

VOLUNTARY AND COMMUNITY SECTOR REVIEW SR2004 DEPARTMENT FOR WORK AND PENSIONS

ETHNIC MINORITY EMPLOYMENT STRATEGY

Background

1. The Government is committed to working in a closer partnership with the voluntary and community sector (VCS) as a central strand of the effort to reform and improve public service delivery. In Budget 2003, the Chancellor announced a review of the VCS¹, looking to the Spending Review 2004 period, to assess the progress made by departments in involving the VCS in local service delivery, and the potential for going further. As part of the review, DWP has been investigating the role of the VCS in the priority area of ethnic minority employment. As a result, this paper sets out the Department's strategy for maximising the potential of the VCS in delivering services to improve ethnic minority employment outcomes for 2005-2008.

Ethnic Minority Employment Strategy

2. The DWP is committed to promoting work as the best form of welfare for people of working age, while protecting the position of those in greatest need. One of the targets underpinning this objective is the Department's Public Service Agreement target to increase the employment rate of ethnic minorities and narrow the gap between ethnic minorities and nationally. This supports the Government's vision that, in ten years' time, ethnic minority groups living in Britain should not face disproportionate barriers to labour market achievement².
3. Latest data show the ethnic minority employment rate is 59.4% and the gap with the overall employment rate is 15.4 percentage points³. While the employment rate of ethnic minorities has been steadily improving (rising from 57.8% in 2002) there remains stark inequality for certain ethnic minority groups and genders within them and employment outcomes for certain groups remain at unacceptable levels. For example, Bangladeshi groups have an employment rate of 42.9%, for women within this group the rate is as low as 24.2%. With ethnic minorities set to account for more than half the growth of the working age population in the next decade, failure to tackle the problems of labour market underachievement will have increasingly serious economic consequences.
4. The Department champions a cross-government ethnic minority employment strategy through the Ethnic Minority Employment Task Force (www.emetaskforce.gov.uk) to tackle the main factors in ethnic minority employment disadvantage identified in the Strategy Unit report published in 2003, *Ethnic Minorities and the Labour Market*: lack of human capital; geography, and; the ethnic penalty. The first Annual report for the Task Force is due to be published in November 2004.
5. DWP plays a central role in the strategy through developing and implementing its employment policies and programmes to connect ethnic minorities to work.

¹ See Chapter 5 of Spending Review 2004 on HMT website for more details (www.hm-treasury.gov.uk/spending_review/spend_sr04)

² Strategy Unit, *Ethnic Minorities and the Labour Market*, March 2003.

³ Labour Force survey, average of the four quarters to Spring 2004.

DWP's strategy comprises four key strands of work:

- Focusing resources and effort on securing job entries in areas of high unemployment and higher numbers of ethnic minorities by sharpening the focus of Jobcentre Plus targets.
- Creating more flexibility in service design and delivery to tackle the various barriers and needs of different ethnic minority groups.
- Increasing the capacity of Jobcentre Plus to tackle employer discrimination and promote the recruitment of ethnic minorities.
- Developing new strategies to reach those ethnic minority groups that experience the greatest levels of inactivity and have the greatest impact on the overall employment gap.

The role of the VCS

6. Collaborative and strong partnerships with the VCS are critical to the successful delivery of this agenda. The VCS is integral to our DWP ethnic minority employment strategy in a number of ways such as consultation and liaison on policy and operational issues and partnership working. However, it is in the delivery of employment programmes it adds most value. There are already a number of Jobcentre Plus labour market programmes delivered by VCS organisations of all sizes. The following specific initiatives focus on ethnic minorities.
 - There are around 75 separate projects operating in target areas as part of **Ethnic Minority Outreach** (EMO), which are being run by VCS providers⁴. The aim of EMO is to bring those estranged from the labour market to Jobcentre Plus programmes; to work with employers to increase ethnic diversity in the workforce; and to provide individual job-focussed training. The contribution of outreach to the overall number of job placings for Jobcentre Plus is marginal but not insignificant. Over 3,000 jobs were gained from Outreach in the years 2001 – 2004. With a more jobs focused second phase, a further 1,500 jobs are expected in 2004-5.
 - In addition from April 2004 a new £8m **flexible fund** is being used to promote new and innovative approaches to target ethnic minority customers which we can learn from. We anticipate that the VCS will be steadily involved as local projects are developed.
 - In Budget 2004 we announced a pilot scheme to be run in six areas of high worklessness where many ethnic minority single earner families live. From October 2005 a new **Work Search Payment** of £20 per week will be available to those in a family receiving Working Tax Credits who are not working, who agree to join the enhanced New Deal for Partners and who voluntarily agree to search actively for a job. VCS providers are likely to be involved in marketing this initiative.
7. The ethnic minority VCS is quite large and energetic⁵. Working with the VCS promotes flexibility, choice and diversity in the ways in which we deliver

⁴ VCS Providers currently have 85% of the contracts (71.2% of the funding).

⁵ For example a study by Voice East Midlands in 2002 found there are 7-8,000 organisations in the region with 2-3,000 employees and about 70,000 volunteers (one fifth of the regional sector).

programmes to help ethnic minorities into work. One of the key advantages of the VCS is their **detailed understanding of the ethnic minority communities in which they operate and access to relevant social/local networks**. Experience from EMO has highlighted the importance of having an in-depth knowledge of ethnic minority communities, and subgroups within these communities, as well as being sensitive to cultural issues and having the means to meet language and other needs. Other research has also shown that the sector has a strong tradition of trying to ensure that minority communities can enjoy full citizenship rights and have equal opportunity to participate in British society⁶.

8. Some members of **some ethnic minority communities prefer to work with voluntary and community organisations rather than government agencies**. This lack of trust means the VCS has a critical role to play in reaching out and engaging these clients. Having a presence in the local community where ethnic minorities live is also an advantage. Experience from EMO found that Outreach providers made efforts to go into ethnic minority communities, and to make provision available in community venues. In addition, the use of media such as television, radio and the internet enabled outreach providers to reach people who would otherwise have been unlikely to have used a Jobcentre or a community centre. There is evidence that the New Deals have been less successful in engaging ethnic minority clients. For example, achievement of job outcomes has been lower for ethnic minorities and research into the impact of the New Deal in Oldham has revealed some of the disaffection felt by young ethnic minority men towards mainstream approaches and how racial segregation in the labour market might provide a barrier to the success of interventions such as New Deal⁷.
9. The VCS are therefore well placed to tackle the problems faced by hardest-to-help ethnic minorities where they may suffer multiple disadvantages such as low skills and living in deprived areas. A one-size-fits all approach may not be effective for specific groups with complex needs and VCS organisations can offer a flexible approach at the local level tailored to their needs. This is also reflected in the Department's changing approach outlined in Building On New Deal: Local Solutions Meeting Individual Needs⁸ which aims to introduce greater flexibility, not only to meet the needs of ethnic minority customers, but for all customers. DWP will test the delivery of this new approach to service in prototype areas from late 2005 and its impact on ethnic minorities will be evaluated.
10. Most of the approaches involving the VCS take the form of local initiatives and small-scale pilots. As such it is often difficult to assess all the costs and benefits of the VCS and whether they develop more effective methods of service delivery. In EMO, for example, the latest data has shown that the private sector is nearly three times as efficient in cost per job outcome terms and more than twice as efficient in terms of cost per overall outcome as the VCS⁹ but this may be because private providers are taking on customers nearer to the labour market and VCS providers are engaging the harder to help.
11. There are also some challenges in working with the VCS effectively. Key inter-related barriers which undermine the potential role that organisations could play in service delivery include:

⁶ Chouhan, K. (2004) Black and voluntary sector funding, civic engagement and capacity building. Joseph Rowntree Foundation.

⁷ 'How new is the New Deal? A qualitative study of the NDYP on minority ethnic groups in Oldham, Fieldhouse, Kalra and Alam 2003.

⁸ www.dwp.gov.uk/publications/dwp/2004/buildingonnewdeal/

⁹ Jobcentre Plus Management Information.

- The problem of funding and how it is administered is often highlighted as the major barrier to the ethnic minority VCS being more involved in improving the employment prospects of ethnic minority jobseekers¹⁰. Getting the funding relationship right is increasingly important if we are to maximise the effective role of the VCS. For example, the invitation to tender for EMO provision for 2004-2006 stressed that applications are welcome from smaller not for profit organisations including those who have not previously delivered Jobcentre Plus contracts.
- Staff retention and weak infrastructure that have undermined the potential role that black organisations could play in service delivery.
- Capacity to cope with the bureaucracy such as guidance and Management Information and the complications of government procurement rules.
- Managing conflicts between customer's long term aspirations and short term job outcomes. For example, pressure on providers to obtain rapid employment outcomes (due to job targets) may detract from focus on helping those furthest away from the labour market.

DWP VCS strategy

- 12.** This strategy is set within the context of the Department's broader VCS strategy. The DWP Compact Implementation Strategy will set out the steps the Department will take to implement the Compact and its Codes across its businesses between now and March 2006¹¹. The strategy will cover the elements of DWP engagement with the VCS in the areas covered by the Compact and the Cross-Cutting Review, including contracting, capacity-building and procurement and funding practice, which are key barriers highlighted in our review. The Departmental Strategy will also contain proposals to baseline the specific elements of our services which are relevant to Spending Review targets, specifically, on VCS spending. The Compact Implementation Strategy will be published by March 2005.
- 13.** The Ethnic Minority Working Party which meets quarterly provides a channel for in-depth discussion and consultation between DWP and representatives of organisations who work with its ethnic minority customers, covering the whole range of services provided by the Department.

Ethnic Minority VCS Implementation Plan

- 14.** There is much that we already know about tackling the main causes of ethnic minority labour market disadvantage but we need to do more. A key priority is to develop new strategies to reach those ethnic minority groups that are most disadvantaged in the labour market. In doing this we want to continue to harness the distinctive expertise of the VCS to work within communities to enhance and deliver innovative and cost-effective ways to move ethnic minority people into jobs. To achieve this our implementation plan is built around three pillars:
- Working in partnership – continuing to develop effective partnerships.

¹⁰ The study of East Midlands ethnic minority VCS has shown that it receives far less funding than other groups in an area with large ethnic minority populations. A recent Joseph Rowntree research project based in London and Leicester has found that small black and ethnic minority groups find it difficult to access funding and felt that they were overly scrutinised by funders "as a result of assumptions based on a belief that Black voluntary and community sector groups are administratively inefficient and financially unprofessional".

¹¹ Draft DWP Compact Implementation Strategy, DWP, Autumn 2004

- Consultation – having clear mechanisms for consultation and decision making which involve the VCS.
- Testing new ideas - unlocking the expertise and skills of the VCS through testing new and innovative approaches.

15. The action plan below sets out short and medium term work we have identified as a result of our review. We expect this strategy to develop over time through monitoring progress on an ongoing basis to build a long-term strategy to improve our engagement with the VCS.

Theme	Action	Timing
Working In Partnership	Lessons learnt from the evaluation of Ethnic Minority Outreach will be incorporated into the Jobcentre Plus strategy for 2004-2006.	2004-2006
	Disseminate existing good practice through holding a series of seminars involving local Jobcentre Plus and VCS partners supporting local strategies for reducing the employment rate gap and identifying effective operational models of partnership working with the VCS.	2005/06
	Promote a network of providers to share good practice and learn lessons by developing a database of VCS providers who have a good track record in achieving outcomes	2005/06
Consultation	Consult with the VCS through the Ethnic Minority Employment Stakeholder Group, which works alongside the Task Force on key strategic issues. This group brings together representatives from a range of ethnic minority organisations, community and faith groups, together with representatives from the education and business sectors. The Group comprises working parties that specifically look at the three strands of the cross-Whitehall ethnic minority employment strategy, and the chair of the Stakeholder Group is a permanent Task Force member.	Ongoing. Strategy to be presented to group in 2005 and actions agreed.
Testing new ideas	Work with VCS organisations to develop and sponsor new proposals for recently announced Invest To Save: Inclusive Communities Budget during the SR2004 period.	Early 2005.
	Carry out further research, building on evaluation findings from EMO in 2004, to explore added value of VCS.	2005/06