were twice as likely to be found in local authorities that had experienced a fall in the number of workplaces between 1998 and 2001. In addition to this, concentrations of worklessness made up 19% of the districts where there had been a fall in the number of workplaces compared to 9% of districts where there had been an increase in the number of workplaces. From this analysis, the Social Exclusion Unit concludes that "taken together, these figures suggest that a lack of accessible jobs does contribute to concentrations of worklessness in some places. The evidence suggests that a lack of job opportunities is a greater problem in manufacturing and mining areas and in cities and service districts." (ibid, p41)

An NAO report (2007b) on local labour markets included an analysis of Birmingham's labour market as well as a national and regional analysis of labour market demand. The report showed that in some regions the competition for vacancies was greater than others with the West Midlands having the fourth highest competition out of the English regions. This was measured by looking at the number of vacancies as a proportion of the number of workless people and the figure for the West Midlands was just over 6%. The sub-regional analysis in Birmingham compared the number of vacancies at LSOA level in Birmingham against the number of people claiming workless benefits and found that there was a reasonable match between the areas with the most vacancies and the highest numbers of workless people. However, this analysis also showed that the numbers of workless were much larger than the number of available jobs.

The weak demand for the labour of some of the groups at risk of worklessness has been cited as a barrier to employment, either perceived or real. Qualitative research with older workers (Irving et al., 2005) found that some respondents perceived that the demand for their labour was weaker than for younger age groups. Many respondents felt that jobs should be offered to younger people first and that there were more advantages in employing a younger person than an older person. In qualitative research with Pakistanis and Bangladeshis in Birmingham (Tackey et al., 2006), respondents felt that there were more people looking for jobs than there were jobs available due to the closure of factories. In particular, this was due to a mismatch between the types of jobs available and the individuals looking for work. Respondents felt that there were few opportunities available for unskilled factory workers.

A qualitative study of people moving between Jobseekers allowance and Incapacity benefits and staff working with the employment or benefits service (Hedges and Sykes, 2001) also identified the lack of demand for the labour of people with health problems as a barrier to work. Jobcentre staff identified a decrease in the number of low skill non-manual jobs available. These are the type of jobs that might be suitable for people who previously had a manual job before becoming ill or disabled and has few qualifications. The number of job opportunities for people with health problems is restricted.

Meager and Hill (2005) analysed the employment rates of disabled and non disabled people by region. They found that the regions with the highest employment rates overall also tended to have the highest employment rates of disabled people. In addition to this the divergence between the employment rates of disabled and non-disabled people was smaller (and therefore disabled people's disadvantage was less) in regions with higher overall employment rates. Using Census 2001 data they also looked sub regionally at the relationship between the overall employment rate and the employment rate of disabled people and found an even stronger relationship than at regional level. So in areas where the overall demand for labour is higher the demand for disabled people is also higher. They say that this positive relationship "suggests that a policy regime which focuses only on the supply-side, and does not look at a) the behaviour, policy and practices of employers; and b) the overall level of economic demand within local labour markets, is unlikely to be sufficient in addressing the labour market disadvantage of disabled people." (Meager and Hill, 2005, p31)

2.3 Summary of causes / Overlapping barriers

A large number of barriers to employment have so far been discussed in this review. Some of these barriers are specific to one group of people whereas some barriers affect most of the disadvantaged groups included. The barriers can act on several different levels and the main barriers to employment can be grouped under three levels:

Individual/Personal	Neighbourhood/Area/ Community/ Environmental/	Structural
Disability/poor health	Poor public transport /lack of personal transport	Employer attitudes/ discrimination
Low confidence	Influence of social networks	Lack of childcare
Low qualifications and skills/ language, numeracy and literacy problems	Postcode discrimination	Structure of benefits system - making work pay
Age		Labour demand
Lack of work experience/relevant experience; poor work history		Structural changes in economy
Caring responsibilities		
Financial considerations - loss of benefits, low pay		

These barriers can be experienced differently by different groups and present different levels of difficulties, however there are some common issues. The table below presents the barriers to employment or causes of worklessness together with the groups that are affected by each factor. Of course, there will be individuals in each group that could be facing any of these barriers but this table presents the main causes for each group, as identified in the literature. The cause that affects the biggest number of groups is listed first.

Causes of Worklessness	Groups Affected
Disability/poor health	Disabled people/those in poor health, BME groups, lone parents, carers, people with workless partners, older people, workers in the informal economy, offenders/ex-offenders, homeless people, social tenants, people living in deprived areas
Low qualifications and skills/ language, numeracy and literacy problems	Disabled people/those in poor health, BME groups, lone parents, carers, people with workless partners, older people, workers in the informal economy, offenders/ex-offenders, refugees and asylum seekers, social tenants, people living in deprived areas
Lack of work experience/relevant experience; poor work history	BME groups, lone parents, older people, offenders/ex-offenders, homeless people, refugees and asylum seekers, young people
Employer attitudes/discrimination	Disabled people/those in poor health, BME groups, lone parents, carers, older people, offenders/ex-offenders, refugees and asylum seekers
Low confidence	Disabled people/those in poor health, lone parents, carers, people with workless partners, older people, offenders/ex-offenders
Caring responsibilities	Disabled people/those in poor health, BME groups, lone parents, carers, people with workless partners, older people
Financial considerations - loss of benefits, low pay	Disabled people/those in poor health, lone parents, people with workless partners, workers in the informal economy, homeless people, social tenants
Poor public transport /lack of personal transport	Disabled people/those in poor health, BME groups, older people, social tenants, young people, people living in deprived areas
Structure of benefits system - making work pay	Disabled people/those in poor health, lone parents, workers in the informal economy, social tenants
Age	Disabled people/those in poor health, carers, older people
Labour demand	Disabled people/those in poor health, older people, young people, people living in deprived areas
Structural changes in economy	BME groups, older people
Lack of childcare	Lone parents
Influence of social networks	People living in deprived areas
Postcode discrimination	People living in deprived areas

One of the most common barriers to employment was ill-health. For nearly all of the groups at risk of worklessness included in this review, poor health and disability were cited as barriers to work. Many of these groups had much higher levels of ill-health than the general population. Berthoud's quantitative analysis of LFS data (2003) identified groups of people at high risk of worklessness (having a risk of non-employment greater than 50%) due to multiple disadvantage. He found that nearly half of people with an impairment (45%) were at high risk of worklessness due to the disadvantage they face from their health problem together with other disadvantaging characteristics, in particular low qualifications and skills. Of the total group at high risk of worklessness, nearly two thirds had an impairment.

This would indicate that dealing with issues around ill health would need to be an important part of any policies addressing worklessness, as ill health is experienced by many workless people and often in combination with other disadvantaging characteristics. The new Employment and Support Allowance will start to address this issue as it will provide more support to people who are disabled or have long term health problems to return to work.

Another barrier that has been repeatedly cited is around the issue of low qualifications and poor skills. This encompasses a range of issues from problems with literacy, numeracy and the English language to people who have no qualifications or have low or out-dated qualifications. A recent report from the NAO (2007b) shows that, in the West Midlands, the proportion of the workless population who has no qualifications is higher than for any of the other English regions. This suggests that addressing low skills is of particular importance in this region.

Nickell (2003) discusses the weakening of the unskilled labour market due to the rising demand for skilled workers, relative to supply, and declining demand for unskilled workers over the last couple of decades. This has led to a falling wage rate for the unskilled and a lack of jobs and in turn led to an increase in worklessness and poverty amongst the groups with the lowest skill levels. In the UK, where Nickell says there is a long tail of low skilled workers (over 20% of the working age population have very low skills), this is a particular problem. Nickell concludes by saying that the long tail of low skill levels must be addressed in order to reduce worklessness and poverty.

This point is also addressed in the report on the new Working Neighbourhoods Fund (DCLG and DWP, 2007) which acknowledges that the long tail of low skilled workers has contributed to the concentrations of worklessness and that increasing skill levels in this group plays an important part in reducing worklessness.

The issues around skills have not been dealt with in detail in this review as the Skills Research Team within the Observatory has already done lots of work in this area. The Regional Skills Assessment 2008⁶ gives an overview of the key issues facing the West Midlands with regards to the skills agenda.

One of the key findings that can be taken from this literature review is the number of barriers faced by many of the disadvantaged groups. For many of these groups, the scale of the challenge to gain suitable and sustainable employment is substantial due to the number of barriers they face. The combination of many barriers working against each group also makes policy solutions more difficult. Many commentators emphasised the fact that current Government policy has focused too strongly on supply side issues and also tended to treat barriers in isolation. When people are workless due to multiple overlapping barriers coming up with a policy response to help them becomes more difficult. However, dealing with issues around ill-health and low skills seem to be key areas to focus on as most of the groups of workless people are affected by one or both of these disadvantaging characteristics.

⁶ Available from www.wmro.org

3 Dynamics of Worklessness

This section of the report will focus on the dynamics of worklessness by looking at movements in and out of worklessness. There are several pieces of research that have looked at reasons for entry to and exit from work, most which have focused on a particular group of people (e.g. those with a disability) or those claiming a particular benefit (e.g. Jobseekers allowance). This section provides a summary of the key studies in this area.

Berthoud and Blekesaune's analysis (2007) of the ONS longitudinal study (which links individual data from the 1971 to 2001 Censuses) allows us to look at the probability of an individual's economic status changing from one Census to the next. They found that 50% of people who were workless in 1991 were again workless in 2001 (although they may have entered and exited work during the interim years). This is a high percentage and suggests that for these people worklessness may be a persistent state. They also looked at entry and exit rates to employment and how these differed over time and by gender. Between 1971 and 2001 they found that there had been little change in the entry rates for men or women but that the changes in the overall employment rate over this period can be largely explained by changes in exit rates. Although women have higher exit rates than men these have fallen dramatically over this period, particularly for younger women. Male exit rates have remained steadier except for older men who have seen an increase in the likelihood of exiting work over this time period. It is these changes in the exit rates that explain the increase in the female employment rate and decrease in the male employment rate over this period.

One fairly comprehensive literature review on the dynamics of worklessness was carried out by Hasluck and Green (2005) within a broader review of the literature on workless couples. The authors looked in turn at triggers for becoming workless, barriers to re-entering employment and bridges to leaving worklessness. They discuss three of the main triggers of worklessness - redundancy, retirement and ill-health - but they stress that the factors that trigger worklessness are complex and usually do not work in isolation. Moreover, different groups of people can experience different triggers of worklessness and even within groups, individuals in different areas can be differently affected. They emphasise that the triggers leading to worklessness may not be the same as the barriers which then prevent people returning to work. Within the section looking at bridges to leaving workless, the authors discuss attitudes to work, benefits, the quality and quantity of employment and policy issues. Regarding the issue of the benefits and tax system acting as a bridge (or barrier) to work, they say that "There is clear evidence that the benefits system operates as a constraint on the willingness of some of the unemployed and inactive to take-up work perceived as low paid and insecure." (Hasluck and Green, 2005, p68) For example, the loss of housing benefit can act as a disincentive for people to enter low-paid and insecure work. In-work benefits (tax credits) have been found to encourage families, especially lone parents, to take up employment and are an incentive to leave worklessness. However, people need to be able to rely on the system to provide sufficient income in the transition period between worklessness and employment.

The importance of maintaining a reliable income during this transition period was examined in qualitative research by Harries and Woodfield (2002) with people who had made this transition. The key issues affecting the participants during this period were around income and expenditure levels with many fearing the change from a predictable income from benefits. This fear can act as a barrier to employment. Issues around income and the timing of wages and benefits need to be taken into account by policy makers, and acknowledged as an important factor for many people in their decision to enter employment from benefits.

Much of the literature in this area focuses on the labour market dynamics of disabled people or those in ill-health and particularly those in receipt of Incapacity Benefits. A much quoted statistic from recent years is that "once a person has been claiming Incapacity Benefit for 12 months, the average duration of their claim will be eight years - and after two years they are more likely to die or retire than return to work." (HM Government, 2005, p19)

Kemp and Davidson's study (2007) consisted of structured interviews with nearly 2,000 recent claimants of Incapacity Benefit and looked at their route into claiming this benefit. They found that:

“Just over half (53 per cent) of recent claimants had moved onto IB from being in work (either working or off sick from their job). Around another quarter (26 per cent) had claimed IB from ‘non-work’ but had nonetheless been in work at some point in the previous two years. Just over a fifth (21 per cent) had come from non-work and had not worked for at least two years or had never worked.” (Kemp and Davidson, 2007, p5)

The majority of new claimants (nearly 80%) therefore, were fairly well connected to the labour market - either by being in work immediately prior to their claim or having worked in the last two years. In fact, 70% of recent claimants had been in steady employment for most of their working lives and 68% were claiming Incapacity Benefit for the first time. When claimants were asked about how long they expected to be receiving this benefit the most common two answers were that they didn't know (37%) and for less than 6 months (33%). Only 11% thought that they would never return to work. However, when claimants were interviewed again 6 months later they had become more detached from the labour market with 27% saying they were now permanently off work due to sickness or disability. This finding was reinforced by qualitative research with Incapacity Benefit recipients carried out by Sainsbury and Davidson in 2006. At the initial interview, the majority of claimants were positive about working in the future. However, at the second interview six months later only a few people were confident about returning to work in the short to medium term.

The fact that in claiming Incapacity Benefits many of the claimants became more detached from the labour market is part of the rationale behind the new Employment and Support Allowance. The majority of the claimants of this benefit will have to undertake some work-related activity and, it is hoped, therefore remain more attached to the labour market.

The factors which affect an individual's chances of moving back into work from Incapacity Benefit were studied by Loumidis et al. (2001). Their large study of Incapacity Benefit claimants who were judged to be closer to the labour market (from their responses to a survey) identified four factors which were associated with moving off the benefit: duration, severity score, perceived ability to work and involvement in studying. Respondents who had claimed for less than 66 weeks were 10 times more likely to have left the benefit during the study period and the authors say that this finding highlights the need for early intervention. Respondents who were least severely impaired, those who believed they were able to do some paid work and those who did not study whilst claiming were also all more likely to have left the benefit.

The finding from this study that the severity of illness or disability was a factor in determining an individual's chances of returning to work has also been found to be important in influencing exit from work. Rigg (2005) analysed nine years of LFS data looking at exit rates for disabled men and women by other characteristics such as qualifications, age and severity. He found that disabled men and women were more likely to exit from work even when controlling for other characteristics. However, the severity of disability was a very important factor in determining exit rates. He says that "For both men and women, the difference in the probability of exiting work between more severely disabled and less-severely disabled people is approximately twice as large as the difference between less-severely disabled and non-disabled people." (Rigg, 2005, p28)

Analysis of LFS data also provides a chance to examine the labour market transitions of disabled people. Meager and Hill's analysis (2005) compares the changes in the economic status of disabled and non-disabled people over a year. They found that although disabled people who were in work 12 months ago were only slightly less likely to still be in work, disabled people who were unemployed were much more likely to still be unemployed than non-disabled unemployed people. Only 30% of disabled people who were unemployed found a job over the year compared to 54% of non-disabled people who were unemployed. A similar pattern also exists for those who were inactive 12 months ago, only 6% of inactive disabled people moved into employment compared with 23% of inactive non-disabled people. This is important given that the inactive disabled people were more likely to want to work than their non-disabled counterparts and highlights the poor employment prospects of disabled people.

Myck and Reed (2005) break this down slightly further by looking at the difference in the transitions of disabled people by whether they are in a couple or single and also include a variable which estimates the level of income, taking into account tax, benefits and tax credits. There was a difference between the labour market transitions of disabled people in couples and those who were single. Disabled people in couples were more likely to exit and less likely to enter employment than non-disabled people in couples (conditional on a given level of financial incentives). Surprisingly, for single people the opposite was true, in that they were more likely to enter employment and less likely to exit than single non-disabled people. The analysis also showed that "financial incentives are important determinants of labour market transitions, both for single people and for individuals living in couples." (Myck and Reed, 2005, p66) Financial incentives were more important in determining labour market transitions of disabled people and those with children than non-disabled people and those without children.

Fears about financial instability, through the loss of benefits, were also found to be important for Incapacity Benefit claimants in their decisions about returning to work. Loumidis et al. (2002) found that the most commonly reported incentive for returning to work for people claiming incapacity benefits was knowing that the claimant could get their original benefit back if they were not able to sustain their employment. (This is discussed further in section 2.1.1)

As well as the disabled and those in poor health, much of the literature in the area of labour market dynamics concentrates on older people. Berthoud and Blekesaune (2007) show that older workers are more likely to leave work than younger workers and also less likely to re-enter employment once they have left.

Using longitudinal survey data from the LFS, Cappellari et al. (2005) look at the labour market transitions of those aged between 50 and state pension age. They find that the employed and those who are inactive and have no desire to work are the two most stable economic states within this age group. They find evidence of state dependence (those individuals most likely to be in any of the economic states are those who were in this state in the previous quarter) and duration dependence (the longer an individual remains in their starting state the less likely they are to leave this state). So for older people who are workless, the longer they remain workless the less likely they become to re-enter employment. This echoes the findings from the studies of Incapacity Benefit claimants that those most likely to leave the benefit were those who had been claiming for the shortest length of time. Cappellari et al. highlight the policy implications of their finding of state and duration dependence by saying "there is the potential for any individual to become trapped in inactivity and, ideally, policy should intervene as soon as an individual experiences a period of non-employment." (Cappellari et al., 2005, p5)

Data from the British Household Panel Survey analysed by Campbell (1999) show that among older workers (aged over 45) there are two groups who are more likely to exit work: those who are amongst the lowest earners and high earners who are members of occupational pension schemes. After controlling for gender, age and industry these results remained the same. This analysis also again showed that fewer older people return to work once they become workless and also that there was a difference between unemployment, inactivity and the reasons for inactivity. For example, older people who were unemployed were more likely to return to work than those who were inactive and older people who were retired were more likely to return to work than those who were long term sick.

Qualitative interviews with older people by Irving et al. (2005) examined the reasons for exit from work (push and pull factors) and reasons for re-entry. Health and redundancy both acted as single push factors in leaving employment and also in combination with other push and pull factors. The most common pull factor was financial security, in that people who could afford to retire could choose to work or retire, but financial security alone was never a factor in leaving employment, only when it was combined with other push or pull factors. Other pull factors included caring, looking after the home/spending time with family, and enjoying quality time and hobbies. There were two main reasons why older people re-entered employment: financial necessity and to fulfil financial, physical and psychological needs. The authors say that generally, older people on lower incomes re-entered employment through necessity whilst those on higher incomes re-entered through choice. Again, it was found that older workers who re-entered the labour market did so fairly quickly (within a year) and those out of the labour market for longer found it harder to return.

When looking at Jobseekers Allowance claimants, research has also shown that the duration of the claim is an important factor in determining a return to the labour market and early return to benefits. Ashworth and Liu's research (2001) showed that those who had a recent history of claiming benefits were more likely to make an early return to benefits from work and longer spells of Jobseekers claims prior to starting work increased the chances of making an early return. A recent literature review carried out by WMRO into sustainable employment also looked at this issue. The review highlighted the fact that 70% of Jobseekers Allowance claims are repeat claims and around 40% of people moving from Jobseekers Allowance to work return to make a new claim within 6 months. Men were more likely to make another claim within 6 months than women. This pattern of cycling between benefits and work has started to be addressed by Government with a new focus on sustainable employment. The Flexible New Deal which will be introduced in October 2009, focuses on getting people into sustainable employment (defined as 26 weeks) and private companies running Flexible New Deal programmes will be paid based on this target. This programme will provide more support to people the longer they are out of work and by having a target based on sustainable employment will hopefully encourage placements in suitable and permanent employment.

In this section, several factors have been identified as influencing flows in and out of the labour market. In particular, the length of time out of employment is important, with it becoming increasingly less likely that someone will return to the labour market the longer they have been workless. This was found to be true for several different groups of workless people who had different initial triggers of worklessness. For example, research has found that both Incapacity Benefit claimants and older people are less likely to return to work the longer they have been out of employment. The importance of making quick interventions once people become workless has been highlighted by many of the studies included. It seems that the longer people are workless, the harder it becomes to return to employment whether they are workless due to ill-health or retirement.

Financial reasons have also been found to be important in explaining labour market transitions and dynamics of worklessness. The structure of the benefit system can act as a disincentive to finding employment for some groups. Tax credits act as incentives to enter employment, and have been particularly important in the increase in lone parents employment rates over that last decade, but the management of the transition period between worklessness (when claiming benefits) and employment is also important. Workless people claiming benefits were often worried about the change from a regular income from benefits to a possible period of irregular income depending on the timing of their new wage. This fear can act as an additional barrier to employment.

4 Gaps in the evidence

One of the aims of this literature review was to identify any gaps in the evidence on the causes and dynamics of worklessness and if these were found, to propose gap-filling research projects. This section of the report has been split into two. The first is on the gaps that have been identified by others as a result of their evidence and literature reviews. Only those relevant to this review have been included but these are still often specific to one area of research, for example relating to one group at risk of worklessness, and may be too specific to take forward to help answer the research questions addressed by this review. The second part presents the gaps in the evidence identified and presented in this literature review.

4.1 Gaps identified in previous research

In Mclean et al's evidence review (2005) on worklessness and health, they list several gaps discussed by others in this area and find a degree of consistency in the gaps identified. The relevant gaps can be summarised as:

- The link between worklessness, poverty and mental health
- The direction of causality between unemployment and poor health
- The affect of unemployment on health at different ages
- The relationship between ethnicity, health and employment

In general the authors say that there is "A lack of a substantive UK unemployment evidence base concerning women and people from black and minority ethnic backgrounds makes it difficult to identify potential associations with unemployment and health." (Mclean et al., 2005, p17)

Ritchie et al. (2005) concentrate on gaps related to the relationship between worklessness and well-being. They find that there is limited research about the psychology of worklessness for those who have been out of work for a long time. They say it is also necessary to understand how local employment prospects affect the well-being of workless people and how experiences of low paid insecure employment affect well-being and patterns of cycling between worklessness and employment.

Tackey et al. (2006) identified a gap in the literature on the barriers experienced by specific ethnic groups to entering the labour market. This was partly addressed by their literature review of the barriers facing Pakistani and Bangladeshi groups but there remain many other ethnic groups for whom little is known about specific barriers.

In Sanderson's review of worklessness in deprived areas (2006) found that there are significant differences between different deprived areas with respect to their levels of unemployment and inactivity, the demographic composition of the area and the local labour market. However, he found a lack of consensus in the literature about the reasons for the problem of worklessness in deprived areas. He suggests that "the nature of the problem needs to be analysed and understood in each specific area in terms of the interaction between compositional effects, local institutional factors and characteristics of the local labour market context." (Sanderson, 2006, p25)

Dean and Melrose (2002) looked at the issues facing people with multiple problems and needs and policies to help them gain employment. They identified a need for longitudinal research into the labour market experiences of these people and how these are affected by different kinds of employers.

Pleace and Bretherton (2006) also identify a lack of data on those facing multiple barriers to employment which affects the ability of policy makers to target this group of people with services and programmes. This is important as these are often the hardest to reach and hardest to help groups. They say "National level data tend not to provide sufficient detail on workless adults who could work, but who face multiple barriers to employment. There is also an absence of detailed, longitudinal, statistical information on this group at local authority level" (Pleace and Bretherton, 2006, p1) One of the problems is data sharing; although many authorities may hold data about individuals, for example DWP, housing associations, those working with homeless people, and education and training providers, there is a lack of data sharing which could provide information about those who have multiple problems.

The lack of small area or local level data is highlighted by the Social Exclusion Unit (2004a) as a problem in tackling concentrations of worklessness. Much DWP data on levels of benefit claimants is now available at Lower Super Output Area level but some demographic and labour market data at low geographical levels is only available from the Census, which is now several years out of date.

4.2 Gaps identified by this review

The first gap identified by this review, is the general lack of regional level analysis of any region-specific causes and dynamics of worklessness. Whilst there is more data available at local authority level, there is little data relating to the region as a whole. Many local authorities have produced studies of worklessness in their area (often from benefit claimant data) and presented breakdowns of the groups of people affected. However, many of these concentrate on describing the patterns of worklessness in their area rather than exploring issues that cause worklessness and any area-specific barriers. There are also many local level reports presenting solutions and good practice in addressing worklessness. Due to the number of reports from local authorities and smaller areas, these reports haven't been included in this review.

Through the economic inclusion indicators we have started to describe the make up of the West Midlands with respect to the location and proportion of the population from groups at higher risk of worklessness. Through these we can start to understand the causes of worklessness in this region and how they might differ to other regions. For example, the low skills capital of the region will have an impact on the level of worklessness across the West Midlands.

This review has provided a summary of the issues relating to different groups of people and the dynamics of worklessness. An in-depth analysis of all the potential issues has not been the aim of this piece of work but we are able to assess the strengths and the weaknesses of the evidence base. Future work could take a more focused approach to look at any of the themes identified through this review. There are also some specific areas that provide opportunities for further research. These are listed below.

4.2.1 Multiple Risk Factors in the West Midlands

One area that we haven't yet explored through the economic inclusion workstream, and is missing from the literature, is the level of multiple disadvantage or overlapping barriers experienced by residents of the West Midlands. Several other reviews have identified a lack of data about people facing multiple barriers generally (see section 4.1), and this is echoed in the West Midlands. Questions we cannot answer at present are:

- Are there more groups facing multiple disadvantage in this region?
- Do people experience different combinations of disadvantage in this region compared to other regions and nationally?

Berthoud (2003) found that there were some combinations of risk factors that meant individuals were more at risk of worklessness than would be expected. These included older, low skilled Pakistanis and Bangladeshis. Does the higher proportion of Pakistanis and lower skilled people in this region mean there are more people facing both of these barriers? The presence of people with multiple barriers is important because these are the people who are hardest to help.

The lack of regional knowledge about those facing multiple disadvantage can partly be explained by problems relating to the availability of data and small sample sizes that would be encountered when identifying people who face several barriers.

Research Proposal - Regional analysis of the number of people facing multiple barriers, worklessness rates for groups with multiple disadvantages

Most labour market data comes from the Labour Force Survey (LFS) and this could be used to identify workless/working age people who face multiple barriers to employment in the West Midlands. Several years worth of data would have to be aggregated to provide a large enough sample size particularly to cross tabulate several variables. Variables could include - qualification level, ethnic group, age, disability, family structure, and housing tenure. The characteristics that are known to be associated with higher levels of worklessness could be studied. So, for example, the number of people living in social housing that are also lone parents and have no qualifications. The combination and number of characteristics analysed would be dependent on sample size.

An additional analysis would be to look at the worklessness rates for different combinations and numbers of disadvantage in this region, perhaps for the combinations found to be most prevalent in the region.

To conduct a similar analysis at a lower geographical area would not be possible from LFS data and so it would not be possible to include geographical factors, such as living in a deprived area.

4.2.2 Knowledge about specific high risk groups

Another gap in the literature is around some of the specific groups of people discussed in this review and their levels of worklessness. There was only limited data available on:

- offenders,
- refugees and asylum seekers,
- carers
- homeless people
- people with mental health problems

This is probably because these are groups that may not be captured by large scale surveys or tend to be fairly small populations. Most of the knowledge in this area comes from smaller qualitative studies, which again are not region specific. For offenders, refugees and homeless people particularly, we don't know the size or locations of the population. These are groups which are likely to be experiencing multiple disadvantage and have very high levels of worklessness.

A more specific literature review may provide further information about these particular groups. Failing this, primary research could be carried out although accessing these groups may be difficult.

4.2.3 Characteristics of Incapacity Benefit claimants

There is currently limited administrative data about the characteristics of IB claimants. Data on age, sex and condition are available but cannot necessarily be cross tabulated. Ethnicity data are not available.

4.2.4 Causal direction

Some of the causes of worklessness identified in this review may in fact be consequences of being workless but there is little in the evidence to show this. Factors such as poor health, or living in social housing or living in a deprived area could be consequences or causes of worklessness. Trying to determine which were the causes and which the effects would be very difficult and this probably explains the lack of research in this area.

4.2.5 Dynamics of worklessness in the region

The regional dynamics of worklessness have not been covered in detail in this review. The following questions may provide interesting starting points for further research.

- Have there been regional changes in the economy, labour market etc have affected levels of employment across the region?
- When/where have there been changes to flows onto and off Jobseekers Allowance?
- How do the dynamics of specific groups differ?
- Which groups have been most affected by the decline of manufacturing or recent economic downturn?
- Has there been greater flows onto JSA recently? Is this from certain groups - e.g. young people or certain areas?

Administrative data on the flows onto and off Jobseekers Allowance could help to address these questions. Data are available at small geographical areas on the age of claimant, duration of claim, gender of claimant, sought or usual occupation of the claimant and reasons for leaving the benefit. These data are available monthly and, at some levels of geography, available back to the 1980s.

However, one of the problems of using these data (and other benefits data) to look at the dynamics of worklessness is that claimants are not tracked from one claim to the next. This means that you cannot look at individuals over a period of time and look at their entry and exit to and from work and benefits. The JUVOS (Joint Unemployment & Vacancies Operating System Cohort) dataset is a 5% sample of unemployment benefit claimants from 1982 which tracks claimants and is used to provide information about the number of previous claims and the duration between claims but there is not a similar database for other out-of-work benefits.

4.2.6 Issues facing specific ethnic groups

This has already been identified as a gap in the evidence (by Tackey et al., 2006) and is particularly relevant to the West Midlands due the greater ethnic diversity in this region. We know that ethnic minorities generally have higher rates of worklessness than the white population but we don't know how the causes of worklessness differ between groups. Potential research questions include:

- Do different ethnic groups face different barriers?
- Are these connected to where they live?

To look at this issue, we could begin by conducting a more in-depth literature review looking specifically at the causes of worklessness for individual ethnic minority groups. In their literature review focusing on Pakistanis and Bangladeshis, Tackey et al. found that although most other studies looked at minority groups in general, several qualitative research studies focusing on one particular ethnic group had been done. These might provide further evidence to fill this gap.

Administrative data on the number of people claiming Jobseekers Allowance is available by ethnic group at Local Authority level and it is possible to cross tabulate these data with age or gender or the duration of the claim. These data could be used to gain more insight into the different groups of unemployed people but not into the larger proportion of the workless population who are economically inactive.

The Labour Force Survey does collect information about the ethnic minority of the respondent but sample sizes restrict the level of analysis that can be done for some of the ethnic groups, particularly for regional level data.

If these other data sources are not able to provide sufficient information about the barriers facing individual ethnic groups then primary research would need to be carried out.

5 Conclusion

It has been widely acknowledged that worklessness has become concentrated in certain areas and amongst certain groups of people. Through this examination of the literature and the data collected for the economic inclusion indicators, several groups of people have been found to have much higher rates of worklessness than in the general population. Disabled people, Pakistanis/Bangladeshis, carers providing more than 20 hours of unpaid care per week, offenders/ex-offenders, homeless people, refugees/asylum seekers and social tenants have all been found to have worklessness rates above 50%. The average rate for the West Midlands is 28%.

The causes of these high levels worklessness were examined by looking at groups of people at high risk of worklessness and the individual level barriers that they face. The barriers that each group faces can be understood as causes of worklessness.

The table below summarises the barriers facing each of the groups discussed.

High Risk Group	Barriers to Employment
Disabled people and those in poor health	Poor health, discrimination, low confidence, lack of suitable jobs, financial considerations (benefits system acting as disincentive to work, low pay), age, low qualifications, caring responsibilities, weak labour demand
Black and minority ethnic groups	Low qualifications, discrimination, living in deprived areas, poor health, caring responsibilities, language problems, lack of relevant experience
Lone parents	Lack of childcare, poor health, lack of work experience, low confidence, employer attitudes, financial considerations (structure of benefits system - making work pay, needing flexible employment, low qualifications
Carers	Low confidence, age, lack of skills, poor health, lack of information and support, lack of awareness of needs by employers
People with a workless partner	Poor health, low qualifications, caring responsibilities, low confidence, financial considerations (benefits system acting as disincentive to work), personal issues - offending, drug and alcohol problems
Older people	Poor health, caring responsibilities, low qualifications, lack of relevant work experience for current labour market - structural changes in the economy, low confidence, personal and employer attitudes to age

Workers in the informal economy	Low qualifications, poor health, financial considerations (benefits system acting as disincentive to work, making work pay)
Offenders/ex-offenders	Poor health, substance misuse, housing problems, low confidence, low qualifications, poor literacy and numeracy, poor work history, curfew restrictions, transport problems, criminal record
Homeless people	Housing problems, poor health, lack of work experience, dependency issues, financial considerations (benefits system acting as disincentive to work)
Refugees and asylum seekers	Language and literacy problems, lack of UK work experience, discrimination
People living in social housing	Financial considerations (benefits system acting as disincentive to work), poor health, lack of mobility within social housing, poor public transport, welfare dependency
Young people	Poor public transport, local labour demand
People living in deprived areas	Poor public transport, postcode discrimination, influence of social networks, local labour demand

This summary shows that there are many overlapping barriers to employment that are experienced by more than one group of people. Poor health and low qualifications/skills are two of the most common barriers. Poor health was cited as a cause of worklessness for nearly all of the groups included and can be seen as a major issue facing policy makers. Similarly, low qualifications and skills were also seen as common barriers to employment. In addition to this there was significant overlap between these two groups, with many people suffering from poor health or having a disability also having low qualifications.

Some of the people at risk of worklessness face multiple disadvantage and belong to several of these high risk groups. These are the people who are particularly hard to reach and pose a specific challenge to policy makers due to the number of barriers they are facing. However, research has shown that a person's overall risk of worklessness can be estimated by adding the risk of each separate risk factor together. This means that addressing any of the independent risk factors or barriers would lower the overall level of risk of worklessness and so policy makers can lower overall worklessness rates by concentrating on one risk factor.

This examination of the supply side causes of worklessness experienced by different groups was followed by a discussion of the demand side barriers to employment. These are barriers which act at a structural level and, so far, have tended to be ignored by Government policy. Structural changes in the economy, through the decline in manufacturing, have meant that there has been a shift in labour demand away from unskilled manual occupations. This has affected certain groups more than others, particularly older men, and led to a skills gap between the available skills in the population and the skills required by the new industries, like the service sector.

The issue of labour demand with respect to local labour markets is also covered in much of the literature. Some concentrations of worklessness exist in deprived areas that are close to large employment centres and this has led Government to conclude that weak labour demand cannot be used to explain concentrations of worklessness. However, the types of jobs available are important (there may be a mismatch in skills) and the location of jobs. For people living in deprived areas, who may not have access to private transport, then even relatively short commuting distances may seem inaccessible particularly if public transport is poor. There may also be a difference in the demand for labour of the different high risk groups. Research with older people, some minority ethnic groups and disabled people has found that these groups perceived there to be a weaker demand for their labour and cited this as a barrier to employment.

In the chapter on the dynamics of worklessness, several factors were identified as influencing flows in and out of the labour market. In particular, the length of time out of employment was found to be important, with it becoming increasingly less likely that someone will return to the labour market the longer they have been workless. This was found to be true for several different groups of workless people who had different initial triggers of worklessness. For example, research has found that both Incapacity benefit claimants and older people are less likely to return to work the longer they have been out of employment. The importance of making quick interventions once people become workless has been highlighted by many of the studies included.

Financial reasons have also been found to be important in explaining labour market transitions and dynamics of worklessness. The structure of the benefit system can act as a disincentive to finding employment for some groups. Tax credits act as incentives to enter employment, and have been particularly important in the increase in lone parents employment rates over that last decade, but the management of the transition period between worklessness (when claiming benefits) and employment is also important. Workless people claiming benefits were often worried about the change from a regular income from benefits to a possible period of irregular income depending on the timing of their new wage. This fear can act as an additional barrier to employment.

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