



# **European Union**

## **European Social Fund**

Investing in jobs and skills

**ENGLAND AND GIBRALTAR  
EUROPEAN SOCIAL FUND  
CONVERGENCE,  
COMPETITIVENESS AND  
EMPLOYMENT PROGRAMME**

**2007-2013**

**2007UK05UPO001**

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**Department for Work and Pensions  
Department for Innovation, Universities and  
Skills**



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# **EXECUTIVE SUMMARY**

## **Introduction**

The England and Gibraltar European Social Fund (ESF) programme will contribute to sustainable economic growth and social inclusion by extending employment opportunities and by developing a skilled and adaptable workforce.

The programme establishes the national priorities for spending ESF money in line with the Lisbon agenda and the Government's employment and skills strategies. Within these priorities, each region will develop its own strategy for addressing its distinctive regional, sub-regional and local needs.

The programme covers the whole of England and Gibraltar. It includes ring-fenced funding for the 'Convergence' area of Cornwall and Isles of Scilly and the 'phasing-in' areas of Merseyside and South Yorkshire. In these areas, the programme will build on the knowledge and experience developed within the 2000-2006 Objective 1 programmes.

## **Analysis**

The labour market has performed well in recent years. The UK exceeds the EU's Lisbon employment targets and unemployment remains historically low. There are rising attainment rates at age 16, and rising attainment and participation in Higher Education, leading to more qualified young people entering the labour force.

However, there are also significant challenges. These include low employment rates and high inactivity rates among disadvantaged groups such as people with disabilities and health conditions, lone parents, older workers, ethnic minorities and low skilled people. Pockets of worklessness exist in deprived areas, particularly in the big cities. About 11 % of 16 to 18 year olds are not in education, employment or training.

The Leitch Review found that the UK must improve skills at all levels if it is to tackle its productivity gap with other nations and become a world leader in skills by 2020. In particular, it must address the large numbers of people who lack basic skills, and the seven million workers who lack level 2 qualifications. Cornwall and the Isles of Scilly face specific employment and skills challenges to achieve economic convergence.

## **Strategy**

The England and Gibraltar ESF programme will support EU, national and regional strategies to tackle these challenges. It will add value to the Lisbon National Reform Programme and thereby contribute to the European Employment Strategy and to relevant EU objectives on education and

training, social inclusion and equal opportunities.

The programme will contribute to policies to increase employment by helping more unemployed and economically inactive people to develop their skills and enter sustainable jobs, particularly those at a disadvantage in the labour market. It will also help to prepare young people for working life, particularly young people not in education, employment or training (NEET) or at risk of becoming NEET.

The programme will contribute to policies to develop a skilled and adaptable workforce by increasing the numbers gaining basic skills, level 2 qualifications and, where justified, level 3 qualifications. It will also help to reduce gender segregation in the workforce, and to improve the skills of managers and workers in small enterprises.

The programme will promote integrated approaches to employment and skills, and the two sets of priorities will complement each other. Provision will be demand-led and meet the needs of individuals and employers.

## Priorities

The programme contains six priorities:

	<b>Regional Competitiveness and Employment Objective</b> <i>All of England and Gibraltar except Cornwall and the Isles of Scilly</i>	<b>Convergence Objective</b> <i>Cornwall and the Isles of Scilly</i>
<b>Worklessness</b>	Priority 1: Extending employment opportunities (€1,794 million ESF)	Priority 4: Tackling barriers to employment (€75 million ESF)
<b>Workforce skills</b>	Priority 2: Developing a skilled and adaptable workforce (€984 million ESF)	Priority 5: Improving the skills of the local workforce (€118 million ESF)
<b>Technical assistance</b>	Priority 3: Technical assistance (€116 million ESF)	Priority 6: Technical assistance (€4 million ESF)

Priorities 1 and 4 will improve the employability and skills of unemployed and inactive people, and tackle barriers to work faced by people with disabilities or health conditions, lone parents, people aged 50 and over, ethnic minorities, people with no or low qualifications, young people not in education, employment or training (NEET) or at risk of becoming NEET, and other disadvantaged groups, including people experiencing multiple disadvantage.

Priorities 2 and 5 will improve the qualifications and skills of workers without basic skills and with no or low qualifications. They will also develop managers and workers in small enterprises. Priority 5 will also support Cornwall's Higher Education and skills strategy.

Priorities 3 and 6 will fund technical assistance activities to support the delivery of the programme.

## **Implementation**

The programme's Managing Authority and Certifying Authority will be the European Social Fund Division of the Department for Work and Pensions. The Audit Authority will be the Department's Risk Assurance Division. At national level, the programme will be overseen by a Programme Monitoring Committee.

Most of the delivery of the programme will take place at regional level where Regional Committees will monitor the performance of the programme and promote complementarity with the European Regional Development Fund. Regional Skills Partnerships will have a leading role in developing regional ESF frameworks. These frameworks will provide the context, along with the Operational Programme, for Co-financing Organisations to develop detailed ESF delivery plans. Co-financing Organisations will have responsibility for bringing together ESF and the required domestic match funding, and for contracting with providers. Small grants for community groups will be delivered through Co-financing.

The Convergence area of Cornwall and the Isles of Scilly will have its own strategy and committee. The regional strategies and committees in the North West and Yorkshire and the Humber will take account of the specific needs of the phasing-in areas of Merseyside and South Yorkshire. The Government of Gibraltar will be the Intermediate Body for Gibraltar.

Gender equality and equal opportunities, and sustainable development will be the two cross-cutting themes, building on good practice developed in 2000-2006. There will be dedicated innovative activities within Priorities 1, 2, 4 and 5.

## **Funding**

The programme's budget is €6,049 million, of which the contribution of the ESF is €3,090 million and the national contribution is €2,959 million. Of the ESF funding, €196 million is ring-fenced for the Convergence area of Cornwall and the Isles of Scilly and €386 million for the Regional and Competitiveness Objective 'phasing-in' areas of Merseyside, and South Yorkshire. The ESF intervention rate will be 50% in the Regional Competitiveness and Employment Objective, and 75% in the Convergence Objective.



## **ABBREVIATIONS AND ACRONYMS**

CBI	Confederation of British Industry
CFO	Co-financing Organisation
CSG	Community Strategic Guidelines on Cohesion
CUC	Combined Universities in Cornwall
DCLG	Department for Communities and Local Government
DfES	Department for Education and Skills
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
EAFRD	European Agricultural Fund for Rural Development
EC	European Community
EFF	European Fisheries Fund
ER	Employment Rate
ERDF	European Regional Development Fund
EU	European Union
EURES	European Employment Service
EU15	15 Member States which joined the EU before 2004
GCE	General Certificate of Education
GCSE	General Certificate of Secondary Education
GVA	Gross Value Added
HE	Higher Education
HMG	Her Majesty's Government
HMT	Her Majesty's Treasury
ILO	International Labour Organisation
ISCED	International Standard Classification of Education
JEREMIE	Joint European Resources for Micro-Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
JLAG	Joint Local Advisory Group (in Gibraltar)
JSA	Jobseekers Allowance
LAA	Local Area Agreement
LAD	Local Authority District
LFS	Labour Force Survey
LHS	Left Hand Side
LSC	Learning and Skills Council

MOD	Ministry of Defence
NAP	National Action Plan
NEET	Not in Education, Employment or Training
NESS	National Employer Skills Survey
NOMIS	National Online Manpower Information System
NRP	National Reform Programme
NSRF	National Strategic Reference Framework
NVQ	National Vocational Qualification
ODPM	Office of the Deputy Prime Minister
ONS	Office of National Statistics
PMC	Programme Monitoring Committee
PSA	Public Service Agreement
RDA	Regional Development Agency
RES	Regional Economic Strategy
RHS	Right Hand Side
RSP	Regional Skills Partnership
SME	Small and Medium Sized Enterprises
SPA	State Pension Age
SSDA	Sector Skills Development Agency
SWOT	Strengths, Weaknesses, Opportunities, Threats
TUC	Trades Union Congress
UK	United Kingdom
WWC	Women and Work Commission
YCS	Youth Cohort Study

## INTRODUCTION

1. The Government wants the European Social Fund (ESF) to support its vision of a prosperous economy and inclusive society in which all people are able to fulfil their potential. It believes ESF should contribute to this vision by extending employment opportunities and by developing a skilled and adaptable workforce in every region of England.
2. This Operational Programme establishes the priorities for spending ESF money in line with the Lisbon agenda and the Government's employment and skills strategies. Within the framework of national priorities, ESF will address distinctive regional, sub-regional and local needs. Each region will develop its own regional ESF strategy to inform the delivery of the programme. In Cornwall and the Isles of Scilly, Merseyside and South Yorkshire the programme will build on the knowledge and experience developed within 2000-2006 Objective 1 programmes.
3. The programme will run for seven years from 2007 to 2013. It must be sufficiently flexible to respond to policy developments and changes to labour market conditions during that period. In particular the programme will respond to the challenges set out in the Leitch Review of the UK's longer-term skills needs, and the Government's response to its recommendations on the delivery of employment and skills services. The programme must also complement the development of initiatives such as the Cities Strategy.

### Geographical coverage

4. The programme covers the whole of England and Gibraltar. It includes both the Convergence Objective (Cornwall and Isles of Scilly) and the Regional Competitiveness and Employment Objective (the rest of England and Gibraltar). Within the Regional Competitiveness and Employment Objective, the former Objective 1 areas of Merseyside and South Yorkshire will receive ring-fenced funding in view of their transitional 'phasing-in' status. A map at the end of this introduction shows the geographical coverage of the programme.

### Funding

5. The programme's budget is €6,048,816,799, of which the contribution of the ESF is €3,089,886,379 and the national contribution is €2,958,930,420.<sup>1</sup> Of the ESF funding, €196,433,940 is ring-fenced for

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<sup>1</sup> All figures at current prices. Figures in the consultation draft of the Operational Programme  
Version: Amended OP 2011



the Convergence area of Cornwall and the Isles of Scilly and €385,948,813 for the Regional and Competitiveness Objective 'phasing-in' areas of Merseyside, and South Yorkshire. The ESF intervention rate will be 50% in the Regional Competitiveness and Employment Objective, and 75% in the Convergence Objective. The regional allocation of ESF funding is set out in the technical annex of the UK National Strategic Reference Framework.

## **Regulatory framework**

6. The regulatory framework for the programme is set by European Union (EU) legislation and guidelines. The structure and content of the programme aims to meet the requirements of EU regulations on the Structural Funds and the European Social Fund. The main regulations are:
  - Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999;
  - Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999; and
  - Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006.

## **Structure**

7. The programme contains six chapters.
  - Chapter 1 analyses the strengths and weaknesses of England's labour market and identifies the challenges it will address. It contains a separate section on Cornwall and the Isles of Scilly.
  - Chapter 2 sets out how the programme will address relevant EU, national and regional employment and skills strategies.
  - Chapter 3 describes the programme's priorities to tackle worklessness and low skills, including the proposed activities and indicators.
  - Chapter 4 describes how the programme will be implemented, including the cross-cutting themes of gender equality and equal

opportunities, and sustainable development.

- Chapter 5 contains the financial tables setting out the breakdown of funds by year and by priority.
  - Chapter 6 contains information specific to Gibraltar.
8. The annexes to the Operational Programme contain the targets and indicators that will be used to measure the performance of the programme (annex A), information on the categorisation of ESF (annex B), and a summary of the consultation exercise on the draft programme (annex C).
9. A number of supporting documents are available alongside the Operational Programme. These include: the ex-ante evaluation report; the Strategic Environmental Assessment (SEA) screening report; the draft equality screening report; and the Government response to the consultation on the Operational Programme.

## **Ex-ante evaluation**

10. The purpose of the ex-ante evaluation is to optimise the allocation of resources and improve the quality of the programme. The ex-ante evaluation identifies and appraises the relevance of the programme to its labour market and policy context. It also examines the expected results of the programme, the added value of Community funding and the implementation arrangements. The report has been prepared by the ESF Evaluation Team in the Department for Work and Pensions (DWP). A summary of the main recommendations of the ex-ante evaluation report is at section 2.7.2.

## **Strategic Environmental Assessment screening**

11. The Strategic Environmental Assessment (SEA) screening report concludes that a full SEA is not required for the programme. The screening report and the draft programme were sent to the following consultative bodies in May 2006: the Environment Agency, the Countryside Agency, English Nature, and English Heritage. The consultative bodies are content that a full SEA is not required.
12. Given the nature of the ESF, focusing on non-material operations related to Human Resources Development, this Operational Programme does not set the framework for operations likely to have significant environmental effects, such as infrastructure projects, especially the ones listed in Annexes I and II to Directive 85/337/EEC as amended. Should infrastructure projects be envisaged subsequently, particularly using the flexibility clause of Article 34.2 of Regulation (EC) No. 1083/2006, the need for a Strategic

Environmental Assessment should be revisited. Consequently, the Managing Authority considers – and the national authorities have agreed – that there is no need for a Strategic Environmental Assessment of this Operational Programme under Directive 2001/42/EC, at this time. This is without prejudice to any screening determinations that are deemed necessary according to national laws or other measures to implement Directive 2001/42/EC.

## **Equality screening**

13. The draft equality screening report follows the structure of the DWP screening report and impact assessment template. The report concludes that the draft new programme is likely to have a positive impact on the equality groups targeted and that a full impact assessment is not necessary. The Equal Opportunities Commission, Commission for Racial Equality and Disability Rights Commission were invited to comment on the draft report. The screening report will be regularly reviewed during the life of the programme

## **Regulatory Impact Assessment**

14. The DWP Better Regulation Unit has advised that it is not necessary to undertake a regulatory impact assessment for the new ESF programme.

## **Consultation**

15. The Operational Programme has been developed by DWP in close cooperation with the Department for Education and Skills and other departments. Partners in Cornwall and the Isles of Scilly have contributed to the sections on the Convergence Objective.
16. The development of the programme has been informed by a number of informal and formal consultations. These include:
  - regional consultation events on the draft UK National Strategic Reference Framework, between February and May 2006;
  - the circulation of the draft report for comment to members of the England Objective 3 Monitoring Committee and regional stakeholders in July 2006;
  - a seminar on the new programme for members of the England Monitoring Committee on 4 October 2006;
  - on-going informal discussions with the European Commission; and

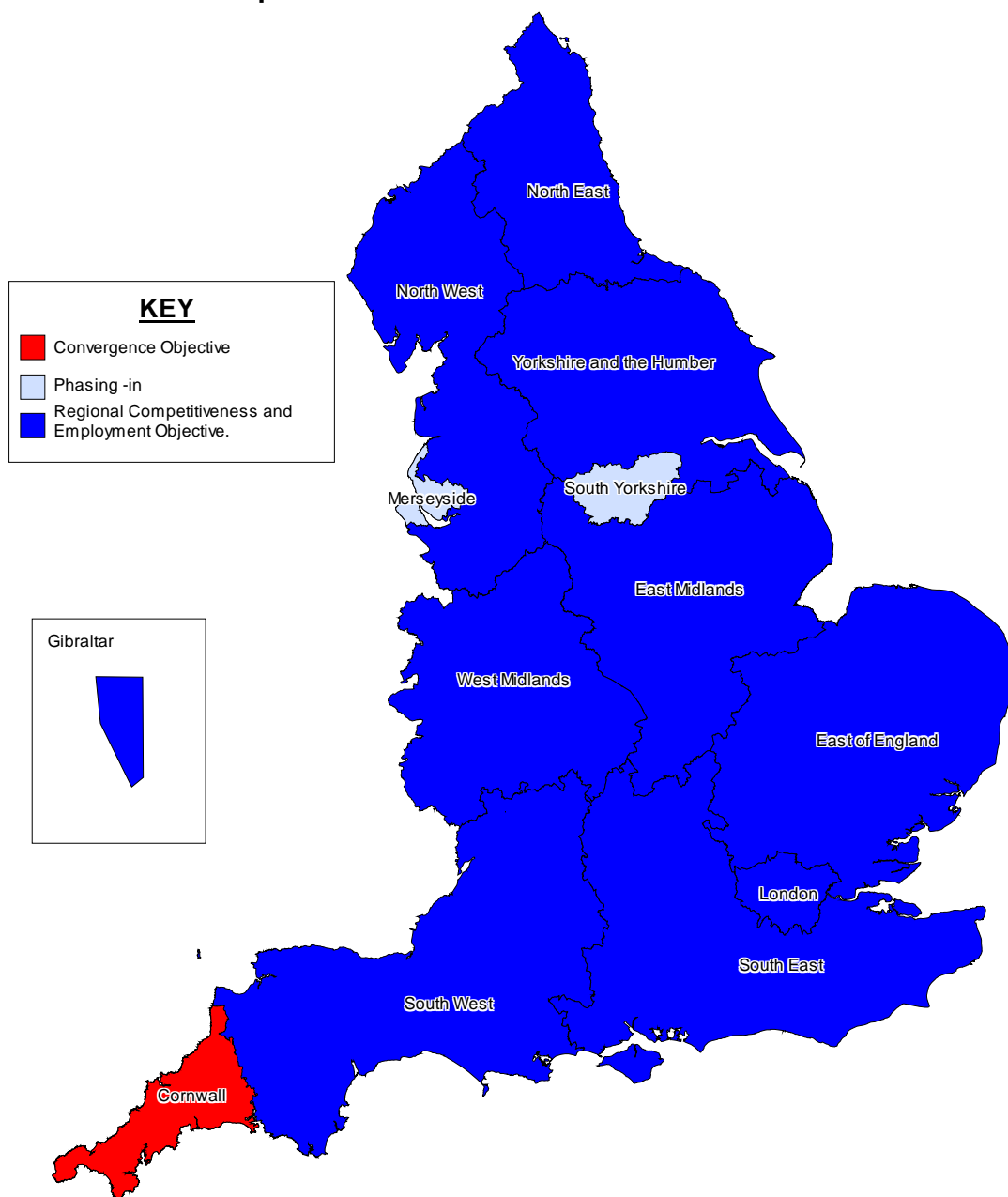
- a formal consultation exercise on the draft programme from 30 October 2006 to 22 January 2007, which included consultation events in each English region and in Cornwall.

17. Annex C summarises the formal consultation exercise.

## **Gibraltar**

18. The programme also covers Gibraltar. Gibraltar will receive funding within Priorities 1, 2 and 3 as set out in chapter 3. Chapter 6, which has been prepared by the Government of Gibraltar, contains information specific to Gibraltar.
19. In the case of Gibraltar, the Operational Programme takes account of the fact that Gibraltar, while being a territory for whose external affairs the Member State UK is responsible in accordance with Article 229(4) TEC, is not a region or other part of England. It has its own constitutional self government and separate economy, which is not linked to the UK's. Nevertheless, as a territory covered by Article 229(4) TEC, Gibraltar is entitled to receive EU Structural Funds from the UK's allocation. Accordingly, references throughout this document to England or the UK and its regions are, notwithstanding Gibraltar's separate status, deemed for the purposes of this document to apply to Gibraltar.

## European Social Fund 2007 to 2013



# 1. ANALYSIS

## 1.1 Introduction

20. The UK National Strategic Reference Framework analyses the strengths and weaknesses of England's economy in terms of employment and the five drivers of productivity (investment, skills, innovation, competition and enterprise).<sup>2</sup> This chapter expands on the Framework's analysis of employment and skills issues. It examines the strengths and weaknesses of England's labour market, and identifies the challenges which the programme will address.
21. Although there are separate sections on employment and skills, there is of course a very strong relationship between the two. For example, people with no or low skills are more likely to be unemployed or inactive, and to be at risk of social exclusion. The Leitch Report on the UK's long term skills needs, in December 2006, emphasised the importance of integrating employment and skills services to help people enter and make progress in the labour market.
22. There are significant variations in employment and skills performance between and within regions. This chapter identifies some of the main variations in performance between regions, and there is a separate section on the Convergence region of Cornwall and the Isles of Scilly. It also shows, in sections 1.2.4 and 1.2.20, that employment disparities are larger within regions than between regions.
23. However, this chapter does not aim to provide a full analysis of labour market trends in every region, sub-region and local area. The key issues at regional and sub-regional level will be identified in regional ESF frameworks. These strategies will be informed by existing analyses of the strengths and weaknesses of regions such as the Regional Economic Strategies.
24. Data relate to England unless otherwise stated. For certain analyses, data are only available at United Kingdom or Great Britain level. Where appropriate there are regional comparisons and breakdowns by gender. Where comparisons are made with other Member States or with EU level targets, EU definitions and Eurostat data are used. Where comparisons are made within the UK or England, or with national targets, national definitions and data sources are used. Data sources are shown in the footnotes.
25. This chapter often uses qualification levels as a proxy for skills. However, qualifications and skills are often not the same. Skills can be acquired whilst in work and through experience, and are an informal way of increasing productivity. Therefore qualifications are

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<sup>2</sup> UK National Strategic Reference Framework for EU Structural Funds Programmes 2007-2013, DTI, October 2006  
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only a very rough proxy for skills. Qualification levels refer to the National Qualifications Framework unless otherwise stated.<sup>3</sup>

## **1.2 Employment**

### **1.2.1 Overview**

26. The English labour market has performed well in recent years, compared to other countries and to its own history. Since 1997 England has seen rising employment and has broken its past record of boom and bust. It has coped better with the global economic slowdown than its competitors. During this period employment fell in the US, Germany and Japan. England now has one of the highest employment rates in its history. England also has the best pattern of employment and unemployment among the major industrialised countries. In particular, for the first time in at least 50 years the UK employment rate is the highest among the G7 countries, and there are very few countries in the world with higher rates.
27. The rise in employment, combined with successful labour market policies, has led to an overall fall of around one million in the number of jobless people on benefits in the UK. The biggest improvement has been among the number of people claiming Jobseekers Allowance, which has fallen by more than 700,000 since 1997 to levels last seen a generation ago. Since the start of 2001 it has remained consistently below one million – the first time this has happened since 1975. The number of people on incapacity benefits has now been falling for more than a year, after decades of continuous increase. The number of people on lone parent benefits has also fallen substantially. The strong labour market performance of recent years reflects a conscious effort to build macroeconomic stability, combined with a new approach to welfare.

### **1.2.2 Worklessness and social exclusion**

28. Although the overall employment rate is high across the regions of England, unemployment and inactivity are concentrated among certain groups such as lone parents and people who are disabled, as well as in certain local areas.
29. Social exclusion happens when people or places suffer from a series of problems such as unemployment, discrimination, poor skills, low incomes, poor housing, high crime, ill health and family breakdown. When such problems combine they can create a significant barrier, cutting people off from the rest of society.
30. Social exclusion can pass from one generation to the next. Being born into poverty or to parents with low skills still has a major influence on

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<sup>3</sup> The National Qualifications Framework is available on the Qualification and Curriculum Authority website at [www.qca.org.uk](http://www.qca.org.uk)  
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future life chances and the chance of exclusion. Men whose fathers were unemployed, for example, are twice as likely to experience unemployment themselves between the ages of 23 and 33.<sup>4</sup> Experiencing poverty in childhood and having parents who did not gain qualifications at school or college are powerful influences on a child's life, often continuing to affect their life chances as they get older.

31. Concentrations of socially excluded people persist over time for very different reasons to those that caused them to become concentrations in the first place. The levels of mobility in an area matter, as a lack of transport or narrow travel horizons can disconnect people. The housing market also 'sorts' or groups the most disadvantaged people together. Residents with the necessary financial resources, for example, can choose to move out of poorer neighbourhoods. Social housing in particular is increasingly home to workless people, who are sometimes housed together in the same street or on the same estate. In the 1970s, 11 per cent of households in council housing had no one earning a wage. In 2003 it was 65 per cent.<sup>5</sup>
32. Work is a major part of the solution. It provides opportunity, choice, independence, identity, organisation, structure, meaning and purpose to individuals, in addition to the income that it brings. Worklessness, in contrast, cuts people off from the rest of society. Long spells of worklessness can result in a depreciation of skills and employability and can lead to a decline in living standards, economic freedom and active citizenship.
33. Worklessness is not distributed equally across the working age population, but disproportionately affects groups such as the lowest qualified, disabled people, ethnic minorities, lone parents and older workers. Increasing the employment rates of these groups is part of the Government's strategy to tackle social exclusion. Sections 1.2.9 to 1.2.19 examine worklessness among specific disadvantaged groups.

### 1.2.3 EU Lisbon employment targets

34. The UK exceeds the EU's three Lisbon employment targets for 2010, and compares well with the other EU Member States. The UK's current employment rate of 71.7% exceeds both the EU target of 70% and the EU average of 63.8%, and is the fourth highest in the EU.<sup>6</sup> The UK's unemployment rate is the ninth lowest in the EU. However, the UK's younger worker employment rate decreased slightly more than the EU-

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<sup>4</sup> P. Gregg and S. Machin, *Child Development and Success or Failure in the Youth Labour Market*, Centre for Economic Performance, 1998

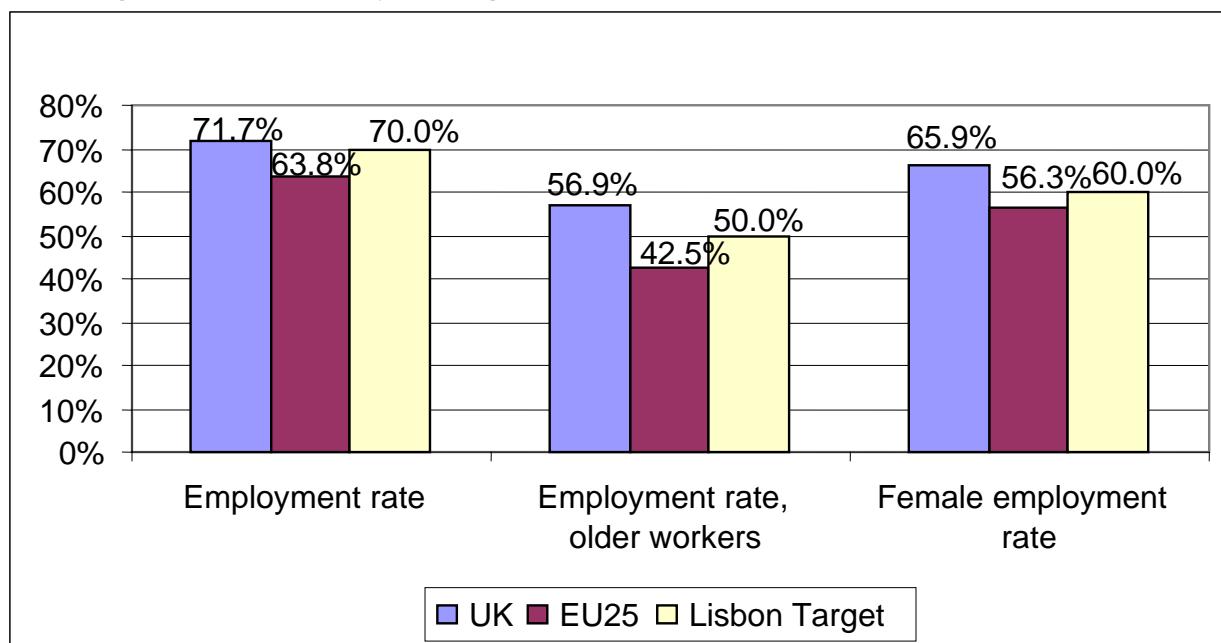
<sup>5</sup> *Jobs and Enterprise in Deprived Areas*, Social Exclusion Unit, 2004.

<sup>6</sup> Eurostat 2005. Eurostat figures differ from national figures, because Eurostat use different age brackets to calculate levels of employment. Eurostat use for both the overall employment rate and the female employment rate the age bracket 15-64 years. The Eurostat older workers employment rate relates to 55-64 year-olds. Using the UK definition, the overall UK employment rate is 74.3% and the England rate is 74.5% (Labour Force Survey, May to July 2006).



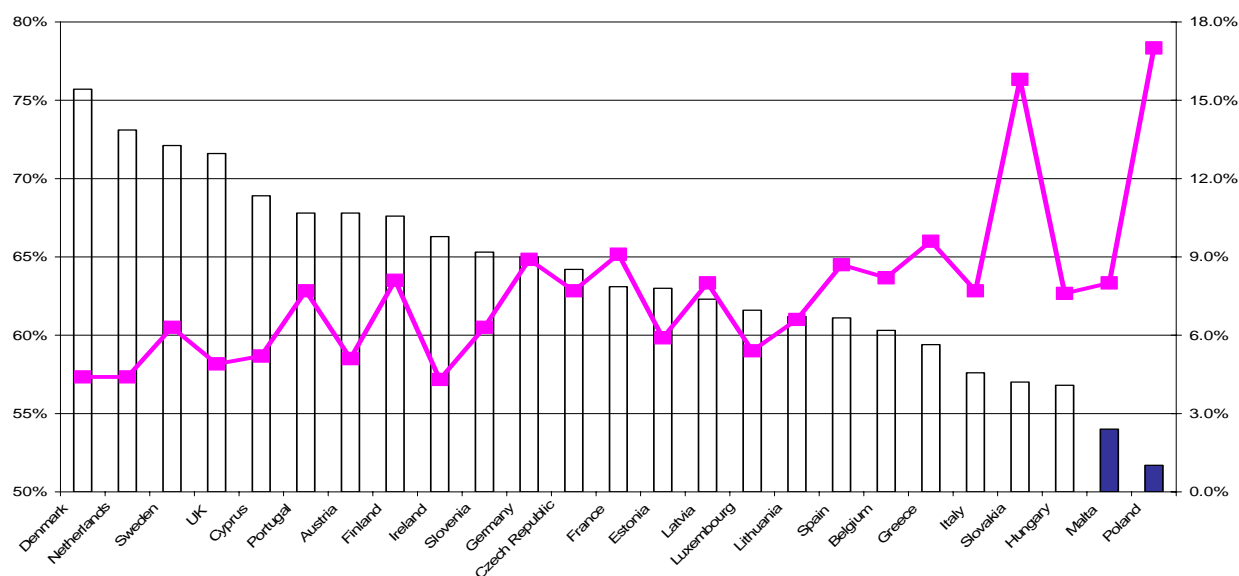
15 average between 2000 and 2004. The analysis in section 1.2 refers where appropriate to other EU employment benchmarks that have been established within the European Employment Strategy.

**Figure 1.1: Lisbon employment targets**



Source: Eurostat, 2005

**Figure 1.2: Eurostat employment rates (bars, LHS) and ILO unemployment rates (line, RHS) in the European Union**



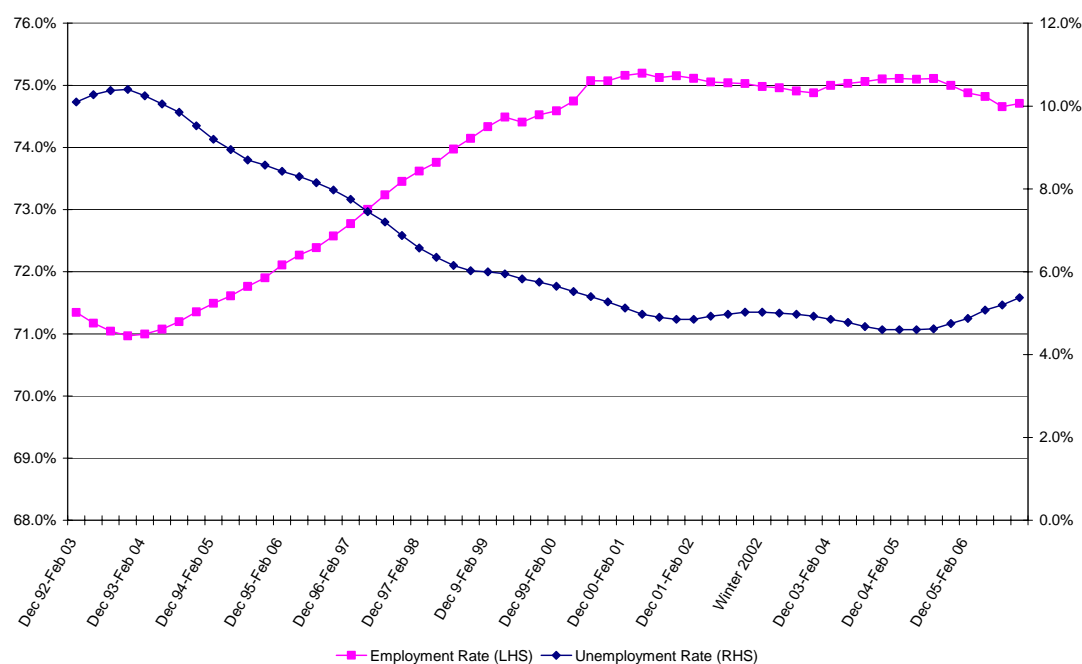
Source: Eurostat, 2005, 2006<sup>7</sup>

<sup>7</sup> Employment figures refer to 2004 and are for all those aged 15-64; figures show ILO unemployment rates for February 2006, except in UK (December 2005), Slovenia (January 2006), Italy and Greece (Quarter 4, 2005) and Sweden (March 2005).  
Version: Amended OP 2011

## 1.2.4 Employment rate

35. Employment in England has been rising over the last decade, although the strongest rise occurred in the years leading up to 2000. It now stands at 29 million, equivalent to an employment rate of 74.5%.<sup>8</sup>

**Figure 1.3: England's employment rate and unemployment over time**

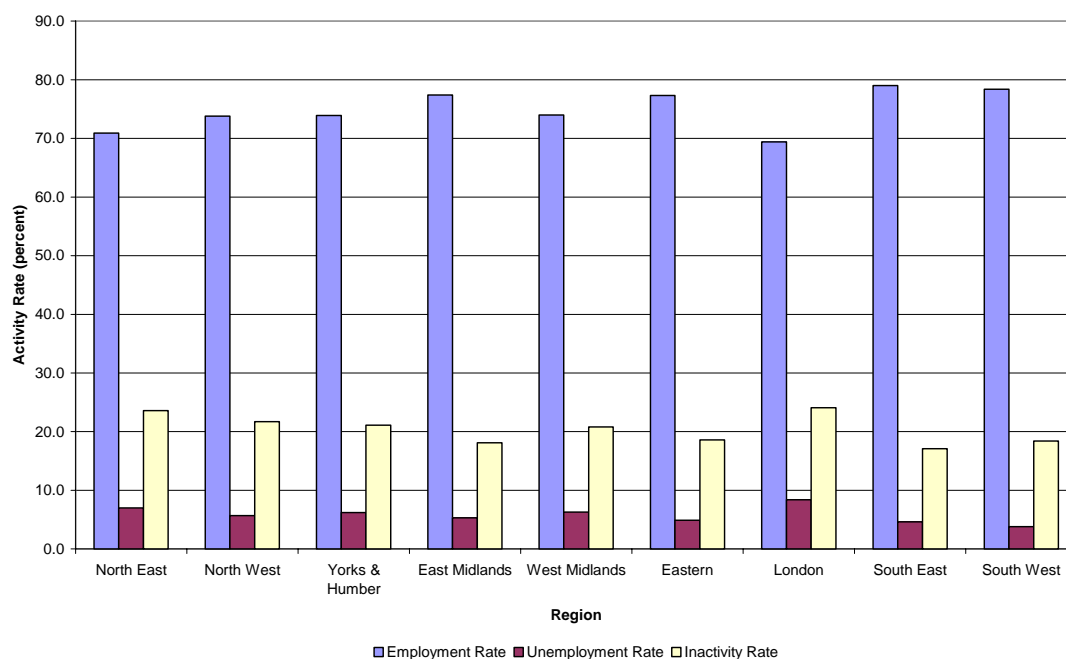


Source: Labour Force Survey 1992-2006

36. All regions within England have employment rates above the EU average of 63.8%. The North East and London consistently have the lowest employment rates, while the East, South East and South West have the highest.

<sup>8</sup> Labour Force Survey, May-July 2006, national definition of employment rate.  
Version: Amended OP 2011

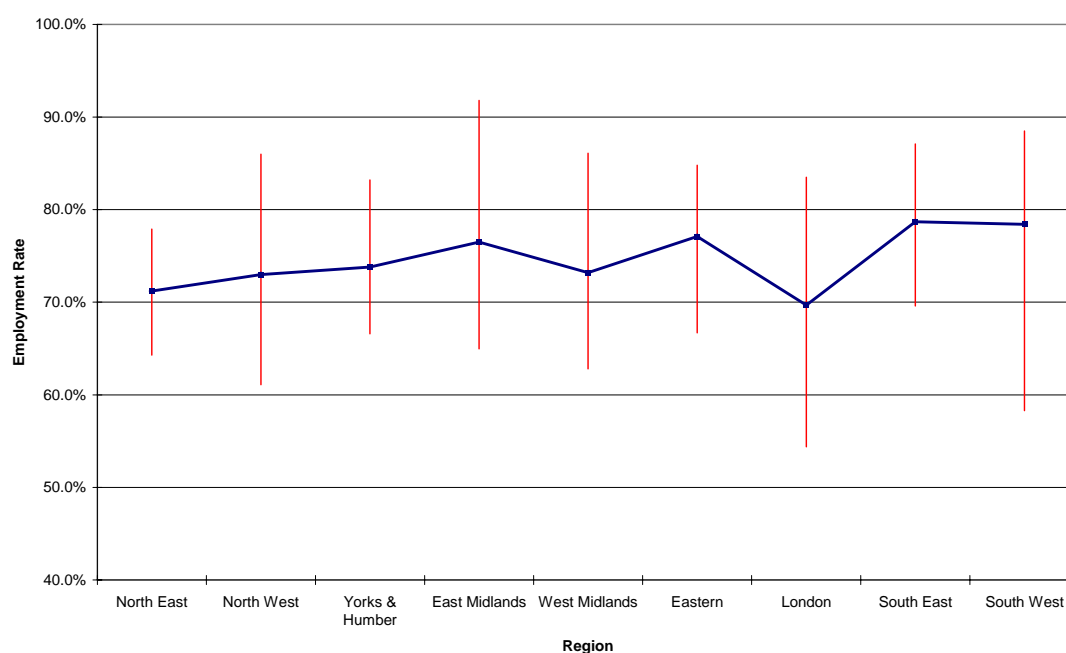
**Figure 1.4: Regional employment, unemployment and inactivity rates**



Source: Labour Force Survey, July-September 2006

37. Employment rate disparities are larger within regions than between regions. Figure 1.5 shows the variation in local authority performance within regions. The red lines show the range of employment rates from the best to the worst performing local authority area; the blue line shows the overall performance rate in the region. Although employment rates are high on average, there are pockets of low employment rates in all English regions.

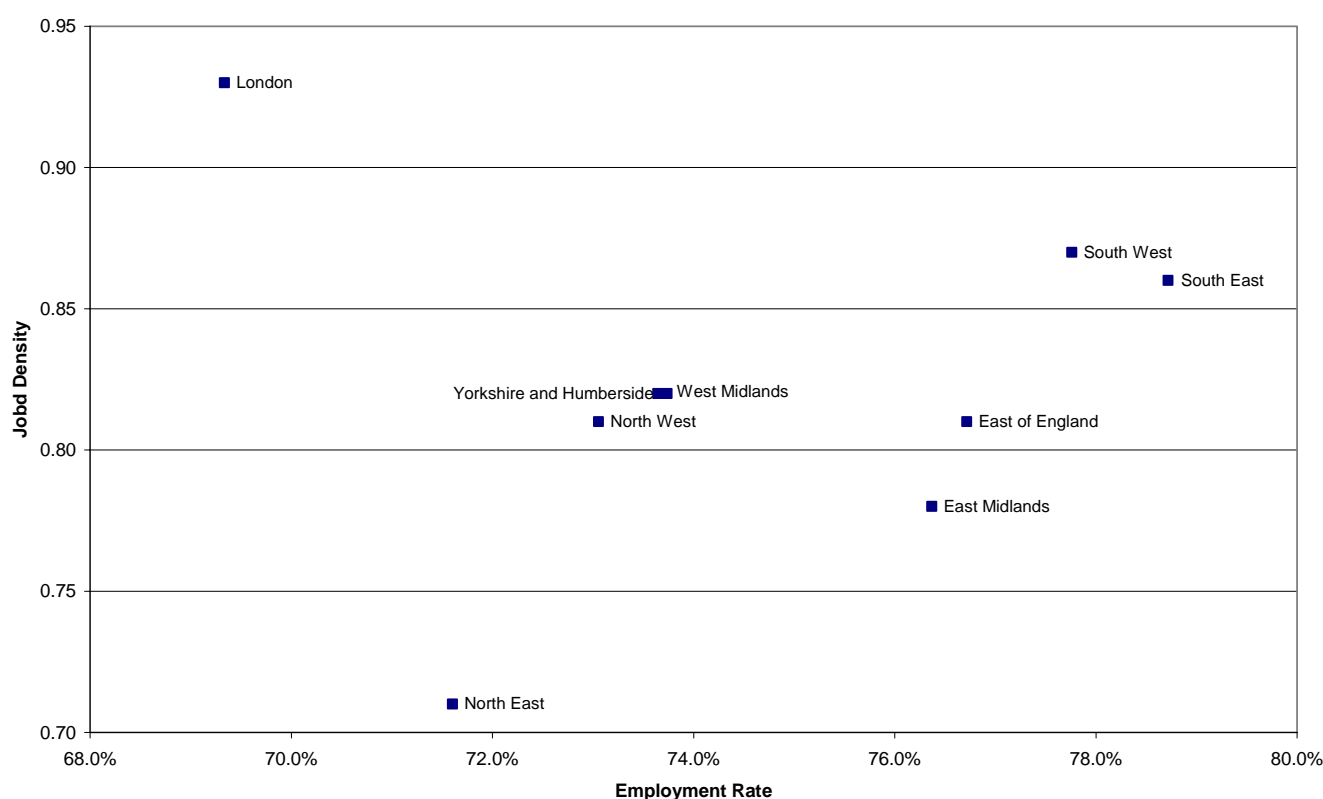
**Figure 1.5: Employment rate dispersion by region 2005**



Source: Annual Population Survey, July 2005-June 2006; Labour Force Survey October-December 2006

38. The number of jobs per working age person is not distributed evenly across the regions. The job density is the number of jobs per member of the working age population. London has by far the highest job density in England. However, at the same time, it has the lowest employment rate. This is similar in most cities. It implies that local people do not necessarily get local jobs. Many residents of cities do not take up the existing vacancies even though they may live within easy travelling distance of many vacancies. Therefore, local people need to be connected with local jobs. Hence there is neither a need for demand-side measures (job creation) in most places, nor a need to move people large distances to find a job. Rather, there is a need to ensure local residents can compete effectively for the many new jobs that become available. This includes helping them look actively for work, addressing motivational or skills issues, and tackling discrimination.

**Figure 1.6: Job density and employment rates in the English regions**



Sources: Job density: Nomis, 2004; Employment rates; Labour Force Survey, 4-quarter average 2005

### 1.2.5 Employment patterns

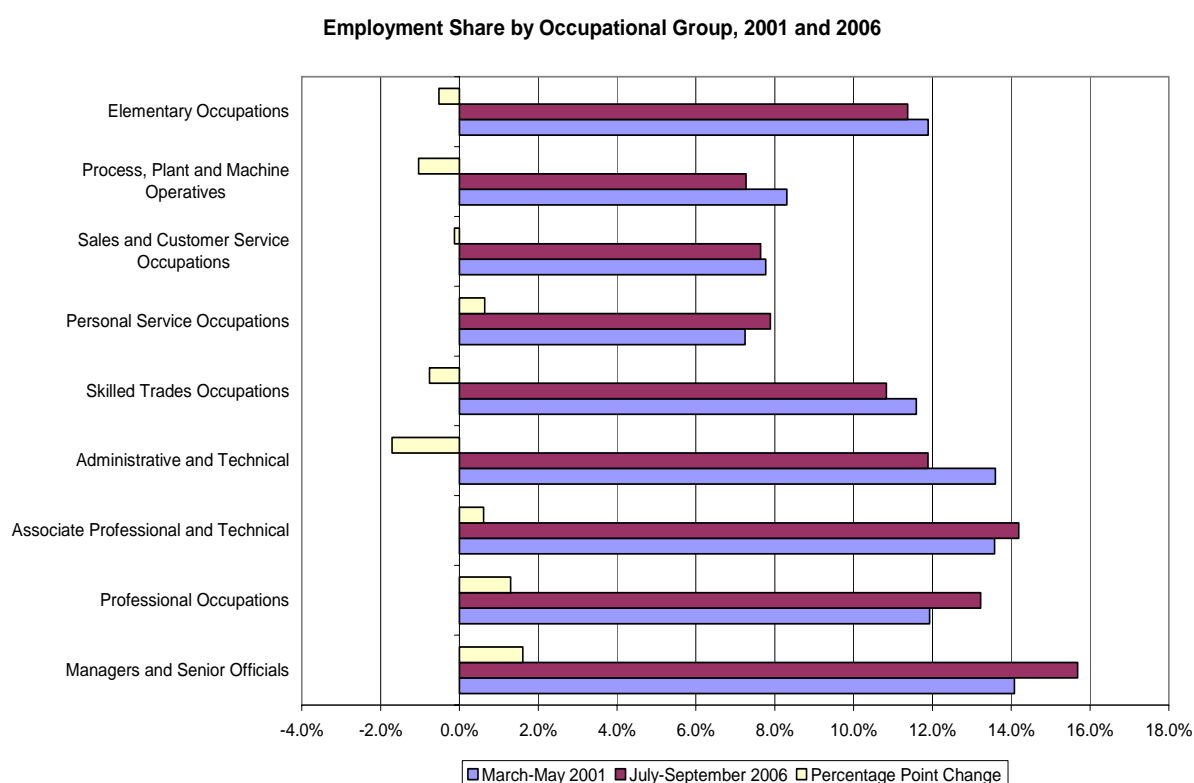
39. Flexible working patterns give people choices about how they organise their life and may enable certain groups to work who otherwise might not work, such as older people or lone parents. The UK has more people in part-time employment (25.4%) than the EU average (18.4%), especially women (42.7% in the UK, compared with 32.3% in the EU).<sup>9</sup>

<sup>9</sup> Employment in Europe 2005=.  
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However, the UK has fewer fixed-term contracts (5.7% compared to 14.5% in the EU). The patterns of employment in England are similar to those for the UK as a whole. The Equal Opportunities Commission's interim report on the availability of flexible working arrangements suggests that up to 6.5 million people in Britain could be using their skills more fully if more flexible working was available.<sup>10</sup>

40. Occupations people choose are a good indicator of the quality of jobs; they are highly correlated with earnings and qualifications when ranked by the assumed skill requirements. Figure 1.7 shows a definite rise in the top occupations, 'managers and senior officials' and 'professional occupations'. The picture is mixed in the mid-range occupations, with some occupations declining and some rising. There has been a small decline in 'elementary occupations', which could be in part an effect of the introduction of the National Minimum Wage.

**Figure 1.7 Employment share by occupational group**



Source: Labour Force Survey, March-May 2001 and July-September 2006

41. Further evidence of the quality of jobs comes from earnings data. The table below shows share of employment by earnings in 2001 and 2005. The share of the lower wage group, up to £250 gross per week, has decreased over time, from 42.6% to 33.7% (not Consumer Price Index-adjusted). The other wage groups all increased their share. This is probably partially due to the general decrease in employment in the more elementary occupations; however, some of the decrease for the

<sup>10</sup> Equal Opportunities Commission, Working Outside the Box, January 2007  
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lower wage groups is probably due to the introduction of, and increases in, the National Minimum Wage.

**Figure 1.8: Share of employment by earnings**

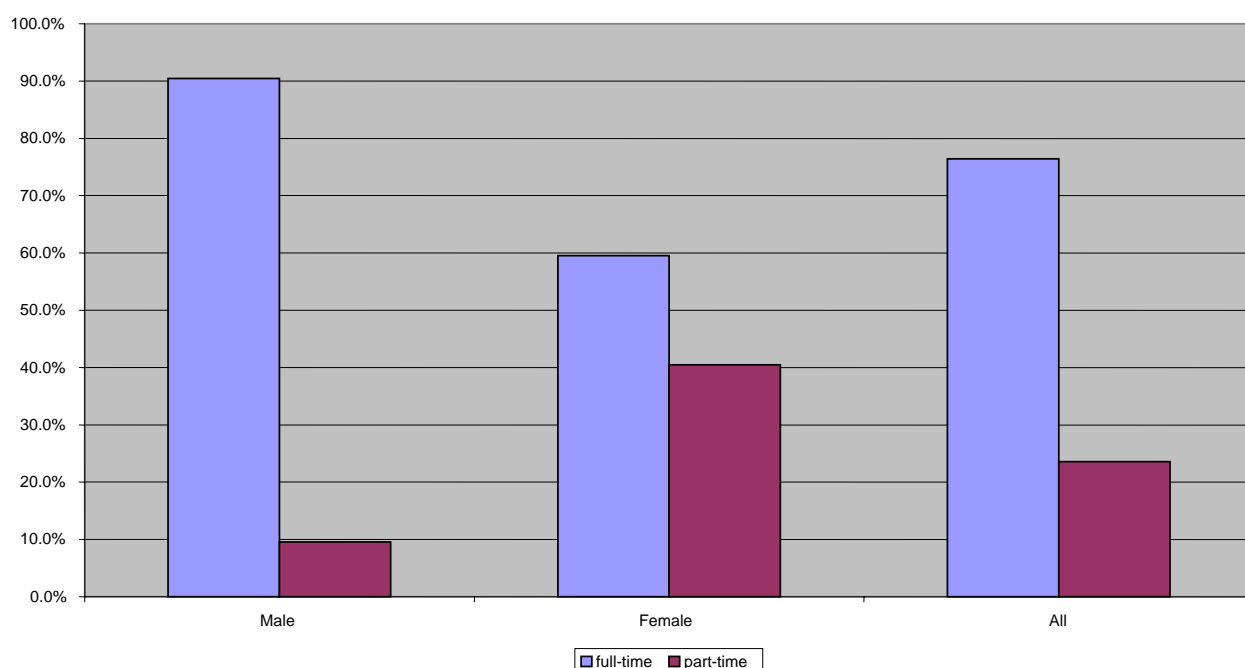
	2001 Share	2005 Share	Change
less than 100	13.5%	9.7%	-3.9%
100-249	29.1%	24.0%	-5.1%
250-499	39.0%	40.6%	1.6%
500-799	13.4%	18.1%	4.8%
>799	5.0%	7.6%	2.6%

Source: Annual Survey of Hours and Earnings 2001 and 2005

42. In the English labour market there is some evidence of 'underemployment', defined as a situation in which a worker is not employed in the desired capacity, whether in terms of compensation, hours, or level of skill and experience. This is a very general condition, and it is difficult to measure accurately. However it is clear that some people who work part-time would like to work full-time. This applies to approximately 10% of part-time workers.

**Figure 1.9: Full-time and part-time work in England**

Percent of People in Employment



Source: Labour Force Survey, July-September 2006

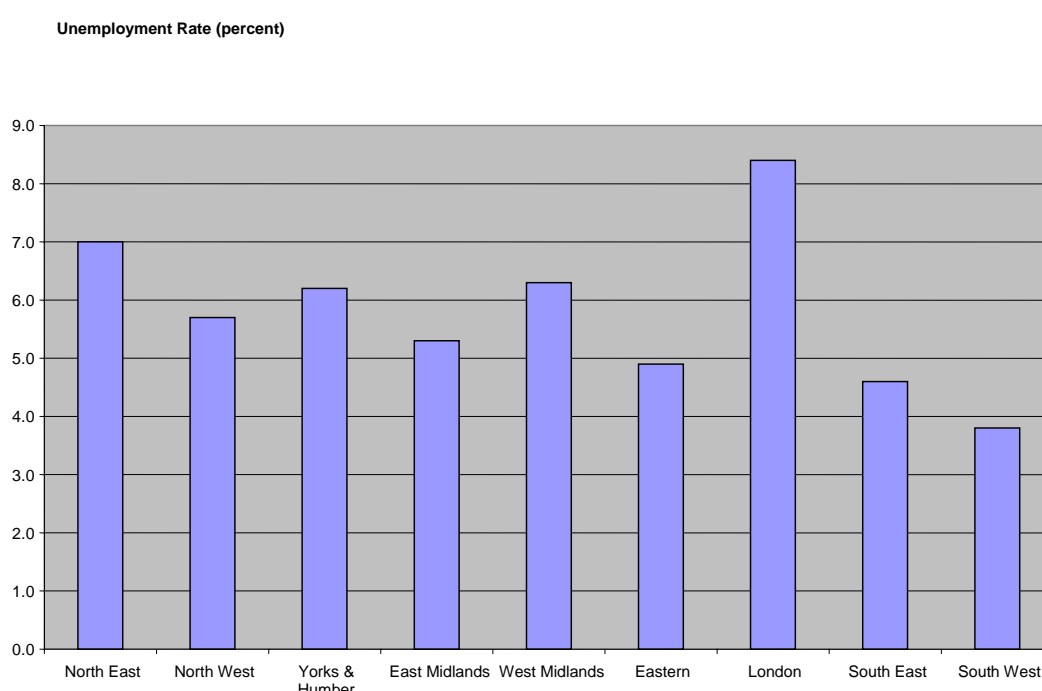
## 1.2.6 Unemployment

43. In England, the ILO unemployment rate stands at 5.7%, about half of what it was in 1992. In January 2007, the claimant count stood at 775,600, down 707,000 compared to ten years ago. However, claimant unemployment rose by around 26,000 in 2006. Young people seem to

have borne the brunt of the increase. However claimant unemployment remains low by historical standards and in comparison with the rest of the EU. The recent rise is because of a recent fall in economic inactivity as more people move from incapacity and lone parent benefits into work.

44. Long-term unemployment is low in England – about one fifth of people who are unemployed have been so for 12 months or longer. New Deal programmes for those who have been on Jobseekers Allowance for several months have helped to reduce long-term unemployment.
45. Within England, the South West has the lowest unemployment rate and London has the highest.

**Figure 1.10: Regional unemployment rates**



Source: Labour Force Survey, July-September 2006

46. Within the European Employment Strategy, the EU has established a number of benchmarks for active labour market policies to support unemployed people. UK performance against the benchmarks is summarised in the table below.

**Figure 1.11: Active Labour Market Policy Benchmarks**

EU benchmark	UK performance
<i>That every unemployed person is offered a new start before reaching 6 months of unemployment in the case of young people and 12 months in the case of adults in the form of training,</i>	The UK is achieving this benchmark. A range of programmes are offered to all unemployed within 6 months in the form of the New Deal for Young People or the Restart interview. All

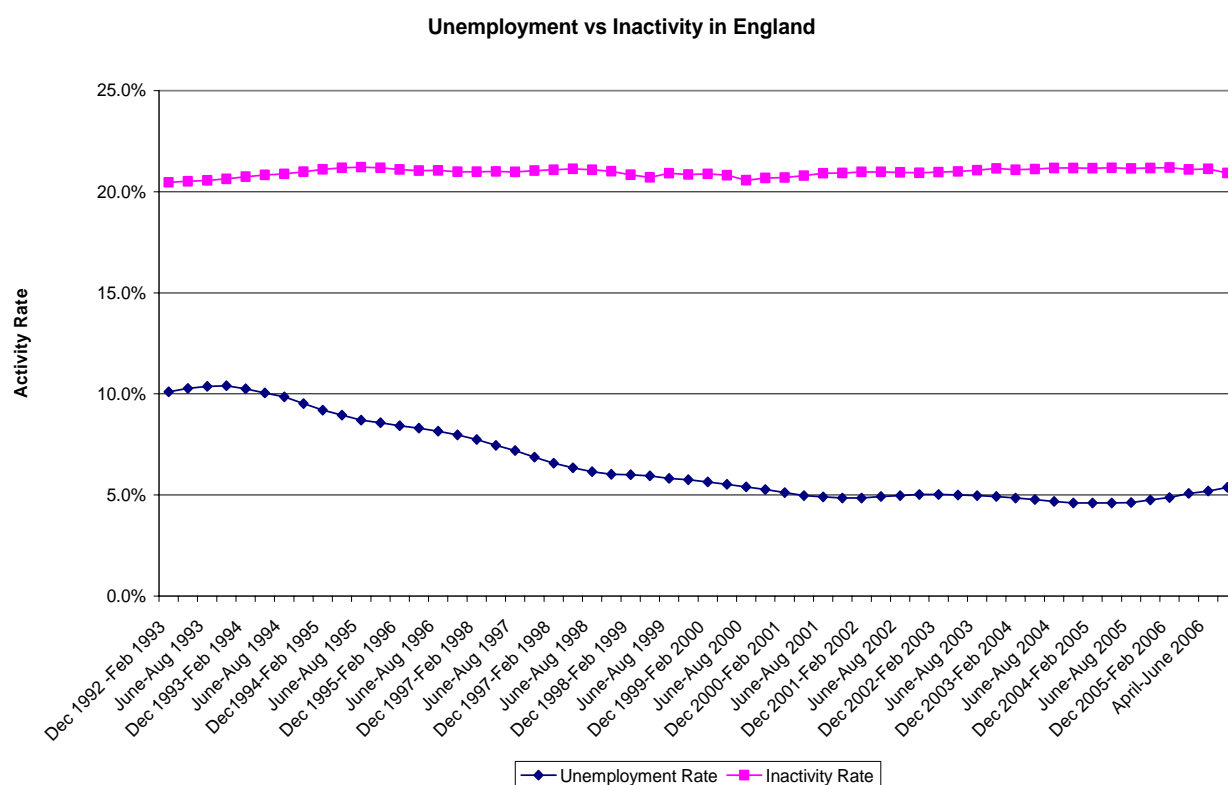
<i>retraining, work practice, a job or other employability measure, combined where appropriate with on-going job search assistance.</i>	registered unemployed receive intensive counselling and job search assistance.
<i>That 25% of long-term unemployed should participate by 2010 in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States.</i>	The UK is almost achieving this benchmark: 24% of long term registered unemployed participants started an active measure in 2004/05.
<i>That jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services.</i>	Since November 2005 all Jobcentre Plus vacancies are available through EURES (European Employment Services) Web Services. This replaces the old transfer process, where around only 5% of Jobcentre Plus vacancies are notified to the EURES database. EURES Web Services give Jobcentre Plus customers access to a very large number of vacancies notified by other Public Employment Services from within the European Economic Area as well all vacancies on the Jobcentre Plus website.

### 1.2.7 Inactivity

47. Though unemployment has declined considerably over time, inactivity has been fairly stable and now stands at 20.8%. The group of economically inactive people consists of those people who are out of work, but who do not satisfy all of the ILO criteria for unemployment. This is because they are either not seeking work or are unavailable to start work.



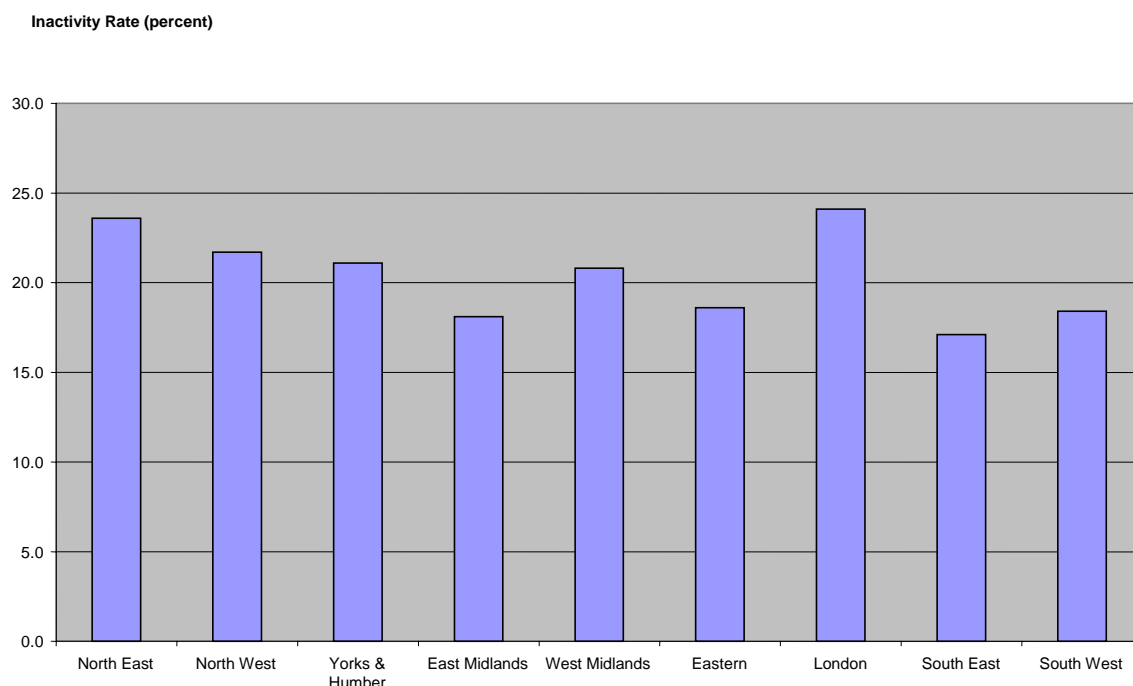
**Figure 1.12: Unemployment and inactivity since 1992**



Source: Labour Force Survey, 4-quarter averages

48. The consistently high level of inactivity poses various problems in the labour market. People who have been out of work for a long time tend to have problems integrating back into the workforce, especially those who have been reliant on benefits for a long time.
49. Economic inactivity is lowest in the South East and highest in London and the North East.

**Figure 1.13: Regional inactivity rates**



Source: Labour Force Survey, July-September 2006

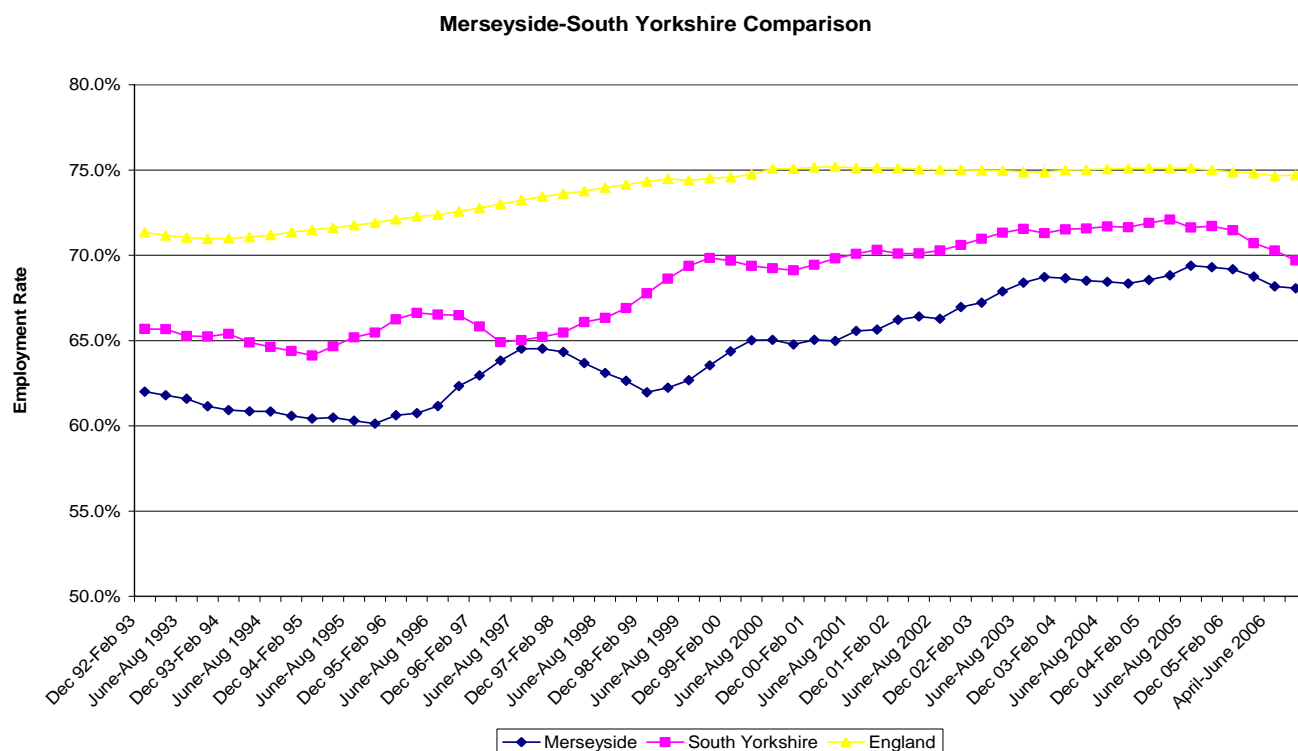
### 1.2.8 Employment, unemployment and inactivity in Merseyside and South Yorkshire

50. This section looks at employment trends in the phasing-in regions of Merseyside and South Yorkshire.
51. Both South Yorkshire and Merseyside have lower than average employment rates compared to England. From July-September 2006 South Yorkshire's employment rate was 69.4%, and Merseyside's rate was 68.1%. Both South Yorkshire and Merseyside have considerably improved their employment rate over time: South Yorkshire from 65.5% in 1997, and Merseyside from 64.3% in 1997.<sup>11</sup>
52. South Yorkshire had an unemployment rate of 7.1% in the three month period ending September 2006 and Merseyside had a rate of 7.9%. Merseyside's unemployment rate is up half a percentage point from the same period a year earlier, and South Yorkshire's has increased from 6.2%. The number of people claiming Jobseekers Allowance in January 2007 was 36,370 for Merseyside and 23,345 for South Yorkshire (compared to 36,400 and 23,831 respectively in January 2006).<sup>12</sup>

<sup>11</sup> 2004 and 2005 employment, unemployment and inactivity figures come from the Annual Population Survey (APS). 1997 figures come from the Local Area Labour Force Survey, which the APS replaced.

<sup>12</sup> NOMIS Claimant Count data

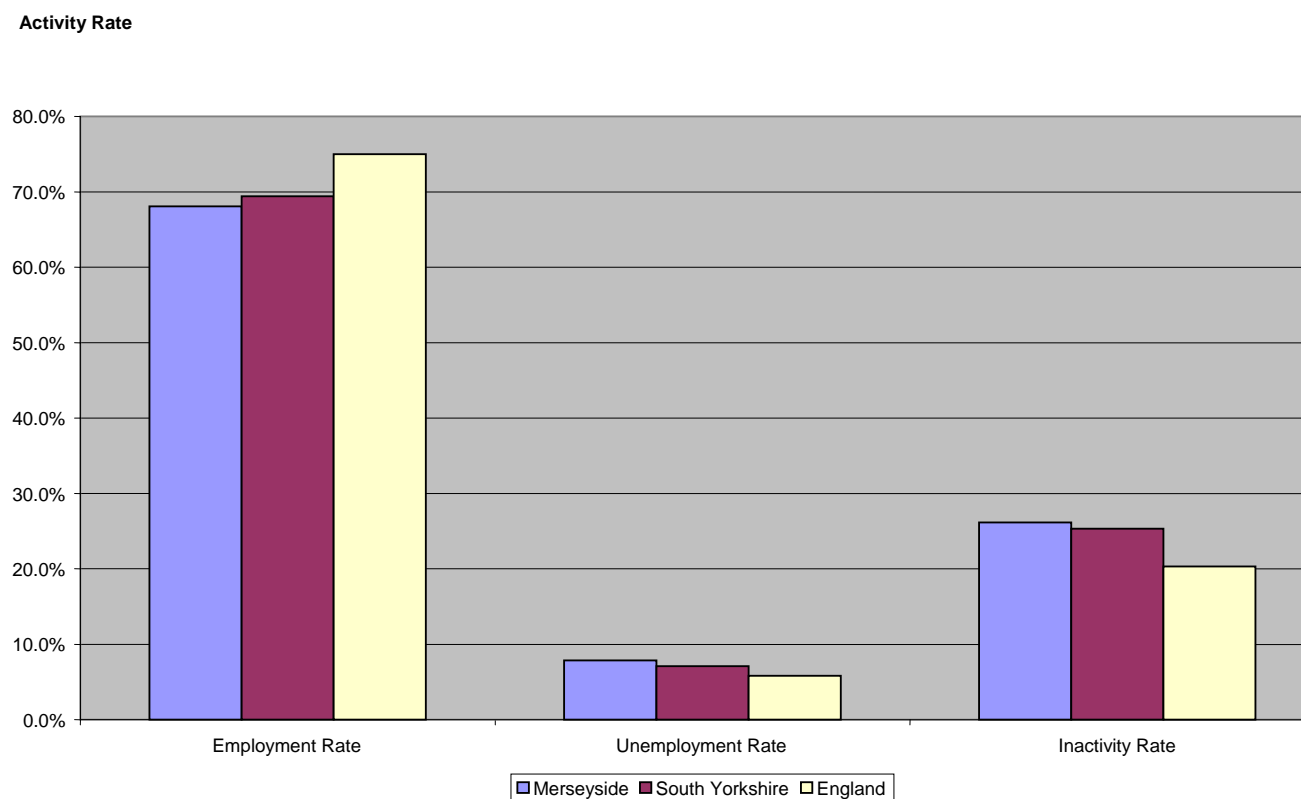
**Figure 1.14: Employment rates in Merseyside, South Yorkshire and England since 1997**



53. South Yorkshire had an inactivity rate of 25.0% in 2006, and Merseyside's inactivity rate was 26.3%. In both areas, the overall inactivity rate has remained constant over recent years. The number of people claiming incapacity benefit (or severe disability allowance), in August 2006 was 100,400 in Merseyside and 75,400 in South Yorkshire. This is equivalent to 9.8% of the working age population in South Yorkshire and about 12.9% in Merseyside.<sup>13</sup>

<sup>13</sup> Work and Pensions Longitudinal Study  
Version: Amended OP 2011

**Figure 1.15: Economic activity in Merseyside, South Yorkshire and England**

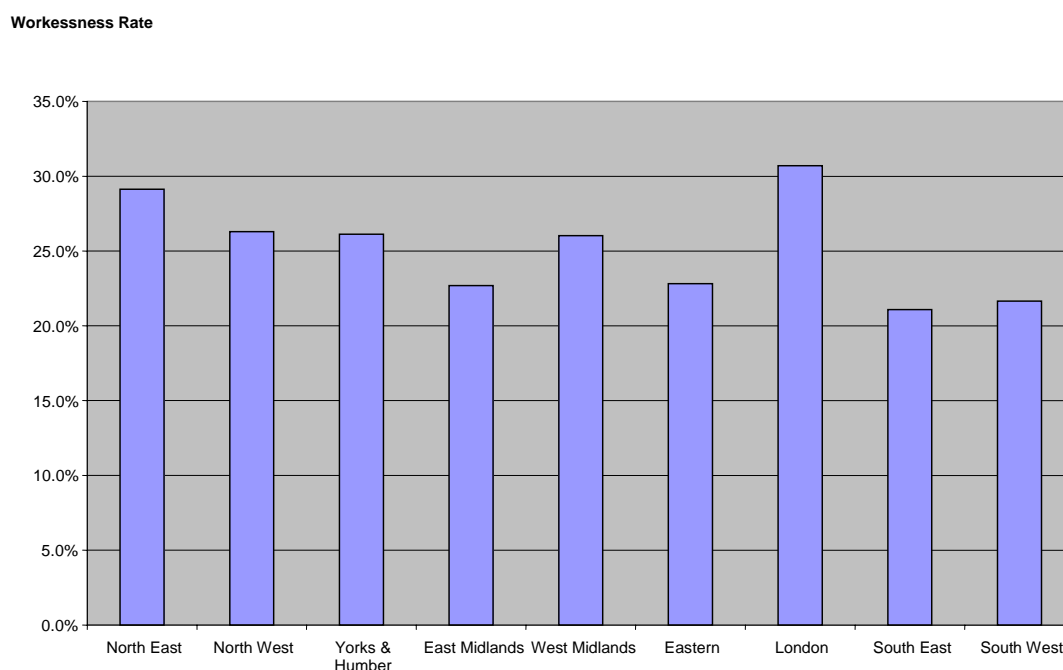


Sources: Labour Force Survey July-September 2006

### 1.2.9 Worklessness

54. Worklessness includes both unemployment and inactivity. In order to increase the employment rate, it is increasingly important to tackle inactivity. This involves helping disadvantaged people, whether they are unemployed or inactive, to overcome barriers to entering the workforce. There are over 400,000 workless people in every region. The largest numbers of workless people are in London, North West, South East and West Midlands. Worklessness rates are highest in London and the North East and lowest in the South East and the South West.

**Figure 1.16: Regional worklessness rates**



Source: Labour Force Survey, July-September 2006

### 1.2.10 Workless households and child poverty

55. Although overall employment rates are at very high levels, they have not increased equally across households. The increase in the female employment rate has mainly been concentrated in households where the male partner was already in work.<sup>14</sup> Over time there has been a polarisation into work-rich households (where all adults are in work) and work-poor households (where no adult is in work). Another important element of this increase in workless households can be attributed to a growth in the number of single adult households (both with, and without, children) resulting from increasingly early exits from the parental home and more frequent separations amongst couple households.<sup>15</sup> Nonetheless, much of the growth in workless households was attributable, not to demographic trends relating to household formation, but to a redistribution of work (a polarisation) across households.<sup>16</sup> In the 1980s, the majority of adults in those households were unemployed; now the majority are inactive.
56. Since 1996, the percentage of workless households in Great Britain has decreased from about 18% to below 16%, but this is still very high. The number of children living in income poverty is still substantial, and a lot of those children come from workless households, especially lone

<sup>14</sup> Child Poverty in the UK, House of Commons Work and Pension Committee

<sup>15</sup> Workless Couples and Partners of Benefit Claimants, DWP Research Report 262

<sup>16</sup> Gregg, P and Wadsworth, J., 'Workless Households and the Recovery', in Dickens, R., Gregg, P. and Wadsworth, J. (eds.), 'The Labour Market under New Labour: The State of Working Britain', 2003

parent households. It is an explicit government target to halve child poverty by 2010 and to eradicate it by 2020. In 2004, 28% of children were living in relative income poverty<sup>17</sup> (after housing costs), one of the highest rates in Europe. Around 45% of poor children live in a lone parent household.<sup>18</sup> The highest proportion of workless households is in the North East (22.6%).

57. The risk of falling into the group of families with below 60% of median income (before housing costs) is 43% for individuals in families with two adults where neither of the adults is in work. For families with one or two adults where everyone is in full-time work, this risk is only 2%.<sup>19</sup> An infant who grows up in a poor family is: less likely to stay on at school, or even to attend school regularly; less likely to get qualifications and go to college; more likely to be forced into the worst jobs, or no job at all; and more likely to be trapped in a lifelong cycle of deprivation that prevents them from fulfilling their potential. Raising employment rates is therefore an important part of the Government's strategy to promote social inclusion and to eradicate child poverty.

### 1.2.11 People with disabilities and health conditions

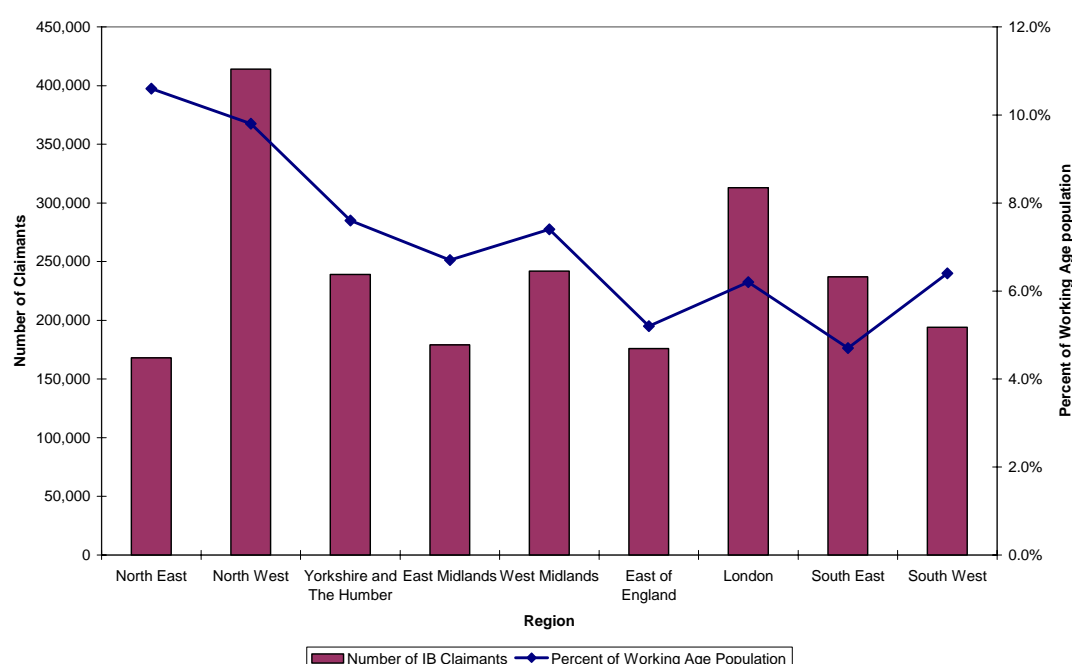
58. About 5.7 million people of working age in England have a disability (either day-to-day activity disabled or work-limiting disabled or both), which is about 18% of the working age population. The employment rate of disabled people was about 48% in July-September 2006. More than 2.1 million people in England are on incapacity benefits, which is roughly 7% of the working age population. Many recipients have been on the benefits for a very long time. About one third of the caseload has been on benefits for eight or more years. This does not mean that everyone who starts claiming will be there for a long time though: about 60% of those who started to receive incapacity benefit in 2004 left within a year. Recently, the numbers claiming incapacity benefits have begun to decline slightly.
59. Generally, the longer a person is on incapacity benefit, the less likely they are to leave the benefit. However, most people (up to 90%) who come onto the benefit are planning to return to work at some point in the future. Incapacity benefit recipients have quite diverse characteristics – about 40% are women, and come from all age groups.
60. Figure 1.17 shows the numbers and rates of incapacity benefit clients in each region. This is a national problem with over 1 50,000 people on incapacity benefits in each region. The largest numbers of incapacity benefit clients are in London and the North West, and the highest rate is in the North East.

<sup>17</sup> Below 60% of median equivalised income.

<sup>18</sup> Child Poverty in the UK, House of Commons Work and Pension Committee

<sup>19</sup> DWP, Households below average income 2004/2005

**Figure 1.17: Incapacity benefit claimants by region, August 2006**



Source: DWP Work and Pensions Longitudinal Study, August 2006

61. Disabled women are more likely not to be in employment in comparison to disabled men, and older age groups have the highest employment rates. There is a wide variation in employment rates between disabled people of differing ethnic groups, for example, the employment rate of Pakistani disabled people is under half that of 'other Asian' disabled people. This variation between ethnicities is even more pronounced when combining ethnicity with gender – thus Bangladeshi and Pakistani women experience the lowest employment rates.

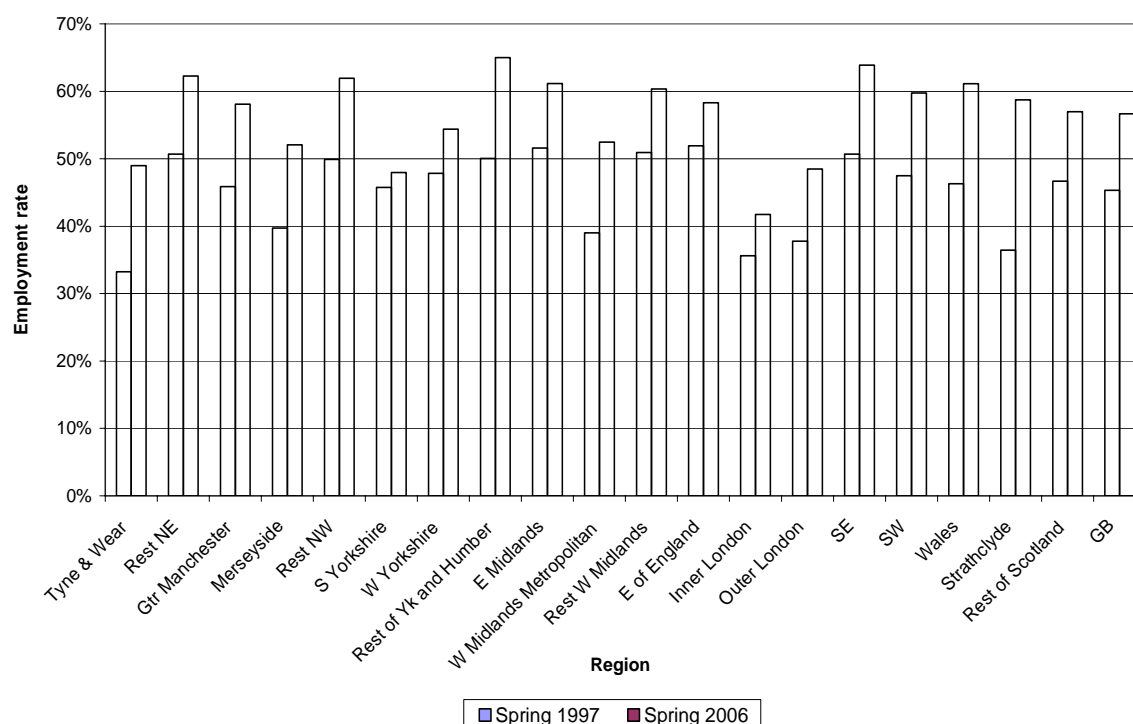
### 1.2.12 Lone parents

62. The lone parent population in England has grown since 1997 and is currently over 1.5 million, with about 90% being women. The lone parent employment rate has improved over the last few years. Currently it stands at 50.9% in England, compared to 45.7% in 1997. Today, over one million lone parents are in work, over 290,000 more than in 1997. However, lone parent employment still lags behind the general employment rate of 74.6% in England.
63. Lone mothers are more likely not to be working compared to lone fathers. Lone parents in ethnic minority groups have lower employment rates than white lone parents, and lone parents suffering from a disability or health problem have lower employment rates than other lone parents.
64. Helping lone parents enter the labour market is the most effective way out of poverty for these adults and their children. The New Deal for Lone Parents, launched in 1998, has proved an effective way of

helping lone parents into work, together with Work Focused Interviews and support from Sure Start. Around 365,000 lone parents in England have been found a job with the support of the New Deal.

65. Lone parent employment has increased in all English regions. However, there is still a long way to go to achieve the Government's aspiration of a national employment rate of 70% for lone parents. The employment rate remains particularly low in the major conurbations, as indicated in Figure 1.18.

**Figure 1.18: Lone parent employment rate, spring 1997 and spring 2006**



Source: Labour Force Survey, March-May 1992 and July-September 2006

### 1.2.13 Older workers

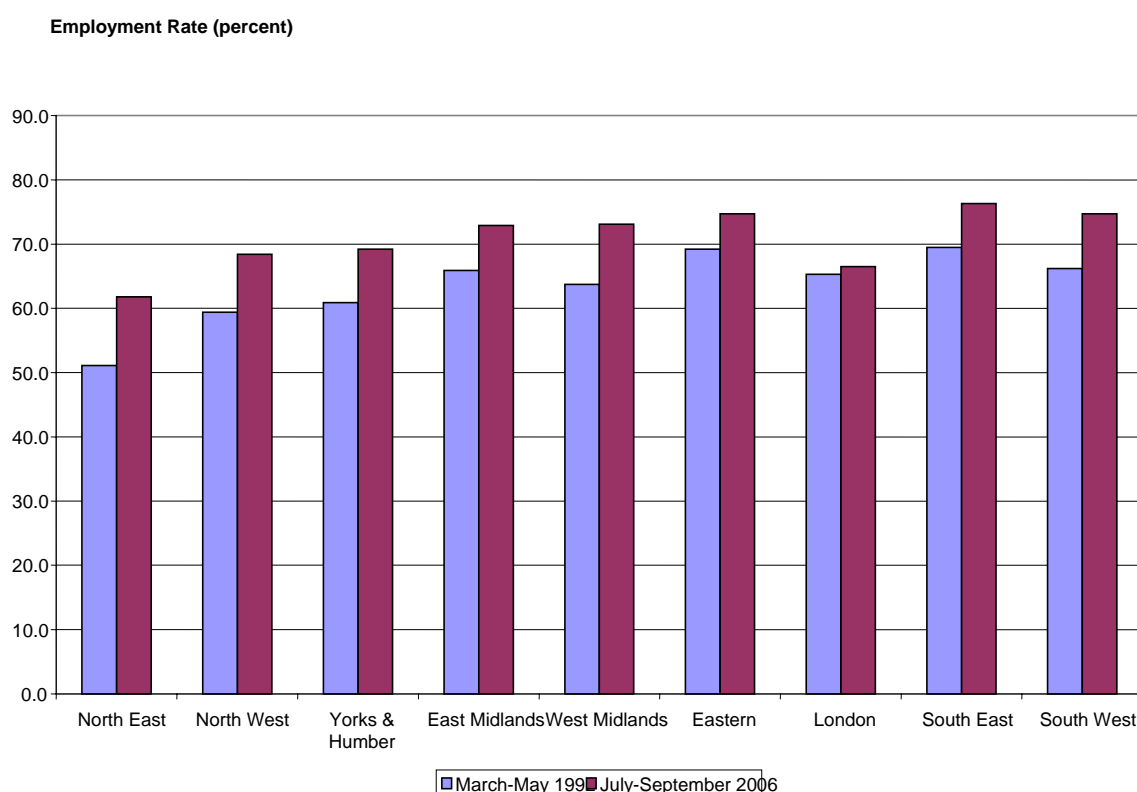
66. Demographic changes make it important to ensure that older workers can remain in employment. By 2024, about 50% of the adult population will be over 50. According to Eurostat data, the UK employment rate for older workers (55 to 64 year olds) is 56.9% compared with an EU Lisbon target of 50% and the current EU average of 42.5%.
67. The European Employment Strategy includes a benchmark to increase by five years, at EU level, the effective average exit age from the labour market by 2010 (compared to 59.9 in 2001). In 2003, the average exit age from the labour force in the UK was 63 years, compared to 61 for the EU as a whole.<sup>26</sup>
68. In terms of the national definition (age 50 to State Pension Age), the employment rate of older workers in England stands at 71.5%. As for most groups, the employment rate has continually increased. In terms of



the ILO definition unemployment is very low for this group, currently 3.2%. However, just over one quarter of older people are inactive, compared to about one fifth in the wider working age population.

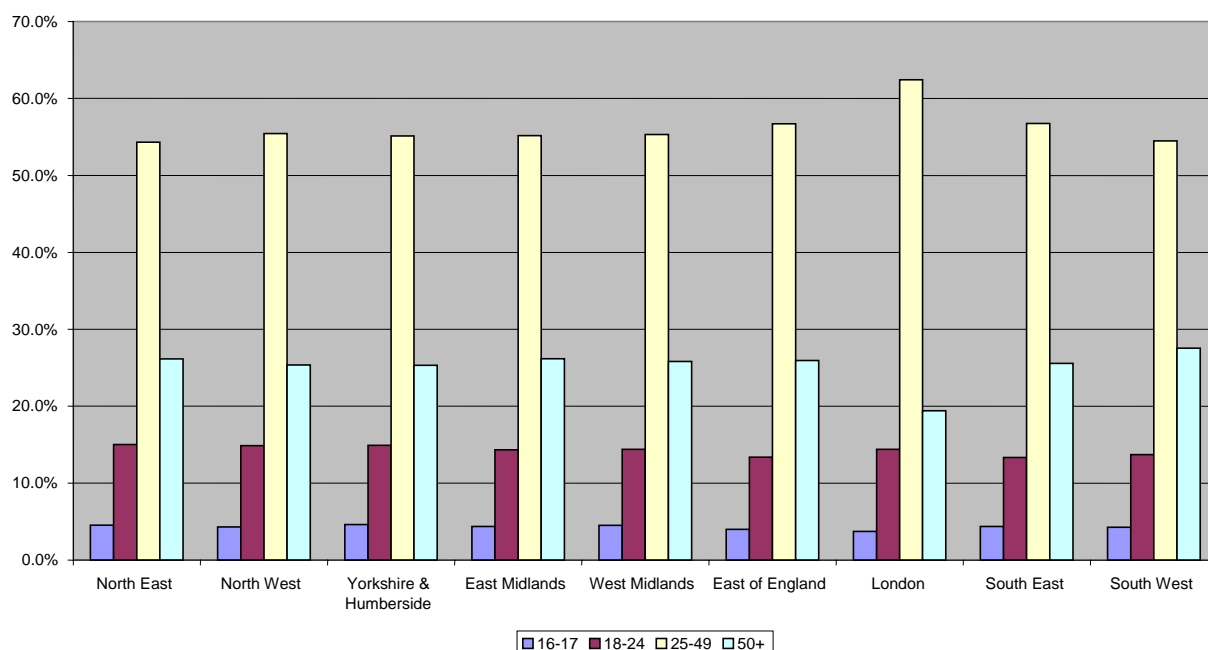
69. More than 950,000 people in England work past state pension age. However, there tends to be a lack of incentives for older people to stay in work and there are also structural and cultural barriers. A number of policies have started to tackle the needs of older workers such as the New Deal 50 Plus which has placed more than 100,000 people above the age of 50 into work in England.
70. Employment rates of older workers vary widely across England. The lowest employment rate for older workers is in the North East.

**Figure 1.19: Age 50 to State Pension Age employment rates across the English regions**



Source: Labour Force Survey, spring quarters

**Figure 1.20: Demographic profile by region**



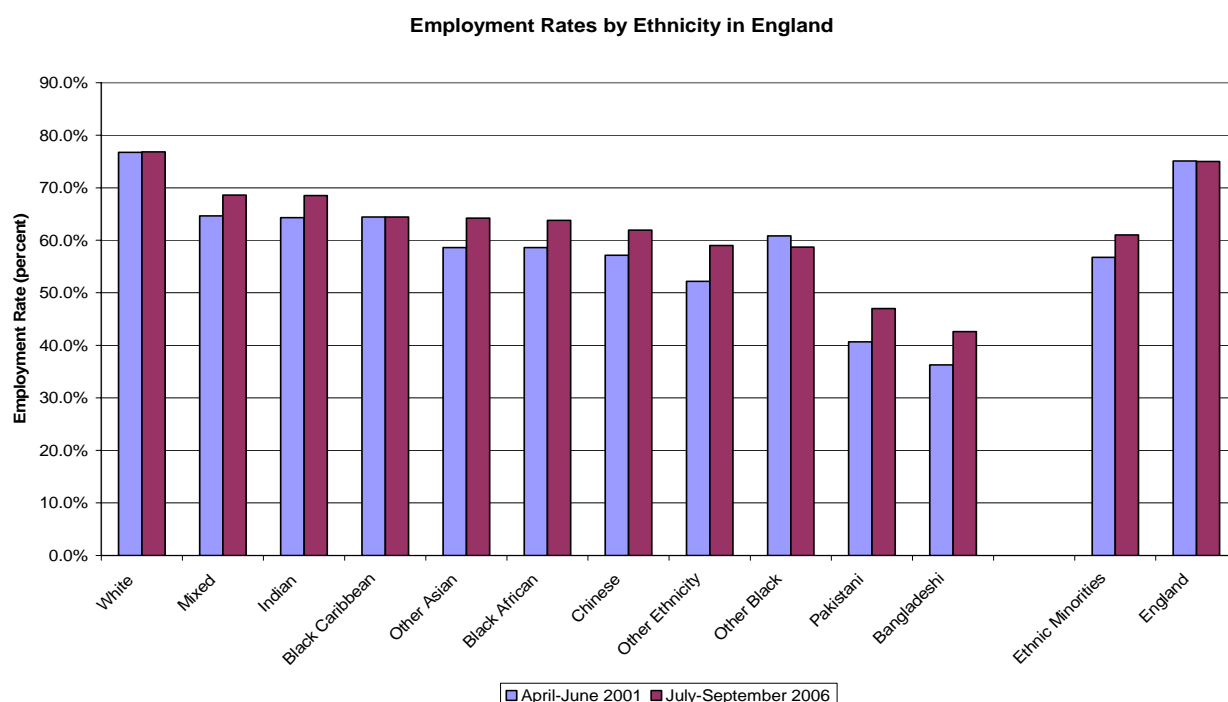
Labour Force Survey, July-September 2006

### 1.2.14 Ethnic minorities

71. The ethnic minority employment rate in England stands at 61%, so there is a gap of 14 percentage point to the overall rate. ILO unemployment stands at 12.2 % in the UK for ethnic minorities, which is over 5 percentage points higher than the average. However, the main problem is high levels of inactivity.
72. The ethnic minority working age population has grown over time and about 11 % of the working age population in England is now non-white. The regional variation is very high, reflecting the very different composition of the population in the English regions.
73. London stands out as about one third of its working age population belongs to ethnic minority groups (and in some boroughs up to 60%). Ethnic minority groups are expected to account for over three quarters of the growth expected in London's working age population by 2016. However unemployment amongst some ethnic minority groups in London is more than double that of the white population. Throughout the current economic cycle an average gap of around 17 percentage points has existed between the employment rates for white and non-white ethnic groups in London.
74. There are also quite wide variations in employment rates for different ethnic groups and in some groups there are very wide differences between male and female rates of employment. Indian and Black

Caribbean people tend to have relatively high employment rates and Pakistani and Bangladeshi people tend to have quite low rates.

**Figure 1.21: Employment rates of ethnic minorities**



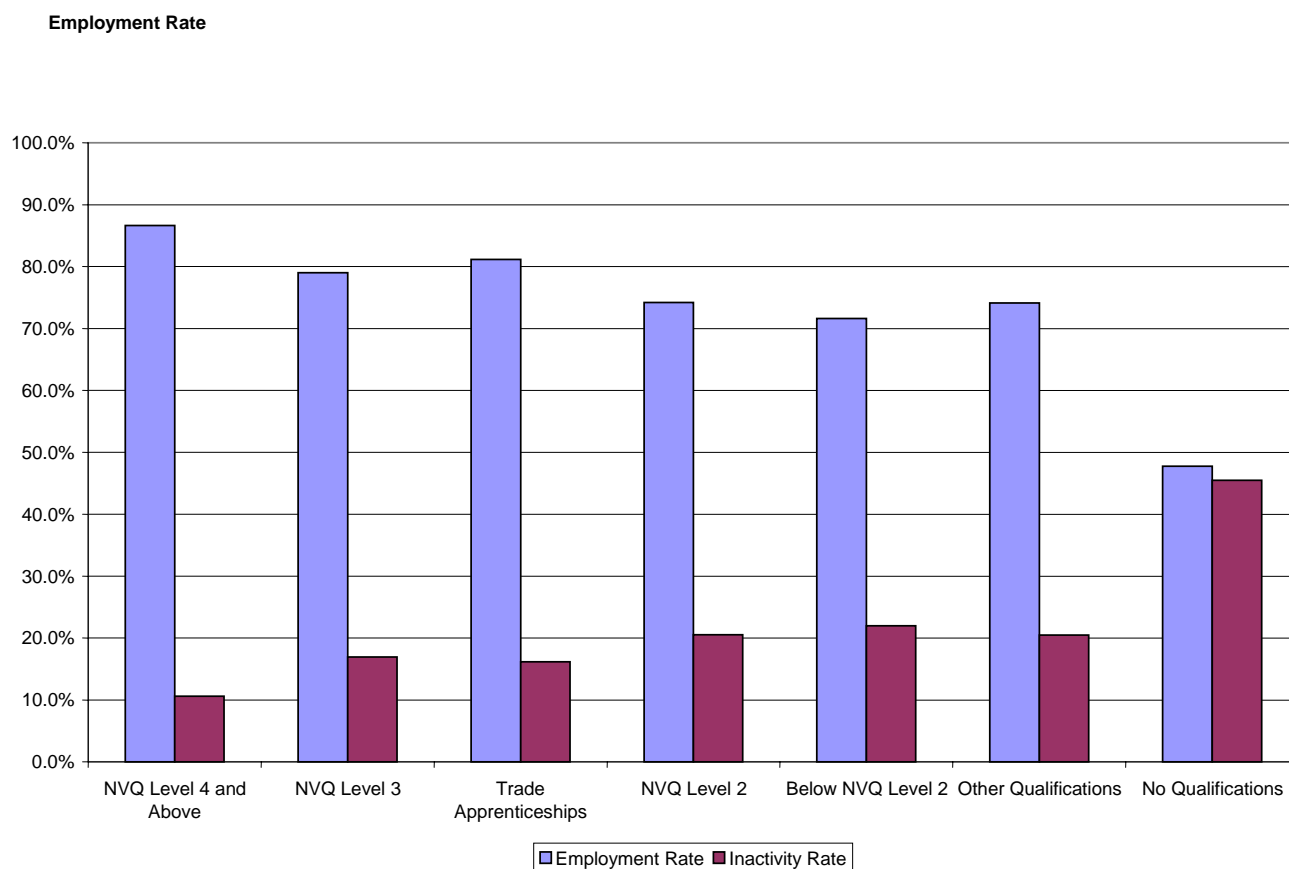
Source: Labour Force Survey, April-June 2001 and July-September 2006

### 1.2.15 People with low qualifications

75. The employment rates of people with no or low qualifications tend to be a lot lower than those with intermediate or higher qualifications. For people without any qualifications, the employment rate is only 47.8% across England, whereas for people educated to degree level the employment rate is over 85%. Lack of qualifications places unemployed and inactive people at a disadvantage in the labour market, and this disadvantage is often compounded by other disadvantages such as a disability. Most people with low or no qualifications face other disadvantages or barriers to work. 75% of people with no qualifications fall into at least one of the following key disadvantaged target groups: disabled, aged 50 or over, lone parent or ethnic minority.<sup>20</sup>

<sup>20</sup> The links between low skills and employment prospects are analysed in a joint DfES/DWP paper produced for the Leitch Review, DfES and DWP: A Shared Evidence Base – The Role of Skills in the Labour Market, 2006  
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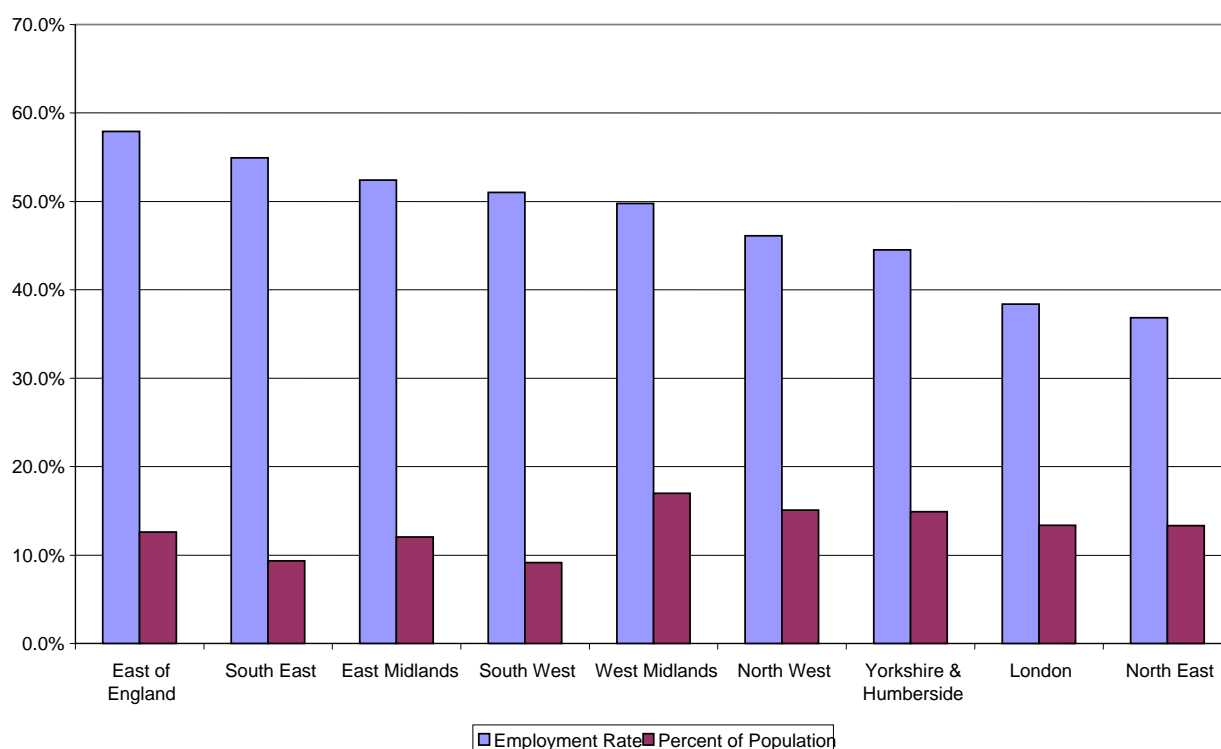
**Figure 1.22: Employment and inactivity rates by qualifications**



Source: Labour Force Survey, July-September 2006

76. There are significant regional differences. The percentage of the population with no qualifications ranges from about 9% in the South West to 17% in the West Midlands. The employment rate of this group ranges from 36% in the North East to 57% in the East of England.

**Figure 1.23: Employment for people with no qualifications by region**



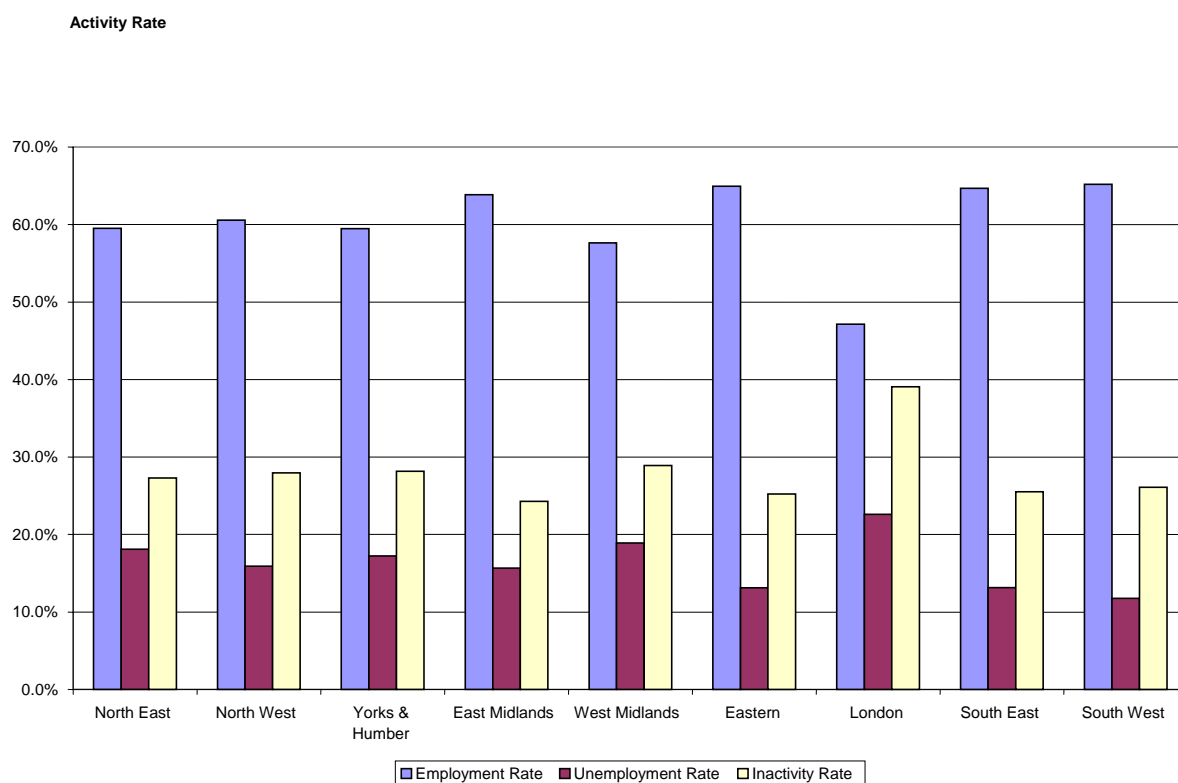
Source: Labour Force Survey, July-September 2006

### 1.2.16 Young people

77. The UK has a lower youth unemployment rate (12.1 %) than the EU average (18.7%).<sup>21</sup> The New Deal for Young People, which was introduced in 1998, gives 18-24 year olds learning and development opportunities. It has helped over 660,000 young people into work which has helped to reduce by two-thirds the number of young people claiming unemployment benefits for more than six months. Much of the youth unemployment that remains is short-term: around 70% of 18-24 year olds who are unemployed have been so for less than six months.

<sup>21</sup> Employment in Europe 2005 which uses the age range 16 to 24 for youth unemployment  
Version: Amended OP 2011

**Figure 1.24: Regional employment, unemployment and inactivity rates for people aged 16-24 (including students)**



Source: Labour Force Survey, July-September 2006

78. However, the youth unemployment rate remains higher than the overall unemployment rate, and there are some significant problems especially among young people aged 16 to 19. The employment rate of young people aged 16 to 19 who are not in full-time education or training is about 62%. Section 1.3.4 examines the issue of young people who are not in education, employment or training. Inactivity among young people is particularly high in London. The highest regional youth unemployment rates are in London, West Midlands and the North East.

### 1.2.17 Women

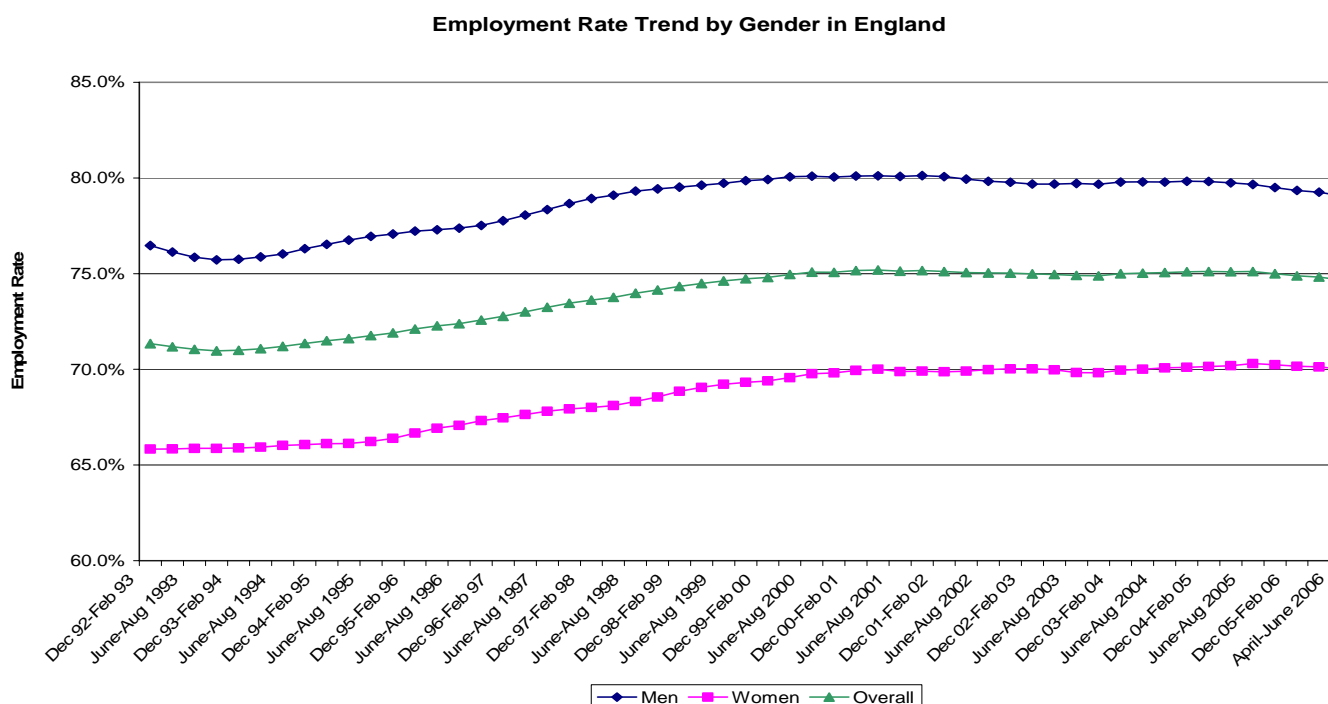
79. According to Eurostat, the UK female employment rate is 65.9%<sup>22</sup> exceeding the EU target of 60% and the current EU average of 56.3%. In terms of the national definition, the employment rate for women in England is 70%, almost 10 percentage points lower than for men. Female employment has grown by about 4 percentage points since 1995, and male employment by 3 percentage points. The unemployment rate for women is 5.3% compared with an unemployment rate for men of 5.9%. The inactivity rate for women, though, is 26.1%, almost 10

<sup>22</sup> Eurostat 2005

percentage points higher than the 16.3% rate for men. The inactivity rate for women is higher than that for men in all regions.

80. Men and women's working patterns are very different. More women work part-time than men (42% versus 10%). There is further analysis of the position of women in the labour market, including gender segregation, in sections 1.3.10, 1.3.21 and 1.3.22.

**Figure 1.25: Employment rates for men and women**



Source: Labour Force Survey, 4-quarter averages

81. An Equal Opportunities Commission (EOC) investigation into part-time and flexible learning has found a substantial body of evidence that the experience of women working part-time makes a major contribution to the UK's low productivity. The EOC has estimated that 80% of part-time workers (5.6 million people or a fifth of the working age population) are working below their potential.<sup>23</sup>

### 1.2.18 Offenders

82. Lower levels of education and a lack of qualifications place unemployed and inactive people at a disadvantage in the labour market. This problem is further exacerbated for the offender population since a criminal record is a significantly additional barrier to employment.

<sup>23</sup> EOC response to UK National Strategic Reference Framework, 2006  
Version: Amended OP 2011

83. Offenders typically have low levels of basic skills. Of those entering custody in England and Wales, 37% have reading skills below level 1, while 43% have numeracy skills below level 1. There is no data on ethnicity at present, but gender variations are slight, with 37% of adult male prisoners having reading skills below level 1 and 41 % having numeracy skills below level 1 compared with 33% and 49% for female prisoners.
84. Also, offenders in England and Wales typically have no qualifications when entering custody. Gender variations, in this regard, are more significantly pronounced, with 52% of males and 71 % of females having no qualifications when entering custody. Again, there is no data on ethnicity at present.<sup>24</sup>
85. Offenders are likely to be unemployed, either while under supervision of probation or at the time of incarceration. Around 53% of offenders serving community sentences are unemployed<sup>25</sup>, and in the four weeks before entering custody<sup>26</sup> 66% of men and 86% of women were unemployed.
86. Recruitment chances of persons with a criminal record, except for those convicted of the most minor offences, are cut by at least one third. For 63% of vacancies where recruiters seek criminal record information, either the criminal record itself or a wide range of offences resulted in strong disadvantage or rejection in at least half of the vacancies – equivalent to between one third and 56% of all vacancies.<sup>27</sup>

### **1.2.19 Multiple disadvantages**

87. Employment rates are very high for people who do not face any labour market disadvantages (over 86%) and also high for people who face one individual disadvantage (70%). The more disadvantages a person faces (being a lone parent, being disabled, being over 50, having no qualifications or belonging to an ethnic minority), the less likely they are to be employed. For people who face four or five of those disadvantages, the employment rate declines to only 11 %. However, the vast majority of the working age population has either no or one disadvantage.

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<sup>24</sup> Through the Prison Gate: A Joint Thematic Review by HM Inspectorates of Prisons and Probation, 2001

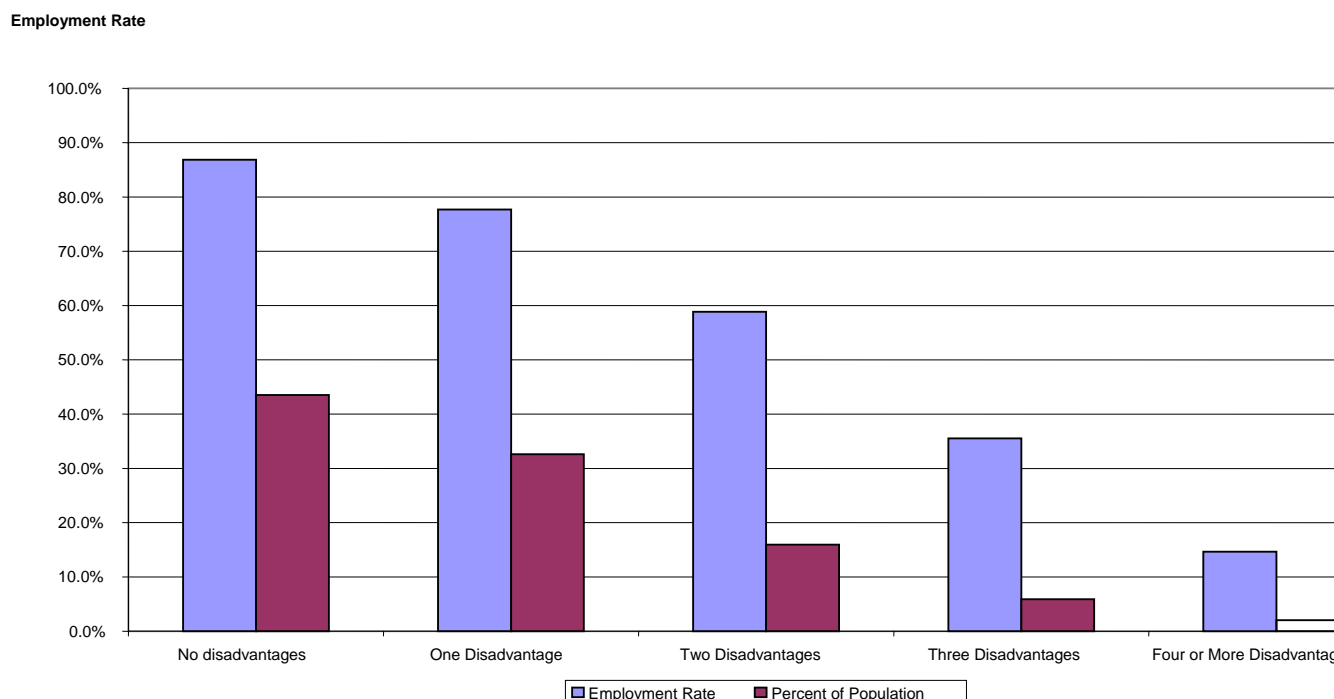
<sup>25</sup> The Impact of Corrections on Re-offending: A Review of 'What Works', 2004

<sup>26</sup> Home Office Resettlement Survey, 2003

<sup>27</sup> Barriers to Employment for Offenders and Ex-offenders, 2001



**Figure 1.26: Employment rates of groups with different numbers of disadvantages**



Source: Labour Force Survey, household dataset, April-June 2006

88. Rates differ depending on the types and combinations of disadvantages people face. People with disabilities or those in social housing are less often employed than others. Often, people with disadvantages tend to be concentrated in certain areas, such as inner cities.
89. Among people who face multiple barriers to work, no qualifications or skills may be a contributory factor preventing them from moving into employment. For example, the employment rate for lone parents with qualifications is 63%, compared with only 30% for those without qualifications. On the other hand the employment rate for women with no qualifications but who are not lone parents is 72%.<sup>28</sup>

### 1.2.20 Deprived Areas

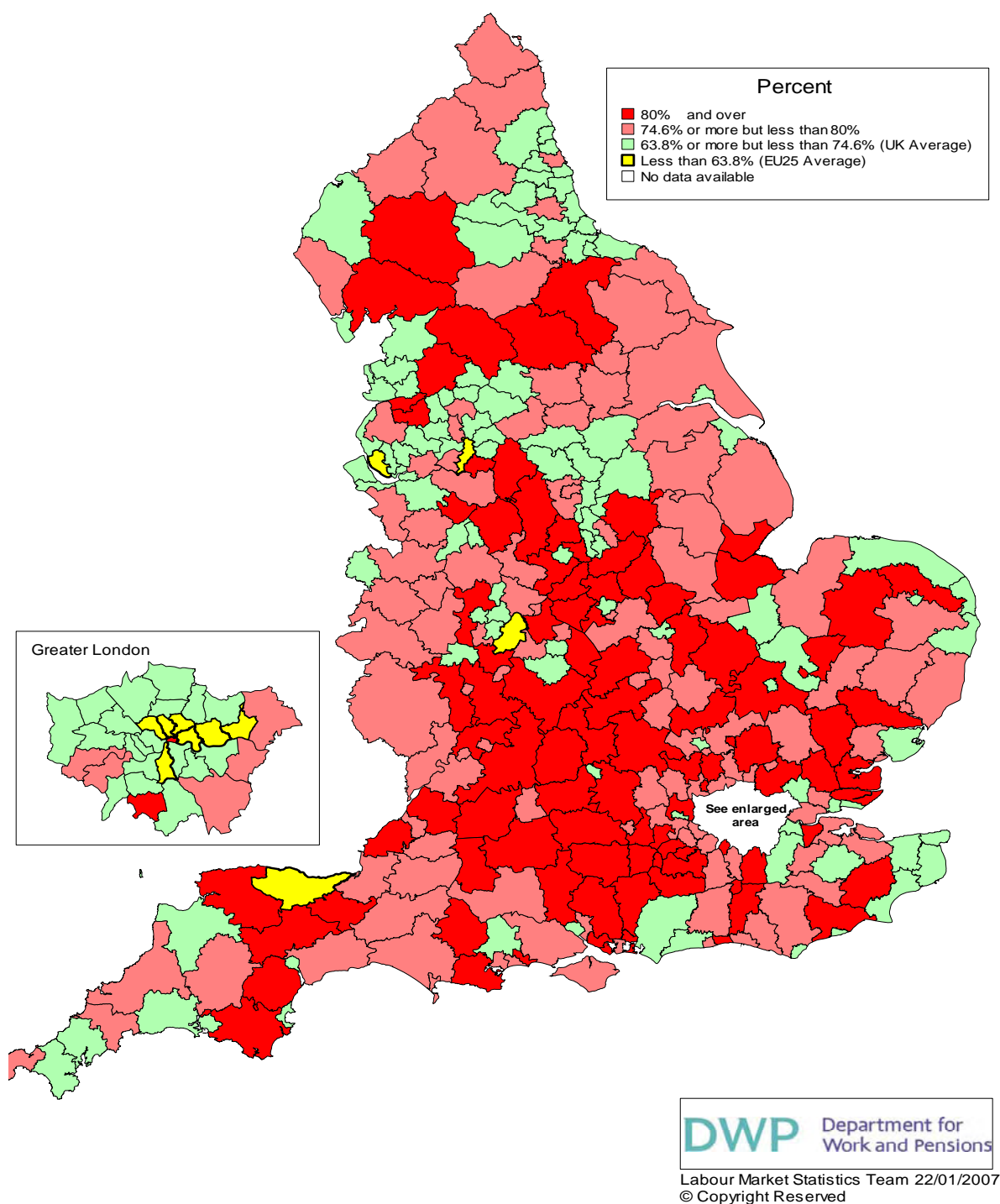
90. As indicated in section 1.2.4, regional analyses may not always give an accurate picture of employment within regions. There are areas with high levels of worklessness in all regions. The employment rate in the wards with the lowest labour market position is 60.2 percent, almost 15 points below the national average.<sup>29</sup> The biggest problems

<sup>28</sup> DfES and DWP: A Shared Evidence Base – The Role of Skills in the Labour Market, 2006

<sup>29</sup> This employment rate applies to the 903 wards with the worst labour market position, with a baseline starting in May 2005

are in inner cities and some areas affected by industrial change such as former coalfield areas. The map provides a summary of employment rates. It shows that there are large differences within regions and not just between regions.

**Figure 1.27: Working age employment rates by English local authority district 2006**



Source: Annual Population Survey, July 2005-June 2006

Version: Amended OP 2011

### 1.2.21 Cities

91. The highest levels of worklessness are in cities. Cities account for almost two-thirds of all those on benefits. Nearly one-fifth of the working age population in Manchester and Liverpool is on benefits as lone parents or incapacity benefit recipients. And, although London is the wealthiest city in Europe (with productivity 25% higher than the rest of the UK, and a quarter of the workforce educated to degree level) it has the highest level of worklessness, and the highest level of child poverty, in Great Britain. Nearly half of children in inner London are poor. The Government's Cities Strategy initiative aims to tackle worklessness and poverty in the most disadvantaged towns and cities.

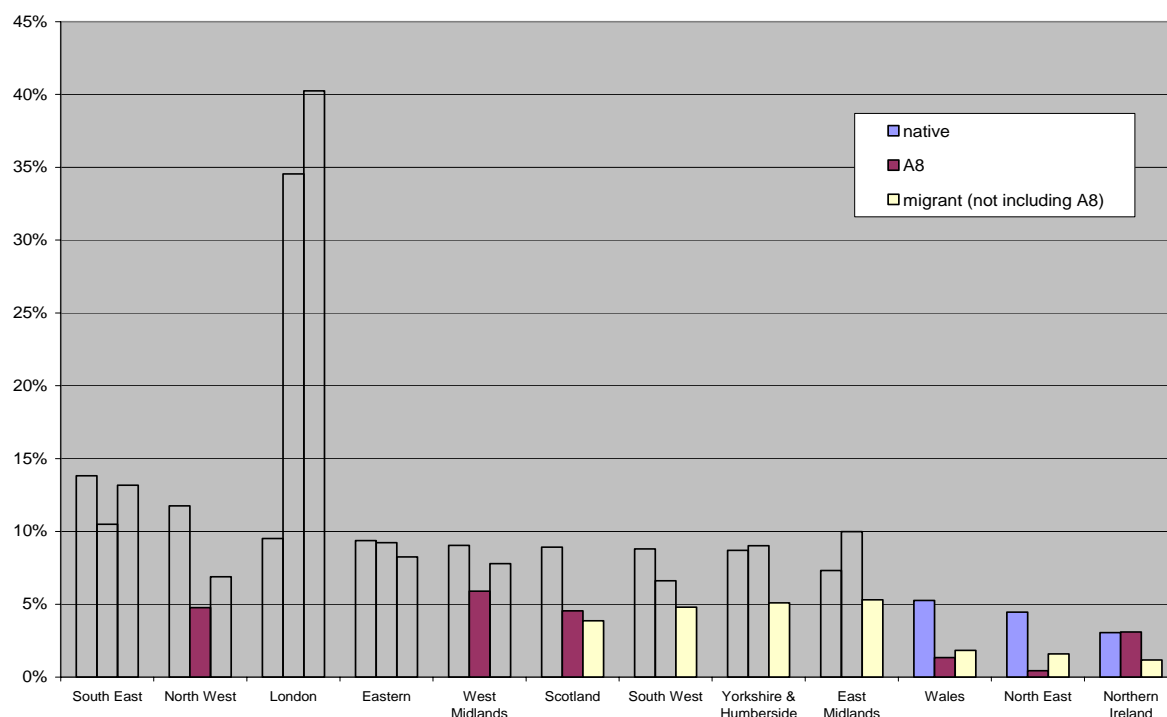
### 1.2.22 Migrants

92. Migration has long made a small, but nevertheless important, contribution to the employment needs of the labour market. This is likely to continue in the future – in doing so it will help to ensure the labour market is flexible and can adjust to the needs of employers for new jobs and new skills. According to the March-May 2006 quarter of the Labour Force Survey there are currently 4.4 million people of working age in the UK who were born overseas. Of these, 780,000 are from the other countries of the EU15 and 290,000 from the eight central and eastern European States that joined the EU in 2004 (A8).<sup>30</sup>
93. Migrants have lower employment rates (68%) than UK born (75.7%) people. The lower average employment rate of migrants masks considerable diversity between migrant groups. Employment rates of migrants from Australia, New Zealand, South Africa and the EU are higher than for UK natives, while employment rates for those from the Indian Sub Continent or the Caribbean are lower. A8 migrants have an employment rate of 81.6%.
94. Historically, London has been the most common destination of migrants coming to the UK. Over 40% of those born outside the UK live in London, compared to just 10% of natives. Recent migrants from the A8 countries are less likely than other migrants to live in London and, outside of the capital, are spread around the country more in proportion to the total population.

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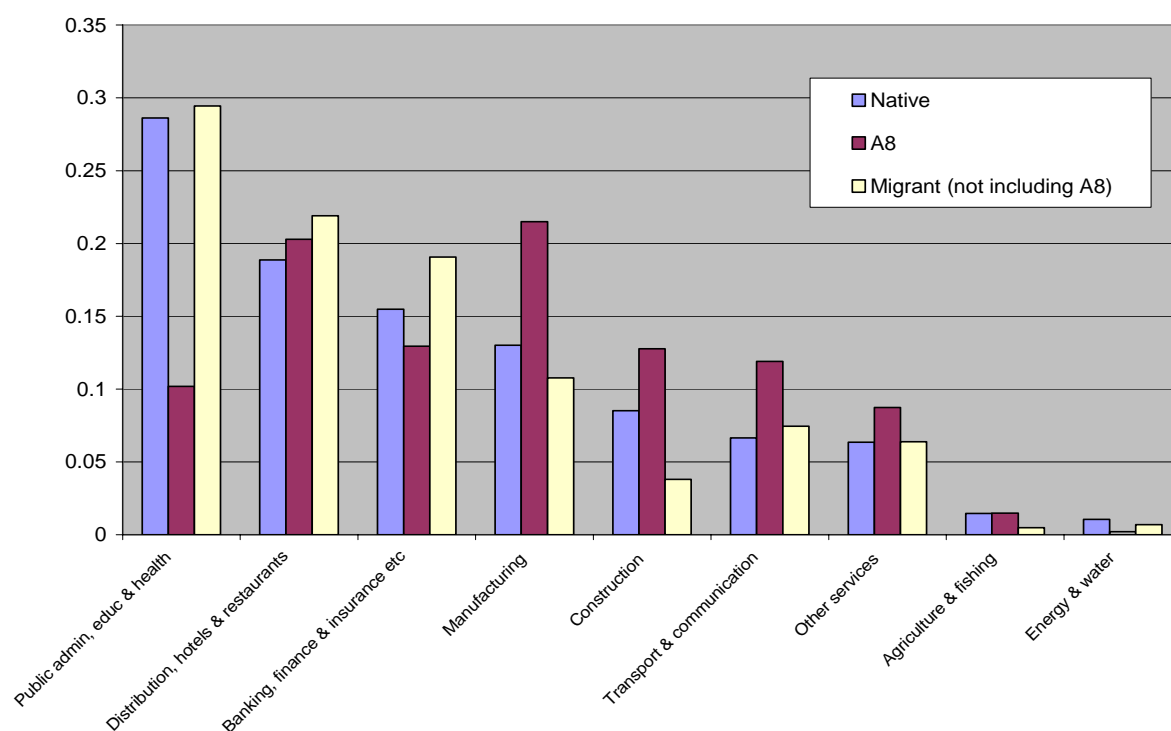
<sup>30</sup> Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia.  
Version: Amended OP 2011

**Figure 1.28: Migrants by Sector**



Source: Labour Force Survey, July-September 2006

**Figure 1.29: Migrants by region**



Source: Labour Force Survey, July-September 2006

95. Overall, migration is good for employment and good for the economy. The Treasury estimates that migration accounts for 10-15% of trend growth, and independent research<sup>31</sup> has found that migrants make a net contribution to the Exchequer. There has been no discernible statistical effect of A8 migration on unemployment. Nearly all the applicants to the Worker Registration Scheme are in full-time employment and undertaking jobs in sectors where continued growth has led to recruitment difficulties. Virtually none are claiming benefits.
96. While most migrants tend to have similar sectoral employment patterns to natives, A8 migrants are concentrated in the distribution, hotels and restaurants (26%), manufacturing (21 %) and construction (13%) sectors. The proportion employed in both the construction and manufacturing sectors has roughly doubled in the last two years

### **1.2.23 Childcare**

97. One of the benchmarks within the European Employment Strategy is the provision of childcare by 2010 to: at least 90% of children between 3 years old and the mandatory school age; and at least 33% of children under 3 years of age.
98. Since 1998 the Government has invested heavily in the National Childcare Strategy and Sure Start to improve services for children and families. The Government's vision for childcare includes an affordable, flexible, high quality childcare place for all families with children aged up to 14 who need it.
99. Only small proportions of mothers in the Family and Children's Study cite specific problems with childcare affordability and availability as a reason for non-participation in the labour market.<sup>32</sup> Even fewer said that a lack of available childcare was a reason to stop them looking for work – 2% of non-working mothers in couples and 3% of non-working lone mothers. Lone mothers are consistently more likely than mothers with partners to cite reasons pertaining to the quality and affordability of childcare for not working.

### **1.2.24 People with caring responsibilities**

100. There are currently over five million informal carers in Great Britain. An 'informal carer' is defined as someone who provides unpaid care for sick, disabled or frail elderly relatives, friends or neighbours. The demand for carers is likely to rise in the future because of the ageing population and the higher incidence of disability amongst older age groups. This increased demand for care arises at a time of falling numbers of residential care places, with local authority in-home support being concentrated on people with the greatest needs.

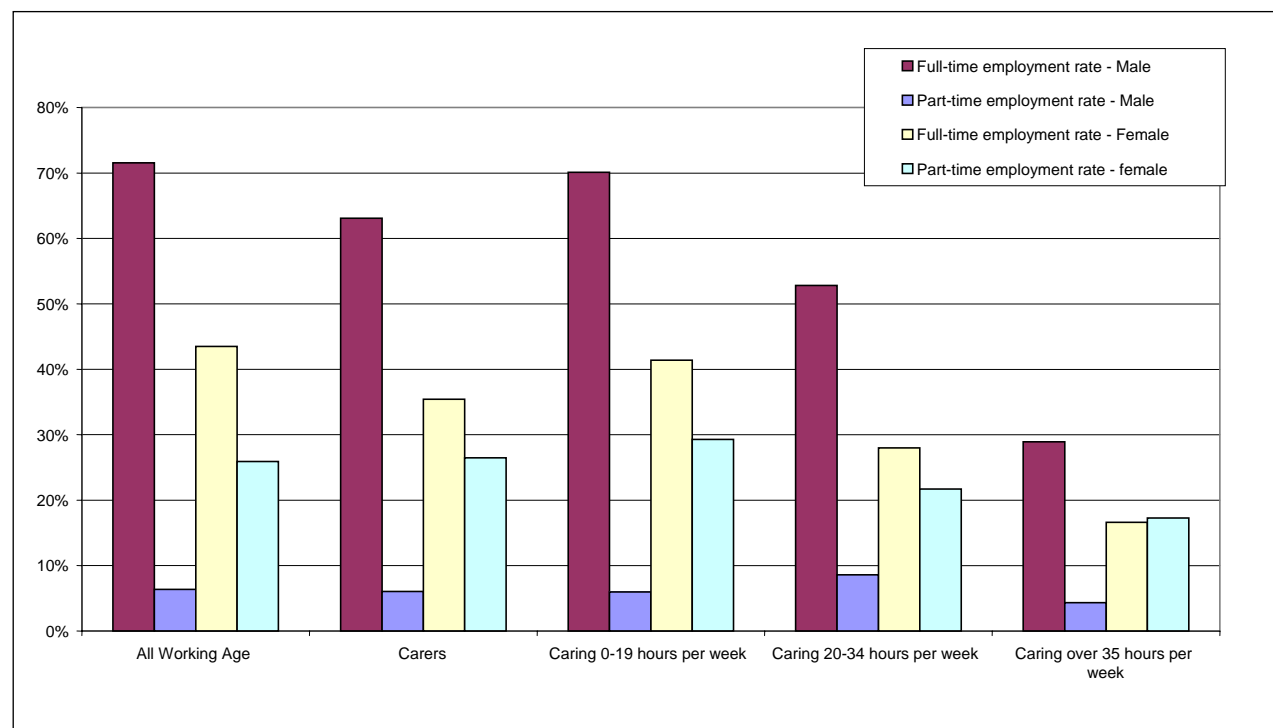
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<sup>31</sup> 'Paying their way: The fiscal contribution of immigrants in the UK', Dhananjayan Sriskandarajah, Laurence Cooley and Howard Reed, IPPR, April 2005

<sup>32</sup> Willits, M; Anderson, T; Tait, C and Williams, G, 'Children in Britain: Findings from the 2003 Families and Children Study', DWP Research Report No 249, 2005

101. Caring is most concentrated amongst 45 to 64 year old females, although amongst those aged 65 and over, men are more likely than women to be carers. The number of hours spent caring per week varies greatly across informal carers. Around 1.8 million people in Great Britain care for more than 20 hours per week (Census 2001 data). Carers are much less likely to be in employment as hours of care increase. This employment disadvantage feeds through to income, with carers of over 20 hours per week being bunched in poorer income deciles.

**Figure 1.30 Employment rates of carers**



Source: Family Resources Survey 2004/05

## 1.3 Skills

### 1.3.1 Overview

102. Over the past decade there has been significant investment and reform in education and training, and the skills profile of the UK has been improving.<sup>33</sup> The proportion of the economically active population with no qualifications is falling steadily as older, less qualified workers are being replaced by younger, more qualified workers. The proportion of the population with a degree has increased from one fifth to over one quarter of the population.

103. However, despite these improvements the UK still does not have a world class skills base. In his report on the UK's long term skills needs to 2010, Lord Leitch says that:

"Our nation's skills are not world class and we run the risk that this will undermine the UK's long-term prosperity. Productivity continues to trail many of our main international comparators. Despite recent progress, the UK has serious social disparities with high levels of child poverty, poor employment rates for the disadvantaged, regional disparities and relatively high income inequality. Improving our skill levels can address all of these problems."<sup>34</sup>

104. The Leitch Review found that:

- There has been relatively little movement in the proportions with qualifications at levels 2 and 3.
- Five million people have no qualifications at all.
- Over one third of adults in the UK do not have a basic school leaving qualification – double the proportion of Germany.
- One in six do not have the literacy skills expected of an 11 year old and half do not have these levels of functional numeracy.
- More than 50 per cent of people in countries such as Germany are qualified to intermediate level, compared to fewer than 40 per cent in the UK.
- The proportion of people with high skills is on a par with international averages, but not world leading.

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<sup>33</sup> The Government's skills strategy is set out in Skills in the Global Economy, HMG, December 2004; 14-19 Education and Skills White Paper, Df ES, February 2005; Skills: Getting on in business, getting on at work, HMG, March 2005

<sup>34</sup> Leitch Review of Skills, Prosperity for all in the global economy – world class skills, Final Report, December 2006

Further information on the Leitch Review recommendations is in section 2.5.1.

105. The age profile of the UK working age population is changing significantly. In 1995, the majority of those of working age were under 40. Although there are likely to be regional variations, by 2015, that position will be reversed, with around 55% of those of working age over 40. As it will not be possible to depend on the inflow of young people to meet the demand for skilled labour, there will be a need to attract and retain older workers in employment and to update their skills regularly.
106. Where appropriate this section compares national performance against the EU education and training benchmarks, which were agreed by EU Education Ministers in May 2003 within the framework of the Lisbon Agenda. The benchmarks refer to the EU as a whole, and are measured by Eurostat.

### **1.3.2 Skills and social inclusion**

107. Poor skills not only contribute to the UK's productivity gap with comparable nations, but also have a wider impact on social welfare. The Leitch Review highlights the strong correlation between low skills and worklessness in many parts of the UK. Only half of people with no qualifications are in work compared to 90% of adults qualified to at least degree level. Those with low skills tend to come from groups whose employment rates remain below the national average, such as people with disabilities, lone parents and ethnic minorities. Within the workforce, more highly qualified workers tend to be paid substantially more than less qualified workers. The report suggests that, in the longer term, investment in skills, particularly at the lower end of the skills distribution, can help reduce income inequality and poverty.

### **1.3.3 Young people and qualifications**

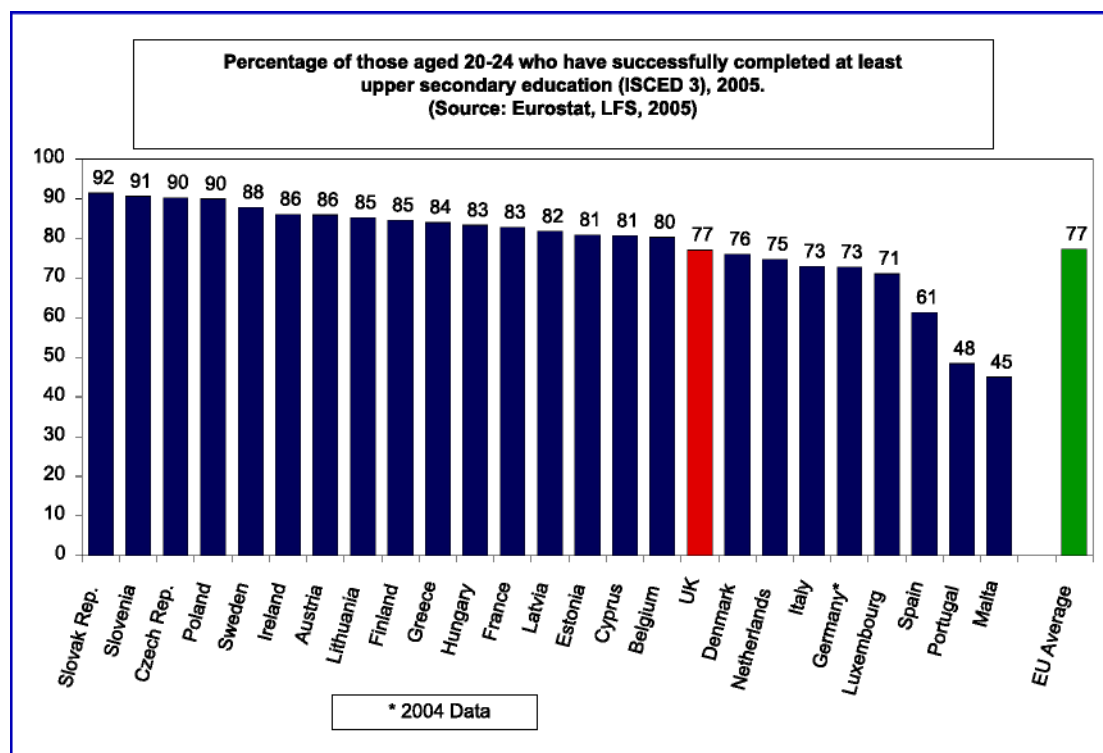
108. Young people make a significant contribution to improving the stock of skills in the labour force as they become economically active. One of the EU education and training benchmarks is that by 2010 at least 85% of 22 year olds in the European Union should have completed 'upper secondary' education (i.e. level 2). Figure 1.31 shows the current position in respect of 20 to 24 year olds. The qualifications of the UK's 20-24 year-olds are at the EU mean of 77%, but the UK lies below the median.<sup>35</sup>

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<sup>35</sup> Population-weighted, comparing the UK's 20-24 year-olds with all 20-24 year-olds in the EU.



Figure 1.31: EU benchmark on upper secondary education



109. Within England, good progress has been made in terms of the proportion of 16 year olds gaining good GCSE qualifications or their equivalent at level 2. The 2005 GCSE results show the biggest year on year increase for a decade: 56.3 per cent of pupils achieved 5 or more grades A\* to C, with the fastest improvements being made by the most deprived pupils. However, there remain significant gaps in attainment by socio-economic background, ethnicity and gender: while over 60 per cent of girls achieved five or more grades A\*-C at GCSE, only around 50 per cent of boys reached this standard. There are also significant attainment gaps for particular ethnic minority groups (such as Black African and Caribbean, Pakistani and Bangladeshi groups), where gaps tend to open early in the school system and widen as pupils progress in school.

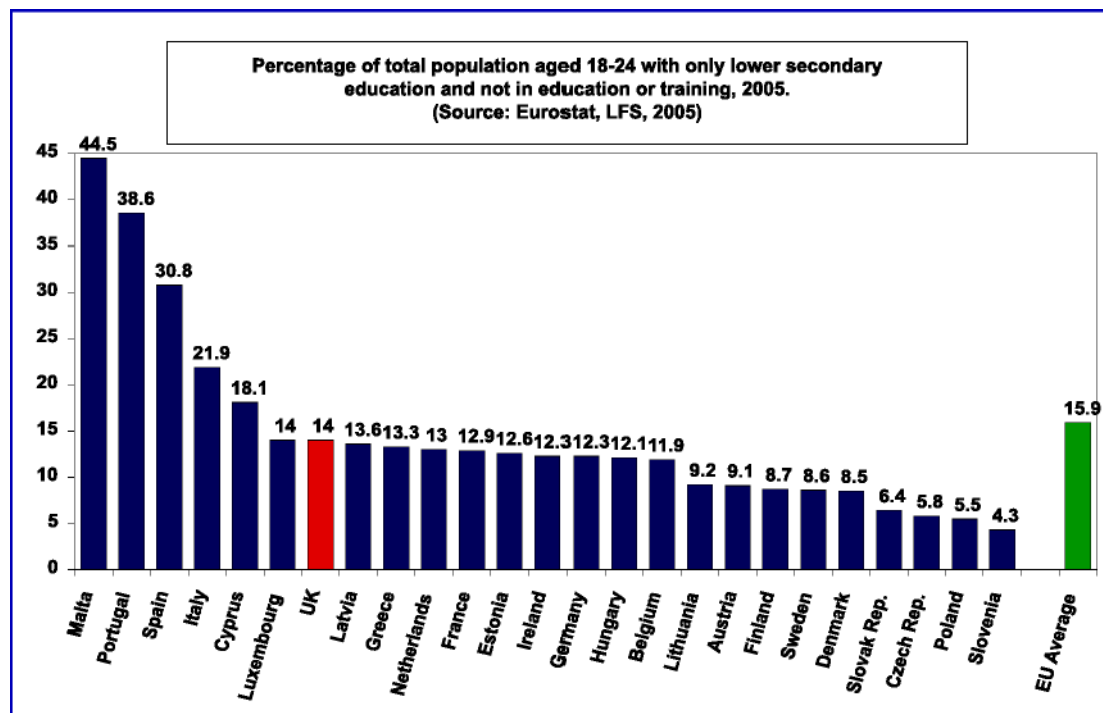
### 1.3.4 Young people not in education, employment or training

110. Rising attainment by age 16 has not been matched by rising participation post-16. However, to achieve a skilled and internationally competitive workforce, as many young people as possible should be engaged in some form of education or workplace based training. The EU has an education and training benchmark that by 2010 an EU average rate of no more than 10% of early school leavers should be achieved.<sup>36</sup> As figure 1.32 shows, the UK is at the less well-performing end of a set of countries tightly bunched around the average. A relatively high proportion (14%) of young people in the UK has

<sup>36</sup> Share of the population aged 18-24 with only lower secondary education or less (in UK terms below Level 2) and not in education or training.

qualifications below level 2 and remains out of education. Achieving the 2010 target will therefore be challenging.

Figure 1.32: EU benchmark on early school leaving

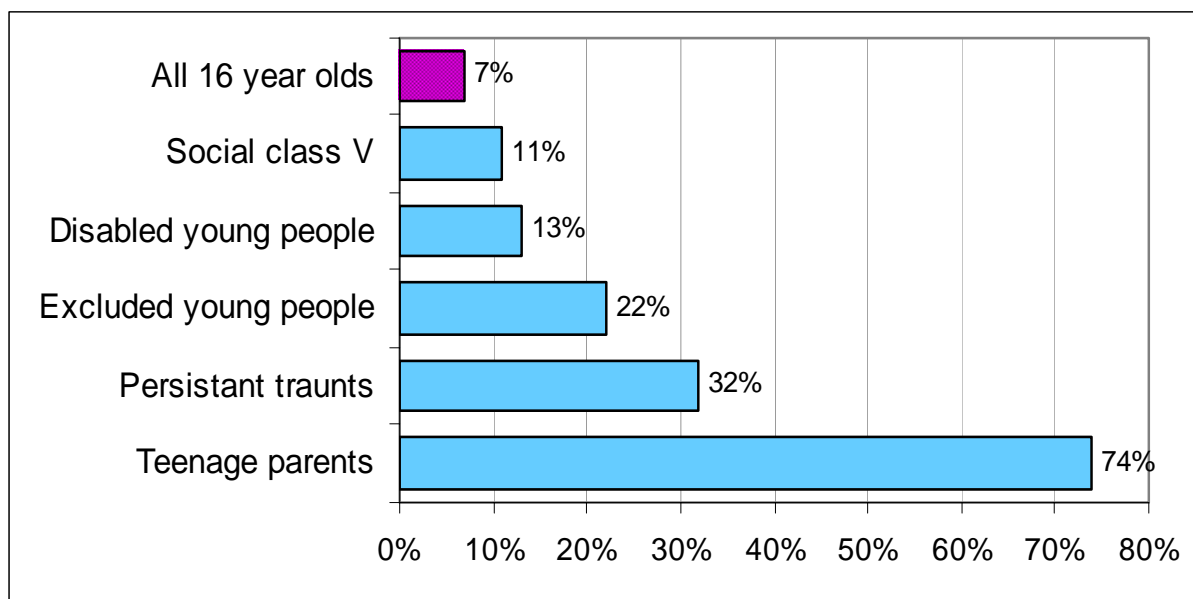


111. The proportion of 16- 18 year olds not in education, employment or training (NEET) increased from 10 per cent at the end of 2004 to 11 percent at the end of 2005. The total number of 16-18 year old NEETs was estimated at 220,000 at the end of 2005.
112. Young people become NEET for a variety of reasons. Many are unemployed, but others may be in transition between education and training options, be caring for children, or experience illness or severe disabilities that prevent them from being active in the labour market. There is a great deal of churning as young people move in and out of the group. Only around 1 % of 16-18 year olds remain NEET for more than 12 months.
113. Data, collected through the DfES Youth Cohort Study (YCS) and Connexions Service Management Information, indicates that:
  - 23% of low achievers (young people completing Year 11 with fewer than five GCSEs grade D–G) are NEET at 16, compared to just 1 % of 16 year olds who attained at least 5 GCSEs grade A\*–C (YCS).
  - 16-19 year olds with learning difficulties and disabilities are twice as likely to be NEET as their peers (Connexions Service). The difference is most marked for 18 year olds who face limited options

on leaving school at 18.

- persistent truants are nearly seven times more likely than those who never played truant to be NEET at age 16 (YCS).
- 49% of those NEET for more than a year felt that school had done little to prepare them for life after school, compared to 30% of those who had never been NEET (YCS).

**Figure 1.33: Percentage of at risk groups who are NEET**



Source: DfES Youth Cohort Study (YCS) and Connexions Service Management Information

However, this does not mean that most NEETs are from high risk groups. For example, of those classified as NEET in any one of the three YCS snapshots:

- 49% never played truant;
- 28% were high achievers in year 11;
- 16% were from professional/managerial backgrounds.

114. Current estimates suggest that around:

- 30,000 16-18 year olds NEET have learning difficulties and disabilities.
- 25,000 16-18 year olds NEET are not available to the labour market because of illness, pregnancy, custodial sentence or other reasons.
- 17,000 16-18 year olds NEET are teenage mothers caring for their children. Over one fifth of females NEET at age 18 are teenage mothers.

- 42,000 of 16-18 year olds NEET have intensive support needs, and a further 74,000 require some support to enable them to re-engage in work and learning.
- 20,000 – 30,000 young people, over a quarter of the 18 year old NEET group, are taking 'gap years' or a break from study.

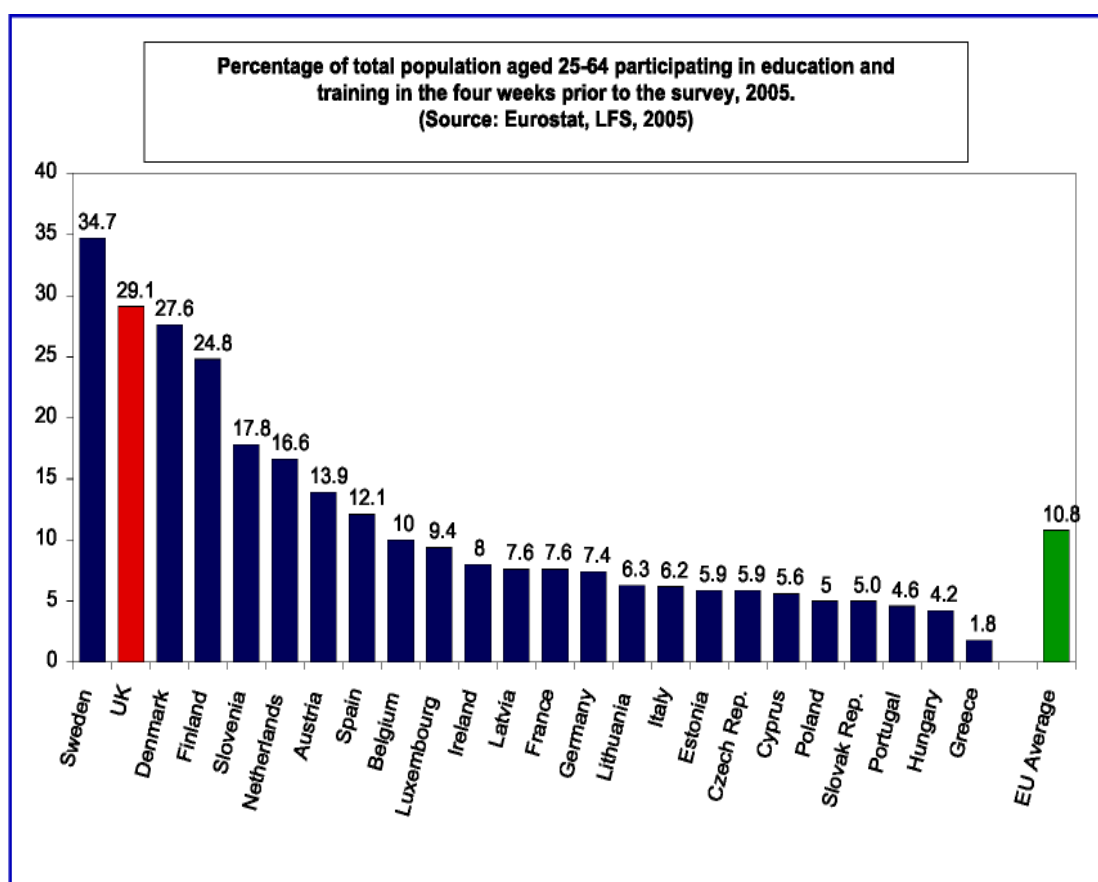
### **1.3.5 Progression to Higher Education**

115. Participation in Higher Education (HE) has risen since 1997 in terms of numbers of students and as a proportion of the number of 19-30 year olds engaged in HE.
116. The proportion of young HE entrants coming from state schools has risen from 82% in 1997/98 to 87% in 2004/05. While the proportion of young entrants from low socioeconomic groups has remained fairly stable at around 28% since 1997/98, with a falling proportion of the population in these groups, this is likely to reflect an increasing participation rate. The proportion coming from low participation areas has increased from 12% to 14% over the period.
117. To be confident that HE is accessible to those who would benefit from it, the Government has unified its Aim Higher activities to raise attainment and aspiration into a coherent national outreach programme operating most intensively in areas of disadvantage.

### **1.3.6 Adult participation in learning**

118. The EU has an education and training benchmark that by 2010 the EU average level of participation in lifelong learning (broadly defined) should be at least 12.5% of the adult working age population.<sup>37</sup> The UK already exceeds this figure comfortably as a relatively high proportion of adults take part in education or training.

Figure 1.34: EU lifelong learning benchmark



119. There are major differences in participation in learning depending on the circumstances of the individual. More disadvantaged individuals are least likely to participate in learning:
- less than a third (29%) of adults with no qualifications participate in learning compared to 94% of those with level 4 qualifications.
  - only 52% of those with basic skills difficulties participate in learning

<sup>37</sup> Percentage of population aged 25-64 participating in education and training in the four weeks prior to the survey (European Labour Force Survey).

compared to 83% of those without.

- 89% of full-time employees participate in learning compared to 68% of unemployed people and 40% of those unable to work due to a health problem or disability.
- 92% of those in the top household income bracket participate in learning compared to 55% of those in the lowest income bracket.<sup>38</sup>

### 1.3.7 Adult basic skills

120. The 2003 DfES Skills for Life Survey found that an estimated 5.2 million adults (16%) had literacy skills below level 1 and 15 million adults (47%) had numeracy skills below level 1. Level 1 is one of the Skills for Life standards for literacy and numeracy and is the equivalent of a level 1 in the National Qualification Framework or GCSE grade range D-G.
121. In terms of the regional breakdown, the North East and Yorkshire and the Humber had the highest proportions of adults with literacy and numeracy skills below level 1.

Figure 1.35: Adult literacy skills by region

Literacy	Below Level 1	
	Number	Proportion
North East	349,025	22%
North West	722,560	17%
Yorkshire and the Humber	588,585	19%
East Midlands	421,960	16%
West Midlands	586,705	18%
East of England	415,630	12%
London	925,975	19%
South East	605,485	12%
South West	416,470	14%

Figure 1.36: Adult numeracy skills by region

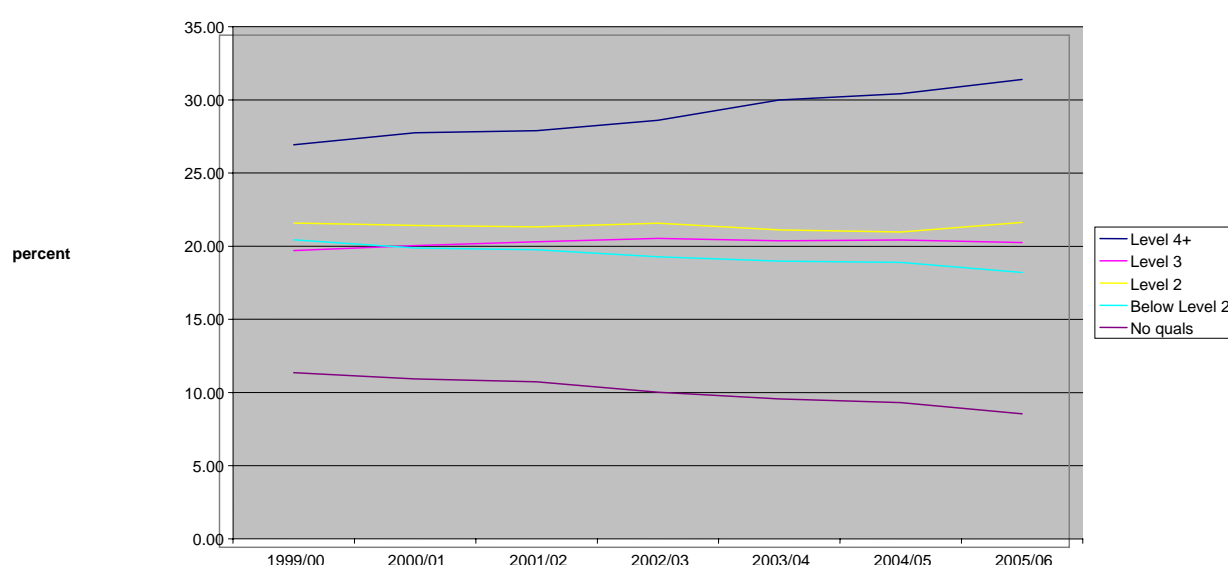
Numeracy	Below Level 1	
	Number	Proportion
North East	859,640	54%
North West	2,053,020	49%
Yorkshire and The Humber	1,575,985	51%
East Midlands	1,289,030	49%
West Midlands	1,541,445	47%
East of England	1,393,970	41%
London	2,303,045	48%
South East	2,022,250	41%
South West	1,460,850	49%

<sup>38</sup> National Adult Learning Survey 2002, DfES, 2003  
Version: Amended OP 2011

### 1.3.8 Qualifications levels

122. Qualification levels in the adult working age population continue to rise. Over 50% of the workforce is now qualified at NVQ level 3 or above. The Government is on track to meet its target of one million adults to have achieved a first level 2 qualification between 2003 and 2006. The proportion of adults in the workforce with at least this level of qualification has risen by 12% from 61% in 1994 to 73.2% in 2005.<sup>39</sup>

**Figure 1.37: Highest level of qualification held by adults**



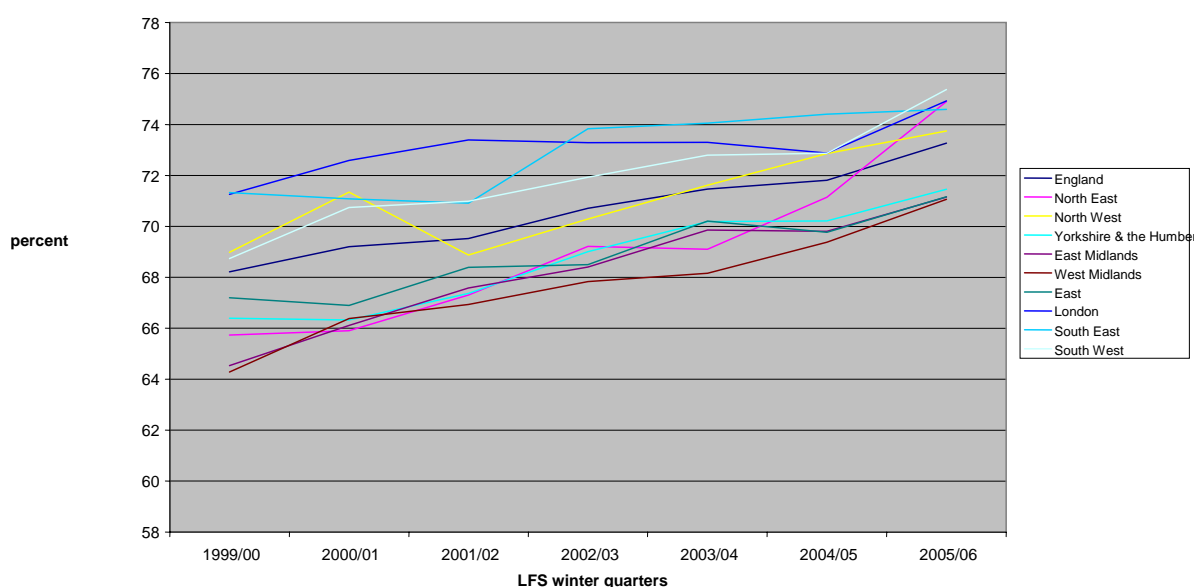
Source: Labour Force Survey, winter quarters

123. However, there is still a long tail of poorly qualified adults. More than one in four adults (7 million people in England) in the workforce does not have a full level 2 qualification, about 33% of the working age population.
124. And despite improvements in recent years, the UK still has a substantial skills deficit, at all levels, compared with other comparable countries. The UK is ranked:
- 17th out of the 30 OECD countries in the proportion who have low or no qualifications (equivalent to less than a level 2 in the UK), with 35% at this level, more than double the proportion in the best performing nations, such as the USA, Canada, Germany and Sweden;

<sup>39</sup> Labour Force Survey, autumn quarters  
Version: Amended OP 2011

- 20th in the proportion with intermediate qualifications (levels 2 and 3) with 36% qualified to this level, compared to more than 50% in Germany and New Zealand; and
  - 11th in the proportion who have high qualifications (level 4 and above), with 29% qualified to this level, internationally comparable but still well behind the USA, Japan and Canada where the proportion stands at around 40%.<sup>40</sup>
125. Skill problems in England, and the UK as a whole, are most severe at the bottom end. The UK trails far behind key comparators in terms of the proportion of adults with the equivalent of a decent school leaving qualification. The one in three adults lacking a level 2 qualification is more than double the proportions in the USA, Japan, Canada, Sweden and Germany.
126. The UK also performs poorly in terms of intermediate and higher level qualifications. Failure to achieve the level 2 platform of skills limits progression to level 3 and above. These higher level skills are essential to increase productivity and respond to economic change. If large numbers of people remain without basic skills and level 2 qualifications, this will be a constraint on the growth of higher level skills needed in a global economy.
127. In terms of regional variations within England, there has been some narrowing of the gap at the lower qualification levels in recent years. The gap at level 2 between the top (London) and bottom (West Midlands) region has narrowed slightly since 1999.

**Figure 1.38: Proportion of adults with level 2 or higher by region**



<sup>40</sup> Leitch Review of Skills, Prosperity for all in the global economy – world class skills, Final Report, December 2006  
Version: Amended OP 2011



128. However, significant regional variations remain. London and the South East have the highest qualifications levels. North East has the lowest proportion of people who have achieved an NVQ level 4 or 5 or equivalent. The West Midlands has the highest proportion of people with no qualifications, and the South East the lowest.

**Figure 1.39: Highest qualification held by people of working age by region**

Region	All people of working age (000's)	Percentage of people of working age					
		NVQ <sup>41</sup> level 5	NVQ level 4	NVQ level 3	NVQ level 2	Below NVQ level 2	No qualifications
North East	1,525	3	17	21	24	20	15
North West	4,098	5	19	20	22	19	16
Yorkshire & Humber	3,044	5	17	20	22	21	15
East Midlands	2,587	4	19	22	20	20	15
West Midlands	3,196	4	19	20	22	18	17
Eastern	3,323	5	20	19	22	21	13
London	4,811	8	24	15	18	20	14
South East	4,953	7	23	20	21	19	10
South West	2,965	5	21	21	22	20	11
England	30,502	6	21	19	21	20	14

Source: Labour Force Survey, 2005 (extract from table 4.9 in Education and Training Statistics 2005 Edition, DfES/National Statistics)

### 1.3.9 Basic skills and qualifications in Merseyside and South Yorkshire

129. The estimated proportion of adults in Merseyside with literacy skills below level 1 is 15% compared to 17% in the North West as a whole. The estimated proportion of adults in South Yorkshire with literacy skills below level 1 is 12% compared to 19% in Yorkshire and the Humber as a whole. For both of these sub-regions, the proportion of people with literacy skills below level 1 is therefore smaller than the regions within which they are based, but greater than England as a whole (16%).
130. The estimated proportion of people in Merseyside with numeracy skills below level 1 is 61% compared to 49% in the North West as a whole. The estimated proportion of people in South Yorkshire with numeracy skills below level 1 is 55% compared to 51% across in Yorkshire and the Humber as a whole. For both of these sub-regions,

<sup>41</sup> NVQ and equivalents  
Version: Amended OP 2011

the proportion of people with numeracy skills below level 1 is therefore more than the region within which they are based (the opposite situation to literacy skills) as well as England as a whole (47%).

**Figure 1.40: Literacy in South Yorkshire and Merseyside (estimates)**

Literacy	Below Level 1	
	Number	Proportion
Merseyside	139,800	15%
South Yorkshire	98,310	12%

Source: Skills for Life Survey 2003<sup>42</sup>

**Figure 1.41: Numeracy in South Yorkshire and Merseyside (estimates)**

Numeracy	Below Level 1	
	Number	Proportion
Merseyside	559,000	61%
South Yorkshire	438,000	55%

Source: Skills for Life Survey 2003

131. In both Merseyside and South Yorkshire, the proportion of the working age population with qualifications below level 2 is higher than the rest of the country. In Merseyside 39% of people of working age either do not have a qualification or have not achieved one above NVQ level 2 compared with 35% in the North West region as a whole and 34% in England overall. In South Yorkshire, the proportion of people of working age whose highest level qualification is either below NVQ level 2 or who do not have a qualification is 38% compared to 36% in Yorkshire and Humber as a whole and 34% in England overall.

**Figure 1.42: Highest qualification held by people of working age in Merseyside and South Yorkshire**

Phasing-In sub-region	People of working age (000's)	NVQ4+	NVQ3	NVQ2	Below NVQ 2 (including people with no qualifications)
Merseyside	883	21%	18%	22%	39%
South Yorkshire	776	20%	19%	23%	38%

Source: Estimates derived from Annual Population Survey 2005

### 1.3.10 Gender and qualifications

132. Overall, a greater proportion of men than women hold qualifications at

<sup>42</sup> The Literacy and Numeracy figures come from the Skills for Life Survey and refer to 2003. The literacy and numeracy numbers are estimates based firstly on the survey and secondly on modelling using various demographic factors to estimate the level in each area.

level 3 or above. However, there are differences between age groups. Over half of women aged between the age of 55 and pension age hold only low-level qualifications or none at all. Even in the cohort below this, the 45-54 age group, the difference in qualification levels is marked with double the percentage of women than men not qualified to level 2. When legislation equalises the state pension age at 65 for both men and women by 2020, this may increase the volume of labour provided by this group, resulting in a greater proportion of the workforce with below level 2 qualifications.

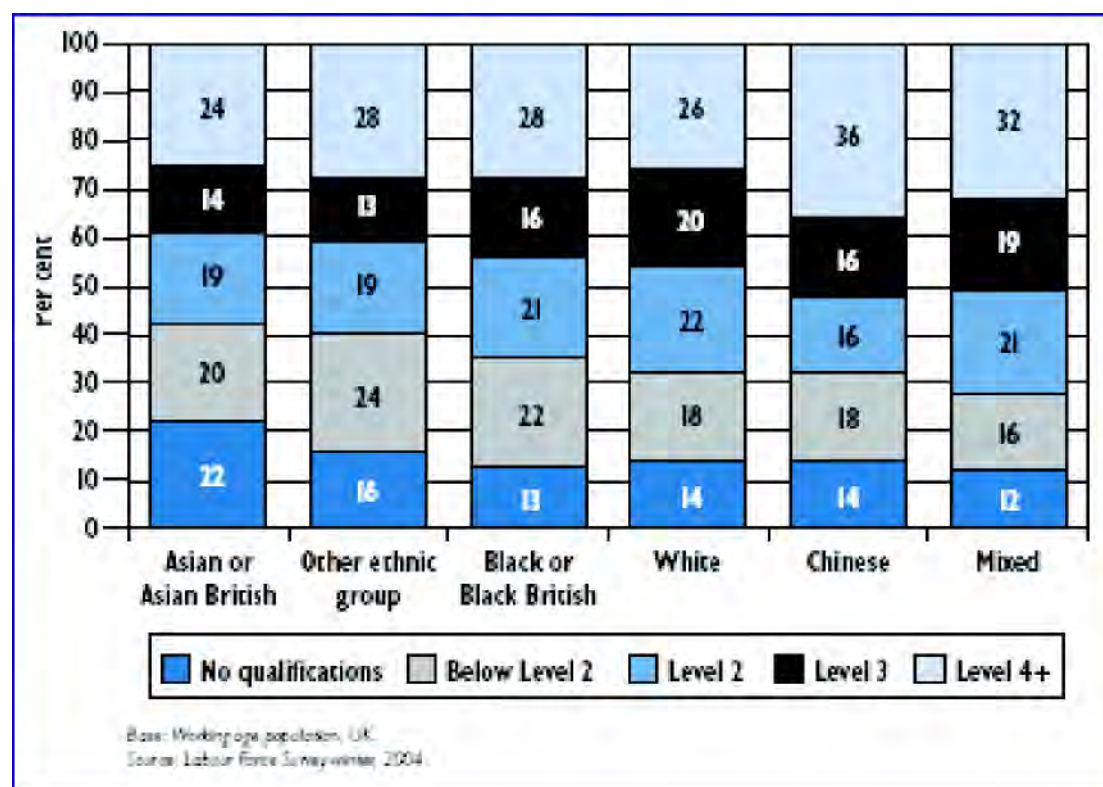
133. Among younger age groups, women tend to be better qualified. For example, 36 per cent of females aged 25-34 hold a qualification at level 4 or above, compared to only 34 per cent of males in this age group.
134. Slightly more women than men have level 4 or higher qualifications in the 34 - 45 age group (15.1% women compared to 14.7% of men). About 34% of employed women in this age range with level 4 qualifications were in part time employment. This could indicate that a significant number of women are working below their true abilities or capacity if it is assumed that a large proportion of part time jobs have low skill levels. Women in the 34-45 age range also outperformed men in achieving level 2 with 13% achieving level 2 compared to 9% of men. The proportion of men and women in the 34-45 age range who had not achieved qualifications was similar at 4.2% and 4.8% respectively.

### **1.3.11 Ethnicity and qualifications**

135. Ethnic minority qualification attainment rates vary widely. Figure 1.43 below shows the distribution of qualifications by ethnicity. Differences in the proportion holding low or no qualifications by ethnic group are marked. 42% of Asian or Asian British have low or no qualifications compared to only 32% of the white population. At the higher end, individuals of Chinese or mixed ethnicity are most likely to have level 4 or equivalents.
136. There are significant barriers to participation in both learning and work for much of the ethnic minority population. For example, 75% of Bangladeshi women over the age of 25 do not speak fluent English.<sup>43</sup>

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<sup>43</sup> Ethnic minority employment task force, Year 1 progress report, DWP 2004.  
Version: Amended OP 2011

**Figure 1.43: Qualification profiles of ethnic groups in the UK, 2004**

### 1.3.12 Disability and qualifications

137. On average, the qualification levels of people with disabilities are significantly lower than those of people without. Almost 40 per cent of people with disabilities who are aged 19 lack a level 2 qualification, compared with 23 per cent of non-disabled 19 year olds. Over 40 per cent of all those with disabilities have no qualifications at all.<sup>44</sup>

### 1.3.13 Qualifications and multiple disadvantage

138. This section examines the Labour Force Survey using a multi-dimensional analysis of gender, disability, ethnicity, age and part time working.<sup>45</sup> It is important to remember that qualifications can only be considered as fairly crude indicators of skill levels. For example, some older workers may lack formal qualifications but may have acquired considerable skills during their working lives. It should also be noted that multiple disadvantaged groups are a very small proportion of the total current and potential workforce.

139. Almost 4.4 million employees have qualifications below level 2 or no qualifications. The single largest group is white male full-time non-disabled employees, which accounts for 43% of this group. The second largest group is white female non-disabled part-time employees, which accounts for 24%.

<sup>44</sup> Welfare to Workforce Development, National Employment Panel, 2004

<sup>45</sup> Labour Force Survey 2005, average of 4 quarters.

140. There are 216,000 white female disabled employees with qualifications below level 2 or who have no qualifications. These represent 5% of all those in this category and 1 % of total workforce. There are 14,000 black and minority ethnic (BME) female disabled part time employees, with qualifications below level 2 or with no qualification representing 3% of this group (and 0.07% of total workforce).
141. For the various white groups (except white male part time non-disabled), the 46+ age group is the single largest group without qualifications. 78% of white female part time disabled employees over 46 years old do not have a qualification. Around 60% of white female full time non-disabled employees do not have a qualification and 74% of white disabled full time employees over 46 are without qualifications. However, for BME groups, only two groups have a significant 46+ age category without qualifications: 64% of male disabled full-time employees, and 80% of female disabled full time employees are in the 46+ category and have no qualifications.
142. Among the unemployed, young people are the poorest performers. In total, across both white and BME groups, 226,000 unemployed people have not achieved a qualification. A total of 80,000 non-disabled white males have not achieved a qualification, and 43,000 of these are in the youngest age range. This is also reflected in the 'below level 2' category where 66,000 out of 109,000 are in the 16-24 age range. 56,000 non-disabled white females have not achieved a qualification, half of whom are in the 16-24 age range. Disabled people represent just under a quarter of all unemployed people.
143. Disabled inactive people perform particularly poorly in terms of achieving qualifications, especially older people. Almost one million disabled white people who are economically inactive do not have a qualification, and just over 300,000 BME disabled people.

### 1.3.14 Market failures in skills

144. The interim report of the Leitch Review sets out evidence that there are market failures at all skills levels, but that these are most prevalent at the bottom end.<sup>46</sup> The final report of the Leitch Review argues that this suggests that public funding should be focused on low skills, and that at higher levels responsibility should be shared with employers and individuals where there are clear private returns.<sup>47</sup> The Leitch Review identifies four main areas of market failure:
  - **Time preference and risk.** These are short-termist attitudes to investment in skills and their future returns by employers or individuals. Investing in skills is a risk; neither individuals nor employers can be certain of the benefits they will gain if they invest

<sup>46</sup> Leitch Review of Skills, Skills in the UK: The long-term challenge, Interim Report, 2005

<sup>47</sup> Leitch Review of Skills, Prosperity for all in the global economy – world class skills, Final Report, December 2006

in training. Both may be concerned they will not receive a sufficient return, or may prefer to do other things with their time.

- **Credit market failure.** This occurs when individuals or firms are not able to borrow the costs of training, even where this training would most likely deliver a positive return. It can be more difficult to secure loans against human capital than other forms of investment. Individuals and firms may lack the necessary credit history to acquire loans and so be unable to invest in skills that would benefit them in the longer term.
- **Information failure.** This occurs when the information available to individuals or firms is incomplete or imperfect, or when some have more of different information to others. This might be awareness of the benefits of skills improvements, or information about the quality and content of particular courses and particular institutions.
- **Externalities.** These are social costs or benefits of decisions that are felt more broadly than just through returns to individuals or firms. An individual or business will make decisions on investment in skills based on their assessment of the costs and benefits to themselves. They will not take full account of any wider benefits to society or spillover effects on other firms.

### 1.3.15 Employer training

145. An important indicator of skills supply is the extent to which employers engage in training. The National Employers Skill Survey (NESS) 2005 found that:
- 65 per cent of employers had funded or arranged training or development for their workforce in the previous 12 months;
  - the number of staff trained over the previous 12 months is equivalent to 61 per cent of the current workforce;
  - employers funded or arranged 162 million days of training over the previous 12 months, equivalent to 7.5 days of training per annum for every worker in the country;
  - employers spent approximately £33.3 billion on training over the previous 12 months, equivalent to £1,550 per employee and just under £2,550 per person trained.<sup>48</sup>
146. There are significant sectoral variations. Training activity is most common among sectors dominated by public sector establishments. Establishments in environmental and land-based industries, and the passenger transport sector were least likely to train.
147. The better qualified are significantly more likely to receive training from their employer than those with low levels of qualification. Someone with

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<sup>48</sup> National Employers Skills Survey 2005, LSC, June 2006.  
Version: Amended OP 2011

a degree is nearly five times more likely to receive training than someone with no qualifications.

148. Workplace learning is heavily skewed towards those with qualifications above level 2. For example, only 5.1% of people with no qualifications received training in the past four weeks, compared to 15% of people with level 2 qualifications.<sup>49</sup> The British Household Panel Survey shows that 70% of unqualified people had not received training at work in the previous five years. The types of occupations that unemployed unqualified people tend to enter (elementary occupations and plant and machine operative occupations) are also associated with the lowest incidence of training.
149. The Labour Force Survey provides information on the types of training received by employees. The spring 2005 Labour Force Survey found that 15% of female workers are not receiving any training compared to 13% of male workers, and that people aged over 50 are at least likely to receive training. A higher proportion of full time female workers receive training than full time male workers, but female part time workers are less likely than their male counterparts to receive off the job training.
150. Full time ethnic minority workers are slightly more likely than full time white workers to receive on the job training compared to 6% full time white workers, and white workers are more likely to receive off the job training. However, ethnic minority part time workers are more likely to receive off the job training than white part time workers.

### **1.3.16 Small businesses, entrepreneurship and social enterprises**

151. This section raises a number of skills issues related to small and medium sized enterprises and social enterprises. It looks particularly at the needs of small businesses and those setting up businesses.
152. The Small Business Service estimates that there were 4.3 million small and medium-sized enterprises (SMEs) in the UK at the start of 2005. Small businesses employ 10.4 million, medium-sized businesses 2.6 million and large businesses 9.2 million. Therefore almost 60% of all employment is in SMEs.<sup>50</sup>
153. SMEs account for over half of the UK's private sector turnover with a combined turnover of over £1,200 billion (51%). Of this almost £900 billion is accounted for by small businesses and almost £400 billion by medium businesses. Large businesses have a combined turnover of £1,200 billion (49%).
154. SMEs contribute almost as much as large businesses to UK output. In 2004 SMEs contributed £340 billion and large businesses contributed

<sup>49</sup> OECD, Education at a Glance, 2005

<sup>50</sup> Small and Medium Enterprise Statistics for the UK 2005.

£348 billion.<sup>51</sup> Since 1999, the productivity of SMEs has grown more than that of large businesses. Generally, small firms are less productive than large firms, but in some sectors they are more productive (for example agriculture and business services).

155. The existence and nature of market failures associated with sub-optimal levels of training and skills development within businesses are well recognised and understood. The National Employers Skill Survey (NESS) 2004 found that:

- Large establishments are more likely to provide training than small ones. Half of the smallest establishments with fewer than 5 employees and just over a fifth of those with 5-24 employees had not provided any training in the previous 12 months. In contrast, well over nine-tenths of establishments with 25 or more staff had trained some of their employees over the previous 12 months.
- Individuals employed in small establishments are also less likely to receive training. As a proportion of current employment, just over two-fifths (42 per cent) of all staff employed in micro establishments (with fewer than 5 employees) had received training in the previous 12 months. By comparison, nearly two-thirds (64 per cent) of those employed in establishments with 25 or more staff had received training.

156. Recent research by the Sector Skills Development Agency (SSDA) confirms that many small businesses are failing to invest in employee training. In a survey of over 13,000 employers, over a third of SMEs admitted they do not provide training for their staff, rising to 40 per cent of the smallest employers.<sup>52</sup>

157. According to the Small Business Service<sup>53</sup>, under-investment by small businesses in skills development is underpinned by a number of specific market failures, similar to those identified by the Leitch Review:

- **Free riding.** Businesses may be reluctant to invest in training because they may not receive the full benefits of this investment if their employees subsequently move on to other jobs. This is a particular problem for small businesses typified by high staff turnover and limited scope for internal career progression.
- **Information problems.** Small businesses experience particular difficulties in judging the quality of training and often do not appreciate its benefits in terms of improved business performance. This problem can be accentuated by the low initial skills base in many small businesses that affects perceptions about the value of externally available sources of advice and expertise.

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<sup>51</sup> Small Business Service Analysis of ONS Annual Business Inquiry.

<sup>52</sup> Skills for Business network: Phase 3 Evaluation, August 2006.

<sup>53</sup> Small Business Service.



- **Access to finance.** Many small businesses, which are typically preoccupied with short term financial pressures, lack the resources to make significant investments in training that will, necessarily, take time to produce benefits.
  - **Frictional effects.** Businesses with few employees cannot easily release key employees for training.
158. Lack of skills can be a particular constraint to entrepreneurs seeking to set up businesses. Specific skill shortages vary between individuals, but cover a wide range of issues such as accounting, marketing, e-skills, and purchasing expertise.
159. The Small Business Service advises that businesses favour the following approaches to addressing skills needs:
- a demand led approach so businesses can influence local training provision to suit their needs and be flexible about content, length, venue and cost;
  - ensuring that those leaving the educational system do so with good basic skills and well developed 'softer' skills;
  - more training available to improve management and leadership skills and support to business to enable this – particularly for small businesses;
  - Investors in People which is seen as a useful model for encouraging business to invest in training for all their workforce; and
  - Train to Gain which allows support for businesses who want to invest in qualification based training.
160. Social enterprises also have particular skills needs. In larger organisations, strengthening the skills of managers has been identified as an important issue. In small organisations, there are needs for financial skills and marketing and enterprise training to help staff become more entrepreneurial.

### 1.3.17 Employment trends and demand for skills

161. The demand for skills is derived from the demand for goods and services that people are employed to provide. Changes in the latter are reflected in changing patterns of sectoral employment. Over the past two decades there has been a sharp shift in employment towards the service sector and many traditional areas of employment continued to decline.<sup>54</sup>
162. Large falls in employment have taken place in the primary and utilities sector. Agriculture and mining have experienced steady job decline but, more recently, the utilities have also seen sharp job losses, especially

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<sup>54</sup> The analysis in this section is taken from Skills in England 2004, LSC, July 2005. It will be updated in the light of more recent reports.

following privatisation. Job losses have been greater still in manufacturing. A combination of the pressures of international competition and the continuing process of specialisation and subcontracting has resulted in severe contraction for many parts of the manufacturing sector. There have been increases in employment in business services, distribution and transport, and non-market services, including health and education.

163. Sectoral change has implications for the occupational structure of employment. Two main patterns are discernible over recent years. These are:
- the increase in the share and number of people employed in managerial, professional and service occupations (so-called higher level occupations);
  - the decline in the share and number employed in lower level manual and non manual occupations.
164. There are significant differences between employment in the UK and the EU average. In 2004, the UK had the lowest proportion of its workforce employed in the agricultural sector (0.9% compared to 5.1 % for the EU), and one of the highest proportions in the service sector (81.3% versus 69.7%). It also had a lower proportion in industry (17.9% versus 25.2%).<sup>55</sup>

### **1.3.18 Skill shortages**

165. Skill shortages are defined as recruitment difficulties caused by a shortage of individuals with the required skills in the accessible labour market. The 2005 National Employer Skills Survey found that 7% of establishments reported having hard-to-fill vacancies and 4% spontaneously cited skill shortages among applicants as at least part of the reason why these vacancies were proving hard to fill.<sup>56</sup> They also reported, when prompted, skill shortages among applicants for a quarter of all vacancies.
166. Smaller establishments account for a disproportionately large share of all recruitment difficulties, whether skills related or not: half of all vacancies (50%) and a clear majority of hard-to-fill and skill shortage vacancies (59 and 58% respectively) fall within establishments with fewer than 25 staff, despite these establishments only accounting for one third of all employment. The demand for labour among small establishments is clearly high, but their potential to act as a spur for growth is limited in many cases by difficulties in finding the required skills among applicants.
167. Within the existing workforce, occupationally, there is a particular focus of skill shortages among some of the lower skilled areas: two-fifths

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<sup>55</sup> Employment in Europe 2005.

<sup>56</sup> National Employers Skills Survey 2005, LSC, June 2006.

(39%) of the workers described as lacking skills work in sales and customer service and elementary occupations, despite the fact that only just over a quarter (28%) of all employees work in these two occupations.

168. The main skills lacking among applicants are technical and practical skills, experienced in just over half (53%) of the cases where employers encountered skill shortages. The next most common skill shortages are: customer handling skills; oral communication; problem solving skills; and team working.
169. In terms of regional trends, the incidence of hard to fill and skill shortage vacancies was higher in Yorkshire and the Humber (9% and 7% respectively) than elsewhere in the country. In London, East Midlands and the South West, the incidence of employers with skill shortage vacancies was lower than the national average (each had 4% with skill shortage vacancies compared with 5% across England as a whole).
170. The largest numbers of skill shortage vacancies are to be found in the North West, which accounts for a greater proportion of all skill-shortage vacancies (18%), hard to fill vacancies (17%) and vacancies (15%) than its share of employment (13%) indicating that the region is facing greater recruitment activity and greater problems satisfying this demand than other parts of the country.

### **1.3.19 Skill gaps**

171. Skill gaps are deficiencies in the skills of an employer's existing workforce, both at the individual level and overall, which prevent the firm from achieving its business objectives. Skill gaps generally arise from inadequate training. The 2005 National Employer Skills Survey found that a minority of employers are affected by skill gaps in their workforce (16%), and overall a relatively small proportion of the total workforce (6%) is described as not being fully proficient.
172. Occupationally, a lack of proficiency continues to be more likely to be reported among lower level occupations: 9% of sales staff and 8% of those in elementary positions (which covers such occupations as labourers, cleaners, security guards and bar staff) are described as not fully proficient at their job (compared with 4% of managers and professionals).
173. Technical, practical or job-specific skills were seen to be lacking among over two-fifths of employees who have a skill gap (44%, compared with 45% in 2004). Other soft, generic skills such as oral communication, problem-solving and written communication skills were the next most common skill gaps.
174. In terms of regional patterns, the incidence of employers reporting any skill gaps among their staff varied from almost a quarter of those in Yorkshire and the Humber (23%) to an eighth (13%) among those

based in London. The proportion of staff lacking proficiency varied from 8% in Yorkshire and the Humber to 5% in the West Midlands, Eastern and South West regions.

175. The South East and Yorkshire and the Humber (where there are higher than average proportions of employers with skill gaps) are the only two regions that account for a higher share of all skill gaps (18% and 12% respectively) than employment (16% and 10%).

**Figure 1.44: Incidence of skill gaps by region**

	<b>% of establishments with any skill gaps</b>	<b>% of staff reported as having skill gaps</b>	<b>Share of employment</b>	<b>Share of all skill gaps</b>
England	16%	6%	100	100
Yorkshire & the Humber	23%	8%	10	12
North East	21%	6%	4	4
South East	18%	7%	16	18
North West	16%	6%	13	13
West Midlands	16%	5%	11	9
East Midlands	15%	6%	8	8
South West	15%	5%	10	8
Eastern	15%	5%	10	9
London	13%	6%	18	17

### **1.3.20 Future demand for skills**

176. The Working Futures set of employment projections produced on behalf of the Sector Skills Development Agency (SSDA) provides a comprehensive and detailed view of both historical and future employment prospects by occupation and industrial sector to 2014.<sup>57</sup> The main focus of the projections is on the likely future requirements of employers. The key features are:

- employment growth of just under 0.5% a year to 2014;
- creation of 1.3 million additional jobs;
- the majority of additional jobs are expected to be taken by women; although males are now expected to take up an increasing share of employment in many parts of the economy previously dominated by female employment.

177. The Working Futures results focus upon industrial categories as defined by the SSDA for its sector skills matrix. Changes in the industrial composition of employment are a key driver of the changing pattern of demand for skills. Significant changes are expected to take

<sup>57</sup> 2004-2014 Working Futures Report, SSDA, 2006.  
Version: Amended OP 2011

place over the next few years.

178. Compared with Working Futures 2002-2012, faster growth is now indicated for:

- managers, some professional and many associate professional occupations;
- protective service occupations and culture, media and sports

179. More rapid declines than previously measured in Working Futures 2002-2012 have been observed for:

- administrative, clerical & secretarial occupations;
- skilled manual & electrical trades;
- other skilled trades.

180. The 2002-2014 report also expects a much slower pace of change in occupational employment structure than has been the case over the previous decade.

181. The groups that are expected to show significant increases in employment over the next decade (2004-2014) are higher level occupations such as:

- managers & senior officials (+617,000, 1 .3 per cent per annum);
- professional occupations (+697,000, 1 .8 per cent per annum); and
- associate professional & technical occupations (+238,000, 1 per cent per annum).

182. Sales & customer service occupations and personal service occupations are the other main beneficiaries of employment growth, (with projected increases of 424,000 (1.7 per cent per annum) and 375,000 (1 .5 per cent per annum) respectively.

183. Administrative, clerical & secretarial occupations are expected to see further job losses of around 164,000 jobs (-0.9 per cent per annum), although this category will continue to employ over 3.5 million people.

184. Declining employment levels are projected for:

- skilled trades occupations (-1 50,000, -0.4 per cent per annum);
- machine & transport operatives (-118,000, -0.5 per cent per annum); and
- elementary occupations (-675,000, -2.2 per cent per annum).

Amongst these declining groups, it is the elementary occupations which are expected to see by far the largest absolute reduction in numbers. In general these patterns are similar to those in Working Futures 2002-2012.

### 1.3.21 Occupational segregation by gender

185. The concentration of men and women in different kinds of job is known as occupational segregation. Horizontal segregation is where the workforce of a particular industry or sector is mostly made up of one particular gender. An example of horizontal segregation can be found in construction where men make up 90% of the industry's workforce<sup>58</sup> whereas childcare is almost exclusively a female occupation. Vertical segregation is where opportunities for career progression within an industry or sector for a particular gender are narrowed. Vertical segregation disproportionately affects women more than men. For example, women are less likely to work as managers or senior officials than men – just 11 % of all women in employment compared to 18% of men.<sup>59</sup> The table below shows how the proportion of men and women in different industry sectors are distributed.

Figure 1.45: Distribution of men and women of working age by sector (actual figures in brackets)

Industry sector	Men (16-64 yrs)		Women (16-59 yrs)	
	% of all in employment	% of all in this industry	% of all in employment	% of all in this industry
<b>Agriculture &amp; fishing</b>	1.8 (260,000)	75.7	0.7 (83,000)	24.3
<b>Energy &amp; water</b>	1.5 (215,000)	77.8	0.5 (61,000)	22.2
<b>Manufacturing</b>	18.6 (2,733,000)	75.1	7.3 (906,000)	24.9
<b>Construction</b>	13.2 (1,940,000)	90	1.8 (217,000)	10.1
<b>Distribution, hotels &amp; restaurants</b>	17.8 (2,607,000)	49.5	21.5 (2,656,000)	50.5
<b>Transport &amp; communication</b>	9.8 (1,439,000)	76.2	3.6 (450,000)	23.8
<b>Banking, finance &amp; insurance etc</b>	16.1 (2,360,000)	55.8	15.1 (1,873,000)	44.2
<b>Public admin, education &amp; health</b>	16 (2,346,000)	30.6	42.9 (5,312,000)	69.4
<b>Other services</b>	5.2 (761,000)	48.2	6.6 (819,000)	51.8

Source: Labour Force Survey, spring 2005

<sup>58</sup> Labour Force Survey, spring 2005.

<sup>59</sup> Labour Force Survey, spring 2005.

### 1.3.22 Occupational segregation and the gender pay gap

186. Occupational segregation is one of the main reasons for the gender pay gap between men and women. For men and women working full time it is currently 13.0% using the median and 17.1 % using the mean. For women working part time and men working full time it is 41 .0% using the median and 38.4% using the mean.<sup>60</sup>
187. Occupational segregation narrows the pool of talent that employers can choose from which means that not everyone's skills are being utilised to the full. Evidence suggests that subject choices made at school and careers followed are influenced by gender stereotypical influences and can restrict opportunities for people to fulfil their potential when they enter the world of work.
188. Occupational segregation is a major factor behind the skills shortages currently affecting various industry sectors. It reinforces the rigidity of the labour market, which in turn has a negative effect on UK productivity and reduces our potential when competing in the wider global economy.

## 1.4 SWOT analysis

189. The challenges facing the English labour market are summarised in the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis below. The analysis identifies the main internal strengths and weaknesses of the labour market, and the external opportunities and threats facing the labour market.
190. On the basis of this analysis, conclusions are drawn for the strategy for the England ESF programme for 2007-2013. This strategy will seek to build on the strengths and address the weaknesses, by capitalising on the opportunities and seeking to counter any threats.

### 1.4.1 Strengths

- Strong employment performance in recent years: employment rate of 71.7% exceeds EU Lisbon target of 70%; historically low unemployment rate of 5.7%; very low long-term unemployment; increasing employment rates for disadvantaged groups.
- Dynamic labour market, with many people flowing in and out of employment over time.
- Rising attainment rates levels at age 16, and rising attainment and participation in Higher Education, leading to more qualified young people entering the labour force.
- Over the last decade the skills profile has improved especially at higher

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<sup>60</sup> Annual Survey of Hours and Earnings  
Version: Amended OP 2011

levels, for example, the proportion of the population with a degree has increased from one fifth to over one quarter. However, considerable additional work is needed to improve skills at all levels to drive forward competitiveness and prosperity.

### **1.4.2 Weaknesses**

- Low employment rates and high inactivity rates among disadvantaged groups such as people with disabilities and health conditions, lone parents, older workers, ethnic minorities and low skilled people.
- Pockets of worklessness in deprived areas, particularly in the big cities.
- High levels of child poverty, brought about by significant numbers of workless households.
- 11 % of 16 to 18 year olds are not in education, employment or training.
- 5.2 million adults lack basic literacy skills, and 15 million lack basic numeracy skills.
- 7 million workers lack level 2 qualifications which provide a platform for progression within the labour market.
- Intermediate and technical skills lag behind comparable countries such as Germany and France.
- Despite the expansion of participation in Higher Education over the past 20 years, more people need to be qualified at level 4 and above, and this will require increased investment by employers and individuals.
- Small enterprises are less likely to invest in training than larger enterprises.
- Occupational and sectoral segregation by gender contributes to the skills gap and the gender pay gap.

Many of these weaknesses are inter-related issues. Tackling motivation, aspiration and lack of or low qualifications and skill levels are fundamental to improving employment prospects and breaking the cycle of poverty.

### **1.4.3 Opportunities**

- Macroeconomic stability provides foundation for further employment growth.
- Strong labour market institutions (Jobcentre Plus and Learning and Skills Councils) and the Government's commitment to engage the private and third sectors in the delivery of public services.
- Regulatory framework that sets clear minimum standards (including the National Minimum Wage) but provides flexibility to employers and



individuals.

- UK Government employment policy framework to achieve 80% employment rate aspiration and to increase the employment rates of disadvantaged groups through active labour market policies such as the New Deals.
- Welfare reform policies to modernise the welfare state and break down barriers to work, including Pathways to Work and increased support for lone parents and older workers.
- Government investment in, and reform of, education and training since 1997, including the aim to increase the participation and attainment of 14 to 19 year olds.
- National skills strategy and programmes (such as Skills for Life and Train to Gain) to improve adult basic skills and tackle skills deficits in the workforce.
- Transformations in the global economy including changes in technology, production, trading and new markets in Eastern Europe and the Far East.

#### **1.4.4 Threats**

- Macroeconomic instability or change in interest rates might affect business climate and thus employment levels.
- The productivity gap with major competitors might increase if those countries raise their productivity faster than the UK, or if the UK's growth is not as fast as expected.
- An ageing population could reduce the supply of labour if older people are not retained in work and inactive people are not attracted to the labour market.
- Historical, cultural and social attitudes could reinforce occupational and sectoral segregation by gender.
- Discrimination could affect recruitment and retention of groups such as people with disabilities and ethnic minorities.
- Social and cultural attitudes could discourage some groups from seeking employment including people with disabilities, lone parents and people from some ethnic minority communities.
- Changes to resources or programmes of labour market institutions could affect provision.

#### **1.4.5 Conclusions**

191. The SWOT analysis suggests that the England ESF programme should

seek to address two inter-related areas of weakness in the English labour market: continuing levels of worklessness which are a major cause of poverty; and the skills deficit in the workforce which contributes to the productivity gap. ESF should therefore support priorities to extend employment opportunities to more people, and to develop a skilled and adaptable workforce.

192. In terms of extending employment opportunities, ESF should complement, strengthen and add value to policies and programmes to:
- improve the employability and skills of unemployed and inactive people so that they move from welfare to sustainable employment;
  - reduce the number of workless households, and thereby reduce income inequality and the number of children living in poverty;
  - reduce the flow of people on to incapacity benefits and to tackle the stock of incapacity benefit recipients;
  - increase the employment rates of groups at a disadvantage in the labour market, including people with disabilities and health conditions, lone parents, older workers and ethnic minorities;
  - help young people prepare for working life, in particular by reducing the numbers of young people who are NEET or at risk of becoming NEET; and
  - tackle worklessness in cities and deprived areas.
193. In terms of developing a skilled and adaptable workforce, ESF should complement and add value to the national skills strategy to:
- reduce the numbers of adults without basic skills;
  - tackle skills deficits in the workforce, especially among people lacking full level 2 qualifications;
  - reduce gender segregation by encouraging individuals to obtain work in occupations and sectors not associated with their gender;
  - tackle the skills deficit in the workforce at intermediate level, and improve the skills of managers and workers in small businesses.
194. Although England has weaknesses at all levels of skills, the problems are most severe at the bottom among people who lack basic skills and level 2 qualifications. Many of these people are unemployed or inactive and face other disadvantages. Many lack the resources and motivation to improve their skills. These barriers mean there is market failure and a clear case for public investment to help them attain the platform of skills that is essential for entry into, and progression within, the labour market. As the Leitch Review argues, weaknesses at higher-levels should be addressed primarily by increasing investment by employers and individuals, as the returns for

businesses and individuals are greatest at higher levels. Once the minimum level of competence at level 2 is reached, the chances of an individual receiving employer provided training increases.

195. The conclusions of this SWOT analysis are taken forward in chapters 2 and 3 which set out the strategy and priorities for ESF in England. Chapter 2 describes how the proposed strategy is consistent with EU and national policy objectives and the recommendations of the ex-ante evaluation. Chapter 3 describes the programme's indicative activities to achieve the strategy.

## **1.5 Cornwall and the Isles of Scilly**

### **1.5.1 Introduction**

196. This section examines the labour market in Cornwall and the Isles of Scilly and identifies issues that are specific to the Convergence area. It draws on information in drafts of the 'Cornwall and Isles of Scilly Strategy and Action 2006 Review' (the economic development strategy for Cornwall and the Isles of Scilly) and the Convergence European Regional Development Fund programme.<sup>61</sup>
197. Cornwall and the Isles of Scilly are experiencing a relative economic improvement but continue to exhibit some weaker indicators than other parts of the South West and England. Historically, the Cornwall and Isles of Scilly economy has been marked by pockets of higher than average unemployment, low average wages and, to some extent, a continuing dependency on a small number of low productivity sectors. Recent relatively good performance has been a response to strategic public investments, including the 2000-2006 Objective 1 programme, as well as improved entrepreneurial, business start-up and self-employment trends.
198. Cornwall and the Isles of Scilly have an industrial profile that continues to rely on less productive and lower growth sectors. Agriculture still contributes 3% of total Gross Value Added (GVA). Over half of all registered businesses in Cornwall and Isles of Scilly are involved in either agriculture (22.6%) or distribution, hotels and catering (32.9%). Productivity per worker in these sectors is significantly below average.
199. Between 1994 and 2004, Cornwall's population grew by 8.4% and the Isles of Scilly by 10%, compared with 3.9% for England and 5.9% for the South West. Much of this growth is accounted for by inward migration. The average age in Cornwall (42.1) and the Isles of Scilly (41 .9) is higher than the English average (38.6) and the South West average (40.6). Only 58.6% of the total population is of working age compared to 59.9% in the South West and 62% nationally.<sup>62</sup> The non-

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<sup>61</sup> The Convergence Evidence Base Review, November 2006

<sup>62</sup> NOMIS.

white population is also far lower than the England average: 1 .0% in Cornwall and 0.3% in the Isles of Scilly.

### 1.5.2 Employment

200. The employment rate of 76.3% in Cornwall and the Isles of Scilly is higher than that for England as a whole.<sup>63</sup> Employment increased from 154,764 in 1998 to 178,534 in 2004, a growth of 23,770 employees. At 15% growth over six years, this is higher than the increases at the South West (+11%) and national levels (+6%).
201. While the employment increase out-performed the national and regional economies, only limited progress was made in restructuring the economy. Retail and hotels and catering continue to account for a very high proportion of employment and the public sector remains a very important employer. Although the growth in education is a very positive development, Cornwall and the Isles of Scilly remain under-represented in value added service sectors.
202. Overall, in recent times, Cornwall and the Isles of Scilly have added a significant amount of new jobs. Between 1998 and 2003, there was a net gain of over 26,000 jobs: 23,000 in private services and therefore relatively few in the public sector. There has been an increase in retail, real estate and other business activities, hotels and catering and education.

Figure 1.46: Growth in employment by sector

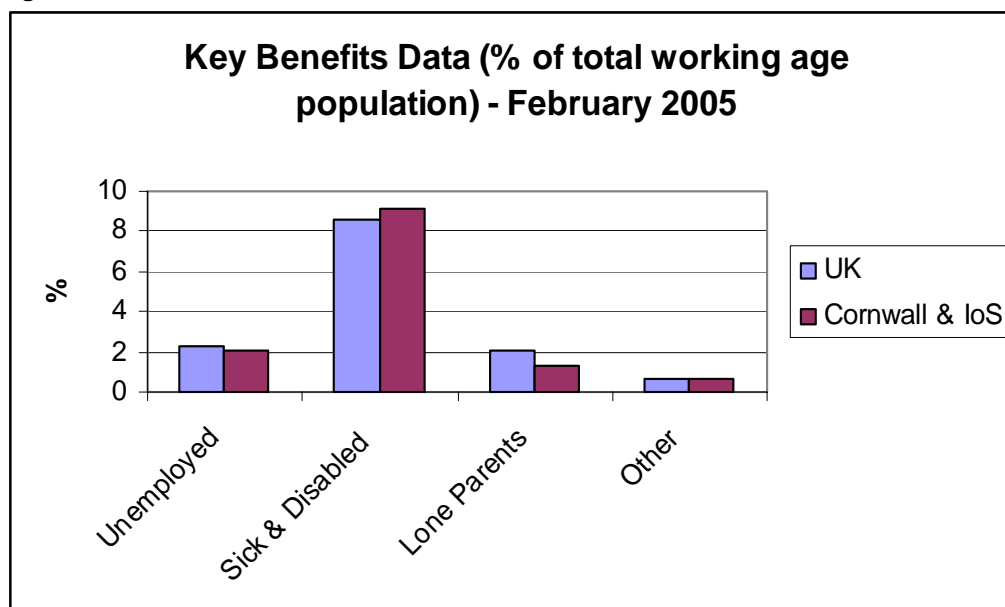
Industry	1998	2004	%	%UK
Wholesale retail trade	32,251	37,715	21.1	17.8
Health and social work	25,719	23,827	13.3	11.8
Hotels and restaurants	16,842	20,915	11.7	6.8
Manufacturing	20,219	19,554	11.0	11.9
Education	12,652	19,345	10.8	9.1
Real estate, renting etc	10,241	18,410	10.3	15.9
Public administration	8,084	9,301	5.2	5.5
Other community etc	7,351	9,268	5.2	5.1
Transport/communications	5,748	7,550	4.2	5.9
Construction	9,122	7,018	3.9	4.5
Financial intermediation	2,668	2,903	1.6	4.1
Mining and quarrying	2,219	1,486	0.8	0.2
Electricity, gas, water	673	644	0.4	0.4
Agriculture/fishing	1,002	599	0.3	0.9
<b>Total</b>	<b>154,764</b>	<b>178,534</b>	<b>100</b>	<b>100</b>

203. Levels of economic inactivity are comparable to those at a national level. However, there are relatively high rates of people receiving incapacity benefits. There are approximately 39,600 benefits claimants,

<sup>63</sup> Labour Force Survey, May 2005.  
Version: Amended OP 2011

representing 13.2% of the working age population. This is slightly lower than the levels recorded nationally. The main claimant group is sick and disabled (9.1 % of the population), followed by unemployed (2.1 %), lone parents (1 .3%) and other (0.7%). While official unemployment accounts for around 6,400 claimants, those on incapacity benefits account for 27,300 claimants.

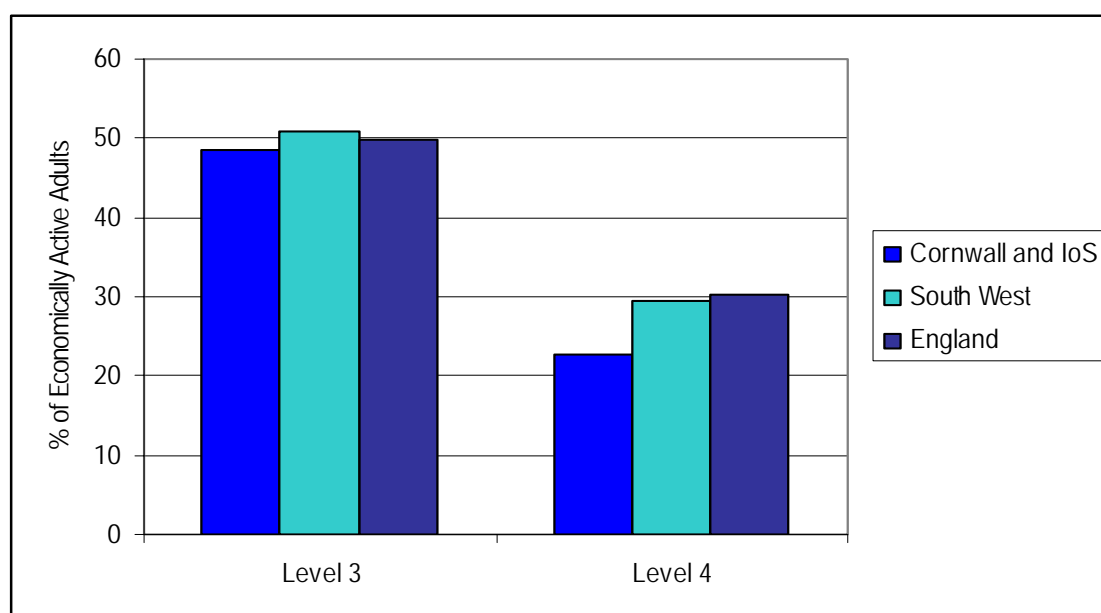
Figure 1.47: Benefit claimants



204. Although the overall employment rate in Cornwall and the Isles of Scilly is favourable, there are certain areas where there are higher levels of unemployment and deprivation than average. The districts of Kerrier, Penwith and Restormel have seven of the most deprived areas within the 10% most deprived areas nationally according to the Index of Multiple Deprivation.

### 1.5.3 Skills

205. Approximately 70% of all adults of working age in Cornwall and the Isles of Scilly are qualified to level 2 and above, 43.3% are qualified to level 3 and above and 20.2% are qualified to level 4 and above. Compared with the South West, the percentage of adults qualified to level 2 is broadly similar. However, at levels 3 and 4, Cornwall and the Isles of Scilly fall behind the South West. The very low level of the workforce qualified to level 4 and above is a major weakness, and is also indicative of the lack of graduate level jobs. Cornwall also falls behind in terms of qualification levels among 16 to 19 year olds, particularly at level 3.

**Figure 1.48: Adults qualified at levels 3 and 4**

206. In 2005 almost three quarters (73%) of the employed workforce had some qualification at levels 1 to 5. However, approximately 40% of the employed workforce were qualified below level 2 or did not have a qualification. In two of the major sectors where employment has been increasing – retail and hotels and restaurants – almost half the workforce have qualifications below level 2. This also applies to the manufacturing sector, and will have implications for GVA and competitiveness.

**Figure 1.49: Qualifications of the workforce by sector**

Sector	% with qualifications (Level 1 to 5)	% qualified Below Level 2
Agriculture	58	55
Mining/Manufacturing	69	47
Construction	58	49
Wholesale/ Retailing	68	50
Hotels and Restaurants	67	46
Transport/Communications	68	48
Financial Intermediation	91	24
Real Estate/Rent/Business	87	27
Public Administration	87	27
Education	87	21
Health/Social Work	80	29
Other	75	36
Total	73	40

207. Although a higher proportion of the population has basic skills compared with the nation as a whole, a significant proportion (19.1%)

lacks basic numeracy skills.<sup>64</sup>

208. Partly as a result of the economic structure, wages and earnings in Cornwall and the Isles of Scilly are well below the UK average. The difference is substantial, and in some of the districts the difference in weekly earnings is over £100 per week. In 2005, median gross weekly pay among full-time workers in Cornwall and the Isles of Scilly was reported as £340, which is much lower than the national average of £432 and that of the South West region (£401).<sup>65</sup>
209. Low earnings have been a persistent feature of the economy, exacerbated by the continuing decline of the mining and manufacturing sectors. Broadly speaking, the economy has been losing higher paid jobs and replacing these with lower paid jobs.
210. There are high levels of part-time working in Cornwall, which reflect the region's employment sectors and is another factor which explains low wage rates. In addition very high levels of self employment and micro companies are prevalent in the Cornwall economy, with 18.0% of those in employment being self employed compared to 14.6% in the South West and 12.9% nationally.<sup>66</sup> Also the majority (86.4%) of companies have fewer than nine employees and only 1.9% have more than 50 employees.<sup>67</sup>

### ***Research and Development (R&D) sector***

211. In 2003, over 550 jobs in Cornwall and the Isles of Scilly were in R&D businesses. This represented approximately 0.3% of the total workforce. Whilst this is still relatively low, R&D jobs in Cornwall and the Isles of Scilly have grown significantly in recent years. R&D spend per VAT registered business has also grown in recent years but is still considerably less than the percentages recorded at the South West and Great Britain level.
212. Given the absence until recently of a major university, and some of the other significant components which support innovation such as strong networks, the increase in R&D is an important development. While Cornwall and the Isles of Scilly are unlikely to reach the levels of innovation of the major urban economies, there is the potential given recent developments such as the Peninsula Medical School to increase both R&D employment and innovative activity.

### **1.5.4 Social partner joint actions**

213. With very high numbers of micro and small companies in Cornwall and the Isles of Scilly, it will be important to ensure that these are engaged

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<sup>64</sup> DfES Skills for Life Survey 2003/Local Intelligence Network Cornwall.

<sup>65</sup> NOMIS Workplace Analysis 2005

<sup>66</sup> NOMIS Annual Population Survey March 2005

<sup>67</sup> ONS March 2003.

with the programme and have equal access to ESF to help develop their employees. Ring-fenced funding for social partner capacity building projects will enable the social partners to contribute to delivering Convergence ESF priorities and outcomes. Joint actions with social partners, particularly with trade unions and employer organisations, will need to be encouraged to ensure that this is achieved. This should also include the support and development of social enterprises.

### 1.5.5 Institutional and administrative capacity building

214. The public administration and public services within Cornwall and the Isles of Scilly Convergence area are funded via the national and regional government systems in line with the funding systems for the UK as a whole. These are considered to be sufficient, although there may be scope to look at the effectiveness of the management of these services. The Local Area Agreement (LAA) for Cornwall will help to align services and systems in support of improved public service delivery. It is therefore concluded that a separate priority for this will not be required. It would however be beneficial to include within the strategy for the use of technical assistance, options to enable it to be used to support the implementation of the programme in such a way that it is aligned with the LAA where appropriate.

### 1.5.6 SWOT

215. The SWOT analysis below identifies the specific strengths, weaknesses, opportunities and threats of the labour market in Cornwall and the Isles of Scilly. It suggests that the Convergence strategy and priorities should be broadly similar to those for England as a whole, but that they will also need to address specific challenges facing Cornwall and the Isles of Scilly.

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Strong employment growth</li> <li>2. Strong sectoral performance and resilient business base</li> <li>3. Strong and long established enterprise culture and high levels of self employment in dynamic sectors</li> <li>4. Evidence of increasing economic activity</li> <li>5. Low proportion of 16-19 year olds are NEET</li> <li>6. Good skills stock for NVQ levels 1 to 3</li> <li>7. Good performance against literacy and numeracy indicators</li> <li>8. High levels of adult participation</li> </ol>	<ol style="list-style-type: none"> <li>1. Poor employment and activity rates among the disadvantaged and equality groups</li> <li>2. Pockets of worklessness and unemployment in deprived areas</li> <li>3. High numbers of incapacity benefit claimants</li> <li>4. Low levels of productivity, given the sub-regional skills base, with under-utilisation of some workers</li> <li>5. Predominance of lower paid jobs and a lack of graduate and higher skilled jobs</li> <li>6. The sub-region has a poor base of higher level skills</li> <li>7. Skills shortages in skilled trades,</li> </ol>



<p>and employers investment in training</p> <p>9. Presence of the Combined Universities in Cornwall</p>	<p>professional occupations, and professional services</p> <p>8. Evidence of occupational and sectoral gender segregation</p> <p>9. Poor access to training and related services across parts of the sub-region due to its predominantly rural nature and poor transport connectivity</p>
<p><b>Opportunities</b></p> <ol style="list-style-type: none"> <li>1. Forecast demand for higher level skills in the sub-region and beyond</li> <li>2. Predicted employment growth will generate more entry level positions, providing greater opportunities for accessing work</li> <li>3. Increasingly flexible working practices will promote the retention of older workers and improve access to training opportunities for employed people</li> <li>4. The creation of knowledge intensive jobs through ERDF</li> <li>5. Potential to exploit changes in the global economy, including technology, production, trading, and developing new markets in Eastern Europe and the Far East</li> <li>6. Increasing demand for skills from the environmental technologies and renewable energies sector – further promoted through the Stern Report on the environment</li> <li>7. Migration into Cornwall (both domestic and foreign) will bring additional skills into the sub-region</li> </ol>	<p><b>Threats</b></p> <ol style="list-style-type: none"> <li>1. The inability of smaller employers to take-up apprenticeships and related qualifications</li> <li>2. Growing international competition for jobs in manufacturing and service industries</li> <li>3. Pace of up-skilling the workforce may be too slow to safeguard employment</li> <li>4. The impact of structural adjustments, particularly in rural areas</li> <li>5. Significant levels of retirement may remove some generic skills from the labour force</li> <li>6. Persistence of NEETS and those at risk could undermine social cohesion</li> <li>7. The lack of robust sectoral intelligence at a sub-regional level may result in a failure to address sector specific skills shortages and gaps</li> <li>8. Restructuring and modernisation of industries such as china clay, agriculture, fishing, tourism</li> </ol>

### 1.5.7 Conclusions

216. Cornwall and the Isles of Scilly has an enviable track record in terms of employment growth, although this has been led by growth in lower paid and lower skilled employment. However, there is a need to help companies modernise and improve productivity to support higher skilled occupations. Linked to this is the need to identify where Cornwall and the Isles of Scilly have a comparative advantage and can

create the conditions for growth sectors to flourish.

217. The evidence suggests a need to focus on the types of jobs and new starts, as much as the numbers, with a need to increase the number of knowledge based enterprises and the number of jobs requiring higher level skills.
218. Cornwall and the Isles of Scilly is already well represented in a number of the key sectors identified by the South West Regional Economic Strategy as important economic drivers. This includes major employers such as tourism and food and drink; growing and significant sectors such as creative industries, and sectors with long term potential such as environmental technologies.
219. At the same time as increasing employment, there is a need to focus on increasing productivity as the means by which existing businesses will remain competitive and ultimately be in a position to pay better wages. The evidence suggests that improving productivity is an important objective across all sectors, not just growth or priority sectors. Fundamental to improving productivity is the development of ideas and use of creativity, as well as the use of knowledge and skills.
220. As with any economic strategy, there is a need to address challenges as well as pursuing growth opportunities. While growth opportunities are a key means of transforming the economy, challenges often relate to issues which need to be addressed in terms of safeguarding employment and reducing social exclusion.
221. There are a number of short, medium and long term constraints which could slow down the transition to a more balanced economy with a broader range of opportunities. These include:
  - **Low productivity levels across the business base** are a particular priority in an economy where the distribution of employment is important. Many people depend upon and need (for personal reasons) local jobs and these are provided by businesses in every type of sector. Increasing the ability of local business to survive and compete more effectively is an ongoing challenge. The development of **knowledge as the key competitive asset** is crucial to raising productivity of the business base.
  - **Recruitment difficulties and skills shortages** are an increasing problem and there is both a challenge and an opportunity to work with local companies to find solutions to persistent problems. This includes a long term approach to workforce development and securing employer support for the upskilling of their employees.
  - There is an ongoing challenge **to support people to realise their full potential**. This includes within the workforce, and with young people, where there is a need to raise ambitions and aspirations of all young people, not just those who are academically successful.

- **Reducing the number of workless people** is one of the most immediate challenges. The numbers of workless people is substantial, and the numbers on long term Incapacity Benefit is considerable. In many cases, individuals can be supported into employment, provided appropriate support is available.

## **2. STRATEGY**

### **2.1 Introduction**

#### **2.1.1 Overview**

222. This chapter sets out the strategy that responds to the challenges identified in chapter 1. It outlines how the programme will contribute to relevant EU, national and regional strategies, including Cornwall's economic strategy. It also outlines the main initial findings of the draft ex-ante evaluation report, the strategy for innovative and transnational and inter-regional activity and the proposed performance targets for the programme as a whole.

#### **2.1.2 Programme objective**

223. The overall strategic objective of the programme is to support sustainable economic growth and social inclusion in England by contributing to policies to increase the employment rate and to develop a skilled and adaptable workforce.
224. The programme will contribute to policies to increase the employment rate by increasing the numbers of unemployed and economically inactive people entering sustainable jobs, particularly those at a disadvantage in the labour market. It will also aim to prepare young people for working life, in particular by reducing the numbers of young people not in education, employment or training (NEET) or at risk of becoming NEET.
225. The programme will contribute to policies to develop a skilled and adaptable workforce by increasing the numbers of workers gaining basic skills, level 2 qualifications, and, where justified, level 3 qualifications. It will also seek to reduce gender segregation in the workforce, and improve the skills of managers and workers in small enterprises.

#### **2.1.3 Priorities**

226. This objective translates into six 'priority axes' or priorities, three for the Regional Competitiveness and Employment Objective, and three for the Convergence Objective.

	<b>Regional Competitiveness and Employment Objective</b> <i>All of England and Gibraltar except Cornwall and the Isles of Scilly</i>	<b>Convergence Objective</b> <i>Cornwall and the Isles of Scilly</i>
<b>Worklessness</b>	Extending employment opportunities (Priority 1)	Tackling barriers to employment (Priority 4)
<b>Workforce skills</b>	Developing a skilled and adaptable workforce (Priority 2)	Improving the skills of the local workforce (Priority 5)
<b>Technical assistance</b>	Technical assistance (Priority 3)	Technical assistance (Priority 6)

#### 2.1.4 Programme architecture

227. The ESF programme for England and Gibraltar covers both the Convergence Objective and the Regional Competitiveness and Employment Objective. All parts of England and Gibraltar will be eligible for ESF funding. Within England, the single national programme provides the framework to tackle nation-wide challenges such as worklessness and low skills that affect all regions. A national programme also provides the framework for supporting the employment and skills strategies and policies set out in the Lisbon National Reform Programme.
228. Within the framework of the national priorities, the programme will also contribute to the Regional Economic Strategies and address distinctive regional employment and skills needs. Regional ESF frameworks will be developed for the Convergence area of Cornwall and the Isles of Scilly, the nine English regions and Gibraltar. The regional ESF frameworks for the North West and Yorkshire and the Humber will take account of specific issues relating to the 'phasing-in' areas of Merseyside and South Yorkshire. Sections 2.4 and 4.8 provide more information on regional ESF frameworks.
229. As it qualifies for the Convergence Objective, Cornwall and the Isles of Scilly has its own Convergence priorities with ring-fenced funding. These are similar to the Regional Competitiveness and Employment Objective priorities but contain additional activities that are eligible for Convergence funding. Incorporating the Convergence priorities within the England ESF programme provides flexibility for Cornwall and the Isles of Scilly to address its distinct employment and skills issues with the higher intensity of Convergence funding, while avoiding the additional administrative costs of a separate, small Convergence ESF programme.

### 2.1.5 Concentration

230. The Operational Programme will focus EU funds where they can most effectively add value to national and regional resources and strategies. It will focus EU funds on areas of market failure where public intervention is justified, and will not subsidise training that would otherwise be funded by business. This means funding will be focused on unemployed and inactive people, and on people in the workforce with no or low qualifications. In particular, funds will be targeted on people who are at a disadvantage in the labour market, including those who experience multiple disadvantages. The analysis in chapter 1 has identified those groups most in need of help to improve their employment prospects and skills.

231. Target groups for EU funds will therefore include:

- people who are unemployed or economically inactive, especially disadvantaged groups such as people with disabilities or health conditions, lone parents, older workers and ethnic minorities;
- young people not in education, employment or training (NEET) or at risk of becoming NEET;
- people without basic skills or other Skills for Life;
- people without a full level 2 qualification;
- people without a level 3 qualification in sectors where there are skills shortages at this level, in small and medium sized enterprises (up to 250 employees), and for women and ethnic minorities in sectors and occupational areas where they are under-represented;
- men and women who want training to enter non-traditional occupations and sectors; and
- managers and workers in small enterprises (up to 50 employees).

232. The focus of training activity within the programme will be on providing basic skills and level 2 qualifications to people who lack these qualifications. As indicated by the Leitch Review, the UK must improve skills at all levels, however the priority for public investment (both EU and national) must be basic skills and level 2 qualifications where the impact of market failure is greatest. Lack of basic skills is a barrier to employment and social inclusion. Level 2 provides the minimum platform of skills required for employment and business competitiveness. The programme will also fund level 3 training in certain conditions, where there are clearly identified skills shortages and where there is clear market failure.

233. There will be scope for supporting some higher-level skills activity

above level 3, where there is market failure, in order to support the skills strategy. These may include for example: training trainers to deliver basic skills and other provision; preparing disadvantaged people for higher education; and providing technical, leadership, management and enterprise skills in small enterprises. In Cornwall and the Isles of Scilly there is a need to develop Higher Education provision to meet the skills needs of the county. However, as the Leitch Review argues, at level 4 and above, employers and individuals should pay the bulk of the costs of training as they will benefit most. It is therefore essential that the programme does not fund higher-level training that would otherwise be funded by employers and individuals. Instead the programme must focus investment in training on disadvantaged and low skilled people who would not otherwise be helped and where market failure is greatest.

234. Training provision will be demand-led and will address skills gaps and the current and future skills needs of business. Regional Skills Partnerships will advise on how ESF should complement domestic provision in order to meet business needs and support Regional Economic Strategies.

#### **2.1.6 Table of strategic links**

235. The table below provides an overview of the strategic links between the programme and the relevant Community and national strategies and policies, which are described in sections 2.2 and 2.3. Although this table and sections 2.2 and 2.3 separate out employment and skills activities, they do of course support each other, and are increasingly integrated. For example, young people not in education, employment and training are included within the discussion on the skills strategy at section 2.3.4, but are also relevant to the employment strategy and are included in Priorities 1 and 4. Similarly the New Deal for Skills is included in section 2.3.3 on the employment strategy but also contributes to the skills strategy.

<b>Overview of strategic links</b>				
<b>Community Strategic Guidelines</b>	<b>Integrated Guidelines on growth and jobs</b>	<b>National Strategic Reference Framework</b>	<b>National Reform Programme</b>	<b>ESF Priority</b>
3. More and Better Jobs	17. Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.	Strategy to promote sustainable economic growth and social inclusion by (a) extending employment opportunities and (b) improving productivity – including by developing skills.	National strategies for increasing employment (80% employment rate aspiration) and skills (especially young NEETs, and adults without basic skills and level 2 qualifications).	Priorities to extend employment opportunities and develop a skilled adaptable workforce.
3.1 Attract and retain more people in employment and modernise social protections systems.	18. Promote a lifecycle approach to work.  19. Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people and the inactive.  20. Improve matching of labour market needs.	Extending employment opportunities by: <ul style="list-style-type: none"> <li>• developing the employability and skills of unemployed and economically inactive people;</li> <li>• overcoming barriers to work faced by disadvantaged groups (e.g. people with disabilities and health conditions, lone parents, older workers, ethnic minorities amongst others);</li> <li>• reducing the numbers of young people not in education, employment or training (NEET).</li> </ul>	Jobcentre Plus; New Deals; Pathways to Work; employment support for people with a disability or health condition; initiatives for lone parents; initiatives for ethnic minorities; initiatives to extend working lives; National Childcare Strategy; City Strategy; New Deal for Skills; Entry to Employment; basic skills for workless people; Skills for Jobs; Foundation Learning Tier.	Priorities 1 and 4  To increase employment and reduce unemployment and inactivity, including tackling barriers to work faced by disadvantaged groups (e.g. people with a disability or health condition, lone parents, older people, ethnic minorities, people with no or low qualifications) and reducing the number of young NEETs).



<b>Community Strategic Guidelines</b>	<b>Integrated Guidelines on growth and jobs</b>	<b>National Strategic Reference Framework</b>	<b>National Reform Programme</b>	<b>ESF Priority</b>
<p>3.2 Improve adaptability of works and enterprises and the flexibility of the labour market.</p> <p>3.3 Increase investment in human capital through better education and</p>	<p>23 Expand and improve investment in human capital.</p> <p>24. Adapt education and training systems in response to new competence requirements.</p>	<p>Developing a skilled and adaptable workforce by:</p> <ul style="list-style-type: none"> <li>• Improving basic skills;</li> <li>• Tackling skills deficit in the workforce;</li> <li>• Tackling gender segregation in workforce;</li> <li>• Training managers and workers in small enterprises.</li> </ul>	<p>Learning and Skills Council; Apprenticeships; Skills for Life; Train to Gain; Women and Work Commission.</p>	<p>Priorities 2 and 5.</p> <p>To develop a skilled and adaptable workforce by; reducing the number of people without basic skills; increasing the number of workers qualified to level 2 and, where there are skills shortages, to level 3; reducing gender segregation in the workforce; and developing managers and workers in small enterprises.</p>

## 2.2 EU guidelines and objectives

### 2.2.1 Lisbon Agenda

236. In 2000, the European Council agreed the Lisbon agenda. This set a new strategic goal for the next decade for the EU to *'become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'*. The Council also stated that 'People are Europe's main asset and should be the focal point of the Union's policies'. ESF supports the Lisbon agenda by investing in people and attracting more people into employment. ESF has a particular role to play in targeting people who are at a disadvantage in the labour market. Improving their employability and skills is critical to increasing the supply of skilled labour and achieving the Lisbon goals.
237. The Lisbon agenda was re-launched by the European Council in March 2005 with a sharper focus on the key priorities of jobs and growth. The new Structural Fund regulations for 2007-2013 have introduced a stronger strategic focus on supporting the Lisbon agenda through Community Strategic Guidelines on Cohesion, and through stronger links between ESF and the European Employment Strategy.
238. The December 2005 European Council agreed that targets should be set for the minimum proportion of Structural Fund expenditure that should contribute to the Lisbon agenda of promoting competitiveness and creating jobs. These targets are 60% for the Convergence Objective and 75% for the Regional Competitiveness and Employment Objective.<sup>68</sup> The England ESF programme will contribute to achieving these targets. Most of the programme's activities will fall within the categories of expenditure that contribute to the Lisbon agenda. Section 5.4 contains further information on the categorisation of expenditure.

### 2.2.2 Community Strategic Guidelines on Cohesion

239. The Community Strategic Guidelines provide an indicative framework for Structural and Cohesion Fund programmes. The Council adopted the Guidelines on 6 October 2006.<sup>69</sup> They identify three main priorities for future spending:
- improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
  - encouraging innovation, entrepreneurship and the growth of the

<sup>68</sup> These targets do not apply to Member States that acceded to the Union in or after 2004.

<sup>69</sup> Council Decision of 6 October 2006 on Community Strategic Guidelines on Cohesion

knowledge economy by research and innovation capacities, including new information and communication technologies; and

- creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

240. The priorities in this programme will primarily support the third guideline on more and better jobs, but will also contribute to the others. The table below outlines the main links between the programme and the Community Strategic Guidelines.

Community Strategic Guidelines on Cohesion	England ESF Programme
<p>Guideline 1: Making Europe and its regions more attractive places to invest and work</p> <ul style="list-style-type: none"> <li>• 1.1.1 Expand and improve transport infrastructures</li> <li>• 1.1.2 Strengthen the synergies between environmental protection and growth</li> <li>• 1.1.3 Address Europe's intensive use of traditional energy resources</li> </ul>	<p>Sustainable development will be a horizontal theme. All activities will be expected to take account of relevant economic, environmental and social issues. Some projects may have a specific environmental focus (for example, projects which provide training in environmental management or the recycling of waste).</p>
<p>Guideline 2: Improving knowledge and innovation for growth</p> <ul style="list-style-type: none"> <li>• 1.2.1 Increase and better target investment in research and technological development</li> <li>• 1.2.2 Facilitate innovation and promote entrepreneurship</li> <li>• 1.2.3 Promote the information society for all</li> <li>• 1.2.4 Improve access to finance</li> </ul>	<p>Priorities 2 and 5 will help people to develop the skills which businesses need to compete in a knowledge-based economy. They will provide training in new technologies. They will also help to develop entrepreneurship and management and enterprise skills in small enterprises.</p>
<p>Guideline 3: More and better jobs</p> <ul style="list-style-type: none"> <li>• 1.3.1 Attract and retain more people in employment and modernise social protection systems</li> <li>• 1.3.2 Improve adaptability of workers and enterprises and the flexibility of the labour market</li> <li>• 1.3.3 Increase investment in human capital through better education and skills</li> <li>• 1.3.4 Administrative capacity</li> <li>• 1.3.5 Help maintain a healthy labour force</li> </ul>	<p>Priorities 1 and 4 will help unemployed and inactive people to gain skills for employability and enter sustainable employment, particularly those at a disadvantage in the labour market and who have low skills. Target groups will include people with disabilities or health conditions.</p> <p>Priorities 2 and 5 will improve the adaptability and workers and enterprise and invest in human capital. The focus will be on people with low or no qualifications.</p>

### 2.2.3 Integrated Guidelines for Growth and Jobs

241. The June 2005 European Council approved the Integrated Guidelines for Growth and Jobs for the period 2005-2008. There are now 24 guidelines incorporating the previously separate Broad Economic Policy Guidelines and Employment Guidelines.

242. The following table indicates how the England ESF Programme will support the Employment Guidelines.

Employment Guidelines 2005-2008	England ESF Programme
17. Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion	All priorities will contribute to this guideline.
18. Promote a lifecycle approach to work	<p>Priorities 1 and 4 will contribute to policies to:</p> <ul style="list-style-type: none"> <li>• improve the employability of young people and reduce youth unemployment;</li> <li>• increase the participation of women in the labour market;</li> <li>• tackle barriers to work faced by people with caring responsibilities;</li> <li>• improve the employment rate of older people.</li> </ul> <p>Priorities 2 and 5 will help to tackle gender gaps in the labour market by providing training for women and men in non-traditional occupations.</p>
19. Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people and the inactive	Priorities 1 and 4 will support active and preventative labour market measures including early identification of needs, job search assistance, guidance and training as part of personalised action plans.
20. To improve matching of labour market needs	Priorities 1, 2, 4 and 5 will help to tackle skills needs, labour market shortages and bottlenecks.
21. Promote flexibility combined with employment security and reduce labour market segmentation	Priorities 2 and 5 will contribute to this guideline by supporting activities to develop an adaptable workforce. Some aspects of this guideline such as employment legislation are beyond the scope of ESF.
22. Ensure employment friendly labour cost developments and wage	This employment guideline is beyond the scope of ESF.
23. Expand and improve investment in human capital	<p>Priorities 2 and 5 will add value to activities to:</p> <ul style="list-style-type: none"> <li>• promote apprenticeships and entrepreneurship;</li> <li>• improve basic skills and qualifications;</li> </ul>

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	<ul style="list-style-type: none"> <li>• promote lifelong learning, especially among low skilled and older workers.</li> </ul>
24. Adapt education and training systems in response to new competence requirements	<p>Priorities 2 and 5 will add value to activities to:</p> <ul style="list-style-type: none"> <li>• ease and diversify access for all to training;</li> <li>• respond to new occupational needs, key competencies and future skill requirements.</li> </ul>

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243. The European Council in March 2006 confirmed that the Integrated Guidelines for jobs and growth remained valid. It also agreed that increasing employment opportunities should be one of the areas for priority action within the Lisbon Agenda. In particular, the Council called on Member States to: develop a lifecycle approach to work; pursue the shift towards active and preventative policies; and better focus measures for those with low skills and low pay. It emphasised the need to improve the participation of young people, older workers and women. These are all issues which are central to the England ESF Programme.

#### 2.2.4 European Employment Strategy Recommendations to the UK

244. Following endorsement by the European Council on 8 and 9 March 2007, the Council adopted on 27 March country specific recommendations concerning economic and employment policies based on the findings of the Commission's 2007 Annual Progress Report.<sup>70</sup> The Council considered that:

*'the UK is making good progress in the implementation of its National Reform Programme and of the commitments made by the 2006 Spring European Council. Solid progress has been made in all policy areas, particularly in micro-economic and employment policy...The particularly strong points in the UK reform implementation are in encouraging entrepreneurship, promoting better regulation, and undertaking welfare reforms.'*

245. The Council considered that:

*'The policy areas in the UK National Reform Programme where weaknesses need to be tackled with the highest priority are: improving skill levels compared with other economies; and taking further measures to tackle disadvantage and exclusion in the labour market.'*

The Council therefore recommended that the UK:

*'increase basic and intermediate skills, in order to raise productivity,*

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<sup>70</sup> Council Recommendation of 27 March 2007 on the 2007 up-date of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies.

*and further improve employment prospects for the most disadvantaged.'*

The Council also considered it important for the UK over the period of the National Reform Programme, to continue '*improving access to childcare*'.

246. The table below sets out how the England ESF programme will address the Council's 2007 employment recommendations to the UK.

Employment Recommendation	England ESF Programme
<i>increase basic and intermediate skills, in order to raise productivity</i>	Priorities 2 and 5 will add value to national and regional skills strategies to improve basic skills and train low skilled workers. They will also increase intermediate skills where there are skills shortages. Priorities 1 and 4 will improve the basic and vocational skills of workless people as part of activities to help them enter sustainable employment.
<i>further improve employment prospects for the most disadvantaged</i>	Priorities 1 and 4 of the ESF programme will add value to the Government's active labour market strategy to help people who are unemployed or economically inactive to develop their skills and enter sustainable employment, especially people who are most disadvantaged in the labour market such as people with disabilities and health conditions, lone parents, older workers, ethnic minorities, the low skilled and young people not in education, employment or training.
<i>improving access to childcare</i>	Priorities 1 and 4 will help to tackle the barriers to labour market entry faced by people with caring responsibilities, especially lone parents. They will add value to strategies to improve access to childcare and care for other dependants. Priorities 2 and 5 will train more care workers. Projects will take account of the needs of people with caring responsibilities so that they can participate in projects. They will be able to fund appropriate childcare provision where lack of such provision is an identified barrier to labour market entry and retention for participants.

## 2.2.5 Social protection and inclusion objectives

247. The England ESF programme contributes to the relevant

employment related objectives of the Community in the field of social inclusion. It will contribute to the long-term goal, set by EU Member States at the Nice European Council in December 2000, that there should be a decisive impact on the eradication of poverty, across Europe, by 2010.

248. This section refers to the new common objectives on social protection and social inclusion proposed by the Commission in its December 2005 Communication, *Working together, working better: A new framework for the open coordination of social protection and inclusion policies in the European Union*.

<b>Proposed common objectives on social protection and social inclusion</b>	<b>England ESF Programme</b>
(a) To promote social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies.	The ESF programme will contribute to social inclusion by promoting employment opportunities for all. Equal opportunities will be a horizontal theme within the programme.
(b) To promote effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy.	The ESF programme will support the relevant employment guidelines within the Integrated Guidelines for jobs and growth. Sustainable development will be a cross-cutting theme.
(c) To promote good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.	The ESF programme will be prepared, implemented, monitored and evaluated in partnership with the Commission and with appropriate authorities and bodies in accordance with national rules and practice.
<b><i>A decisive impact on the eradication of poverty and social exclusion by ensuring:</i></b>  (d) access for all to the resources, rights and services needed for participation in society, preventing and addressing exclusion, and fighting all forms of discrimination leading to exclusion.	Equal opportunities will be a cross-cutting theme within the programme and all activities will comply with EU and UK legislation on non-discrimination and equal opportunities.
(e) the active social inclusion of all, both by promoting participation in the labour market and by fighting poverty and exclusion.	Priorities 1 and 4 will improve the employability and skills of people who are unemployed or inactive, including people at a disadvantage in the labour market.  Priorities 2 and 5 will target people who lack basic skills and who have no or low qualifications
(f) that social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty, that they are efficient and effective and mainstreamed into all	The programme will contribute to the relevant employment aspects of the UK Social Inclusion National Action Plan. The Managing Authority will work closely with DWP policy officials

relevant public policies, including economic, budgetary, education and training policies and structural fund (notably ESF) programmes.	responsible for the plan.
<b><i>Adequate and sustainable pensions</i></b>	This objective is not directly relevant to the ESF programme. However, Priorities 1 and 4 will support activities to extending working lives and improve the employment rate of older workers, and Priorities 2 and 5 will support training activities to update the skills of older workers.
<b><i>Accessible, high-quality and sustainable healthcare and long-term care</i></b>	This objective is not relevant to the ESF programme. However, Priorities 1 and 4 will support activities to help economically inactive people with disabilities or health conditions to enter work. Priorities 2 and 5 may provide training to improve the qualifications and skills of low skilled workers within the care sector.

## 2.2.6 Education and training objectives

249. The England ESF programme will contribute to the relevant employment related objectives of the Community in the field of education and training. This section refers to the future objectives of education and training systems adopted by EU Education Ministers in February 2002.

Education and Training Objectives	England ESF Programme
Strategic Objective 1: Improving the quality and effectiveness of education and training systems in the EU, in the light of the new requirements of the knowledge society and changing patterns of teaching and learning.	Priorities 1 and 4 will help to prepare young people for working life. Priorities 2 and 5 will improve basic skills, and develop workforce skills including skills needed in the knowledge society.
Strategic Objective 2: Facilitating the access of all to education and training systems.	Priorities 1, 2, 4 and 5 will promote access to training for people with low or no skills, and support progression for disadvantaged groups
Strategic Objective 3: Opening up education and training systems to the wider world, in the light of the fundamental need to foster relevance to work and society and to meet the challenges resulting from globalisation.	Priorities 1 and 4 will raise awareness of the world of work, enterprise and entrepreneurship among young people, and open up education and training by supporting skills provision for workless people. Priorities 2 and 5 will support activities to meet the skills needs of businesses, especially small enterprises. Regional Skills Partnerships will advise on the skills needed by business in their regions.



### **2.2.7 Gender equality and equal opportunities**

250. The programme will operate within the framework of EU and national legislation on non-discrimination, gender equality and equal opportunities. The programme will contribute to a number of the key priority areas described in the European Commission's Roadmap for Equality between Women and Men which was published in 2006. The Roadmap builds on the experience of the Framework Strategy for Equality between Women and Men 2001-2005. It combines the launch of new actions and the reinforcement of successful existing activities. The programme will contribute to relevant Road Map priorities and actions. For example, it will help support the first key priority of the Roadmap, 'achieving equal economic independence for women and men' through its approach to mainstreaming gender equality as well as supporting specific activities to improve the employment prospects of lone parents. The programme will support the second key priority, 'enhancing reconciliation of work, private and family life' by promoting the business and individual benefits of flexible working and training arrangements, and promoting access to childcare and care for dependent persons where caring responsibilities are a barrier to labour market participation.

### **2.2.8 Sustainable Development Strategy**

251. The programme will operate within the EU's Sustainable Development Strategy, which was first discussed at the Gothenburg European Council in June 2001. In June 2006 the European Council adopted a renewed sustainable development strategy for the EU.
252. The UK Government also has a Sustainable Development Strategy, which was published in March 2005, and which emphasises the need to take an integrated approach to policy making recognising both the potential impact of economic policies on the environment and the potential economic benefits that environmental policies can bring. The programme's employment and training activities will be implemented in a way that respects the limits to the planet's environment, resources and biodiversity.
253. The UK Sustainable Development Strategy also identifies the need for skills for sustainable development and 'sustainability literacy'. It states that the UK needs to improve its knowledge and skills base in order to achieve a major shift in resource efficiency and the delivery of new products and services with lower environmental impacts. The programme will be able to provide training in environmental management skills and environmental technologies.

## **2.3 National strategies**

### **2.3.1 Lisbon National Reform Programme**

254. As part of the renewed Lisbon agenda, Member States are now required to identify their Lisbon priorities and share best practice through National Reform Programmes. The UK National Reform Programme details the challenges currently facing the UK economy, and sets out the Government's strategy for delivering long term sustainable growth, high employment and a fair and inclusive society.<sup>71</sup>
255. The UK's National Reform Programme sets out the Government's overall approach to increasing growth in the UK economy. This is based on maintaining macroeconomic stability and driving forward lasting improvements focused on employment and the five drivers of productivity: investment, skills, innovation, competition and enterprise. The Government believes that radical labour market reform aimed at getting more people into employment is key to delivering economic growth and ensuring the long-term fiscal sustainability of the economy. A flexible and job-creating labour market is especially important for competing in today's increasingly global markets.
256. The National Reform Programme sets out the Government's aim of employment opportunity for all and its aspiration of an 80% employment rate. Getting more people into employment is key both to delivering economic growth and to building a more inclusive society. Further information on the Government's employment strategy and how ESF will contribute is in section 2.3.3.
257. With regard to productivity, the skills driver is central to the England ESF programme. The National Reform Programme sets out the Government's strategy to raise skills levels in the workforce. Further information on the skills strategy and how ESF will contribute is in section 2.3.4.

### **2.3.2 National Strategic Reference Framework**

258. The UK National Strategic Reference Framework provides a reference instrument for drawing up Structural Funds programmes to ensure that Structural Funds spending is consistent with the Community Strategic Guidelines and the National Reform Programme for delivering the Lisbon Agenda. The UK Framework was published by the Department of Trade and Industry in October 2005.<sup>72</sup> The priorities for ESF spending identified in the Framework have

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<sup>71</sup> UK National Reform Programme 2005-08, HMT, October 2005; UK National Reform Programme Update on Progress, HMT, October 2006.

<sup>72</sup> UK National Strategic Reference Framework, DTI, October 2005.

been translated into the priorities in chapter 3.

### **2.3.3 National Employment Strategy**

259. The Government has set a long-term goal of employment opportunity for all – the modern definition of full employment. Delivering this requires that everyone should be provided with the support they need to enable them to find employment and develop skills. The employment strategy is therefore closely inter-related with the skills strategy, and the links between the two are increasingly being emphasised in initiatives such as the new Cities Strategy. Section 2.5 on future developments outlines the Leitch proposals to integrate employment and skills, and the Freud review of welfare-to-work.
260. Recognising that individuals need the state to play a different role at different points in their lives, the Government is developing labour market policies and welfare reforms that are flexible and take account of people's changing circumstances. By combining flexible active labour market policies with measures to make work pay and initiatives to reduce barriers to work, the Government intends to increase employment opportunities for all, alongside offering help for those who cannot work. This involves:
- Active labour market policies – tailored and appropriate help for those without work, both unemployed and inactive, to prevent long-term detachment from the labour market. Priorities 1 and 4 will add value to these policies.
  - Policies that make work pay – improved incentives through reform of the tax and benefit system, and the introduction of the National Minimum Wage. These policies are outside the scope of ESF.
  - Policies that reduce barriers to work – including education, skills, childcare and training policies to create an adaptive, flexible and productive workforce. Priorities 1, 2, 4 and 5 will add value to these policies.
261. The future challenge for the Government is to reach its own aspiration of an 80 per cent employment rate.<sup>73</sup> To achieve this, a further 2.3 million people would need to be helped into work. This might include for example an extra 1 million Incapacity Benefit recipients in work, a further 300,000 lone parents and 1 million older people. This requires a welfare reform agenda focused on improving people's employability and therefore their lives whatever their circumstances. The remainder of this section looks at where the Operational Programme will add value to the Government's employment strategy.

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<sup>73</sup> The Department for Work and Pensions' (DWP) Five Year Strategy, February 2005.  
Version: Amended OP 2011

262. Jobcentre Plus is central to the employment strategy. By combining payment of benefits with active labour market interventions for customers, Jobcentre Plus provides a service based on the needs of the individuals and helps to maintain continuous attachment with the labour market. Integration of employment and skills provision is becoming increasingly important. The Learning and Skills Council (LSC) also contributes to the employment strategy, in particular through programmes that improve the skills of workless people. The LSC and its programmes are described in Section 2.3.4.

### ***New Deals***

263. The New Deal has been fundamental to the success of the Government's labour market policies. Personal Advisers provide support to help people into work. Those on the New Deal for Young People and New Deal 25 plus programmes receive intensive help which can include referral to training or subsidised employment to ensure that claimants do not remain indefinitely on benefit. The New Deal has contributed to a fall in long-term unemployment of over three quarters since 1997, providing strong social, economic and fiscal benefits. In the year ended August 2006, over 486,000 people took part in a New Deal programme and over 275,000 people moved into jobs. The programme cost for the 2005/06 year was £505 million.
264. The New Deal has been particularly successful in tackling long-term adult and youth unemployment. Through the New Deal programmes, long-term youth claimant unemployment has been virtually eradicated among 18 to 24 year olds, thus delivering one of the key outcomes called for under the European Youth Pact (although the youth unemployment rate remains higher than the overall unemployment rate and some significant challenges remain, especially to reduce the numbers of 16 to 19 year olds not in education, employment or training). Long-term claimant unemployment has fallen by almost three quarters, close to its lowest level for 30 years. The Operational Programme will add value to the New Deals by using ESF to fund additional provision including work-based learning, basic skills and job search activity. For example, ESF could fund additional provision targeted at disadvantaged people who persistently return to Jobseekers' Allowance (JSA), and at JSA recipients with children.

### ***Inactivity***

265. While building on success so far, the Government's employment strategy is increasingly focusing on the need to increase opportunities for those who remain outside or excluded from the labour market. The strategy is also focusing on ensuring that people are supported appropriately when making key life-cycle transitions, for example between education and work, between a period of ill-

health and a return to the workforce, or following periods of caring responsibilities. A range of policy measures is being developed to address the various obstacles people face throughout the life cycle.

266. As set out in chapter 1, one of the biggest challenges is the number of people of working age who are currently inactive. Under existing arrangements these people tend to be categorised according to the kind of welfare benefits they receive. The Government is committed to an approach which focuses on helping these people into work through tailored policies both to meet their individual needs and maximise their potential.
267. The Welfare Reform Green Paper, 'A new deal for welfare: empowering people to work', published in January 2006, outlines a wide ranging set of proposals to move towards this long-term goal by ensuring that all sections of the population can benefit fully from growth in employment and the economy. The Green Paper focuses in particular on tackling inactivity and raising employment among people with a disability or health condition, lone parents and older people of working age. The proposals also envisage close engagement with partners in the private and third sector organisations, to find the best means of supporting and encouraging people into work.

### ***People with disabilities and health conditions***

268. The Welfare Reform Bill, which was published on 4 July 2006, will implement the Green Paper proposals to reform incapacity benefits. The main elements of the bill are:
- a new Employment and Support Allowance (comprising contributory and non-contributory benefits plus severe disablement allowances), which will simplify the existing benefits system for those whose health affects their capacity for work;
  - the Employment and Support Allowance will for the first time embed the principle of rights and responsibilities into the benefit structure for this group of customers, by having a specific work related activity component whose payment is dependent on customers' engagement with work related activity;
  - a focus on early intervention, with increased support to employers and employees in managing health in the workplace; improved absence and return to work management; and increased support to health professionals to enable them to provide holistic treatment plans which recognise the benefits of work with respect to rehabilitation and long-term health;
  - more customer contact and more employment advice and support for individuals with health conditions to enable them to realise their ambition to return to work, building upon evidence from the successful Pathways

to Work pilots; and

- the ongoing development of disability rights to provide a level playing field for those with disabilities.

269. Alongside the Welfare Reform Bill, the Government announced the national roll-out of Pathways to Work. The Pathways to Work incapacity benefit reform was first piloted in seven Jobcentre Plus Districts, which rolled out in two phases in October 2003 and April 2004. Coverage has now been expanded to cover 19 complete Jobcentre Plus districts, covering around 40% of the national incapacity benefit caseload. By 2008, Pathways will be rolled out to all areas, with the remainder of the country covered by a new Pathways service led by the private and voluntary sector.

270. Pathways to Work has been the first major step by any government to deliver enhanced support for people facing disabilities or health problems. It provides a co-ordinated approach to addressing the barriers that people face when they have some form of illness or disability, rather than simply compensating them for the disadvantage they face. Pathways offers a dual approach to assistance, providing people with financial support while also facilitating their return to independence and the ability to earn the means to live.

271. Pathways consists of five broad strands of activity:

- a new, much more intensive framework of mandatory work-focused interviews delivered by specially trained personal advisers;
- better access to existing return-to-work support and entirely new programmes, delivered in partnership with the NHS, to help individuals to manage their health conditions;
- improved financial and non-financial incentives to prepare for and find work;
- active involvement of employers in helping people to prepare for and progress in work;
- work to change prevailing attitudes held towards this client group among other key stakeholders, particularly GPs and employers.

272. The Operational Programme has the potential to add value to the Pathways model by using ESF to extend and enhance work-related private and voluntary sector provision, and to extend activity to a wider group of incapacity benefit customers, without prejudice to existing contractual arrangements that are already in place. ESF could also add value to the New Deal for Disabled People and other specialist disability programmes.

### ***Lone Parents***

273. The Welfare Reform Green Paper sets out proposals to provide further support to enable lone parents to work. The Government believes that lone parents, in return, have a responsibility to make a serious effort to return to work, especially once their youngest child goes to secondary school. The proposals include:
- holding more frequent work focused interviews and piloting more intensive support during the first year of a claim; and
  - piloting a new premium – the Work Related Activity Premium – so that lone parents are better off if they take serious steps towards preparing for work.
274. There may be scope for the Operational Programme to add value to lone parent initiatives by, for example, using ESF to support the piloting and roll-out of more intensive support for lone parents, and extending and enhancing work search and work-related provision. ESF could also provide specific help to lone parents with health conditions where these conditions are barriers to labour market entry.

### ***Childcare***

275. Lack of childcare is a barrier to labour market participation for some parents, particularly lone parents. Affordable and high-quality childcare places make returning to work, or taking up education and training, a real option. The Government's Ten Year Childcare Strategy, 'Choice for Parents, the Best Start for Children', was published in December 2004. It outlines Government plans to further expand the provision by delivering universal affordable childcare for 3 to 14-year-olds and a Sure Start Children's Centre for every community, so that early years and childcare services become a permanent, mainstream part of the welfare state. The Operational Programme will support this strategy by training additional childcare (and other care) workers and improving the skills of existing workers. ESF projects will be able to fund childcare (and care for other dependants) where this would otherwise be a barrier to participation in projects.

### ***Older workers***

276. The Government is committed to ensuring that everyone who wishes to extend their working life should have the opportunity to do so. The Green Paper proposed that employment support for jobseekers aged over 50 should be aligned with that for younger age groups. The Government has also signalled the intention to work with employers to extend flexible working opportunities to older workers. There may be scope for ESF to add value to initiatives such as face-to-face guidance sessions for people approaching or over 50, covering issues such as career and financial planning, so they are retained in

the labour market.

### ***Ethnic minorities***

277. The Government has championed a cross-government strategy through the Ethnic Minority Employment Task Force to tackle the main factors in ethnic minority employment disadvantage. The task force is ensuring that the Government:
- focuses resources in areas of high unemployment with higher numbers of ethnic minorities;
  - aims to increase flexibility to allow Jobcentre managers to develop local responses to the needs of particular ethnic minority groups; and
  - works with employers and other local stakeholders through the 'Fair Cities' initiative. The Fair Cities employer-led initiative aims to close the employment gap for ethnic minorities in three urban areas where large ethnic minority populations face particularly severe disadvantage.
278. The National Employment Panel has made recommendations on co-ordinating resources in the main cities of ethnic minority population through an integrated employment and skills strategy.<sup>74</sup> These recommendations will be incorporated into work, proposed in the Welfare Reform Green Paper, to pilot new partnerships between Jobcentre Plus, Local Authorities, Learning and Skills Councils, employers, the third sector and other partners to deliver employment and skills support in cities.
279. In the 2000-2006 programme, ESF has added value to new initiatives such as Fair Cities to improve ethnic minority participation in the labour market. ESF may continue to add value to similar initiatives in the 2007-13 programme and may also support new and different types of activity. For example, ESF could help to tackle barriers to work by supporting basic English language skills training. It could also support new ways of helping people from ethnic minorities integrate into the workplace and sustain their employment.

### ***People with low skills***

280. The Government aims to deliver integrated employment and skills services that are responsive to the needs of individuals and employers. There are several initiatives that aim to address both the employability and skills needs of low skilled workless people. These include the New Deal for Skills, Cities Strategy and Local Authority Agreements.

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<sup>74</sup> Enterprising People, Enterprising Places.  
Version: Amended OP 2011



281. The New Deal for Skills is helping to meet the Government's ambition to reduce the number of adults with low or no skills and help employers to improve the skills of their workforce. It complements Jobcentre Plus New Deal programmes and enables personal advisers to distinguish better between clients who already have the skills necessary to get jobs and those who need the chance to develop their skills further. This will include piloting of a skills-coaching service to give adults with low skills access to the skills advice and the support they require to improve their chances of sustained employment. Management information from the first phase of the trials shows that 4,582 customers accessed the Skills Coaching service. Funding of £5 million has been allocated for 2006-07 to double the number of skills coaching pilots from eight to 16 Jobcentre Plus districts. The Operational Programme may use ESF to add value by supporting additional advice, guidance, training and upskilling activity and more intensive interventions.

### ***Offenders***

282. The Government published a Green Paper, 'Reducing Re-Offending Through Skills and Employment', in December 2005, setting out its strategy for improving learning and skills provision for offenders, thereby increasing employment and reducing re-offending. Through co-commissioning of learning for offenders by the Learning and Skills Council in the regions and the National Offender Management Service's Regional Offender Managers, a package of provision will be put in place that focuses skills delivery on to the needs of employers and the labour market. A range of employment related initiatives, developed and implemented in close co-operation with DWP and Jobcentre Plus, will support the Home Office's Reducing Re-offending Corporate Alliance in ensuring appropriately skilled offenders are engaged with the labour market so as to produce employment opportunities and outcomes. The Operational Programme may use ESF to add value to activities to improve the employability and skills of offenders.

### ***Deprived areas***

283. The Government is committed to targeting pockets of deprivation, where worklessness continues to be a substantial barrier to social inclusion. Its strategy has three strands:
- evolving national programmes to meet the needs of deprived areas more effectively;
  - using the lessons from specific programmes to seek new ways of addressing area-based disadvantage in the labour market; and
  - working at local level to build partnerships that will develop local solutions to problems and extending the reach of programmes.

ESF may add value to the strategy by supporting additional employment activities for disadvantaged workless people in deprived areas. As well as additional existing provision, this may include new and different types of provision, including more intensive and specialised support to those at greatest disadvantage in the labour market.

284. Within Jobcentre Plus, a Deprived Areas Fund is allocated to cover the 1,043 most deprived wards. District managers have flexibility to decide how this is best allocated according to local needs, with both the private and voluntary sectors being involved in delivering activity in these areas.

### ***Cities Strategy***

285. The Government's Cities Strategy aims to deliver a significant improvement in the working age employment rate, particularly for disadvantaged groups such as benefit claimants, people with disabilities or health conditions, lone parents, older people and people from minority ethnic groups. The strategy aims to ensure that more of these people are helped to find and remain in work and to improve their skills so that they make progress in employment, beginning in areas with the highest concentration of disadvantage.
286. In order to deliver this, the Cities Strategy invites key stakeholders to form a consortium to improve the way support for individual jobless people is co-ordinated. It is not a major source of new money, but the Government expects consortia to make better use of resources by aligning existing funding. Consortia will also have access to a flexible pot of money, which partners may use to procure whatever additional or innovative support they feel is appropriate in their local area. During 2006, the Government has announced that 15 areas will take part in the initial roll out of the Cities Strategy. The objectives of the Cities Strategy fit well with those of the Operational Programme. ESF may be able to add value to initiatives in Cities Strategy areas by supporting additional and new activities to tackle barriers to work faced by workless people. This may include more intensive and specialised support for disadvantaged groups, than that available through existing provision..

### ***Local Area Agreements***

287. A Local Area Agreement is a three-year agreement, based on local Sustainable Community Strategies, which sets out the priorities for a local area. It is agreed between Central Government and a local area, represented by the lead local authority and other key partners through Local Strategic Partnerships.
288. Local Area Agreements are structured around four blocks: children and young people; safer and stronger communities; healthier communities and older people; and economic development and the

environment. Many identify reducing worklessness and poverty and improving skills among their key priorities. It is therefore likely that in many local areas, the objectives of the Operational Programme will complement relevant labour market priorities identified in Local Area Agreements. ESF will support labour market activities which are additional to those funded through Local Area Agreements, both by supporting additional existing provision and by supporting new and different types of provision.

### **PSA Targets**

289. In each Spending Review, the Government agrees Public Service Agreement (PSA) targets setting out the key priorities for public services. PSA targets for 2008-2011 will be agreed in the 2007 Comprehensive Spending Review. This section sets out the relevant current PSA targets for employment in 2005-08.
290. For 2005-08, as part of its strategy to promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need, the Government has set the following Public Service Agreement (PSA) target: 'As part of the wider objective of full employment in every region, over the three years to Spring 2008, and taking account of the economic cycle:
- demonstrate progress on increasing the employment rate;
  - increase the employment rates of disadvantaged groups (lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications and those living in the local authority wards with the poorest initial labour market position); and
  - significantly reduce the difference between the employment rates of the disadvantaged groups and the overall rate.<sup>75</sup>
291. Another PSA target includes increasing the employment rate of disabled people, taking account of the economic cycle. The Operational Programme will add value to policies to achieve these targets by using ESF funding to support additional activity over and above that funded by domestic resources.
292. The Government also has PSA targets to reduce child poverty:
- 'Halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020 including reducing the proportion of children living in workless households by five per cent between spring 2005 and spring 2008.'

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<sup>75</sup> These targets are contained in the Public Service Agreements (PSA) between the Treasury and the Department for Work and Pensions agreed in the 2004 Spending Review.  
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- 'As a contribution to reducing the proportion of children living in households where no one is working, by 2008: increase the stock of Ofsted-registered childcare by ten per cent; and increase the take up of formal childcare by lower income working families by 50 per cent.'

293. The Operational Programme will add value to policies to achieve these targets by targeting ESF funding on reducing worklessness, especially among lone parents and other disadvantaged parents, and by providing training for childcare workers.

### **2.3.4 National Skills Strategy**

294. The Government launched its National Skills Strategy in 2003. It is committed to ensuring that all young people reach the age of 19 ready for skilled employment or higher education. For those already in the workforce its aim is to ensure employers have the right skills to support the success of their businesses, and individuals have the skills they need for employment and personal fulfilment.

295. Despite improvements over the last few years, the UK still has a large stock of workers with low or no skills, including poor basic literacy and numeracy, as identified in chapter 1. This stock of low skills directly accounts for some of the productivity gap between the UK and peer economies.<sup>76</sup> People with low skills are also more likely to be unemployed and therefore at risk of social exclusion.

296. The Government's approach to addressing these challenges is described in a series of recent policy documents and White Papers and is underpinned by a five year strategy for children and learners which sets out an integrated lifelong learning strategy to raise the skills levels of all.<sup>77</sup> The Government's priority has been to open up the acquisition of skills for all, so that England has the right skills mix as it seeks to move into more innovative sectors and businesses, at a time of rising skill levels across the world economy. This will ensure that everyone in the workforce has the skills necessary to take higher value-added jobs and the flexibility to retrain and adapt to new technologies and innovation.

297. The Leitch Report, which was published in December 2006, made recommendations on how skills and employment services can complement each other even more effectively in supporting labour market flexibility, better employment outcomes and greater progression to productive and sustainable jobs for those with skill needs. Section 2.5.1 on future developments outlines the proposals which are currently being considered.

<sup>76</sup> Productivity in the UK 6: Progress and new evidence, HMT, 2006

<sup>77</sup> Skills in the Global Economy, HMG, December 2004; 14-19 Education and Skills White Paper, DfES, February 2005; Skills: Getting on in business, getting on at work, HMG, March 2005; Further Education: Raising Skills, Improving Life Chances, DfES, March 2006.

### ***Learning and Skills Council***

298. The Learning and Skills Council (LSC) was established under the Learning and Skills Act 2000 to replace the Further Education Funding Council and the 72 Training and Enterprise Councils. It is responsible for planning and funding post-16 learning (up to but not including Higher Education) in England. This includes Further Education, work-based training for young people, and adult and community learning. The LSC's goal is to improve the skills of England's young people and adults to ensure it has a workforce that is of world-class standards.
299. The LSC was established as a unitary body with 47 local arms known as local Learning and Skills Councils. The Further Education White Paper of March 2006 indicated that the LSC would strengthen its regional capacity and that process is currently underway with the creation of nine Regional Centres. These will provide the LSC with an enhanced strategic capacity to engage with regional partners such as Regional Development Agencies and Sector Skills Councils, so they can work together to plan the skills infrastructure needed to meet the needs of employers, young people and adults in each region.
300. The LSC has a grant letter budget of £10.977 billion in 2007/08. The budget funds: 1,760 school sixth forms; 400 FE colleges; 820 work-based learning providers; 200 work-based learning contracts with major employers; and 370 other institutions. Six million people benefit from LSC-funded education and training every year. About £2.5 billion of the budget is spent on capital projects.
301. Research published by the Learning and Skill Network in February 2007 shows how the LSC has used ESF to add value to domestic skills programmes by funding additional activities.<sup>78</sup> It shows that ESF funding is having the biggest impact in three areas:
- reducing the proportion of young people not in education, employment or training;
  - improving the literacy and numeracy skills of adults; and
  - reducing the number of adults in the workforce without level 2 qualifications.

### ***Young people***

302. The Government aims to raise the learning participation rate at 17 from 75 per cent of young people today to 90 per cent over the next 10 years, to help bring England in line with the EU-level benchmark of 85 per cent of 22 year olds having completed 'upper secondary education' (i.e. level 2 and above). Part of this transformation involves changes to the secondary curriculum in England to provide more flexible

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<sup>78</sup> Learning and Skills Network, The Impact of European funding on mainstream Learning and Skills Council provision, Research Report, February 2007  
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pathways through education, combining academic and vocational routes which can be school, college or work-based.

303. Increasing participation also involves re-engaging young people who are not in education, employment or training. Entry to Employment (E2E) provides a motivating and engaging alternative route for those young people whose attainment at the end of compulsory schooling is below level 2. It provides individually tailored programmes for young people not otherwise engaged in education or training to assist their progression to an Apprenticeship, a college place or a job. In 2005/06 there were 50,065 E2E starts. Funding for 2005/06 was £222 million
304. The Operational Programme will support initiatives to improve attainment and participation in learning from age 14 and to reduce the numbers of young people not in education, employment or training. For example, ESF may add value by funding a range of specialised support and provision that will enable disadvantaged young people to benefit more effectively from mainstream provision.
305. The Government is also committed to doing more to help young adults who do not achieve a level 3 qualification by the age of 19. In its March 2006 Further Education White Paper, the Government announced a new entitlement to free training to enable young people to complete their initial education and training to level 3 up to the age of 25. ESF will add value to domestically funded provision to deliver this entitlement, by tackling the additional barriers to achieving level 3 qualifications faced by disadvantaged young people.

### ***Basic Skills***

306. The Government launched the Skills for Life Strategy in 2001. Skills for Life caters for the literacy, language (English for Speakers of Other Languages) and numeracy needs of all post-16 learners, including those with learning difficulties or disabilities, from pre-entry level up to and including level 2. Information and communication technology will also be a basic skill from 2008. The strategy has four main themes:
- boosting demand for learning through effective promotion and engaging Government agencies and employers to identify and address the literacy, language and numeracy needs of their clients and employees;
  - increasing the capacity of provision by securing sufficient funding and co-ordinating planning and delivery to meet learners' needs;
  - improving the quality of teaching in literacy, numeracy and language provision through the national teaching, learning and assessment infrastructure; and
  - increasing learner achievement and the number of adults

succeeding in national qualifications and reducing barriers to learning.

- 307. The Operational Programme will add value to the strategy by using ESF to support additional Skills for Life provision, particularly for the most disadvantaged learners who need extra help to access and attain basic skills qualifications. ESF will also support progression to levels 2 and 3.
- 308. The Foundation Learning Tier will be the new route for young people and the unemployed to achieve basic skills and progress through to level 2 skills. It will provide a series of positive pathways to skills and employment with training. ESF may be used to enhance these pathways, providing practical soft skills (for example, improving aspirations and motivation), work skills (such as ICT) and workplace skills (such as team working) to enable individuals to progress and thrive in work and learning.

### ***Workforce Skills***

- 309. To tackle market failures and create a step change in training opportunities for the low skilled, the Government will offer an entitlement for free tuition up to full upper secondary level (level 2) qualification for any adult without one, and free training in literacy, language and numeracy skills. This offer will be delivered to individuals through Further Education colleges and other training providers from 2006-2007, and to employers through Train to Gain (formerly Employer Training Pilots and the National Employer Training Programme).
- 310. Train to Gain will deliver training in the workplace, tailored to employers' needs. It will be supported by a network of independent, publicly funded brokers that will assess the training needs of employers and help source appropriate training provision. The programme will be rolled out from 2006-2007 to cover the whole of England by 2007-2008. To help improve the number of people in the workforce with intermediate skills levels Train to Gain will also encourage employers to invest in training at level 3 in areas of regional or sectoral priority. In the Further Education White Paper, the Government announced plans to extend Train to Gain by testing the introduction of work-based training at Higher Education level as well. The cost of the core programme will be: £230 million in 2006-07; £399 million in 2007-08; and, subject to the Comprehensive Spending Review, £427 million in 2008-09. When fully operational, Train to Gain will be expected to deliver 175,000 first full level 2 qualifications (from a cohort of 350,000 employees spread across 50,000 employers).
- 311. The Operational Programme will use ESF to add value to Train to Gain by supporting additional activity that would not otherwise be funded by the level 2 entitlement. This will include activity to address

additional barriers that disadvantaged people face to achieving level 2. It will also include activity at level 3 where there is market failure.

- 312. Apprenticeships are high quality technical qualifications (up to level 3) that help to increase the technical skills base in the labour market. They directly train people in the skills needed by individual firms. A national system ensures the skills are transferable and consistent with wider personal development.
- 313. The majority of apprentices are in employment while they learn. Traditionally an Apprenticeship is made up of Key Skills, NVQ or equivalent (at level 2 for an Apprenticeship and level 3 for an Advanced Apprenticeship) and a Technical Certificate (to ensure in-depth, specialised knowledge).
- 314. However the new Apprenticeship blueprint acknowledges that flexibility can be achieved by moving away from the three qualification approach and puts emphasis on apprentices developing occupational competence, with the necessary underpinning knowledge and the transferable or 'key' skills with appropriate qualifications. The Operational Programme may use ESF to support the Apprenticeship programme by supporting activity to the level 2 entitlement including basic skills support and level 3.
- 315. To ensure training supply is clearly linked to employers' skills priorities a network of 25 Sector Skills Councils has been established. They cover 85 per cent of the workforce and provide a clear mechanism to bring employers together within each sector to agree priorities for collective action on skills.
- 316. In the Regional Competitiveness and Employment Objective, human resource development needs in the research and development sector are covered by national funding, and so this will not be a specific ESF activity in Priority 2. However, in the Convergence Objective, there is a need for ESF funding in this area, and so Priority 5 will support the training of researchers and post-graduate studies.

### ***Skills and the gender pay gap***

- 317. Making progress on the gender pay gap is a key priority for the UK Government, not least because there are negative consequences for productivity and growth if the skills of women are not employed effectively. The Women and Work Commission (WWC), set up in September 2004 to consider how to close the gender pay gap and opportunities gap within a generation, reported at the end of February 2006.<sup>79</sup> The Government has welcomed the broad range of the Commission's recommendations and values the ambition of closing the pay gap within a generation. In response to the Commission's

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<sup>79</sup> Shaping a Fairer Future, Women and Work Commission, February 2006.  
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report, the Government announced, in the 2006 Budget, a package of measures to enhance lifelong learning opportunities for women in training and work, including:

- doubling the number of existing Skills Coaching pilots to 16 Jobcentre Plus districts with a specific focus on helping low-skilled women return to work;
- increasing, by 50 per cent, the number of pilots delivering level 3 skills and focusing an additional pilot on women with low skills; and
- funding for Sector Skills Councils, matched by employers in industries with skills shortages, to develop new ways of recruiting and training low skilled women, benefiting over 10,000 women.

318. The Operational Programme will support skills activities to tackle gender gaps by funding additional training for low-skilled women, particularly those in part-time and low-paid jobs, and by funding activities to help women and men enter non-traditional occupations and sectors.

### ***PSA Targets***

319. In each Spending Review, the Government agrees Public Service Agreement (PSA) targets setting out the key priorities for public services. PSA targets for 2008-2011 will be agreed in the 2007 Comprehensive Spending Review. This section sets out the relevant current PSA targets for skills in 2005-08.

320. For 2005-08, the Government has the following PSA targets for raising the skills of young people and adults in order to provide a highly skilled workforce within a competitive world:

- 'Increase the proportion of 19 year olds who achieve at least level 2 (upper secondary education) by 3 percentage points between 2004 and 2006, and a further 2 percentage points between 2006 and 2008, and increase the proportion of young people who achieve level 3 (technician, craft or associate professional education).
- Reduce the proportion of young people not in education, employment or training by 2 percentage points by 2010.
- Increase the number of adults with the skills required for employability and progression to higher levels of training through:
  - improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007; and
  - reducing by at least 40% the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by

2010. Working towards this, one million adults in the workforce to achieve level 2 between 2003 and 2006.<sup>80</sup>

321. The Operational Programme will add value to policies to achieve these targets by using ESF to support additional activity over and above that funded by domestic resources.

### **2.3.5 National Action Plan for Social Inclusion**

322. The Operational Programme supports the Government's goal of an inclusive society by funding additional activities to help excluded groups access the labour market. The UK National Action Plan for Social Inclusion 2006-2008, which was published in September 2006, sets out the UK's strategy to tackle social exclusion over the coming three years under four policy headings: eliminating child poverty; increasing labour market participation; ensuring access to quality services; and tackling discrimination.
323. The Operational Programme will support relevant policies in the plan to increase labour market participation. It will also play a role in eliminating child poverty by increasing access to the labour market for parents, and in tackling discrimination. The Social Inclusion Plan includes an annex setting out some of the ways that the ESF can assist in the achievement of social inclusion objectives.

## **2.4 Regional strategies**

324. At regional level, the Operational Programme will seek to work with existing regional structures and strategies rather than create new ones. The objective will be to ensure that ESF funding is able to support regional employment and skills priorities within the structure of a national England ESF programme. The Regional Skills Partnerships (RSPs), which have been established to address skills and employment priorities within each region, will have a leading role in developing regional ESF frameworks.
325. In the first National Skills Strategy, published in 2003, the Government invited Regional Development Agencies (RDAs) to lead the establishment of Regional Skills Partnerships (RSPs). These bring together the RDA, LSC, Jobcentre Plus, the Small Business Service and the Skills for Business Network, with other regional partners. Their remit is to agree how the delivery of adult skills, workforce development, business support and labour market services can be made mutually reinforcing in providing the best support for Regional Economic Strategies.

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<sup>80</sup> These targets are contained in the Public Service Agreements (PSA) between the Treasury and the Department for Education and Skills agreed in the 2004 Spending Review. They will be reviewed during the 2007 Comprehensive Spending Review which will set new targets for 2008-2011.

326. As such RSPs are central to some key Skills Strategy objectives. They are major players in integrating regional activity on training, jobs, innovation and business support, creating dynamic regional economies and so tackling disparities between regions. They can join up complementary services so that they are delivered to employers in an integrated way. They can ensure that skills are deployed effectively in support of more ambitious business development strategies. And they can position more productive businesses at the heart of regional growth in a way that respects differing regional priorities and traditions.
327. Regional Skills Partnerships are therefore well placed to ensure that ESF priorities for employment and skills provision are developed within the context of the Regional Economic Strategy. Regional ESF frameworks will show where ESF can best be used to add value to the implementation of existing regional strategies and how it can complement other regional funding streams, including the European Regional Development Fund, within the framework of the priorities and targets in the Operational Programme. These arrangements are described in section 4.8.3.
328. In London the Mayor will have a leading role in developing the London ESF framework. This will be done in consultation with London stakeholders. The London Skills and Employment Board, which is chaired by the Mayor, will formally agree the ESF framework.. The Board includes top London business leaders and representatives of the LSC for London and Jobcentre Plus. It will draw up an adult skills strategy and annual plan for London. The Board will ensure that the planning and delivery of skills and training is better able to meet London's unique needs and will challenge employers to raise their engagement and investment to ensure adult skills spending is targeted on London's priorities. The LSC will be responsible for the delivery of the London skills strategy.
329. The ESF framework for Gibraltar will be developed by the Government of Gibraltar in consultation with the Gibraltar regional ESF committee, which is known as the Joint Local Advisory Group (JLAG). JLAG will consist of Government departments and agencies, which have a stake in the programme, together with representatives from Gibraltar business associations, the principal trade union and NGOs. JLAG will ensure that the best use of ESF is made to add value to existing strategies.
330. The regional ESF frameworks for the North West and Yorkshire and the Humber will include sections on the specific issues for the phasing-in areas of Merseyside and South Yorkshire, which will be developed by partners in those sub-regions.
331. As well as linking to the national employment and skills strategies and Regional Economic Strategies, the regional ESF frameworks will also take account of:

- inter-regional growth strategies such as the Northern Way, SMART Growth: The Midlands Way, and The Way Ahead: Delivering Sustainable Communities in the South West;
- City-Regional Development Plans and other sub-regional strategies;
- Cities Strategies; and
- priorities identified by Local Strategic Partnerships and in Local Area Agreements.

## **2.5 Future Developments**

332. This section sets out recent and forthcoming developments which will effect the policy and delivery environment of the operational programme. These include the Leitch Review of skills and the Freud Review of welfare-to-work.

### **2.5.1 Leitch Review**

333. The Leitch Review reported in December 2006 on the UK's longer-term skills needs, and on how skills and employment services should complement each other.<sup>81</sup> The Review recommended that the UK commit to becoming a world leader in skills by 2020, benchmarked against the upper quartile of the OECD. This would mean doubling attainment at most levels and involve the following objectives:

- 95 per cent of adults to achieve the basic skills of functional literacy and numeracy;
- more than 90 per cent of adults to be qualified to level 2 (equivalent to five GCSEs), with a commitment to reach 95 per cent as soon as possible;
- shifting the balance of intermediate skills from level 2 to level 3, which would mean 1.9 million additional level 3 attainments over the period and boosting the number of Apprentices to 500,000 a year; and
- more than 40 per cent of adults to be qualified to level 4 (at least Foundation Degree) or above.

334. To achieve these goals Lord Leitch recommends radical change by:

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<sup>81</sup> Leitch Review of Skills, Prosperity for all in the global economy – world class skills, Final Report, December 2006, HM Treasury  
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- routing public funding of vocational skills through demand-led routes such as Train to Gain and Learner Accounts;
  - strengthening the employer voice by creating a new Commission for Employment and skills and increasing employer engagement and investment in skills;
  - launching a new 'pledge' for employers to voluntarily train more employees at work (if not enough progress is made in this area by 2010 to then introduce a statutory right for employees to access workplace training in consultation with employers and unions);
  - increasing employer investment in higher level qualifications;
  - raising people's aspirations and awareness of the value of skills through a high profile, sustained awareness campaign;
  - creating a new universal adult careers service; and
  - integrating public employment and skills services to deliver sustainable employment so more disadvantaged people can gain skills and jobs; and
  - once the Government is on track to deliver its new specialised diplomas, introducing compulsory education or workplace training up to age 18.
335. The proposal for a new integrated employment and skills service would draw together existing services such as Jobcentre Plus and a new adult careers service. It would offer universal access to work-focused careers advice, basic skills screening, job placement and links to in-work training. This would ensure individuals receive effective support to get into work, stay in employment and progress. The Leitch report says that delivering this would require:
- a new single objective of sustainable employment and progression opportunities;
  - a new universal adult careers service, providing labour market focused careers advice for all adults;
  - a network of employer-led Employment and Skills Boards, reporting to the national Commission for Employment and Skills. Their role would be to engage local employers, articulate local labour market needs, scrutinise local services and recommend improvements in integrating labour market and training support; and
  - a much greater role for basic skills training in the benefit system, including a new programme to screen all those returning to

benefits within one year, and better incentivising benefit claimants to improve their basic skills.

336. The Review also recommends a stronger 'demand-led' approach. The Review's analysis shows that previous approaches to delivering skills have been too 'supply driven', based on the Government planning supply to meet ineffectively articulated employer demand. This approach has a poor track record – it has not proved possible for employers and individuals to collectively articulate their needs or for provision to be effectively planned to meet them.
337. Recent reforms in England have attempted to develop a more demand-led system, responding to demand rather than trying to plan supply. Train to Gain provides flexible training, designed to meet the needs of employers and employees. Providers only receive funding if they effectively meet the needs of their customers. The Employer Training Pilots show that this approach leads to provision that better reflects the needs of consumers, increasing relevance, higher completion rates and value for money.
338. The Review concluded that this sort of approach must be embedded across the system so that providers only receive funding as they attract customers, rather than receiving a block grant based upon supply-side estimates of expected demand. Building a demand-led system will increase employer and individual investment in skills and ensure that increased investment delivers economically valuable skills.
339. The report also recommends a much clearer financial balance of responsibility for funding skills. This is consistent with the approach in this Operational Programme that public funding should be targeted at market failure. Leitch recommends that:
- the Government should provide the bulk of funding for basic and level 2 skills, with employers co-operating to ensure employees are able to achieve those skills;
  - for higher intermediate skills (level 3) employers and individuals should make a much higher contribution, at least 50 per cent; and
  - at level 4 and above, individuals and employers should pay most of the costs as they would benefit most.
340. The Government has welcomed the Leitch report and its analysis of the growing importance of skills in a modern economy. It is working with stakeholders to consider how to take forward the report's recommendations. For example, DfES and LSC have published a consultation paper on 'Delivering World-class in a Demand-led System'. The work with stakeholders will help to finalise the Government's response and implementation plan in the context of the 2007 Comprehensive Spending Review.

341. The priorities of this Operational Programme are consistent with the Leitch Review and will help to address the challenges set out in the Review. The Operational Programme will need to respond to the Government's decisions on the implementation of the report's recommendations.

### **2.5.2 Freud Review**

342. In December 2006, the Government asked David Freud, previously Vice Chairman of UBS Warburg, to lead a wide ranging review of welfare to work and to make recommendations for the future.
343. The Freud report, 'Reducing dependency, increasing opportunity: options for the future of welfare to work'<sup>82</sup> was published in March 2007. The report recommends that in order to achieve the aspiration of 80 per cent employment, welfare policy will need to focus even more on helping those furthest from the labour market back into work, particularly those on incapacity benefits and lone parents. It proposes a greater role for the private and voluntary sector to help people move into, and stay in, work and paying them based on their results. In return for this, the report argues that there should be increased responsibilities on benefit claimants to look for work.
344. On contracting support for the hardest to help, the Freud report recommends that once claimants have been supported by Jobcentre Plus for a period of time back-to-work support should be delivered through outcome-based, contracted support. This arrangement would apply to all benefit recipients, including people on incapacity benefits, lone parents and partners of benefit claimants but excluding carers. The private and voluntary sector would be responsible for intensive case management and for providing individual, tailored help for individuals to re-engage with the labour market. The contracting regime would set a core standard that everyone would receive, but beyond this there would be freedom between the provider and the individual to do what works for them.
345. The Government has welcomed the Freud Report and is considering the recommendations. The delivery of the Operational Programme will need to take account of the the Government's decisions on the implementation of the report's recommendations.

### **2.5.3 Business Support Simplification Programme (BSSP)**

346. In the 2006 Budget the Chancellor of the Exchequer challenged the whole of the public sector in England to simplify business support. It must be made easier for business to access support. Public money

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<sup>82</sup> David Freud, Reducing dependency, increasing opportunity: options for the future of welfare to work – An independent report to the Department for Work and Pensions, March 2007

should be spent more efficiently by reducing the amount spent on administration. It must be made easier to measure the effect of business support on the economy and on public policy goals. Government expects ESF to be aligned with and support the emerging strategy for the simplification of business support.

347. The BSSP has agreed **a broad definition of business support**. If an offer of support (by way of grant, subsidy or service) is made to a potential or established business using public money, from which business derives a tangible benefit, then that offer falls within scope of the Programme. Public funders should endeavour to see their programmes from the prospective of a business, even though the main goal may be to assist individuals improve their quality of life.
348. All levels of government are working to develop **a flexible portfolio of business support** deployable across the public sector, to meet business needs and deliver public policy aims. It will therefore be essential for recipients of ESF, where they support business, to use this portfolio rather than create bespoke services, brands and marketing arrangements in order to avoid confusing business and duplicating activity. This will make it easier for those applying for ESF. They will be able to base interventions on a well evidenced and recognised design from the portfolio. They can focus upon the added value they bring in going beyond the scope of existing business support offers or reaching out to disadvantaged communities. Where applicants present genuinely innovative and effective solutions the aspiration is that these would eventually become an accepted part of the shared portfolio.
349. **Business Link** is the primary means by which businesses access public support. Organisations working under the Business Link brand across England deliver information services and will work with business, where appropriate to arrive at a diagnosis of their support needs. Business Link will also act as a broker to secure the most effective solution to meet these needs. Business Link can provide a conduit for other local, regional and national providers in the public, private and voluntary sector to offer the widest range of services to existing or potential businesses.
350. Regional Skills Partnerships and Co-financing Organisations will work with Regional Development Agencies to ensure a consistent and joined up offer is made to business. Focusing on Business Link will allow public funders, as a whole to make efficiency savings by reducing the number of routes used to reach business customers. At the same time, a single point of access will encourage increased take up, it will be easier and quicker for potential and existing businesses to get support. Therefore, where ESF proposals impact on business, applicants must make clear how they plan to use the Business Link information, diagnosis and brokerage model to best effect. ESF-funded activity will add value to domestic funding, and procurement will comply with EU and national guidelines on procurement.



## **2.6 Cornwall and the Isles of Scilly**

351. The Convergence ESF strategy will be informed by 'Strategy and Action', the economic development strategy for Cornwall and the Isles of Scilly, as well as by relevant national and South West strategies such as the 'Regional Economic Strategy for South West England 2006-2015' and the Regional Skills Strategy. 'Strategy and Action' has recently been reviewed. This section summarises the key policy issues identified in the 'Cornwall and Isles of Scilly Strategy and Action 2006 Review'.

### **2.6.1 Employment structure**

352. In spite of strong employment growth, the economy of Cornwall and the Isles of Scilly remains dominated by sectors dependent on the public sector and with a tendency to offer low paid and part-time employment. Only limited progress has been made with regard to increasing employment in sectors with high growth and higher skill and pay profiles. There is a continuing challenge to focus the economy on higher value added and growth sectors, while recognising that key sectors such as tourism must reconcile the need to maintain competitiveness with increasing value added and wage levels.

### **2.6.2 Technology and knowledge intensive industries**

353. The low proportion of employment in knowledge intensive sectors is a continuing weakness of the economy. Growth has been evident in a number of districts, which is a very positive development, although this has been driven by public sector employment. New developments such as the increased provision of ICT, the development of the Combined Universities in Cornwall (CUC), and the potential for growth in particular parts of Cornwall and in particular industries, will create new opportunities to accelerate the growth of knowledge intensive sectors. This will be crucial in addressing the underlying problems of a low wage economy.
354. Although knowledge intensive sectors – defined as a discrete set of sub-sectors – are important, a more fundamental challenge is the incorporation of knowledge into every aspect of business and enterprise activity. This is linked to the broader aim of developing a knowledge society, relevant to business, the workforce and residents.

### **2.6.3 Regional priority sectors**

355. Cornwall and the Isles of Scilly have a major opportunity to contribute to the development of a number of regionally important exporting sectors. In two cases – tourism and environmental technologies – Cornwall's contribution will be substantial. In others – such as food and drink and creative industries – the employment involved is significant. In some of these sectors the wage levels are likely to be lower than average and there is a need to focus on increasing competitiveness and profitability to help move away from a low wage economy. The sector

with the most potential is likely to be environmental technologies although much more work is required to identify the types of activities where the South West has a competitive advantage. In the long term, Cornwall needs to secure its advantage as much from its intellectual capital, as from its natural environment.

#### 2.6.4 Economic activity and worklessness

- 356. Economic activity rates are close to the national average, although slightly lower than levels seen in the South West as a whole. Demand for labour in Cornwall currently far outweighs the supply of 'job ready' individuals, leading to recruitment difficulties and skills shortages.
- 357. The economic activity gap between the regional and County level is more apparent for females (3.3 percentage points). Reducing the gap between County and regional female economic activity rates may increase the supply of labour. In addition, given the relatively low level of female economic activity at both the regional and County level, addressing barriers to women taking up opportunities could play an important role in tackling the recruitment difficulties and skills shortages, and possibly reduce the pressure to import labour, with consequent pressures on the housing market.
- 358. Unemployment has reduced in importance as the claimant count has fallen over recent years and there will always be a residual level of unemployment as the labour market continually adjusts to market change and people find themselves between jobs. Attention should now turn to tackling worklessness in its entirety rather than unemployment specifically.
- 359. There are over 27,000 people on Incapacity Benefit and there is the potential to help some of these individuals back in to employment, and many are keen to return to the labour market. However, many will need additional support to return to the labour market. The Local Area Agreement for Cornwall sets out proposals to focus support on those on health-related benefits both to tackle worklessness and address the recruitment difficulties experienced by local employers.

#### 2.6.5 Learning and skills

- 360. Cornwall needs to build on the strong foundation of **basic skills** and increase participation in learning as a means of raising skills and qualifications levels above both the South West and national agencies. This will include addressing numeracy issues in particular, as well as increasing adult participation in taught learning.
- 361. **Qualifications levels** remain low in several important sectors in Cornwall, including wholesale/retail, hotels/restaurants, and manufacturing. Overall some 40% of the workforce has low levels of qualifications and given the changing nature of employment, those who do not hold adequate qualifications remain vulnerable to labour

market change. There is a clear relationship between the level of qualifications held and employment. Nearly 90% of those holding a level 4 qualification are in work, compared to 73.8% of those whose highest qualification is at level 2, and just 53.3% of those without qualifications. There is a need to increase the numbers in the workforce qualified to levels 3 and 4 as part of the process of moving to a knowledge based economy.

362. Tackling **skills gaps** is also crucial to ensuring that Cornwall's businesses are able to operate effectively and to their full potential. Both the skills of the existing workforce and the potential workforce need to be addressed to enable local businesses to increase productivity and efficiency levels. The scale of recruitment and skills shortage would suggest that the economic growth of the Cornish economy is being affected by labour related issues. This is affecting a number of the most important sectors in the economy, and hard to fill vacancies cover all levels and types of jobs. Identifying the specific skills which are in demand will help public sector agencies to focus their investment where it is most needed. Employers should be encouraged to identify the skills which they require, and appropriate training provision either made or extended.
363. **Employers** need to be supported to understand and identify the skills needs which are affecting their businesses. Many employers work around skills deficiencies amongst their workforce with resultant reductions in productivity and income generation. Raising the demand for skills, as well as the supply, is crucial in increasing wealth levels in Cornwall. Wherever possible, agencies need to encourage smaller companies in particular to increase their commitment to training as a means of improving productivity and profitability.
364. Raising the attainment of those coming through the statutory education system will have a direct impact on the skills and qualifications available to employers in Cornwall. It will also increase the likelihood of young people making a successful transition into work or further education, and eventually progressing into Higher Education.
365. In terms of strategic Higher Education infrastructure, the CUC initiative has already begun to have a positive impact on the Cornish economy, through both increasing learning opportunities and also enhancing the County's research base and business/academic links. In the medium term, CUC can provide a key source of knowledge based activity and help to attract and retain people and businesses in the County. The development of networks and engagement with businesses will be critical to maximising the benefits of the capital investment being delivered through Phases 1 and 2 of CUC.

## 2.7 Evaluation recommendations

### 2.7.1 Evaluations of 2000-2006 programmes

366. The final evaluation of the 2000-2006 England Objective 3 programme made four recommendations for the 2007-2013 programme.<sup>83</sup> These recommendations were made before the EU Financial Perspective and Structural Fund Regulations for 2007-2013 were agreed. They were based on the assumption that there would be significantly less ESF funding for England in 2007-2013 than in 2000-2006. The recommendations are:

- To focus funding on support for those individuals with a disability/health problem that are relatively near to the labour market and where ESF can provide the most added value to domestic resources by helping them gain employment on leaving ESF, or progress their position so that employment is a realistic proposition at some point in the future. This should include beneficiaries from ethnic minority groups as 12.4% of the working age disabled population are from these groups. It would also include adequate identification and assessment of beneficiaries prior to starting projects in order to ensure that those who are most likely to benefit from ESF are supported, whilst those who are deemed not suitable for ESF are referred to other appropriate support.
- That ESF should focus support on lone parents, particularly those with some distance to travel in the labour market before obtaining employment. ESF projects could provide an intermediary service to individuals prior to their engagement with mainstream provision. This would include beneficiaries from ethnic minority groups as lone parents are showing an increase in ethnic minority representation.
- If evaluation provided further evidence of the effectiveness of Global Grants, a potential new programme should include an element of small grants for small local organisations to work with the most disadvantaged groups and communities. It is suggested that this initiative would need to alleviate the constraints of obtaining match funding, for example, by involving Co-financing Organisations (CFOs).
- To review the situation with regard to providing support to companies and consider the following two options, which are not necessarily mutually exclusive. The first option is to accept that managers of micro and small companies are a target group as they are in need of training. The second option is for ESF to target sectors and businesses with a weak training record and where there are skills gaps or recruitment problems, but also to accept that CFOs, particularly the LSC would need to overcome in reaching

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<sup>83</sup> Update to the Mid-term Evaluation of ESF Objective 3 in England and Gibraltar in 2000-2006, DWP, 2006.

workers in these sectors and businesses. If the second option is to be the main focus of ESF support for companies, provision would need to be more closely aligned with, and complement, domestic programmes such as Train to Gain.

367. The Updated Mid Term Evaluation of English Objective 1 and 2 Programmes Collations of Regional Analysis report made a number of recommendations for the 2007-2013 programmes:

- It is suggested that the lessons to learn and take forward to the next round of Structural Funds programmes in England should be firmly focussed on delivering the high level strategic policy objectives, both EU and national and that these strategic delivery should be embedded at the regional level by ensuring the alignment and join-up of the delivery of Structural Funds with that of domestic programmes.
- This join up should be reflected in the thorough alignment with the Regional Economic Strategy, and the other relevant social and environmental strategies. This will help to deliver more coherent strategic impacts in terms of the economic, social or environmental regeneration of an area, rather than the scatter-gun effect sometimes resulting from interventions.
- Structural Funds programmes need to be flexible to decide issues at different spatial levels. In particular, the northern regions have identified the need for pan-regional approaches to some issues, which is reflected in the Northern Way strategy.
- The good practice noted earlier in partnership working should be built on, and new partnerships given the opportunity to learn from this good practice. There have been some excellent examples of tackling disadvantage alongside neighbourhood renewal strategies delivered through Local Strategic Partnerships. Good partnership working, involving all relevant stakeholders, public and private, is key both to the delivery of integrated interventions, and delivery which is appropriate to individual regional and local circumstances.<sup>84</sup>

### **2.7.2 Ex-ante evaluation**

368. An ex-ante evaluation of ESF in England 2007-2013 was conducted in parallel with the development of this Operational Programme. This was an interactive process with the ex-ante evaluation both informing and assessing the development of the programme.

369. The ex-ante evaluation supports the focus on unemployed and inactive

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<sup>84</sup> Updated Mid Term Evaluation of England Objective 1 and 2 Programmes : Collation of Regional Analysis ( Operational Research Unit , Government Operational Research Service) 2005

people, particularly people with disabilities and health conditions, lone parents and older workers. However, it points to the inherent difficulty of helping inactive people who have a range of barriers to employment, and outlines good practice that may go some way to enhancing outcomes. The ex-ante evaluation argues that:

- Support for inactive people with disabilities and health conditions should be focused on those who are nearest to the labour market and can be expected to obtain jobs at some point in the future. Support needs to be flexible and respond to differing needs; however this is likely to be expensive.
- Support for lone parents should be aligned with domestic initiatives. This may involve targeting those lone parents who are hardest to help. However, labour market outcomes for lone parents will be constrained by barriers such as childcare responsibilities. Adequate and flexible provision of childcare may go some way to alleviating this problem.
- Support for older unemployed and inactive people should be more closely aligned to the needs of this group. However, even with appropriate support, programme outcomes will be constrained by the barriers that some older people experience. As far as possible, ESF provision in 2007-2013 should not be provided to those who have no intention of working in the future.
- Support for ethnic minorities should take account of individual circumstances and work orientations, as well as issues related to specific ethnic groups. Some ethnic groups tend to have lower employment rates than others, and women in some ethnic groups, including Bangladeshi and Pakistani women, have particularly high inactivity rates.
- The greater the number of disadvantages experienced, the more distanced an individual is from the labour market and the more likely they are not to be employed. ESF support will need to respond to a range of overlapping problems and barriers in order to achieve successful outcomes. ESF is likely to be more effective when support is aimed at those who view work as an immediate priority. However, individual circumstances may change and new barriers may develop or become more severe (e.g. a disability), and hence a proportion of participants will not gain jobs. In some cases it may be appropriate for ESF to support movement towards the labour market where employment is not a realistic outcome in the short term, but is an option for the future.
- In the new programme lessons learned from the experience of Global Grants should be taken forward with the introduction of ESF Community grants. Making small grants of funding for voluntary and community projects available through Co-financing arrangements will help to overcome match funding problems..

370. The ex-ante evaluation also supports the focus on: young people not in education, employment and training; the low skilled; and managers and workers in small enterprises. It identifies a need to disseminate good practice from domestic initiatives to inform projects to help NEETs. In terms of workforce development, it argues that delivery through CFOs and links to regional skills bodies should help to ensure that ESF training is of good quality, relevant and strategic. However, encouraging businesses to release employees for training will continue to be a challenge.

## **2.8 Strategy for innovation and transnational and inter-regional activity**

371. Innovation may be inherent in any activity. The programme will also support dedicated innovative activity. The lessons from evaluation of the Equal Community Initiative indicate that dedicated innovative activity should have a sharp focus and be demand-led. To achieve that, the themes for dedicated innovative activity will be selected on the basis of advice from senior policy makers from the relevant Departments responsible for employment and skills policy, taking into account the views of the wider partnership. Again learning from Equal, the focus will be on innovative activity in the context of delivering policy rather than policy development, where Equal Development Partnerships had only very limited impact.
372. By engaging policy makers in the selection of themes for innovation and then feeding back the results of the innovation to them, the conditions for mainstreaming workable and cost effective new practices will be established. All dedicated innovative projects will be encouraged to work at the transnational or inter-regional level by establishing links with one or more Member States, thereby fostering the learning environment and exchange of ideas between Member States in line with the motto for Equal – ‘the free movement of good ideas’.
373. Innovative and transnational and inter-regional activity may be supported within Priorities 1, 2, 4 and 5. There will not be a separate programme or priority axis for innovative or transnational and inter-regional activity. The programme will not therefore use the mechanism of a specific transnational and inter-regional priority which is an option under the European Social Fund Regulation.<sup>85</sup>

## **2.9 Programme indicators**

374. The overall performance of the programme will be measured through the following indicators:

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<sup>85</sup> Regulation 1081/2006.  
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- total number of participants;
- participants who are unemployed;
- participants who are economically inactive;
- participants with basic skills needs;
- participants with disabilities or health conditions;
- participants aged over 50;
- participants from ethnic minorities;
- female participants.
- participants gaining employment on leaving;
- participants gaining employment after 6 months;
- participants gaining basic skills; and
- participants gaining qualifications.

Details of these indicators and their targets are at annex A.

375. Indicators will be broken down by gender. There will also be specific indicators for each priority axis and these are set out in chapter 3 and annex A.





## **3. PRIORITIES**

### **3.1 Introduction**

376. This chapter describes the programme's 'priority axes' or 'priorities'. There are three priorities for the Regional Competitiveness and Employment Objective. These priorities cover the whole of England and Gibraltar except Cornwall and the Isles of Scilly. Within these priorities, the phasing-in areas of Merseyside and South Yorkshire will be able to complete eligible activities from their 2000-2006 Objective 1 programmes.
377. There are also three priorities for the Convergence Objective area of Cornwall and the Isles of Scilly. The broader scope of the Convergence Objective priorities reflects the wider range of activities that are eligible within Convergence areas and the higher intensity of Convergence funding.
378. Priorities 1 and 4 focus on increasing employment and tackling worklessness through a mix of employment and skills provision. As well as employment activity, Priorities 1 and 4 will include skills activity to help people enter jobs and, in certain circumstances, to make progress at work. Priorities 2 and 5 focus on developing workforce skills, and in doing so will also help to sustain employment. Across the programme there will therefore be an integrated approach to employment and skills. In this context, the focus of skills training in Priorities 1 and 4 will be on preparing people for sustainable employment, and in Priorities 2 and 5 on addressing individual skills needs and employer skills shortages.
379. The priorities set out the indicative activities that may be supported. These activities are not exclusive or prescriptive. Other, as yet unforeseen, activities may become relevant during the seven-year life of the programme. The Managing Authority will assess whether any other activities that may arise are consistent with the objectives of the programme and its priorities. The balance of activities may vary during the life of the programme depending on labour market needs. It is not necessary to support all the individual activities every year or in every region. Activities may be delivered in integrated packages tailored to client needs, for example combining confidence-building, job-search support and basic skills training within Priorities 1 or 4.
380. Innovation may, where appropriate, be a feature of any activity. In addition, within Priorities 1, 2, 4 and 5, there will be a limited amount of funding available to support a small range of dedicated innovative activities. Priorities 1 and 4 will include support for developing and

delivering innovative ways of helping unemployed and inactive people make the transition from unemployment and inactivity to sustainable employment. Priorities 2 and 5 will include support for developing and delivering of innovative activities to raise skills levels.

381. The themes for dedicated innovative activities will be chosen by the Managing Authority with the assistance of an innovation and mainstreaming sub-committee of the Programme Monitoring Committee which contains policy representatives from the relevant Departments and agencies and representatives of the wider partnership. Further information on the implementation of innovative activities is provided in section 4.11.
382. There will be a limited amount of funding available within Priorities 1, 2, 4 and 5 to support transnational or inter-regional activities. Further information on the implementation on transnational activity is provided in section 4.12.

## **3.2 Priority Axis 1: Extending employment opportunities (Regional Competitiveness and Employment Objective)**

### **3.2.1 Objective**

383. The objective of Priority 1 is to increase employment and to reduce unemployment and inactivity. It will help to tackle barriers to work faced by disadvantaged groups such as people with disabilities and health conditions<sup>86</sup>, lone parents and other disadvantaged parents<sup>87</sup>, older workers<sup>88</sup>, ethnic minorities, and people with no or low qualifications. It will also help young people make a successful transition to the world of work, in particular those not in education, employment or training (NEET), or at risk of becoming NEET.
384. By tackling and preventing worklessness, this priority will help to improve social inclusion and social mobility. In particular, by helping unemployed and inactive parents to enter sustainable jobs and make progress at work, it will help to alleviate child poverty.
385. This priority will also contribute to the skills strategy, by helping unemployed and inactive people to gain the skills they need for employability and to make progress in the workplace.
386. Priority 1 addresses both Article 3.1.b and Article 3.1.c of the ESF

<sup>86</sup> All references to people with disabilities include people with mental health conditions and learning difficulties or disabilities.

<sup>87</sup> Disadvantaged parents include unemployed and inactive parents other than lone parents, who face barriers to work.

<sup>88</sup> The term 'older workers' is used rather than 'older people' as older people includes pensioners. For the purposes of measuring indicators, older workers are people aged 50 and over.

Regulation:<sup>89</sup>

*‘enhancing access to employment and the sustainable inclusion in the labour market of job seekers and inactive people, preventing unemployment, in particular long-term and youth unemployment, encouraging active ageing and prolonging working lives, and increasing participation in the labour market’ (Article 3.1.b); and*

*‘reinforcing the social inclusion of disadvantaged people with a view to their sustainable inclusion in employment and combating all forms of discrimination in the labour market’ (Article 3.1.c).*

### 3.2.2 Indicative activities

387. Unemployed and inactive people will be eligible for support within Priority 1. There will be a particular focus on people with disabilities and health conditions, lone parents and other disadvantaged parents, older workers, ethnic minorities, and young people not in education, employment or training or at risk of becoming NEET. People who have made the transition to work from unemployment or inactivity will also be eligible for support, regardless of employment sector or size of establishment
388. Activities will include employment and skills measures to help participants improve their employability and enter jobs. Activities will also help those entering jobs to sustain their employment and make progress at work where they need support to integrate into the workplace. Evaluations of previous ESF programmes suggest this support is most likely to be needed by people who were long-term unemployed or economically inactive, especially people with disabilities and health conditions and people from ethnic minorities. In these circumstances, training and other employment-related support tailored to individual needs may continue after participants have entered jobs.
389. Activities will also help to retain in employment older workers and workers who have, or who develop, disabilities and health conditions. These activities will provide support to prevent workers becoming unemployed or inactive because of age, disability or a health condition. They will not duplicate activities to update the skills of older workers which will be supported within Priority 2.
390. Activities should be designed to respond to the specific needs of participants with disabilities or health conditions, older workers, participants from ethnic minorities and women. Some participants will experience multiple disadvantage, for example older workers with a disability may face barriers related to their age and disability. Providers

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<sup>89</sup> ESF Regulation 1081/2006 establishes the scope of ESF support. Within this scope, it provides flexibility for Member States to concentrate on those priorities which are most appropriate to their specific challenges.

should take such multiple disadvantage into account when assessing the needs of participants, and when they are designing and delivering activities. Providers should work with employers to help integrate people with disabilities and ethnic minorities into the workplace.

391. Activities may be delivered by public, private or third sector providers. Third sector organisations are particularly well placed to engage people who are excluded from or at a disadvantage in the labour market. Activities should be demand-led. Providers will engage with employers to ensure that provision both matches the skills needs of business, and enables individuals to access, and make progress in, the labour market.
392. Activities will aim to re-engage unemployed and inactive people in general. They will also target specific groups of unemployed and inactive people, including long-term unemployed people, for example:
- activities to help disadvantaged people who persistently return to Jobseekers' Allowance, address barriers to their retention in sustainable employment;
  - activities to help unemployed and inactive people with disabilities or health conditions to enter and remain in work, and appropriate support to retain in employment people who become disabled or develop health conditions;
  - activities to prolong working lives by re-engaging inactive older workers or retaining older workers longer in employment, including workers who become disabled or develop health conditions;
  - activities to help lone parents, Jobseekers' Allowance recipients with children and other disadvantaged parents enter and make progress at work, and so contribute to alleviating child poverty;
  - mainstreaming and specific action to improve access of women to employment and increase sustainable participation and progress of women in employment, and to help men and women access occupations or sectors where they are underrepresented;
  - activities to increase participation by people from ethnic minorities in employment including, where appropriate, training to meet basic English language skills needs; and
  - activities to develop the employability and skills of offenders and ex-offenders to facilitate labour market entry and, thus, contribute to reduced re-offending.

Activities will address the specific needs of people who experience multiple disadvantage, in particular those who fall within two or more of the indents above (for example older workers or lone parents with disabilities or health conditions). Activities will also address specific

barriers to work faced by workless people who are homeless, refugees or have substance abuse, alcohol or drug problems.

393. Activities will include

- active and preventative measures which ensure early identification of needs, including individual action plans and personalised support;
- job-search help, advice and guidance;
- work search and work preparation activities, including labour market orientation and work experience placements;
- advice and support for self-employment, entrepreneurship, business creation and social enterprise;
- Skills for Life, including the basic skills of literacy, numeracy and English for Speakers of Other Languages, ICT skills and financial literacy skills;
- activities to provide pathways to employment such as pre-vocational and access training, community-based activities, volunteering, environmental activities, practical soft skills (such as improving aspirations and motivation), work skills, and workplace skills (such as team working);
- vocational training and qualifications for employability;
- improving job brokerage to enable a better match between supply and demand;
- access to childcare and care for dependent persons, where caring responsibilities are a barrier to labour market participation;<sup>90</sup>
- early interventions to help people at risk of redundancy to adapt their qualifications and skills for other employment opportunities;
- city and other area-based strategies and initiatives to tackle worklessness in urban areas;
- activities to tackle specific barriers to work faced by unemployed and inactive people in rural areas; and
- small grants for voluntary and community organisations to support their capacity to mobilise unemployed and inactive people who are disadvantaged or excluded and to facilitate their integration into the

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<sup>90</sup> These activities may take place within projects targeted specifically on people with caring responsibilities or as part of wider projects.

labour market ('ESF community grants').<sup>91</sup>

394. Activities to prepare young people for working life, in particular 14 to 19 year olds not in education, employment or training (NEET) or at risk of becoming NEET will include:
- initiatives to reform vocational routes for, and develop vocational skills among, 14 to 19 year olds, including developing the vocational curriculum to improve employability;
  - initiatives to help raise awareness of the world of work, enterprise and entrepreneurship among young people (from age 14), including work experience placements;
  - activities to engage 14 to 19 year olds not in education, employment or training, tackle their barriers to learning, and help them access mainstream provision;
  - activities, including vocational training and preventative work, for young people at risk of becoming NEET to provide pathways to employment; and
  - activities to reduce youth unemployment by developing the employability and skills of young people.
395. The phasing-in areas of Merseyside and South Yorkshire will be able to complete activities from their 2000-2006 Objective 1 programmes that are eligible for Regional Competitiveness and Employment ESF funding in 2007-2013. These activities will fall within the indicative activities in section 3.2.2. As Objective 1 contracts cannot be extended, new contracts will be needed for the continuing activities. The continuing activities must be completed by 2010 when the transitional phasing-in funding finishes.
396. Priority 1 activities will support Community Strategic Guidelines 1.3.1 (Attracting and retaining more people in employment and modernising social protection systems) and 1.3.2 (Improving adaptability of workers and enterprises and the flexibility of the labour market), and National Strategic Reference Framework ESF Priority 1 (Extending employment opportunities). They will also support National Reform Programme paragraphs 4.1 to 4.48 (Increasing employment opportunity for all).

### **3.2.3 Targets and indicators**

397. The target of Priority 1 is to extend employment opportunities by helping more people enter employment or engage in activity leading to employment, particularly disadvantaged groups, as a result of the programme's interventions. To measure the progress, there are a small

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<sup>91</sup> Known as Global Grants in the 2000-2006 programme.  
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number of output and results indicators.<sup>92</sup> Some of these indicators have quantified targets. Where feasible, the indicators with quantified targets will show the baseline situation. It is important to note that these indicators will measure the overall progress of the priority. They are not the output and results measures for each individual operation. Individual operations may have other outputs and results, including soft outcomes, depending on their target groups and activities.

398. Output indicators with targets are:

- total number of participants;
- participants who are unemployed;
- participants who are economically inactive;
- participants with disabilities or health conditions;
- participants who are lone parents;
- participants aged over 50;
- participants from ethnic minorities;
- female participants; and
- participants aged 14 to 19 not in education, employment or training (NEET) or at risk of becoming NEET.

399. There is also one output indicator without a quantified target:

- participants who receive support with caring responsibilities.

400. Results indicators with targets are:

- participants in work on leaving;
- participants in work six months after leaving;
- economically inactive participants engaged in jobsearch activity or further learning on leaving; and
- 14 to 19 NEETs, or at risk of NEET, in education, employment or training on leaving.

401. Results indicators which do not have quantified targets are:

- unemployed participants in work on leaving;

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<sup>92</sup> According to Commission guidance, 'output' indicators should relate to activity (for example, number of people trained) and 'results' indicators should relate to the direct and immediate effect on participants (for example, numbers of leavers entering jobs or gaining qualifications).



- unemployed participants in work six months after leaving;
  - economically inactive participants in work on leaving;
  - economically inactive participants in work six months after leaving;
  - participants with disabilities or health conditions in work on leaving;
  - participants with disabilities or health conditions in work six months after leaving;
  - lone parents in work on leaving;
  - lone parents in work six months after leaving;
  - participants aged 50 or over in work on leaving;
  - participants aged 50 or over in work six months after leaving;
  - ethnic minority participants in work on leaving;
  - ethnic minority participants in work six months after leaving;
  - female participants in work on leaving;
  - female participants in work six months after leaving;
  - participants who gained basic skills; and
  - participants who gained qualifications.
402. Annex A describes and quantifies the targets. Additional information on participants which is available through the Management Information system (such as gender) but not reported against on a regular basis could be provided on the request of the Programme Monitoring Committee.
403. For some participants, particularly those who were economically inactive or who experience multiple disadvantage, the outcome will be progress towards labour market entry rather than a job. The results indicator for economically inactive participants will seek to capture the distance travelled by people who by the end of their ESF support have moved from inactivity to formal jobsearch activity or to further learning that prepares them for a job. However, it is not feasible to specify other indicators of 'soft outcomes' at programme or priority level. The ex-ante evaluation explains that research in the 2000-2006 programme indicated that it is difficult to devise programme level 'soft outcome' indicators because, for example, they are difficult to define and it is unlikely that one methodology for measuring soft outcomes

would suit all clients.<sup>93</sup> So although providers will be encouraged to record soft outcomes such as improved time-keeping or self-confidence, the programme will not impose a single methodology for doing this. These soft outcomes will be analysed in evaluation studies.

404. Most of the indicators will be measured through monitoring data collected from projects. Some of the indicators, such as those on the status of participants six months after leaving projects and on economically inactive participants engaged in job search or further learning, will be measured by data collected in follow-up surveys of samples of participants. Follow-up surveys and evaluation studies will also examine progress of participants over longer periods such as one year after leaving. They will also look at the progress of specific groups of disadvantaged participants and of participants who experience multiple disadvantages. They will also examine issues such as sustainability and retention, and the quality of provision including whether it is demand-led and meets the needs of individuals and employers. They will also be able to examine target groups and activities not covered by the indicators if appropriate.

### **3.3 Priority Axis 2: Developing a skilled and adaptable workforce (Regional Competitiveness and Employment Objective)**

#### **3.3.1 Objective**

405. The objective of Priority 2 is to develop a skilled and adaptable workforce by: reducing the number of workers without basic skills; increasing the number of workers qualified to level 2 and, where justified, to level 3; reducing gender segregation in the workforce; and developing managers and workers in small enterprises.<sup>94</sup> There will be a particular focus on the low skilled and on addressing skills shortages.
406. By developing a skilled and adaptable workforce, this priority will help to improve productivity, innovation, enterprise and competitiveness. It will help workers to develop the skills needed by business in a knowledge-based economy. By focusing on those who lack basic skills and level 2 qualifications, this priority will also promote sustainable employment and social inclusion. By improving the qualifications of low skilled and part-time women workers, it will help to promote gender equality and reduce gender gaps in the

<sup>93</sup> Lloyd et. al., Measuring Soft Outcomes and Distance Travelled, A Practical Guide and Existing Models, DWP Report, 2003

<sup>94</sup> As set out in Section 2.3.4, ESF funding (i.e. the EU financial contribution to the Operational Programme) will support additional activity at level 2 that would not otherwise be funded by the level 2 entitlement.

workforce.

407. Priority 2 addresses Article 3.1 .a of the ESF Regulation:

*'increasing adaptability of workers, enterprises and entrepreneurs, with a view to improving the anticipation and positive management of economic change'*

### **3.3.2 Indicative activities**

408. Workers who do not possess qualifications up to level 3 (or who need to update their qualifications and skills) will be eligible for support, in any sector or any size of establishment. There will be a particular focus on: workers without basic skills; workers who do not have level 2 qualifications relevant to their current occupation; and men and women who want to enter non-traditional occupations. Most of the participants will be employed. In certain circumstances, people who are not employed will also be eligible for support within Priority 2 in order to address individual skills needs and specific skills shortages, where it would be unreasonable and inflexible to exclude their participation. However, skills provision to tackle barriers to work and improve the employability of unemployed and inactive people will be supported through Priority 1.

409. Training will be supported at level 3 where there is market failure, for example where there are skills shortages, in small and medium sized enterprises (up to 250 employees) and among women and ethnic minorities where they are under-represented. Regional ESF frameworks will identify the sectors in which the programme will support training at level 3, taking account of the work of Sector Skills Councils and Sector Skills Agreements.

410. Managers and workers in small enterprises (up to 50 employees) will be eligible for support at any level, including level 4 and above, regardless of the level of qualification they currently hold.

411. ESF funding within Priority 2 will be targeted in particular at people who are least likely to receive training (such as workers in sectors with weak training records and part-time workers) and at people at a disadvantage in the workplace (such as people with disabilities or health conditions, people aged over 50 and people from ethnic minorities). Activities should be designed to respond to the specific needs of participants with disabilities or health conditions, older workers, participants from ethnic minorities and women. The Equal Opportunities Commission's interim report on the availability of flexible working arrangements highlights the strong business case for flexible working and training arrangements.<sup>95</sup> Flexibility improves employer-employee relationships, promotes employee retention and helps promote business growth through better productivity as well as

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<sup>95</sup> Equal Opportunities Commission, Working Outside the Box, January 2007  
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supporting individual progression.

412. Activities may be delivered by public, private or third sector providers. Providers should be encouraged to engage with employers to ensure that provision addresses current and forecast skills needs. Provision should both match the skills needs of business and enable individuals to make progress in the labour market. Training courses funded by the programme should offer the possibility of gaining a qualification.

413. Activities will include:

- activities to support access to and provision of apprenticeships;
- Skills for Life including the basic skills of literacy, numeracy and English for Speakers of Other Languages, and ICT skills;
- activities to support access and progression from foundation level up to level 3;
- training leading to level 2 qualifications (especially for those without current or relevant level 2 qualifications, part-time workers and workers in sectors with weak training records);
- training leading to level 3 qualifications in sectors where there are skills shortages at level 3, in small and medium sized enterprises (up to 250 employees), and for women and ethnic minorities in sectors and occupational areas where they are under-represented at level 3;
- lifelong learning and vocational training for low skilled and low paid women workers to improve their progression;
- training, mentoring and supporting men and women in occupations or sectors where their gender is underrepresented, in order to tackle gender segregation;
- training older workers in order to update their qualifications and skills and prolong their working lives;
- training for workers who face redundancy or have been made redundant;
- training in ICT and e-learning skills;
- skills for entrepreneurship, self-employment and social enterprise;
- training in environmental management and protection skills and in eco-friendly technologies, including training which supports renewable energy sectors, energy efficiency and recycling;
- initiatives by the social partners to promote lifelong learning and skills

in the workplace;

- initiatives to ensure the supply of skills is relevant to employers' needs; and
- training of childcare and other care workers.

414. There will be limited scope to support higher level activity including:

- activities to prepare people from disadvantaged groups to access Higher Education (but not Higher Education provision itself);
- training trainers in the public, private or third sector (at any level including level 4 and above) to deliver basic skills and other provision;
- lifelong learning and training for managers and workers (at any level including level 4 and above) in small enterprises (up to 50 employees), including training and development in leadership, management, enterprise and technical skills needed for sustainable business development, business growth, innovation and productivity.

415. The phasing-in areas of Merseyside and South Yorkshire will be able to complete activities from their 2000-2006 Objective 1 programmes that are eligible for Regional Competitiveness and Employment ESF funding in 2007-2013. These activities will include indicative activities in section 3.3.2. They will also include lifelong learning, training and development activities, at any level, for managers and workers in medium-sized enterprises (as well as small enterprises) of up to 250 employees. As Objective 1 contracts cannot be extended, new contracts will be needed for the continuing activities. The continuing activities must be completed by 2010 when the transitional phasing-in funding finishes.

416. Priority 2 activities will support Community Strategic Guidelines 1.3.2 (Improving adaptability of workers and enterprises and the flexibility of the labour market) and 1.3.3 (Increasing investment in human capital through better education and skills), and National Strategic Reference Framework ESF Priority 2 (Developing a skilled and adaptable work force). In respect of the references to anticipation and change, positive management of economic restructuring and adequate support services for workers in Guideline 1.3.2, Priority 2 will help workers to develop the skills needed by business in an increasingly knowledge-based economy. It will promote the supply of skills to meet current and forecast skills needs in the economy. It will therefore help businesses and individuals adapt to and anticipate economic change and sectoral restructuring. Regional ESF frameworks will identify sectoral skills priorities for regional economic development. Priority 2 activities will also support National Reform Programme paragraphs 3.63 to 3.81 (Investment in skills).

### 3.3.3 Targets and indicators

417. The target of Priority 2 is to develop a skilled and adaptable workforce by helping more people gain basic skills and qualifications as a result of the programme's interventions. There are a small number of output and results indicators to measure the overall performance of Priority 2. Some of these indicators have quantified targets.

418. Output indicators with targets are:

- total number of participants;
- participants with basic skills needs;
- participants without level 2 qualifications;
- participants without level 3 qualifications;
- participants with disabilities or health conditions;
- participants aged over 50;
- participants from ethnic minorities; and
- female participants.

419. Output indicators which do not have quantified targets are:

- participants in managerial positions;
- female participants in part-time work.

Participation by employees of small enterprise will be examined in follow-up surveys.

420. Results indicators with targets are:

- participants who gained basic skills;
- participants who gained level 2 qualifications; and
- participants who gained level 3 qualifications.

421. Results indicators which do not have quantified targets are:

- participants who gained units or modules of level 2 qualifications;
- participants who gained units or modules of level 3 qualifications;
- participants who gained level 4 or above qualifications;
- participants who gained units or modules of level 4 or above

qualifications;

- female participants who gained basic skills;
- female participants who gained level 2 qualifications;
- female participants who gained level 3 qualifications;
- female participants who gained level 4 or above qualifications;
- female participants who gained units or modules of qualifications;
- participants with disabilities or health conditions who gained basic skills;
- participants with disabilities or health conditions who gained qualifications;
- participants with disabilities or health conditions who gained units or modules of qualifications;
- participants aged 50 or over who gained basic skills;
- participants aged 50 or over who gained qualifications;
- participants aged 50 or over who gained units or modules of qualifications;
- ethnic minority participants who gained basic skills;
- ethnic minority participants who gained qualifications;
- ethnic minority participants who gained units or modules of qualifications;
- part-time female workers who gained basic skills;
- part-time female workers who gained qualifications; and
- part-time female workers who gained qualifications.

422. Annex A describes and quantifies the targets. Additional information on participants which is available through the Management Information system (such as gender) but not reported against on a regular basis could be provided on the request of the Programme Monitoring Committee.

423. These are indicators for the priority as a whole. They recognise that for some participants the outcome will be a qualification, but that for others the outcome will be engagement in education or training. As under Priority 1, providers will be encouraged to record 'soft outcomes' such as improved time-keeping or self-confidence.

424. Most of the indicators will be measured through monitoring data collected from projects. Some of the indicators, such as those on the status of participants six months after leaving projects and on part-time female workers, will be measured by data collected in follow-up surveys of samples of participants. Follow-up surveys and evaluation studies will also examine progress of participants over longer periods such as one year after leaving. They will examine issues such as whether participants who have improved their qualifications and skills have progressed to higher level and higher paid work. They will also examine the quality of provision including whether it is demand-led, meets the needs of individuals and employers, and contributes to business performance. They will also be able to examine target groups and activities not covered by the indicators if appropriate.

### **3.4 Priority Axis 3: Technical assistance (Regional Competitiveness and Employment Objective)**

425. Technical assistance funds will be available to finance the preparatory, management, monitoring, evaluation, information and control activities of the Operational Programme, together with activities to reinforce the administrative capacity for implementing the funds, at national and regional levels. This will include the programme's publicity and communication strategy, support for the cross-cutting themes of gender equality and equal opportunities and sustainable development, the development and implementation of programme monitoring and evaluation systems, and where appropriate support for the delivery of transnational and inter-regional activity. Technical assistance will also be available to third sector networks to support participation by voluntary and community organisations in the programme.

### **3.5 Priority Axis 4: Tackling barriers to employment (Convergence Objective)**

#### **3.5.1 Objective**

426. The objective of Priority 4 is to increase employment and to reduce unemployment and inactivity. It will help to tackle barriers to work faced by disadvantaged groups such as people with disabilities or health conditions, lone parents and other disadvantaged parents, older workers, ethnic minorities, and people with no or low qualifications. It will also help young people make a successful transition to the world of work, in particular those not in education, employment or training (NEET), or at risk of becoming NEET.
427. By tackling and preventing worklessness, this priority will help to improve social inclusion and social mobility. In particular, by helping



unemployed and inactive parents to enter sustainable jobs and make progress at work, it will help to alleviate child poverty.

428. This priority will also contribute to the skills strategy, by helping unemployed and inactive people to gain the skills they need for employability and to make progress in the workplace.

429. Priority 4 addresses both Article 3.1.b and Article 3.1.c of the ESF Regulation:

*‘enhancing access to employment and the sustainable inclusion in the labour market of job seekers and inactive people, preventing unemployment, in particular long-term and youth unemployment, encouraging active ageing and prolonging working lives, and increasing participation in the labour market’ (Article 3.1.b); and*

*‘reinforcing the social inclusion of disadvantaged people with a view to their sustainable inclusion in employment and combating all forms of discrimination in the labour market’ (Article 3.1.c).*

### **3.5.2 Indicative activities**

430. Priority 4 supports activities to enhance access to employment and sustainable inclusion in the labour market of unemployed, under-employed and inactive people, and to prevent unemployment for people under threat of redundancy. Unemployed, under-employed (including seasonal workers), inactive people and people under threat of redundancy will be eligible for support within this priority. There will be a particular focus on: people with disabilities or health conditions; lone parents and other disadvantaged parents; older workers; people from ethnic minority groups; young people not in education, employment or training (NEET) or at risk of becoming NEET; people with drug and alcohol dependency problems; carers; women seeking to return to the labour market; offenders and ex-offenders; and homeless people. People who have made the transition from unemployment or inactivity to work will also be eligible for support regardless of employment sector or size of establishment.

431. Activities should help participants to gain skills for employability, overcome barriers to employment, enter and retain work, and make progress in the workplace. They will prevent unemployment and long-term benefit dependency through early interventions as well as focus on the re-integration of people who are most distanced from the labour market.

432. Activities will include both employment and skills measures to help participants improve their employability and enter jobs. As in Priority 1, activities will also help those entering jobs to sustain their employment and make progress at work where they need support to integrate into the workplace. In these circumstances, training and other employment-related support tailored to individual needs may

continue after participants have entered jobs.

433. Activities will also help to retain in employment older workers and workers who have, or who develop, disabilities and health conditions. These activities will provide support to prevent workers becoming unemployed or inactive because of age, disability or a health condition. They will not duplicate activities to update the skills of older workers which will be supported within Priority 5.
434. Activities should be designed to respond to the specific needs of participants with disabilities or health conditions, older workers, participants from ethnic minorities and women. Some participants will experience multiple disadvantage, for example older workers with a disability may face barriers related both to their age and disability. Project providers should take such multiple disadvantage into account when assessing the needs of participants, and when they are designing and delivering activities. Providers should work with employers to help integrate people with disabilities and ethnic minorities into the workplace.
435. Activities may be delivered by public, private or third sector providers. Third sector organisations are particularly well placed to engage people who are excluded from or at a disadvantage in the labour market. Providers will be encouraged to engage with employers to ensure that provision both matches the skills needs of business and enables individuals to access, and make progress in, the labour market.
436. Activities will include:
  - activities to provide appropriate and bespoke support to particular groups who may be disadvantaged in the labour market such as:
    - people with disabilities and health conditions;
    - older workers;
    - lone parents, Jobseekers' Allowance recipients with children, and other disadvantaged parents;
    - women;
    - people from ethnic minorities; and
    - offenders and ex-offenders.
  - active and preventative measures which ensure early identification of needs, with individual action plans and personalised support including:
    - activities focused on people under threat of redundancy;
    - workplace initiatives to prevent long-term sickness absence and worklessness; and

- early interventions and activities to prevent long-term benefit dependency;
  - pre and post-employment skills activities including basic literacy and numeracy skills, ICT skills, financial literacy, employability and life skills, English for Speakers of Other Languages and vocational skills;
  - pre-vocational and access training where this is part of a pathway to employability;
  - small grants for voluntary and community organisations to support their capacity to mobilise unemployed and inactive people who are disadvantaged or excluded and to facilitate their integration into the labour market ('ESF community grants');<sup>96</sup>
  - activity to tackle linked and complex causes of worklessness and barriers to employment including those relating to community safety, health, homelessness and education where this activity is clearly linked to economic progression;
  - activities to help disadvantaged people who persistently return to Jobseekers' Allowance, address barriers to their retention in sustainable employment;
  - sector based and demand led routeways to work that overcome skills shortages and recruitment difficulties;
  - work experience, work tasters and supported employment programmes;
  - activities that focus on the transition to work (for example, money management, childcare and transport);
  - post-employment support, mentoring and after-care activities for both employees and employers, regardless of sector and size of company;
  - jobsearch training, advice and support; and
  - advice and support for self-employment, business creation and social enterprise.
437. Activities will support initiatives specific to Cornwall and the Isles of Scilly including:
- Pathways to Employment programmes focused on the re-integration of people and groups who are most distanced from the labour market and have the most severe or complex barriers to employment;

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<sup>96</sup> Known as Global Grants in the 2000-2006 programme.  
Version: Amended OP 2011

- the development of multi-agency partnerships to facilitate and deliver Pathways to Employment and other relevant activities such as links between health and employment organisations to support people on health related benefits to progress towards and move into work;
  - Community Development activity to identify, engage and support disadvantaged jobless individuals and groups where this is clearly linked to a pathway to employment or other progression activity; and
  - activities that link to specific regeneration initiatives, including ERDF funded projects to ensure residents can take advantage of the jobs and opportunities that arise from the regeneration of their areas.
  - capacity development to support all-age adult information, advice and guidance services;
  - activities that support individuals to enter sustainable employment by provision of pre-employment training that meets skills development needs as identified by employers in growth sectors; and
  - activities that support youth entrepreneurship and business start-up.
438. Activities to prepare young people for working life, in particular 14 to 19 year olds not in education, employment or training (NEET) or at risk of becoming NEET will include:
- initiatives to reform vocational routes for, and develop vocational skills among, 14 to 19 year olds, including developing the vocational curriculum to improve employability;
  - initiatives to help raise awareness of the world of work, enterprise and entrepreneurship among young people (from age 14), including work experience placements;
  - activities to engage 14 to 19 year olds not in education, employment or training, tackle their barriers to learning, and help them access mainstream provision;
  - activities, including vocational training and preventative work, for young people at risk of becoming NEET to provide pathways to employment; and
  - activities to reduce youth unemployment by developing the employability and skills of young people.
439. Priority 4 activities will complement relevant economic activities within the Cornwall and Isles of Scilly Convergence ERDF programme. The

ERDF Programme will help create a range of new and additional jobs, relevant to all sections of the workforce. ESF Priority 4 will increase the supply of labour available to fill these jobs by increasing participation by workless people, particularly from disadvantaged groups. The Cornwall and Isles of Scilly ESF framework will identify the complementarity between ESF worklessness activities and ERDF job creation activities. The performance of these activities will be monitored by the joint ERDF/ESF Convergence committee.

440. Priority 4 activities will support Community Strategic Guidelines 1.3.1 (Attracting and retaining more people in employment and modernising social protection systems) and 1.3.2 (Improving adaptability of workers and enterprises and the flexibility of the labour market), and National Strategic Reference Framework ESF Priority 1 (Tackling barriers to employment). They will also support National Reform Programme paragraphs 4.1 to 4.48 (Increasing employment opportunity for all).

### **3.5.3 Targets and indicators**

441. The target of Priority 4 is to tackle barriers to employment in Cornwall and the Isles of Scilly by helping more people enter employment or engage in activity leading to employment, particularly disadvantaged groups, as a result of the programme's interventions. Priority 4 performance will be measured using the same targets and indicators as Priority 1 at section 3.2.3. The Priority 4 targets are quantified at annex A.

## **3.6 Priority Axis 5: Improving the skills of the local workforce (Convergence Objective)**

### **3.6.1 Objective**

442. The objective of Priority 5 is to help deliver the learning and skills vision in the Cornwall and Isles of Scilly Strategy and Action Review 2006: 'To help all people in Cornwall achieve the highest levels of skills and qualifications they can in order to enable them to find jobs and improve their chances of career progression'. It will support the following strands of the strategy:
- Adult Learning and Skills – increasing choice and access to learning and skills training for adults (19+).
  - Workforce Development – raising workforce and business skills at all levels across all sectors in Cornwall to match the best in the UK. This will include joint actions with social partners to engage employers and support employees in learning and training.
  - Higher Education and Skills – increasing the number of HE

students enrolled at the Combined Universities in Cornwall and increasing the take-up of higher skills training by those in employment.

443. In addition, progression routes for learners are a key part of Cornwall's strategy, including progression into mainstream learning and from mainstream to further learning.
444. Priority 5 addresses Article 3.1 .a of the ESF Regulation:

*'increasing adaptability of workers, enterprises and entrepreneurs, with a view to improving the anticipation and positive management of economic change'*

### **3.6.2 Indicative activities**

445. Priority axis 5 supports activities to improve the skills of the workforce in Cornwall.
446. Workers who do not possess qualifications up to level 3, or who need to update their qualifications and skills, will be eligible for support, in any sector or any size of establishment. There will be a particular focus on: workers without basic skills; workers who do not have level 2 qualifications relevant to their current occupation; and men and women who want to enter non-traditional occupations. Most of the participants will be employed. In certain circumstances, people who are not employed will also be eligible for support within Priority 5 in order to address individual skills needs and specific skills shortages, where it would be unreasonable and inflexible to exclude their participation. However, skills provision to tackle barriers to work and improve the employability of unemployed and inactive people will be supported through Priority 4.
447. Training will be supported at level 3 and above where there is market failure, for example where there are skills shortages, in small and medium sized enterprises (up to 250 employees), among women and ethnic minorities where they are under-represented, and in support of Cornwall's strategy for higher education and skills. Managers and workers in small enterprises (up to 50 employees) will be eligible for support at any level, including level 4 and above, regardless of the level of qualification they currently hold.
448. ESF funding within Priority 5 will be targeted in particular at people who are least likely to receive training (such as workers in sectors with weak training records and part-time workers) and at people at a disadvantage in the workplace (such as people with disabilities or health conditions, people aged over 50 and people from ethnic minorities). Activities should be designed to respond to the specific needs of participants with disabilities or health conditions, older workers, participants from ethnic minorities and women. Activities may be delivered by public, private or third sector providers. Providers

should be encouraged to engage with employers to ensure that provision addresses current and forecast skills needs. Provision should both match the skills needs of business and enable individuals to make progress in the labour market. Training courses funded by the programme should offer the possibility of gaining a qualification.

449. Activities will include:

- activities to support access to and provision of apprenticeships;
- Skills for Life activity for employees including the basic skills of literacy, numeracy and English for Speakers of Other Languages, and ICT skills;
- activities to support access and progression from foundation level up to level 3;
- training leading to level 2 qualifications (especially for those without current or relevant level 2 qualifications, part-time workers and workers in sectors with weak training records);
- training leading to level 3 qualifications in sectors where there are skills shortages at level 3, in small and medium sized enterprises (up to 250 employees), and for women and ethnic minorities in sectors and occupational areas where they are under-represented at level 3;
- lifelong learning and vocational training for low skilled and low paid women workers to improve their progression;
- training, mentoring and supporting men and women in occupations or sectors where their gender is underrepresented, in order to tackle gender segregation;
- training older workers in order to update their qualifications and skills and prolong their working lives;
- training for workers who face redundancy or have been made redundant;
- training in ICT and e-learning skills;
- training in environmental management and protection skills and in eco friendly technologies, including training which supports the renewable energy sectors, energy efficiency and recycling;
- support for workers' career development to enable a portfolio of skills and qualifications to be developed at all levels (for example, a second level 2 or 3 in different skills areas);

- initiatives by the social partners to promote lifelong learning and skills in the workplace;
- initiatives to ensure the supply of skills is relevant to employers' needs;
- training of childcare and other care workers;
- training trainers in the public, private or third sector (at any level including level 4 and above) to deliver basic skills and other provision; and
- lifelong learning and training for managers and workers (at any level including level 4 and above) in small enterprises (up to 50 employees), including training and development in leadership, management, enterprise and technical skills needed for business development, business growth innovation and productivity.

450. The indicative activities above are the same as those in Priority 2. Priority 5 will also support activities to contribute to the strategy for Higher Education and skills in Cornwall and the Isles of Scilly. These activities reflect the wider range of activities and higher intensity of funding available in the Convergence Objective. They will address the skills needs of business and individuals in the Cornish economy. They will not support core Higher Education provision. Activities will include:

- research where related to the knowledge economy, labour market and human capital linked to employment and skills needs now and in the future including activities that support training of researchers and post-graduate studies;
- graduate placement programmes within small and medium sized enterprises to support business growth and increase the numbers of graduates employed in Cornwall, including those from disadvantaged groups;
- developing employer demand-led provision that meets key skill and key sector needs at level 4 and above;
- developing and improving pathways from level 3 vocational programmes to foundation degrees and beyond, including curriculum development where linked to vocational studies that meet business needs, current and emergent;
- increasing access for all to Higher Education provision (particularly for part-time employees, older and migrant workers) via innovative access routes including modular and bespoke courses, e-learning, local delivery and other flexible, blended methods of delivery where linked to vocational studies that meet business needs, current and emergent;



- raising the level of technical skills for those in employment to meet existing and potential sector skills shortages (including environmental skills needed for sustainable business development and growth); and
  - support for access to Higher Education modules available outside of Cornwall where no provision exists in Cornwall to meet business demand.
451. As required by the ESF Regulation, an appropriate amount of the ESF Convergence allocation will be available for social partner capacity-building activities, which can include training, networking measures, strengthening the social dialogue and activities jointly undertaken by the social partners. It is envisaged that this amount will be 2% of the ESF resources for Priority 5. This will enable social partners to contribute to the delivery of Convergence ESF activities and outcomes. Joint actions with the social partners, particularly employers' organisations and trade unions, will be encouraged to ensure that this is achieved. These are likely to include activities to provide better access to training and development in the local workforce, and the support and development of social enterprises. These activities will be delivered through Co-financing as specific tender specifications. Further information will be set out in the Cornwall and Isles of Scilly ESF framework, including on any differentiation of capacity building and joint activities.
452. Priority 5 activities will complement relevant economic activities within the Cornwall and Isles of Scilly Convergence ERDF programme. The ERDF Programme will help create a range of new and additional jobs, relevant to all sections of the workforce. ESF Priority 5 skills activity has a key role to play in helping companies to realise plans to improve productivity and increase employment. This is particularly important at level 3 and above, including up-dating the skills of the current workforce. ESF support has been identified as crucial in taking forward innovation and research and development as well as the plans of high growth companies. The Cornwall and Isles of Scilly ESF framework will identify the complementarity between ESF workforce development activities and ERDF job creation and business growth activities. The performance of these activities will be monitored by the joint ERDF/ESF Convergence committee.
453. Priority 5 activities will support Community Strategic Guidelines 1.3.2 (Improving the adaptability of workers and enterprises and the flexibility of the labour market) and 1.3.3 (Increasing investment in human capital through better education and skills), and National Strategic Reference Framework ESF Priority 2 (Improving the skills of the local work force). They will also support National Reform Programme paragraphs 3.63 to 3.81 (Investment in skills).

### **3.6.3 Targets and indicators**

454. The target of Priority 5 is to improve the skills of the workforce in Cornwall and the Isles of Scilly by helping more people gain basic skills and qualifications as a result of the programme's interventions. Priority 5 performance will be measured against the same targets and indicators as Priority 2 at section 3.3.3. It will also have additional indicators to measure the contribution of the additional higher level activity in the Convergence Objective. The Priority 5 targets are quantified at annex A.
455. The Convergence higher level output indicators with targets are:
- participants without level 4 qualifications;
  - participants undertaking post-graduate research training; and
  - graduates placed within small and medium-sized enterprises
456. The Convergence higher level results indicators with targets are:
- participants who gained level 4 qualifications;
  - participants who gained level 5 or above qualifications; and
  - graduates placed within small and medium-sized enterprises who gain employment.

## **3.7 Priority Axis 6: Technical assistance (Convergence Objective)**

457. Technical assistance funds will be available to finance the preparatory, management, monitoring, evaluation, information and control activities of the Operational Programme, together with activities to reinforce the administrative capacity for implementing the funds. This will include the programme's publicity and communication strategy, support for the cross-cutting themes of gender equality and equal opportunities and sustainable development, development and implementation of programme monitoring and evaluation systems, and where appropriate support for the delivery of transnational and inter-regional activity. Technical assistance will be available to third sector networks to support the participation of voluntary and community organisations in the programme. In the Convergence Objective, technical assistance will also be used to invest in administrative capacity to facilitate programme delivery and strengthen capacity in impact analysis and evaluation, including supporting the implementation of the programme in such a way that it is aligned with the Local Area Agreement for Cornwall where appropriate.



## 4. IMPLEMENTATION

### 4.1 Introduction

458. This chapter sets out how the programme will be implemented. It includes information required by the EU Regulations on the Structural Funds.<sup>97</sup> Unless otherwise stated the provisions of this chapter apply to both the Convergence Objective and the Regional Competitiveness and Employment Objective.

### 4.2 Designation of authorities

#### 4.2.1 Managing Authority

459. The Managing Authority will be the European Social Fund Division of the Department for Work and Pensions. Some of the Managing Authority functions will be carried out by staff located at the head office of the Managing Authority, whilst other functions will be carried out by staff located in each of the nine Government Offices for the regions. The Managing Authority will delegate functions in Gibraltar to the Government of Gibraltar as an Intermediate Body. The Government of Gibraltar will be responsible for ESF in Gibraltar. The Managing Authority may delegate some functions to the Mayor of London as an Intermediate Body. The Managing Authority may also wish to delegate some functions to public bodies in the phasing-in areas of Merseyside and South Yorkshire to act as Intermediate Bodies for ESF activities that cannot be delivered through Co-financing. Any such arrangements will be agreed with the European Commission in advance. The Managing Authority may also delegate verifications on-the-spot of individual operations to an Intermediate Body.
460. The Managing Authority will be responsible for:
- ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply, for their whole implementation period, with applicable Community and national rules;
  - verifying that the co-financed products and services are delivered

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<sup>97</sup> Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999; Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999. Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006.

and that the expenditure declared by the beneficiaries<sup>98</sup> for operations has actually been incurred and complies with Community and national rules (verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with detailed rules adopted by the Commission);

- ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the operational programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- ensuring that evaluations of the operational programme are carried out according to Council Regulation 1083/2006;
- setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Council Regulation 1083/2006;
- ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- guiding the work of the Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;
- drawing up and, after approval by the Monitoring Committee, submitting to the Commission the annual and final implementation reports; and
- ensuring compliance with information and publicity requirements.

Within twelve months of the approval of the Operational Programme a description of the systems, organisation and procedures of the Managing Authority will be produced in accordance with Article 71 of Council Regulation (EC) No 1083/2006.

#### **4.2.2 Certifying Authority**

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<sup>98</sup> Council Regulation 1083/2006 defines a 'beneficiary' as 'the operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations'. Co-financing Organisations are beneficiaries. Individual participants are not 'beneficiaries' under this definition.

461. The Certifying Authority will be the European Social Fund Division of the Department for Work and Pensions. Within the European Social Fund Division, functional responsibilities for Managing Authority and Certifying Authority work will be distinct and part of separate management structures to ensure the Certifying Authority operates independently from the Managing Authority.
462. The Certifying Authority will be responsible for:
- drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
  - certifying that:
    - the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
    - the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;
  - ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and on-the-spot verifications carried out in relation to expenditure included in statements of expenditure;
  - taking account for the purposes of certification of the results of all audits carried out by or under the responsibility of the Audit Authority;
  - maintaining accounting records in computerised form of expenditure declared to the Commission; and
  - keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union, prior to the closure of the operational programme by deducting them from the next statement of expenditure.

The Certifying Authority will be responsible for reporting and monitoring irregularities and for the recovery of amounts unduly paid in accordance with Article 58 of Council Regulation (EC) No 1083/2006.

Within twelve months of the approval of the Operational Programme a description of the systems, organisation and procedures of the Certifying Authority will be produced in accordance with Article 71 of Council Regulation (EC) No 1083/2006.

463. The programme will respect Regulations (EC) Nos. 2988/95 and

2185/99 on the protection of the European Communities' financial interests.

#### **4.2.3 Audit Authority**

464. The Audit Authority will be Risk Assurance Division (RAD) within the Department for Work and Pensions (DWP). RAD is separate and independent from the Managing Authority and provides an internal audit function for DWP.
465. The Audit Authority will be responsible for:
- ensuring that audits are carried out to verify the effective functioning of the management and control systems of the operational programme;
  - ensuring audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
  - presenting to the Commission within nine months of the approval of the programme an audit strategy covering: the bodies which will perform the audits referred to in the two bullets above; the methods to be used; the sampling method for audits on operations; and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period;
  - by 31 December each year from 2008 to 2015:
    - submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month period ending on 30 June of the year concerned in accordance with the audit strategy of the operational programme and reporting any shortcomings found in the systems for the management and control of the programme. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration;
    - issuing an opinion, on the basis of the controls and audits that have been carried out under the responsibility of the Audit Authority, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;
    - submitting, where applicable, a declaration for partial closure

assessing the legality and regularity of the expenditure concerned;

- submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report; and
- ensuring that audit work takes account of internationally accepted standards.

Within twelve months of the approval of the Operational Programme a description of the systems, organisation and procedures of the Audit Authority will be produced in accordance with Article 71 of Council Regulation (EC) No 1083/2006.

466. A description of the systems, organisation and procedures of the Managing, Certifying and Audit Authorities and of the Intermediate Bodies will be submitted to the European Commission within twelve months of the approval of the Operational Programme.

## **4.3 Monitoring and evaluation systems**

### **4.3.1 Monitoring**

467. The Managing Authority will establish monitoring systems that comply with the requirements of EU regulations and that provide management information for the effective performance management of the programme.
468. Performance monitoring systems will build on existing practice with the overriding aim of introducing greater simplification to reflect the new streamlined ESF programme arrangements. Consistent with this approach will be the intention to provide a more transparent link between beneficiary management information and funding, so as to demonstrate unit costs and value for money.
469. The limitations of the 2000-2006 monitoring arrangements have been assessed and will inform the establishment of the new monitoring system. The current system captures more than 1,300 items of management information and this represents a significant burden on projects. The large quantity of information collected has not always led to a more in-depth analysis or greater understanding of the performance of the current programme. The capacity of the current management information system to analyse cross cuts of data is limited despite a number of enhancements to improve the position in recent years.
470. The key change and improvement proposed for the new monitoring



system will be that information relating to ESF participants will be reported to the Managing Authority at individual level rather than at an aggregate project level as is the case at present. It is proposed to take this information from the relevant Co-financing Organisations' (CFOs) individual databases, taking into account data protection requirements. Wherever possible, ESF and CFO information requirements will be aligned. The principle of 'capture once and use many times' will be central to the new programme so that providers and CFOs are not required to submit data to different organisations and in different ways using different systems. Monitoring arrangements will have sufficient flexibility to be able to report at different time periods i.e. quarterly, annual and cumulative timescales.

471. An effective system of performance indicators aligned with EU and national priorities will be established. This will include a limited number of indicators for outputs and results to measure the performance of the programme and its priorities, as set out in chapter 3 and annex A. The use of indicators is important in monitoring key aspects of the programme. Building on the experience of the 2000-2006 period, there will be fewer more soundly based indicators. Indicators will be based on in period information and not, as in 2000-2006, on cumulative information. The Managing Authority will also monitor performance against the achievement of financial N+2 targets, and will report on the financial implementation of the programme in the annual and final implementation reports.
472. Management information systems will provide core data on a regular, timely and consistent basis over the length of the programming period. The aim will be to enable the Managing Authority, Programme Monitoring Committee, sub-committees and regional committees to monitor programme performance and results, and take remedial action where necessary. The management information provided will enable analysis of programme performance at various levels of programme delivery in terms of geographical area and participant characteristics and so provide essential information to key stakeholders. Where appropriate statistics will be broken down by gender.
473. A set of core management information requirements for ESF and co-financed activity will:
  - enable measurement of progress towards the achievement of output and result indicators at priority axis level;
  - provide information to monitor the financial implementation of the programme;
  - provide programme performance measures, including equality issues, for the Managing Authority, Monitoring Committee, sub-committees and regional committees;
  - support the preparation of annual and other reports on programme

performance;

- allow the transfer of data from the Managing Authority to the Commission as required in Annex 23 of Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006; and
- contribute to the wider evaluation of the programme - where necessary, the core information requirement will be supplemented by other information such as follow-up surveys.

474. The Managing Authority will be responsible for ensuring that verification activity complies with Article 13 of the Commission's Implementing Regulation including the arrangements for on the spot checks of delivery and correctness of financial claims. The Managing Authority will develop a plan that co-ordinates activity between the Managing Authority at central and regional levels, and the Co-financing Organisations (CFO), including a risk based sampling framework, with the following elements:

- quarterly monitoring of each CFO by the Managing Authority to check delivery of the activities, outputs and results in the CFO plan;
- annual sample checks of CFO claims for payment, including both ESF and match funding; and
- on-the-spot verifications of a sample of projects by the Managing Authority, using the sampling methodology set out in the verification plan.

475. By using this co-ordinated approach, the audit trail from the project to the CFO and thence for inclusion on the CFO claim for reimbursement will be confirmed at each level. The Managing Authority will provide details of all verifications to the Certifying Authority.

### **4.3.2 Evaluation**

476. The evaluation system will build on existing practice and take into account guidance received from the European Commission. In line with Commission guidance the evaluation will be characterised as 'on-going'. This is a major difference to the 2000-2006 programme period where the evaluation strategy was geared towards two major evaluations required by EU regulations – the mid-term evaluation in 2003 and the update to the mid-term evaluation in 2005. In contrast the 'on-going' evaluation will be driven by the needs of the programme and will cover the whole programming period.

477. Following the adoption of the Operational Programme, the Managing Authority will commission the ESF Evaluation Team to produce an on-going evaluation strategy and plan, which covers both the

Convergence Objective and Regional Competitiveness and Employment Objective. The evaluation strategy and plan will follow a similar structure to that used in the 2000-2006 ESF programme, as this has been demonstrated to work well in terms of producing substantial, high quality evaluation evidence. The evaluation of the 2007-2013 programme will be based on a bottom-up approach which will focus on assessing the impact of ESF supported interventions on the individuals who have received support. Three main tools will be used in the evaluation of the 2007-2013 programme:

- Information based on administrative monitoring data. This will be used to examine programme performance and consider achievements such as participants' outcomes.
- Cohort surveys of individuals. A sample of participants will be contacted during and after leaving projects. These surveys will provide information on participants' views of the support they receive and on sustainability of outcomes. The surveys will be based on two cohorts. The first set of participants will be studied in 2009 with a follow-up in 2010 and the second set of participants will be studied in 2012 with a follow-up in 2013. The follow-ups in 2010 and 2013 will provide the data to report on the targets and indicators at annex A that are not measured through the Management Information system.
- Ad hoc research into emerging issues. These projects will focus on specific themes of importance to the programme, such as gender equality and equal opportunities. They may also include assessments of socio-economic changes in the programme environment and changes in Community, national or regional priorities.

These evaluation tools and assessments of impact will apply to the whole of the programme, including both Community and national funded activities and participants. They will apply to both the Regional Competitiveness and Employment Objective and Convergence Objective. In addition, specific studies will be commissioned to evaluate Convergence ESF, in co-operation with the partnership in Cornwall and the Isles of Scilly. These studies will include an evaluation of training for environmental capacity building in Priority 5.

478. The following issues will be examined by the evaluation strategy and plan during the first half of the programme after a significant amount of activity has been completed:

- the contribution and added value of the programme to EU, national and regional strategies;
- progression of ESF participants, including issues such as soft outcomes, sustainability and quality of employment;

- the acquisition of modules or units of qualifications and other positive results by Priority 2 and 5 participants who do not gain full qualifications;
- activities and target groups not covered by the indicators, including within Priorities 2 and 5 training of workers in sectors with poor training records and the number of small and medium-sized enterprises that benefit as a result of managerial skills training;
- the quality of ESF provision and its effects on systems and structures, including the extent to which it is demand-led, meets the needs of individuals and enterprises, and contributes to business performance;
- the gender equality and equal opportunities, and sustainable development cross-cutting themes.

The evaluation strategy will be updated for the second half of the programme to take account of possible changes in the socio-economic and policy environment.

479. Co-financing Organisations will keep the Managing Authority and ESF Evaluation Team updated on any relevant evaluation work they undertake on Community and national funded activities. Findings from such work may contribute to synthesis reports produced for the overall ESF evaluation strategy and plan.
480. The day-to-day management of the evaluation will be conducted by an analytical team (ESF Evaluation Team) which is based in the Department for Work and Pensions and which is functionally independent from the Managing Authority to ensure objectivity. The team will be responsible for analysis of monitoring and survey data, drafting reports, commissioning external evaluators to carry out specific research, and managing these evaluation and research projects. Individual research and evaluation projects will be commissioned through the DWP research framework agreement, established by open and competitive tendering, and conducted by independent evaluators. They will be guided by evaluation steering groups made up of a number of ESF partners. All research and evaluation reports will be published and made publicly available both as hard copies and on the DWP and Managing Authority websites.
481. The evaluation sub-committee of the Programme Monitoring Committee will consider the evaluation strategy and receive reports from the ESF Evaluation Team on the progress and results of evaluation activity. The ESF Evaluation Team will also report the results of evaluations to the Programme Monitoring Committee. The ESF Evaluation Team will share information on evaluation activities with other ESF operational programmes in the UK through the UK ESF Evaluation Standing Group.

## **4.4 Payment bodies**

### **4.4.1 Payments from the Commission**

482. The Department for Work and Pensions (DWP) will receive all payments made by the Commission. The money received will be routed through the Bank of England to DWP's accounts. Separate accounts are reserved for Community funds. These accounts do not bear interest.

### **4.4.2 Payments to projects**

483. The Managing Authority will pay the beneficiaries (Co-financing Organisations) on receipt of valid claims. Payment will be made to Co-financing Organisations which will be responsible for reimbursing their individual projects.

## **4.5 Financial flows**

484. The programme will build on and develop the Co-financing system which was introduced in 2000-2006. Co-financing has enabled public bodies such as the Learning and Skills Councils and Jobcentre Plus to manage ESF and public match funding together. This has led to a much more strategic approach to ESF delivery and ensures better alignment of ESF with EU and national employment and skills strategies. It has also made it simpler to access ESF by removing the requirement on applicants to supply their own match funding.
485. Existing Co-financing Organisations (CFO) will have to re-apply for selection as CFOs, which will include an assessment by the Managing Authority of previous performance as a CFO. If any other eligible organisation wishes to apply for CFO status, it will have to meet the same criteria relating to eligibility, capability and quality that were used in the 2000-2006 programme. Where part of the Department for Work and Pensions operates as a CFO, it will be functionally separate from the Managing Authority.
486. The Certifying Authority will make all payment claims to the European Commission. Interim and final claims will be derived from declarations of expenditure submitted by beneficiaries.
487. The Managing Authority will maintain systems to identify all receipts from the Commission and individual payments to beneficiaries. Procedures will be in place to ensure that EU regulations on prompt payments are complied with. The Managing Authority will be responsible for ensuring that the payments systems used have robust financial controls. Standards of probity and propriety consistent with those used for UK Government expenditure will be applied to the management of Community funds.

488. An outline of how flows of Community funds will work is as follows:
- The Managing Authority inputs to the ESF Programme Management System the interim claim expenditure declared by Co-financing Organisations (CFOs).
  - The Certifying Authority submits requests for payments to the Commission at programme level.
  - The Commission makes payments to the Managing Authority's DWP account.
  - The Managing Authority certifies and authorise payments to CFOs and carry out any recovery action necessary.
  - The Managing Authority makes payments to CFOs through its DWP BACS account.
  - Where the European Commission requests a refund, the Managing Authority will make the necessary payments.
489. CFOs will match ESF with domestic funding at the CFO level before contracting with project level delivery organisations. Match funding will be limited to a small number of eligible domestic programmes or budgets that are subject to procurement in line with EU and national requirements. There will be no in kind match funding under these arrangements. Examples of domestic programmes that may provide match funding in the early years of the Operational Programme are the New Deals, Entry to Employment and Train to Gain. The programmes that provide domestic match funding programmes may change during the lifetime of the Operational Programme as result of new policy developments.
490. The Managing Authority will provide CFOs with guidance on good practice, including on working with voluntary and community organisations. In all cases, procurement will comply with EU and national guidelines.
491. The vast majority of ESF provision in Priorities 1, 2, 4 and 5 will be delivered through Co-financing, except in exceptional circumstances in the Convergence and phasing-in areas, where Co-financing Organisations might not be able to deliver the full range of ESF activities. In such cases the Managing Authority will commission activity with specific providers and will contract directly with operations. Commissioned operations will be based on actual costs. In order to minimise risk there will be no in-kind match funding.
492. Small ESF grants for voluntary and community organisations will be delivered through Co-financing. This will overcome the problems of match funding that occurred under the 'Global Grant' mechanism in 2000-2006. Small grants will be known as 'ESF community grants'.

## 4.6 Publicity and information

493. The Managing Authority will be responsible for publicity and information in accordance with Council Regulation 1083/2006 and the Commission's Implementing Regulation. The Managing Authority will draw up a communication plan for the Operational Programme. The communication plan will include details of:
- the aims and target groups;
  - the strategy and content of the information and publicity measures to be taken aimed at potential applicants and the public;
  - the indicative budget for the implementation of the plan;
  - bodies responsible for the implementation of information and publicity measures and their respective roles; and
  - how the information and publicity measures will be evaluated.
494. The Managing Authority will send the plan to the Commission within four months of the adoption of the Operational Programme. The Managing Authority will inform the Programme Monitoring Committee of progress in implementing the plan. The Gibraltar Intermediate Body will operate a publicity strategy for Gibraltar in accordance with the Commission Implementing Regulation.

## 4.7 Exchange of computerised data

495. The Commission will establish a computer system to permit the secure exchange of data between the Commission and the Operational Programme authorities designated in section 4.2. The programme authorities will be involved in the development, and any major re-development, of that computer system. The computer system will be used to exchange information about the Operational Programme as set out in the Commission's Implementing Regulation.
496. The Commission and the programme authorities will ensure that the Community and national provisions on the protection of personal data are complied with. Information exchanged shall be covered by professional confidentiality and be protected in the same way as similar information is protected by the national legislation of the Member State.
497. In addition, information may not be used for any purpose other than that agreed between the programme authorities and the Commission, unless the Member State has given their express consent, and provided that the provisions in force in the Member State do not prohibit such use.
498. The computer system shall contain information of common interest to

the Commission and the programme authorities. An agreement will be reached with the Commission on the core data and the categorisation data that will be provided. The categories will not change during the life of the programme. The system will allow the transfer of data from the Managing Authority to the Commission as required in Annex 23 of Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006

- 499. Exchange of data and transactions shall be signed electronically in accordance with the relevant EU Directive. The Commission shall provide the arrangements for use of the electronic signature.
- 500. A document shall be regarded as having been sent to the Commission once it has been signed by the programme authority in the computer system. The Commission acknowledges that the date of receipt by the Commission shall be the date on which the programme authority sends the documents.
- 501. In cases of force majeure, particularly the malfunction of the computer system or the failure of a lasting connection, the programme authorities may forward information and documents to the Commission in hard copy.
- 502. The Commission will provide the technical specifications for the exchange of data and the programme authorities will develop its computer systems to meet those specifications.
- 503. The programme authorities will develop their computer systems to retain the data required for an audit of its ESF accounts.

## **4.8 Good governance and partnership**

### **4.8.1 Partnership principle**

- 504. The Operational Programme will be implemented in partnership with the European Commission and with appropriate authorities and bodies in accordance with national rules and practice. It has been developed in partnership with key stakeholders including Co-financing Organisations, relevant Government departments, social partners, equality commissions, Regional Skills Partnerships, Regional Development Agencies, local authorities and the third sector. Further information on the consultation exercise is at annex C. Partnership arrangements will continue as programme activity is prepared, implemented, monitored and evaluated.
- 505. The Managing Authority will encourage the participation of social partners in programme activities. It will also encourage participation and access by third sector organisations, particularly in projects that promote social inclusion, gender equality and equal opportunities. Third sector organisations have a particularly important role in reaching



people who are at a disadvantage in, or excluded from, the labour market. Where appropriate, technical assistance funds will be made available to third sector networks to support participation by voluntary and community organisations in the programme.

#### **4.8.2 National partnership**

- 506. A Programme Monitoring Committee (PMC) will be established to oversee the implementation of the programme. The PMC will undertake the tasks set out in Article 65 of Council Regulation 1083/2006 laying down general provisions on the funds. It will agree its own terms of reference and will be chaired by a representative of the Department for Work and Pensions. It will be assisted by a permanent secretariat responsible for the preparation of papers for discussion by the committee or for clearance by written procedure.
- 507. The PMC will reflect the principle of partnership. It will include representatives from Co-financing Organisations, the Government of Gibraltar, relevant UK Government departments, Government Offices, social partners, equality commissions, Regional Skills Partnerships, Regional Development Agencies, local authorities, the third sector and other national organisations with an interest in and contribution to make to the effective implementation of the Operational Programme. There will be specific representation for the Convergence priorities. The European Commission (DG Employment) will be invited to participate in the Monitoring Committee in an advisory capacity.
- 508. The PMC will have regional, equal opportunities, sustainable development, evaluation, and innovation and mainstreaming sub-committees, which will report on progress in these areas to the PMC on a regular basis.

#### **4.8.3 Regional partnerships and frameworks**

- 509. In the Regional Competitiveness and Employment Objective in England there will be one regional committee in each of the nine English regions. The regional committees will be sub-committees of the Programme Monitoring Committee. Where appropriate, regions will be encouraged to establish the regional ESF committees as joint committees with the European Regional Development Fund (ERDF).
- 510. Regional ESF committees will be responsible for endorsing CFO plans, considering CFO and regional performance reports, monitoring regional performance, and agreeing remedial action in the case of under-performance. Regional ESF committees will also oversee the cross cutting themes, innovation and publicity at regional level, and may establish sub-committees on these issues. Where there are joint ERDF and ESF committees there will be distinct agenda items to enable the joint committee to discharge its ESF responsibilities effectively.
- 511. Regional ESF committees will consist of representatives of the core

organisations that form the Regional Skills Partnership, as well as the wider partnership within the region, including third sector representatives, local authorities and the social partners where these are not core members of the Regional Skills Partnership. The Managing Authority will issue guidance about representation on regional ESF committees. The European Commission (DG Employment) will be invited to participate in regional committees, including joint ERDF and ESF committees, in an advisory capacity.

512. In the Convergence Objective, the national ESF PMC will be supported and advised on the performance and management of Convergence ESF by a committee of partners in Cornwall and the Isles of Scilly. This will be a joint committee which will be the Programme Monitoring Committee for the Convergence ERDF programme and the regional ESF committee for Convergence ESF funding. In relation to ESF, it will have similar responsibilities and a similar composition to the regional committees for the Regional Competitiveness and Employment Objective.
513. The Regional Skills Partnerships (RSPs) will have a leading role in the development of regional ESF frameworks. The RSPs bring together the key regional planning and funding stakeholders, including the Regional Development Agency, Small Business Service, Learning and Skills Council, Jobcentre Plus and the Skills for Business network. They have a strong employer focus and so can provide a demand-led focus.
514. Regional ESF frameworks will show how ESF can add value to existing regional strategies and plans, within the context of the national priorities and targets in the Operational Programme. They will help to ensure that ESF is consistent with and contributes to the delivery of Regional Economic Strategies. They may, for example, identify skills priorities so that ESF workforce development activity is targeted in key sectors for regional economic development. Regional ESF frameworks may also set out how ESF resources will be focused on specific disadvantaged groups, areas or communities. The frameworks will cover a three year period, but will be reviewed annually so that they remain relevant in the light of the spending review cycle and regional developments.
515. Regional ESF frameworks will provide the context, along with the Operational Programme, for CFOs to develop detailed ESF delivery plans. CFO plans will show how ESF will contribute to the achievement of regional skills and employment priorities. The RSP role will be strategic in developing, reviewing and updating regional ESF frameworks to ensure their continued relevance.
516. The Managing Authority will work with RSPs and provide guidance to ensure that frameworks are consistent with the Operational Programme, regional priorities and EU and national rules. Frameworks will reflect fully both the employment and skills dimensions of the Operational Programme. RSPs will be required to consult widely about the ESF framework with regional stakeholders, including third sector

representatives, local authorities and the social partners. The RSP Board will formally agree the framework.

517. The role of the RSPs will therefore be strategic. They will establish regional ESF frameworks, review them periodically and receive reports from the regional ESF committee on implementation to be assured that ESF is addressing the identified priorities. RSPs may provide feedback to the regional committees on these reports. Regional Skills Partnerships ceased to exist in 2010.
518. The regional strategies and committees in the North West and Yorkshire and the Humber will take account of the specific needs of the phasing-in areas of Merseyside and South Yorkshire. Partners from these regions will be engaged in the development of the programme to ensure that the needs of these sub-regions are adequately reflected in both the design and implementation of the programme.
519. In London the Mayor will have a leading role in developing the London ESF framework. This will be done in consultation with London stakeholders. The London Skills and Employment Board, which is chaired by the Mayor, will formally agree the ESF framework.
520. Gibraltar will have its own regional ESF committee and produce its own ESF framework. The Gibraltar framework will have a similar format to those for England, but will reflect the specific circumstances and needs of Gibraltar as set out in chapter 6.
521. The Managing Authority will produce clear guidance setting out the respective roles of Regional Skills Partnerships (developing and reviewing regional ESF frameworks) and regional ESF committees (monitoring the performance of ESF at regional level). The guidance will also provide a template for the regional ESF frameworks.

## **4.9 Gender equality and equal opportunities**

522. Gender equality and equal opportunities will be a cross-cutting theme within the programme. In line with Council Regulation 1083/2006 and the National Strategic Reference Framework, the programme and all its activities will comply with the relevant EU and UK legislation on non-discrimination and equal opportunities including the Employment Equality Age regulations (2006) and the Gender Equality Duty (2007). All partners associated with the programme will be expected to maintain their public duty to promote equal opportunities according to the prevailing equal opportunities legislation. In particular, the principle of accessibility for people with disabilities will be taken into account during the various stages of implementation, and all projects will have to take account of the needs of people with disabilities.
523. The 2007-2013 programme will maintain the 'dual approach' to promoting gender equality and equal opportunities by funding specific

activities which target women and disadvantaged groups as well as integrating equal opportunities into the planning, implementation, monitoring and evaluation of the programme as a whole. One of the officers of the Managing Authority will have specific responsibility for developing gender and equal opportunities mainstreaming as part of their job description. The Managing Authority, PMC and regional committees will review gender equality and equal opportunities on a regular basis.

524. The Managing Authority will use technical assistance to support gender equality and equal opportunities training thereby developing the capacity of key partners involved in delivering actions which support gender and equal opportunities mainstreaming.
525. A new equal opportunities sub-committee of the PMC will be established for the 2007-2013 programme. The sub-committee will be chaired by the Managing Authority and will report on progress to the PMC on a regular basis. The sub-committee will be responsible for advising the Managing Authority on the preparation and delivery of a national mainstreaming plan. This plan will aim to ensure that equality of opportunity is fully integrated into the programme and will reflect the equal opportunities policies and processes of Co-financing Organisations. Reporting arrangements will be established between the Managing Authority, PMC and regions. The programme indicators will monitor participation and achievements by women, ethnic minorities, people with disabilities and older people at national and regional level. Regional committees will report to the Managing Authority and equal opportunities sub-committee on: progress towards achieving the regional targets set by the indicators; examples of good practice; and accessibility for people with disabilities. The reporting arrangements will inform the annual implementation report as well as provide updates for the sub-committee and the PMC.
526. The equal opportunities sub-committee will be outward-looking and will share good practice and ideas with other Structural Fund programmes within the UK. The programme's information and publicity activities will also be used to help promote gender equality and equal opportunities as appropriate, including through case studies of men and women working in non-traditional occupations.
527. The Managing Authority, with the support of the equal opportunities sub-committee, will review existing arrangements and lessons learned during 2000-2006 and update guidance accordingly. A key aspect of this review will be to look at the key lessons learned during the Equal programme and ensure that good or innovative practice is readily available and shared with partners.
528. The Equal-WORKS digital repository (database) will be promoted and maintained at least during the first half of the new programming period. This repository will contain many of the Equal training materials developed during the 2000-2006 programme period and will be easily

navigable from the Internet. The repository may also be extended to include materials and successful innovations developed under the new ESF programme for England.

529. The programme will aim to promote, as far as possible, a balanced participation of women and men in the management and delivery of the programme. The designated programme authorities will recruit, develop and promote staff on the basis of the principles of equal opportunities as described in the UK's Civil Service Management Code. The Code requires all Government Departments and agencies to ensure that all civil servants have equality of opportunity for employment and advancement on the basis of their suitability for work. The Managing Authority will promote a gender balance on the PMC and regional committees, and review the extent to which the different committees are gaining access to appropriate equal opportunities expertise.

## **4.10 Sustainable development**

530. Sustainable development will be a cross-cutting theme within the programme. In line with Council Regulation 1083/2006 and the UK National Strategic Reference Framework, the implementation of the programme will take account of environmental concerns and respect the principles of sustainable development.
531. The programme will build on work undertaken in the 2000-2006 ESF Objective 3 programme. This recognised that social, environmental and economic issues are inter-related. It promoted the following three issues for putting sustainable development into practice:
- providing opportunities to allow everyone to fulfil their potential;
  - environmental protection and enhancement through the delivery of projects; and
  - providing skills that businesses both demand and require – now and in the future.
532. Sustainable Development will be integrated into the programme so that:
- the programme meets ESF regulatory requirements;
  - the programme's key strategic aims in terms of promoting employment and skills are delivered in ways which use resources and energy as efficiently as possible and in ways which can also help enhance or protect the physical and natural environment; and
  - it contributes to the UK Sustainable Development Strategy.
533. This programme will adopt a dual approach to mainstreaming the cross-cutting theme of sustainable development by integrating sustainable

development, including environmental sustainability, at the strategic and operational level. At the strategic level, the regional ESF frameworks should provide a strategic steer for CFO plans on region-specific issues. Such issues may be specific to the region, or to key sectors which are being targeted in the region. Regional Skills Partnerships will also be encouraged to identify ways in which sustainable development in ESF activities can complement ERDF programmes in their regions. The programme's operational guidance will focus on the detailed integration of the themes by CFOs and their providers.

534. A national sustainable development sub-committee will be established to promote sustainable development in the programme. The sub-committee will be chaired by the Managing Authority and will draw upon the expertise of relevant key partners and agencies. It will advise the Managing Authority on mainstreaming sustainable development, drawing upon the principles set out in the UK Sustainable Development Strategy and the lessons learned in the previous programme. It will devise a national mainstreaming strategy which will include developing a reporting mechanism between the regional committees and sustainable development sub-committee which will be used to prepare progress reports for the PMC, which, in turn, will inform the annual implementation report for the programme. The reporting mechanism will have an important role in terms of identifying good practice and case studies and generating any other information which can also inform future evaluations of this theme. The sustainable development sub-committee will report on progress to the programme monitoring committee at key stages during the life of the programme.
535. The national sustainable development sub-committee will advise the Managing Authority on sustainable development issues. This will include advising the Managing Authority on guidance it produces on sustainable development within the programme. Co-financing Organisations will advise providers on how projects should integrate environmental issues into their delivery and, where appropriate, into the content of courses.
536. The national sub-committee will oversee the launch of an ESF good practice award for sustainable development which will be used to raise awareness and promote good practice.
537. Regional ESF committees will be encouraged to create their own sustainable development sub-committee and have sustainable development as a regular agenda item. Regional ESF committees will also be encouraged to consider ways in which ESF activities can complement ERDF programmes in their regions in terms of sustainable development.
538. The working group will work closely with colleagues in other UK Structural Fund programmes to share ideas and good practice.

## 4.11 Innovation

539. Innovation may, where appropriate, be a feature of any activity. For example, Co-financing specifications may tender for a solution to an identified need, without specifying how that should be delivered. This would provide scope for providers to apply innovative approaches to deliver the solution.
540. There will also be dedicated innovative activity within Priorities 1, 2, 4 and 5. The Managing Authority will be responsible for choosing the themes for dedicated innovative activity. This will be done with the assistance of an innovation and mainstreaming sub-committee of the Programme Monitoring Committee which contains policy representatives from the relevant Departments and agencies as well as representation from the wider partnership. In choosing the themes for innovation, the Managing Authority will take into consideration the themes proposed in regional ESF frameworks. It will inform the Monitoring Committee of the themes. These themes will form a 'menu' from which regions can select the themes that best reflect the employment and skills priorities of the region.
541. Dedicated innovative activity will delivered through Co-financing as separate tender specifications, with an emphasis on what outcomes are to be achieved rather than how they are to be achieved. Where appropriate innovative projects should take forward and develop best practice and ideas from Equal. All innovative projects will be required to have an evaluation strategy so that the methods and results of the project can be independently assessed. Innovative projects will also be required to make the results of their projects available for dissemination and possible mainstreaming, so that good practice lessons can be made widely available. The results of activities that have not been successful should also be made available so that other projects do not follow the same path. All innovative projects will be encouraged to have an element of co-operation with one or more other Member States so that the lessons and methods from other Member States can be researched, analysed and, if practical, tested.
542. It is expected that projects working in the same themes would come together to share experiences between themselves and with members of the policy group who selected the theme. This networking builds on the lessons from the Equal national thematic networks. This networking should enable the identification of workable and cost effective new methods of delivering policy objectives.

## 4.12 Transnational and inter-regional activity

543. There will be a close link between innovative and transnational and inter-regional activities. All dedicated innovative projects will be encouraged to engage with one or more other Member State to carry out research into alternative methods of delivering the objectives of the theme selected for innovation. This may involve sharing information, experiences, results and good practices. Projects putting forward tenders will be expected to explain how they will carry out transnational or inter-regional activity. It is envisaged that projects will already have partners or contacts in other Member States, and so build on existing links rather than trying to establish new ones. The lessons from Equal indicated that this was a more effective way of working at the transnational level.
544. There will also be some limited scope to support transnational and inter-regional activity outside of dedicated innovative activities. Based on specific needs for identifying good practice that may have been identified in regional ESF frameworks, Co-financing tenders may include transnational or inter-regional activity to mainstream good practice from other Member States, or to share good practice from England with other Member States. However, the programme will not support activities that merely seek to establish or develop partnerships with other Member States.
545. Transnational and inter-regional activities will contribute to the objectives of the programme by learning from, adapting or mainstreaming good practice and innovation from other Member States in the fields of extending employment opportunities and developing a skilled and adaptable workforce. For example, transnational and inter-regional activities may learn from experience in other Member States of improving the employment prospects and skills of disadvantaged target groups. They may also transfer experience to other Member States. Value added will be generated by using good practice and innovative from elsewhere in the EU that is not available in the UK.
546. The Managing Authority will work with the Commission and appropriate national authorities to ensure that ESF does not support operations being concurrently supported through Community transnational programmes in the field of education and training. Section 4.13.4 provides more information on complementarity with the Lifelong Learning programme.

## **4.13 Co-ordination with other community programmes**

### **4.13.1 European Regional Development Fund Programmes**

547. There will be complementarity between ERDF and ESF spending in England. ERDF and ESF spending will reflect the same strategic approach at regional level. Where appropriate, skills and employment actions can complement economic interventions and investments, and



regional development actions can complement initiatives to tackle worklessness and low skills. The Regional Economic Strategies will provide a policy framework for developing ERDF programmes. The regional ESF frameworks, which Regional Skills Partnerships will play a leading role in developing, will provide the context for ESF spending in the regions. The Regional Development Agencies lead on Regional Economic Strategies and are represented on Regional Skills Partnerships.

548. Council Regulation 1083/2006 allows ESF programmes to finance activities which fall within the scope of the European Regional Development Fund (ERDF), up to a limit of 10% of the Community funding for each priority axis. At the start of the programme the ESF Operational Programme Managing Authority does not envisage the use of the cross-financing mechanism, and so there is no allocation for cross-financing activities. However, the Managing Authority will consider using the ERDF cross-financing flexibility within Priorities 1, 2, 3, 4, 5 and 6, in exceptional circumstances, should the need arise during the course of the programme. Any cross-financing will be very small and the priority will be to spend ESF resources on employment and training provision for ESF target groups.

#### **4.13.2 Rural Development and Fisheries Programmes**

549. There will be complementarity between ESF and the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund. ESF will not support specific sectoral activities for which other funding instruments are more appropriate. All funding instruments will be targeted primarily towards those rural areas, sectors or communities where there is a demonstrable and significant need.
550. Within those areas it is expected that, as a general rule, EAFRD funding will be focused on supporting diversification of rural economies at the local level. This will include interventions in agriculture, including supporting innovative farm diversification and woodland enterprises. More widely, it will also include enabling growth of existing micro-enterprises and encouraging start-ups, and improving skills and employment opportunities for those individuals in the rural workforce on low pay where this support is not provided by national funds or by ESF. ESF will primarily address rural issues as part of national and regional employment and skills strategies through the priorities set out in chapter 3.
551. Demarcation will be achieved through clear differentiation in the eligibility rules. No activity will be eligible for funding from more than one programme. ESF funding will not be available for interventions that target enterprises engaged in agriculture, forestry or fisheries, or enterprises engaged in the primary processing of agricultural, forestry or fisheries products. ESF will not fund activities which support agri-food schemes or the primary processing of agricultural and/or forestry

products. ESF will not support specific vocational training for individuals employed in enterprises engaged in these activities. However, ESF will be able to support basic skills and other generic training for individuals employed in enterprises engaged in these activities. These principles will apply equally to the European Fisheries Fund in respect of fish and shellfish products and processing.

552. The European Fisheries Fund will support the overall aim for fisheries management in the UK, which is to achieve a fishing sector that is sustainable, profitable and supports strong local communities, managed effectively as an integral part of coherent policies for the marine environment. It will focus on providing a long-term sustainable future for the fishing industry through promoting investment in innovation and technology, ensuring environmental best practice, developing efficient supply chains with strong links between fishermen, growers, processors and customers and improving port infrastructure and operations. Principles on demarcation with ESF are set out at paragraph 549.
553. The England ESF Programme Monitoring Committee will include representation from the rural development and fisheries fund programmes.

#### **4.13.3 European Investment Bank and European Investment Fund**

554. There are no plans to use European Investment Bank or European Investment Fund initiatives such as JEREMIE and JESSICA.

#### **4.13.4 Lifelong Learning Programme**

555. There will be complementarity between the England ESF Programme and the UK Lifelong Learning and Youth in Action programmes. The programmes will work closely together as part of the same Joint International Unit of the Department for Work and Pensions and Department for Education and Skills. A representative of the England ESF Managing Authority will participate in the UK Lifelong Learning Programme Committee. The representative will promote complementarity between the transnational and inter-regional actions of the programmes, and facilitate the exchange of information and good practice between the programmes.

#### **4.13.5 Seventh Framework Programme for Research and Technological Development**

556. In the Convergence Objective, ESF can support the development of human potential in research and innovation. Priority 5 includes research activities that support training of researchers and post-graduate studies, where related to the knowledge economy, labour market and human capital. These research activities must be linked to employment and skills needs now and in the future. They will complement and not duplicate any research projects in Cornwall and the Isles of Scilly funded by the Seventh Framework Programme for

Research and Development. The Managing Authority will work with the Department of Trade and Industry to promote complementarity between ESF and Seventh Framework funding in the Convergence Objective.

#### **4.13.6 EU Sustainable Development Strategy**

557. The programme will operate within the EU's Sustainable Development Strategy which was adopted by the European Council in June 2006. In the section on 'Complementarity between ERDF and ESF Programmes and other EU policies and funding instruments' the strategy says: 'In order to ensure that EU funding is channelled and used in an optimum way to promote sustainable development, Member States and the Commission should co-ordinate to enhance complementarities and synergies between various strands of Community and other co-financing mechanisms, such as cohesion policy, rural development, LIFE+, research and development (RTD), the Competitiveness and Innovation Program (CIP), and the European Fisheries Fund (EFF)'.

#### **4.14 Aid schemes**

558. Any public support under this programme must comply with the procedural and material EC State Aid rules applicable at the point of time when the public support is granted. The Managing Authority will make all authorities and institutions involved in the implementation of the programme aware of the EC State Aid provisions.

#### **4.15 Amendments following the change of government in 2010.**

- 558a. Following the general election in 2010, a new Coalition Government was formed that has subsequently instigated changes that have had an impact on the implementation arrangements for the Programme. These can be summarised are:
- Closure of the Government Offices for the regions;
  - Removal of the regional tier of administration in favour of a more local approach; and
  - Changes to national programmes that are used as match funding by the Co-financing Organisations.

##### **4.15.1 Managing authority - Regions**

- 558b. Under the previous arrangements, some managing authority functions were carried out by staff located in one of the eight Government Offices for the regions (as foreseen in the Operational Programme, some functions in London have been delegated to the Mayor as an Intermediate Body). As regions have ceased to be administrative entities, the Government Offices for the regions are being closed. As a

result, all functions will be carried out by the “central” managing authority, with some Government Office staff transferring to the Department for Work and Pensions.

- 558c. The major work for the 2011-2013 tranche of the programme of agreeing regional ESF frameworks and endorsing the associated CFO plans had been carried out before the announcement about closure of the Government Offices, so there will be little if any impact on the ability of the managing authority to monitor and manage programme performance. Regional Skills Partnerships, which played an important role in developing the Regional ESF Frameworks, have also ceased to exist, though their role in the programme has now been completed.
- 558d. The managing authority will continue to have formal monitoring dialogues with each of the Co-financing Organisations to ensure that delivery of the programme continues to meet local needs within the framework of the Operational Programme. The CFOs and their providers are responsible for seeking to ensure that local needs are met, within the overall employment and skills objectives of the Programme as aligned with Government policy. For example, the Government strategy document Skills for Sustainable Growth places a requirement on learning providers to establish and meet the needs of local learners and employers. Participant performance data will be published every quarter at Local Authority level so that differences in performance between localities can be identified. Engagement by the CFOs and their providers with Local Authorities is a key component of seeking to meet local needs.

#### **4.15.2 Monitoring – regional ESF committees**

- 558e. As the Government has decided that the English regions should no longer be an administrative or operational entity, it is not feasible to retain regional structures for ESF. Therefore the regional ESF committees have been disbanded except for:
- Cornwall and the Isles of Scilly, where the Convergence Objective means there are special and different circumstances;
  - London, where the Mayor has a statutory role relating to employment and skills strategy, and where the Intermediate Body will continue to exist; and
  - Gibraltar, which is not an English region and where the Government of Gibraltar will continue to be the Intermediate Body.
- 558f To compensate for this, the role of the Programme Monitoring Committee has been strengthened with regard to holding the Co-financing Organisations with national coverage to account for performance of the programme across the country. Performance reports from the CFOs with national coverage will be a standing item on the agenda of each Programme Monitoring Committee meeting. Reporting will continue to be done at a regional as well as national level and will also cover the phasing in areas of Merseyside and South Yorkshire. Local Authority CFOs will be invited to report to their respective local committee, in the case of London Councils and

the Greater London Authority, and the other Local Authority CFOs will be invited to submit a performance report in advance to the PMC meetings for comment.

The monitoring dialogues mentioned in paragraph 558d will focus on regional, including phasing in, as well as national performance so that any emerging disparities between regions can be identified and corrective action taken.

#### **4.15.3 Match funding**

558g Paragraph 489 noted that the programmes that provide the national match funding were likely to change during the lifetime of the Operational Programme. This has proven to be the case. The New Deals and other programmes for the unemployed and those on inactive benefits will be replaced by the Work Programme, which will be used as match funding. Similarly, the Train to Gain programme has been closed, but is being replaced by additional funding for adult Apprenticeships and a relatively small new programme aimed at training low skilled workers in SMEs, subsumed within the Adult Skills Budget, which will be used as match funding. ESF remains closely aligned with and complements government priorities for employment and skills, as respectively set out in the policy documents “21<sup>st</sup> Century Welfare” and “Skills for Sustainable Growth”.

558h The organisations that will continue to act as Co-financing Organisations (CFOs) for the remainder of the programming period are, on a national basis:-

- a. Dept for Work and Pensions (DWP)
- b. Skills Funding Agency
- c. National Offender Management Service (NOMS)

And on a local basis:-

- a. Local Authorities in East Midlands
- b. Bedfordshire County Council
- c. Luton Borough Council
- d. London Councils
- e. Greater London Authority

## 5. FINANCIAL TABLES

### 5.1 Introduction

559. The programme budget is €6,048,816,799 of which the ESF contribution is €3,089,886,379. This chapter contains tables showing the annual breakdown of the ESF funding, and the breakdown of the programme budget by priority axis, as required by Article 37.1.e of Council Regulation (EC) No 1083/2006 of 11 July 2006. It uses the format set out in Annex XVI of Commission Regulation (EC) No 1828/2006 of 8 December.

### 5.2 Financing plan of the Operational Programme giving the annual commitment of each Fund in the Operational Programme

560. This table sets out the annual breakdown of financial appropriations from the ESF. It divides the annual appropriations into the Regional Competitiveness and Employment Objective and Convergence Objective. Within the Regional Competitiveness and Employment Objective, it shows the appropriations for the 'phasing-in' areas of Merseyside and South Yorkshire which will receive transitional support.
561. As stated in Article 22 of Council Regulation (EC) No 1083/2006 'the total appropriations allocated by Member State under each of the objectives of the Funds and their components shall not be transferable between them'. Therefore the appropriations for the Convergence area of Cornwall and the Isles of Scilly will be spent exclusively for the benefit of this area and will not finance actions for the benefit of areas within the Regional Competitiveness and Employment Objective, and vice versa.
562. The annual breakdown of funds is determined by profiles established by the EU in its 2007-2013 Financial Perspective and by the annual allocations to programmes established in the UK National Strategic Reference Framework.

**Operational Programme reference 2007UK05UPO001****Year by source for the programme, in EUR:**

<b>Year by source for the programme, in EUR:</b>	Structural Funding (ESF) (1)	Cohesion Fund (2)	Total (3) = (1)+(2)
<b>2007</b>	337,289,217		337,289,217
RCE Objective: In Regions without transitional support (RCE)			
RCE Objective: In Regions with transitional support (RCE)	121,063,756		121,063,756
RCE Objective Total	458,352,973		458,352,973
Convergence	26,422,713		26,422,713
Total 2007	484,775,686		484,775,686
<b>2008</b>	344,035,002		344,035,002
RCE Objective: In Regions without transitional support			
RCE Objective: In Regions with transitional support	96,643,385		96,643,385
RCE Objective Total	440,678,387		440,678,387
Convergence	26,951,168		26,951,168
Total 2008	467,629,555		467,629,555
<b>2009</b>	350,915,702		350,915,702
RCE Objective: In Regions without transitional support			
RCE Objective: In Regions with transitional support	71,197,774		71,197,774
RCE Objective Total	422,113,476		422,113,476
Convergence	27,490,191		27,490,191
Total 2009	449,603,667		449,603,667
<b>2010</b>	357,934,016		357,934,016
RCE Objective: In Regions without transitional support			
RCE Objective: In Regions with transitional support	44,695,681		44,695,681
RCE Objective Total	402,629,697		402,629,697
Convergence	28,039,995		28,039,995
Total 2010	430,669,692		430,669,692
<b>2011</b>	365,092,697		365,092,697
RCE Objective: In Regions without transitional support			
RCE Objective: In Regions with transitional support	17,105,024		17,105,024
RCE Objective Total	382,197,721		382,197,721
Convergence	28,600,795		28,600,795
Total 2011	410,798,516		410,798,516
<b>2012</b>	372,394,551		372,394,551
RCE Objective: In Regions without transitional support			
RCE Objective: In Regions with transitional support	17,447,125		17,447,125
RCE Objective Total	389,841,676		389,841,676
Convergence	29,172,811		29,172,811
Total 2012	419,014,487		419,014,487

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<b>2013</b>	379,842,441		379,842,441
In Regions without transitional support			
In Regions with transitional support	17,796,068		17,796,068
RCE Objective Total	397,638,509		397,638,509
Convergence	29,756,267		29,756,267
Total 2013	427,394,776		427,394,776
<b>RCE Objective: Total in Regions without transitional support (2007-2013)</b>	<b>2,507,503,626</b>		<b>2,507,503,626</b>
<b>RCE Objective: Total in Regions with transitional support (2007-2013)</b>	<b>385,948,813</b>		<b>385,948,813</b>
<b>RCE Objective Total (2007-2013)</b>	<b>2,893,452,439</b>		<b>2,893,452,439</b>
<b>Convergence (2007-2013)</b>	<b>196,433,940</b>		<b>196,433,940</b>
<b>Grand Total 2007-2013</b>	<b>3,089,886,379</b>		<b>3,089,886,379</b>



### 5.3 Financial plan of the Operational Programme giving, for the whole programming period, the amount of the total financial allocation of each Fund in the Operational Programme, the national counterpart and the rate of reimbursement by priority axis

563. This table sets out the breakdown of the programme's budget by priority axis for the 2007-13 programme period. Within this it shows the breakdown of the ESF and national financial contributions. The national financial contribution will be provided by public funding.

564. The table also shows the co-financing or intervention rate of the ESF. In the Regional Competitiveness and Employment Objective (including phasing-in funding), the ESF will contribute 50% of the public eligible expenditure in Priorities 1, 2 and 3. In the Convergence Objective, the ESF will contribute 75% of the public eligible expenditure in Priorities 4, 5 and 6.

**Operational Programme reference 2007UK05UPO001**

#### Priority axes by source of funding (in EUR)

	Community Funding (a)	National counterpart (b) (= (c) + (d))	Indicative breakdown of the national counterpart		Total funding (e) = (a)+(b)	Co-financing rate (f) = (a)/(e)	For information	
			National Public funding (c)	National private funding (d)			EIB contributions	Other funding
Priority Axis 1 ESF Public RCE Objective	1,825,627,855	1,825,627,855	1,825,627,855		3,651,255,710	50%		
Priority Axis 2 ESF Public RCE Objective	995,458,763	995,458,763	995,458,763		1,990,917,526	50%		
Priority Axis 3 ESF Public RCE Objective	72,365,821	72,365,821	72,365,821		144,731,642	50%		
RCE Objective Total	2,893,452,439	2,893,452,439	2,893,452,439		5,786,904,878	50%		
Priority Axis 4 ESF Public Convergence Objective	74,644,897	24,881,633	24,881,633		99,526,530	75%		
Priority Axis 5 ESF Public Convergence Objective	117,860,364	39,286,788	39,286,788		157,147,152	75%		
Priority Axis 6 ESF Public Convergence Objective	3,928,679	1,309,560	1,309,560		5,238,239	75%		
Convergence Objective Total	196,433,940	65,477,981	65,477,981		261,911,921	75%		
Grand Total	3,089,886,379	2,958,930,420	2,958,930,420		6,048,816,799			

565. In the Regional Competitiveness and Employment Objective, 63% of the funding is allocated to Priority 1 (Extending employment opportunities), 34.4% to Priority 2 (Developing a skilled and adaptable workforce) and 2.5% to Priority 3 (Technical assistance).
566. The larger proportion of resources for Priority 1 reflects the strong focus of the 2007-13 programme on improving the employment prospects and skills of unemployed and inactive people, especially those who are at a disadvantage in the labour market. It also reflects the fact that Priority 1 rather than Priority 2 contains activities to help young people prepare for working life, particularly those not in education, employment or training (NEET), or at risk of becoming NEET. Priority 2 will focus on developing the skills of the workforce.
567. The larger proportion of resources for Priority 1 does not mean there will be more funding for employment than skills in the Regional Competitiveness and Employment Objective. There will be a substantial amount of skills training for workless people in Priority 1 to help them prepare for employment, as well as the NEET activity. Chapter 1 identifies the strong relationship between worklessness and low skills. Priority 1 builds on the integrated approach to employment and skills provision developed in previous ESF programmes, and is consistent with the recommendations of the Leitch Review.
568. The priority breakdown does not therefore correlate directly to the methodology used in the National Strategic Reference Framework (NSRF) to allocate ESF funds among the UK nations and regions. The NSRF regional allocations methodology allocated 50% of the funds on the basis of the numbers of workless people in each nation or region, and 50% of the funds on the basis of the numbers of people with no or low qualifications. Clearly many of those with no or low qualifications will also be workless. These people will be helped to improve their skills primarily in Priority 1, while Priority 2 will focus on developing the skills of the workforce. Priority 1 therefore requires a greater share of the programme's resources to address the National Strategic Reference Framework, and to improve both the employability and skills of workless people.
569. In the Convergence Objective, 38% of the funding is allocated to Priority 4 (Tackling barriers to employment), 60% to Priority 5 (Improving the skills of the local workforce) and 2% to Priority 6 (Technical assistance). The larger proportion of resources for Priority 5 reflects the greater intensity of Convergence funding and the needs identified in economic development strategy for Cornwall and the Isles of Scilly. In particular, it reflects the fact that Priority 5 will support those higher level activities which are eligible only in the Convergence Objective.

## **5.4 Categorisation of expenditure and 'Lisbon earmarking'**

570. Information on the indicative breakdown by category of the programmed use of the contribution of the ESF to the Operational Programme is at annex B.
571. All ESF expenditure within Priorities 1, 2, 4 and 5 will fall within priority theme categories that are 'earmarked' as Lisbon expenditure according to Annex IV of Council Regulation (EC) No. 1083/2006 of 11 July 2006. The programme will therefore make a very significant contribution towards the targets that, in the EU-15 Member States collectively, 60% of Convergence Objective expenditure and 75% of Regional Competitiveness and Employment Objective expenditure should contribute to the Lisbon agenda of promoting competitiveness and creating jobs.

## **6. GIBRALTAR**

### **6.1 General description**

572. The peninsula of Gibraltar is situated adjacent to the southern tip of the Spanish mainland and lies just 16 kilometres across the Strait of Gibraltar from the north east coast of Africa. Gibraltar is approximately 5 kilometres long and 1.2 kilometres wide, clearly marked by its famous Rock, which rises to a height of over 425 metres and overlooks the Mediterranean Sea to the east and the Atlantic Ocean to the west. It covers an area of 614 hectares and supports a population of some 28,000 people.
573. The whole of the territory of Gibraltar will be eligible for funding under the Competitiveness and Employment Objective for the 2007-2013 programming period.

### **6.2 Labour market analysis**

574. Gibraltar has a base labour force of around 17,000 workers. The expansion of the private sector and the contraction of the public sector have created a mismatch of skills. Most of the workers released from the traditional public sector jobs, mainly the Ministry of Defence, are not equipped with the skills needed to find employment in the tourism, financial services and service sectors that have the potential to expand. As an example, the skills previously acquired in the MOD/ship repair operations bear no relationship to those that are required in the above private sector activities. This mismatch in skills is further aggravated by the impact of cross-border competition for employment in Gibraltar, particularly given the very high levels of unemployment found in neighbouring countries, especially Morocco and the Spanish hinterland where, in the case of the latter, unemployment is among the highest in Europe.
575. Evidence of emerging skill shortages comes from the substantial proportion of construction workers in Gibraltar who originate from the United Kingdom and Spain and the recruitment of specialists in other sectors, particularly the finance sector and the gambling sector, from outside Gibraltar.
576. Large numbers of frontier workers (relative to the size of the Gibraltar job market) compete for jobs with local residents. This further reduces the chances of Gibraltar residents to find employment locally. It is not an option for residents of Gibraltar to try and find employment in Spain, given the levels of unemployment in the hinterland.

577. There is little labour mobility in Gibraltar given its physical size and its peripheral position at the southernmost tip of Europe. The need to have adequate training and re-training programmes to meet the skills needs of the labour market cannot be over-emphasised. The re-training must be aimed at equipping the workforce with a wide range of skills and improved flexibility.
578. The labour market is subject to volatility, from causes outside Gibraltar's control. They include decisions made in London in respect of the size and make-up of the MOD establishment in Gibraltar, and the impact of the land frontier with Spain when frontier movements are less fluid.

### **6.2.1 Employment**

579. Total employee jobs in Gibraltar amounted to 14,266 in October 2002, 31 % of which were in the Ministry of Defence and the Government of Gibraltar. By 2005, the number of employee jobs had risen to 16,874, but now only 24% of them were in the public sector. Employment is dominated by service activities, with manufacturing of only minimal significance. The most important industry sectors are: the wholesale and retail trade, public administration and defence, construction, real estate, business activities, the gambling sector and financial intermediaries.
580. Between 1993 and 2002 the number of employee jobs fell sharply by 9% to 13,000 before growing to the level of 14,266 in 2002 and 16,874 in 2005. The most important fall was in construction. During this time, both financial and other services recorded growth, albeit on a very modest scale.
581. In 2005, the number of men in employment represented 58.1% as compared to women who represented 41.9% of the total workforce. This compares to 69% and 31% respectively, in 1990. There has been an increase in employment across the majority of sectors, most notably in other services, hotel and restaurants, shipbuilding and financial intermediaries.
582. In 2005 a total of 8,707 vacancies were opened with the Employment Service. 27.9% of the vacancies were in Elementary Occupations, 13.2% in the Administrative and Secretarial Occupations, 17.1% in the Sales and Customer Service and 16.8% in the Skilled Trades Occupations. 29% of the vacancies have been taken up by Spanish frontier workers.
583. The most important occupations in terms of employment share are administrative and secretarial, elementary and associated professional and technical trades. It is in the areas of sales and customer services and in process, plant and machine operatives where there has been a noticeable increase in employment between 1998 and 2005.
584. The frontier situation has also had significant impacts on levels of employment and investment. It has clearly had some specific effects

through its impacts on visitor numbers and expenditure.

### 6.2.2 Activity rate for male and female workers

585. The total number of women who could be potentially active in the labour market is 7,043. The total number of women in employment as at October 2005 was 7,068 of which 1,594 were frontier workers. Actual resident employment was 5,474. The activity rate for women is 77.7% (5,474 out of 7,043).
586. The total number of men who could be potentially active in the labour market is 9,776. The total number of males in employment as at October 2005 was 9,806 of which 2,328 were frontier workers. Actual resident employment was 7,478. The activity rate for men is 76.5% (7,478 out of 9,776).

### 6.2.3 Unemployment

587. After rising sharply to a peak of 16.5% in 1995, unemployment fell to 3.73% in 2002 and 3.3% in 2005.

**Figure 6.1: Unemployment figures, 1996-2005**

Year	Unemployed	Total (Employed & Unemployed)	Unemployed Rate (%)
1996	2001	14,913	13.42
1997	1796	14,790	12.15
1998	944	13,944	6.67
1999	575	13,511	4.25
2000	481	13,862	3.50
2001	533	14,464	3.68
2002	552	14,818	3.73
2003	542	15,961	3.40
2004	502	16,496	3.04
2005	557	16,874	3.30

Source: Ministry of Employment

588. The downtrend in unemployment has been attributable to a number of factors. The unemployment registration lapsing time was reduced, a voluntary repatriation deal was offered to Moroccan workers and new employment opportunities have started to emerge from investment projects.
589. It has been difficult to establish indicative trends as to the performance of the working population in relation to qualifications. This is due to the deficit in the data available. The Department of Education and Training has identified the need to carry out a training needs analysis to find out the skills mismatch within the community and this will be addressed during the course of this Programme.

#### 6.2.4 Equal Opportunities

590. The Government of Gibraltar attaches great importance to issues relating to Equal Opportunities.
591. The historical disparity has to be considered in the context of the traditional main sector of the economy, which was dependent on the Ministry of Defence establishment in Gibraltar. The MOD workforce was predominantly male. A substantial number of frontier workers who work in the Gibraltar economy are men, a large proportion being employed in the construction industry.
592. A further factor is that women in Gibraltar have in the past followed the Mediterranean tradition whereby women used to stay at home to look after the children. This situation is one that has been changing, particularly over the last decade; this could be partly influenced by families moving into the home ownership market.
593. In relation to women in the labour market, there are plans to address these issues aggressively with the view to educate and encourage employers and women themselves that they must look beyond 'traditional jobs for women' and try to move away from rigid traditional practices.
594. The incorporation of the Job Club within the Employment Service, during the latter part of 1999, is endeavoring to instill these concepts. The Job Club provides facilities and services to the long-term unemployed and other groups who are disadvantaged in the labour market in order to assist them back to work. Services offered by the Job Club include job workshops, interactive learning, video presentations, IT, interview skills training, information on training courses and so on. It is important to recognise the vital and growing contribution of women to the labourforce. The promotion of equal opportunities for men and women is central to a successful human resource strategy.
595. The importance of good quality care for dependants in order to encourage women to attend training courses or employment is recognised and assistance for such care or creating such facilities, if necessary, will be eligible for funding under this Programme.
596. The issue of equal opportunities will be reflected in the project selection criteria. A particular effort will be made to encourage women to participate in the Programme.
597. The aim is to support women and disadvantaged groups who suffer from exclusion, poor access to training and a lack of employment opportunities.

**Figure 6.2: Adult full and part-time employment by Industry Groups, 2005**

Version: Amended OP 2011

Industry Groups	Adult Full-Time		Adult Part-Time	
	Male	Female	Male	Female
Shipbuilding	244	8	4	0
Other manufacturing	99	42	2	12
Electricity & Water Supply	252	21	0	0
Construction	1659	89	43	22
Wholesale & Retail	1365	801	64	244
Hotels & Restaurants	446	285	68	188
Transport & Communications	674	198	16	13
Financial Intermediaries	550	691	1	6
Real Estate & Business Activity	612	576	23	66
Public Admin & Defence	1425	604	0	1
Education	196	337	5	157
Health & Social Work	359	829	2	41
Other Services	1193	629	12	51
TOTAL	9074	5110	240	801
	63.98%	36.02%	23.06%	76.94%

Source: Employment Survey, October 2005

598. Figure 6.2 shows that in terms of full-time adult employment, men in employment represent 63.98% as compared to women who represent 36.02% of the full-time workforce. However, with regard to part-time employment, women represent 76.94% as compared to men who represent 23.06% of the part-time workforce.
599. The local education system now provides for children to remain in school over the lunch period. This should assist in encouraging women returners to the labour market.

### 6.2.5 SWOT analysis

600. The economy of Gibraltar has many unusual features, most of which stem from its small size in terms of area and population. Its land and other indigenous resources are small, for virtually no part of Gibraltar is capable of sustaining any kind of agriculture or horticulture and there is no commercial fishing.
601. Gibraltar is unable to benefit from any economies of scale. This applies notably to the provision of essential infrastructural services such as electricity, telecommunications and water supply. The Gibraltarian workforce has to adapt to changing demands within its own economy; it does not have the opportunity to travel to work elsewhere.
602. In the absence of domestic manufacturing activity of any significance, the economy is heavily dependent on imports, not only for its food and consumer goods but also for building materials, construction equipment and fuel.
603. Despite the constraints on the economy outlined above, Gibraltar does possess a number of strengths. These include good educational facilities, a population which is bilingual in English and Spanish,



mercantile and engineering skills, established financial and shipping services sectors, a significant retail sector, an advanced telecommunications network, an airport, a harbour, an attractive location at the mouth of the Mediterranean, a fine climate and a distinctive heritage.

604. Gibraltar is a beneficiary of the Generalised System of Preferences, and its duty free zone Industrial Park offers an opportunity to establish a manufacturing base, which would assist in diversifying the economy, through attracting outside investment in manufacturing.
605. The Government considers that the weaknesses are generally within its ability to address, whilst the opportunities and threats elements are outside its control. It nonetheless considers that these can, to some extent, be influenced by effective planning and promotion.
606. The major impediments are seen as those of difficulty of access and lack of space. Gibraltar's physical limitation, its peripheral location and its local market limitation require manufacturing companies to export their products to the international markets.
607. The Port is a major asset and provides opportunities for further development and generating new sources of economic activity. However, this will require major infrastructural investments. Gibraltar enjoys a beneficial geographical location to provide a wide range of services to the maritime industry. It is not, and is unlikely to become, a cargo hub. Its fortes are the provision of services notably the provision of bunkers. This sector provides opportunities and some prospects for generating wealth.
608. Tourism is a major contributor to the economy with prospects for expansion. Gibraltar has a wealth of resources in terms of its fascinating heritage, natural history and natural environment, which require to be exploited to their full potential to enable the tourism industry to expand and create jobs.
609. Further growth in Gibraltar's SME sector is needed, both through new start-ups and expansion of existing SMEs, to achieve the objective of sustainable economic diversification. The rapid development of the electronic age has opened new possibilities for business development in E-Commerce and the exploitation of the Internet. E-Commerce represents the best prospects for business growth in this sector. These opportunities have been taken into account in formulating the Government's strategy to encourage economic growth and in the preparation of this plan.

**Figure 6.3: Table of Strengths, Weaknesses, Opportunities and Threats**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Stable political and economic administration committed to private sector development</li> <li>• Bilingual population with English as the official language</li> <li>• A port with facilities to handle cargo and passenger services and an airport with scheduled flights to the UK</li> <li>• Established tourism, financial services, retail and shipping services sector</li> <li>• Large turnover of job vacancies</li> <li>• Good educational facilities</li> <li>• Increasing proportion of people with qualifications</li> <li>• Good telecommunication network</li> <li>• Falling unemployment</li> <li>• Unique culture and strong sense of community and place</li> <li>• Notable religious tolerance</li> </ul>	<ul style="list-style-type: none"> <li>• Small local market and no significant track record in export development</li> <li>• Unable to benefit from economies of scale, particularly in respect of essential infrastructural services</li> <li>• Indigenous resources are limited</li> <li>• Relative dependency on a few activities</li> <li>• Space limitation</li> <li>• Poor maritime, air and land communications</li> <li>• Advancement in career difficult: waiting for “dead men’s shoes”</li> <li>• Little labour mobility</li> <li>• Mismatch of skills</li> <li>• The employment market in a particular sector can easily be saturated</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Attracting and developing tourism-related light manufacturing</li> <li>• Enhancement to tourism product</li> <li>• A harbour, with potential to expand and generate new sources of activity</li> <li>• Strong local partnership arrangements</li> <li>• Further encouraging female participation rates given their labour market flexibility (willingness to work part-time)</li> <li>• Beneficiary of the Generalised System of Preferences</li> </ul>	<ul style="list-style-type: none"> <li>• Volatile frontier access. Frontier controls and delays are holding back development that could benefit both sides of the frontier</li> <li>• Strong competition for jobs from non-resident labour from neighbouring towns (where unemployment is high)</li> <li>• Higher operating and staff costs than the hinterland</li> <li>• High cost of living in Gibraltar, including expensive property prices and high rentals for businesses and domestic properties</li> <li>• Protection of the environment</li> <li>• Attracting highly qualified locals to enter the Gibraltar labour market</li> <li>• Improving the range and quality of new business start-ups</li> </ul>

610. The SWOT analysis suggests that in Gibraltar ESF should seek to help people into sustainable employment, to progress people to better quality and better-paid jobs, and to develop a skilled and adaptable workforce.

611. Gibraltar will deliver its strategy under the first three priorities of the Regional Competitiveness and Employment Objective, i.e.:

- Priority Axis 1: Extending Employment Opportunities

- Priority Axis 2: Developing a Skilled and Adaptable Workforce
- Priority Axis 3: Technical Assistance

### 6.3 Strategy

612. Gibraltar's Regional Development Strategy supports the Lisbon agenda whose goal is for the European Union to 'become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and a greater social cohesion'. The Council also stated that 'People are Europe's main asset and should be the focal point of the Union's policies'. Gibraltar, with the assistance of the European Social Fund, supports the Lisbon agenda by investing in people within the framework of the European Employment Strategy.
613. Gibraltar's Regional Development Strategy can be summarised as:
- consolidation of existing private sector jobs;
  - creation of new sustainable jobs;
  - diversification into new areas of activity;
  - encouragement for the introduction of new technology and IT in the labour market; and
  - encouragement for a large proportion of women to enter the job market.
614. The Government of Gibraltar recognises that in order to meet this strategy all citizens must have the chance to realise their potential, through education, training and work. Its main objectives in these areas are:
- ensuring that all young people reach the age of 16 with the required skills, attitudes and personal qualities that will give them a secure foundation for their future in a rapidly evolving labour market;
  - developing in everyone a commitment to lifelong learning; and
  - helping the unemployed access the labour market through programmes of job seeking, placements or through occupational training.

### 6.4 Implementation

615. The Managing Authority, which will be located in the European Social Fund Division of the UK Department for Work and Pensions will delegate certain functions to the Intermediate Body. The Government

of Gibraltar will be the Intermediate Body with responsibility for ESF in Gibraltar. The EU Programmes Secretariat of the Government of Gibraltar will have overall responsibility for the management of ESF in Gibraltar, supported by the Gibraltar Regional Committee. The EU Programmes Secretariat will provide the secretariat and administrative support as required by EC Regulations.

#### **6.4.1 Publicity**

616. The Gibraltar Intermediate Body will operate a publicity strategy in accordance with the Commission Implementing Regulation. The publicity strategy for Gibraltar will include the circulation of the Gibraltar ESF Regional Strategy. At the same time, general information on other EU Funded Programmes will be promulgated. Every effort will be made to publicise the use of both ERDF and ESF in projects thereby demonstrating the synergy that exists between Programmes. The Gibraltar Regional Committee (JLAG) will determine the wider publicity strategy for Gibraltar.

#### **6.4.2 Regional partnership and framework**

617. The Gibraltar Regional Committee will be known as the Joint Local Advisory Group (JLAG). The Joint Local Advisory Group will include representation from Government Departments including the Department of Education and Training, the Department of Transport and the Department of Trade and Industry. Other Government Agencies will also be represented including the Environmental Agency, the Gibraltar Tourist Board and the Employment Service. The Social partners will include representatives from the Gibraltar Chamber of Commerce, the Gibraltar Federation of Small Businesses, the Gibraltar Business Network (a women's body), the Transport and General Workers Union and the Gibraltar Ornithological and Natural History Society.
618. The Joint Local Advisory Group will consider the Technical Assistance needs of Gibraltar.
619. Gibraltar will produce its own regional ESF framework.

#### **6.4.3 Cross-cutting themes**

620. Gender equality and equal opportunities, and sustainable development will be cross-cutting themes in Gibraltar.



## ANNEX A: TARGETS AND INDICATORS

A1. This annex describes the targets and indicators that will be used to measure the performance of the programme. The Managing Authority will also collect information on other indicators, including information required by Annex 23 of the Commission's Implementing Regulation. The targets and indicators cover the whole programme, that is both the Community and national funding.

A2. Structural Funds Regulation 1083/06 Article 37.1.c says that Operational Programmes shall contain 'information on the priority axes and their specific targets. Those targets shall be quantified using a limited number of indicators for output and results, taking into account the proportionality principle. The indicators shall make it possible to measure the progress in relation to the baseline situation and the achievement of the targets of the priority axis.'

A3. ESF Regulation 1081/06 Article 4.4 says that 'The indicators included in the operational programmes co-financed by the ESF shall be strategic in nature and limited in number and shall reflect those used in the implementation of the European Employment Strategy and in the context of the relevant Community objectives in the fields of social inclusion and education and training.'

A4. The Commission's Working Document 2, 'Indicative Guidelines on Evaluation Methods: Monitoring and Evaluation Indicators' distinguishes between output and results indicators as follows:

- Output: activity (e.g. number of people trained).
- Result: the direct and immediate effect on direct beneficiaries (e.g. number of participants entering jobs or gaining qualifications).

A5. The purpose of the targets is to steer and stimulate the programme's performance. The targets are not a prediction of actual outputs and results, and should not be applied mechanistically. Actual performance may be different, particularly if there are changes in the labour market. If there are significant labour market changes or policy developments, it may be necessary to revise the targets.

A6. The target of Priorities 1 and 4 is to extend employment opportunities and tackle barriers to employment, by helping more people enter employment or engage in activity leading to employment, particularly disadvantaged groups. This will be monitored by output targets and indicators relating to activity (e.g. participation of key target groups) and results targets and indicators relating to the effects of the activity (e.g. participants gaining jobs or engaged in job search activity).

A7. The target of Priorities 2 and 5 is to develop a skilled and adaptable workforce by helping more people gain basic skills and qualifications. This will be monitored by output targets and indicators relating to activity (e.g. participation of key target groups) and results targets and indicators relating to the effects of the activity (e.g. participants gaining basic skills or qualifications). Priority 5 will contain additional targets for the additional Convergence higher level activity.

A8. There are also a small number of overall programme indicators which are the sum of the relevant indicators for Priorities 1, 2, 4 and 5.

A9. In view of the proportionality principle and the requirement to limit the number of targets and indicators, there are not indicators for every target group or activity, and there are not targets for every indicator. The targets and indicators cover the key target groups and activities. Other target groups and activities may be examined through follow-up surveys and evaluation studies as set out chapters 3 and 4.

A10. Targets and indicators are expressed either in terms of the number or proportion of participants, or both.

A11. The performance indicators in this annex will use national definitions in order to show the contribution to national strategies. For example, qualifications levels refer to the National Qualifications Framework. The Managing Authority will provide definitions of the indicators. EU definitions will be used for the information required by Annex 23 of the Commission's Implementing Regulation.

A12. Where feasible, the priority targets have contextual baselines to help put activity into context.

A13. For the output targets the baseline is usually the number and proportion of the target group in the working age population as a whole, or among employed people or workless people in the working age population. These baselines are annual figures and so are not directly comparable to the targets which are for the seven year length of the programme. However, it will be possible to compare the annual baselines against the annual profile of the targets. The output baselines will be dynamic and will be adjusted each year to take account of changing labour market conditions.

A14. For most of the results targets there are no baselines because direct comparisons cannot be made with performance in the 2000-2006 programme because of changes to priorities and definitions. However, a baseline is proposed for the Priority 1 results target for the number of participants in work on leaving based on 2000-2006 performance.

A15. The Managing Authority will produce an annual profile of the targets which reflects the expected profile of activity from 2007 to 2015. The profile will take account of the tapering off of phasing-in funding up until 2011. The

annual profile will help the Managing Authority and PMC to monitor the performance of the programme.

A16. The data to measure the targets and indicators will be collected either through the ESF Management Information system or follow-up surveys of participants. The Management Information system will avoid double-counting. It is proposed that this should be done by giving each participant a unique identifier. Some of the targets and indicators are not mutually exclusive. For example, a Priority 1 participant may be disabled and aged over 50, or a Priority 2 participant may gain both a basic skill and level 2 qualification.

A17. Additional information on participants which is available through the Management Information system but not reported against on a regular basis could be provided on the request of the Programme Monitoring Committee, for example on the gender breakdown where this is not otherwise provided in the targets and indicators.

A18. The analysts who quantified the targets will provide the Managing Authority with an explanatory note setting out the methodology, assumptions and constraints on which the quantification is based. This will be used by evaluators when examining any variations in performance against the quantified indicators.

A19. During the programme the Managing Authority may ask analysts to make proposals to adjust the indicators in the light of significant socio-economic changes, changes to policy priorities, evaluation findings or the experience of implementation.





**PRIORITY 1: EXTENDING EMPLOYMENT OPPORTUNITIES (REGIONAL COMPETITIVENESS AND EMPLOYMENT)**

**Resources:** €3,651,255,710

**Target:** To extend employment opportunities by helping more people enter employment or engage in activity leading to employment, particularly disadvantaged groups, as a result of the programme's interventions.

Indicator	2007-13 target	Contextual baseline (annual)	Data source (to measure progress)	Frequency
<b>Outputs</b>				
1.1 Total number of participants	Number of Priority 1 participants: <b>887,000</b>	Not applicable	Individual participant data	Annual report and PMC meetings
1.2 Participants who are unemployed	(a) Number of unemployed participants (aged over 19) in Priority 1: <b>371,000</b> (b) Proportion of Priority 1 participants (aged over 19) who are unemployed: <b>42%</b>	(a) Number of unemployed people in working age population (LFS): 1,291,000 (b) Proportion of unemployed people in working age population (LFS): 4%.	Individual participant data	Annual report and PMC meetings
1.3 Participants who are inactive	(a) Number of inactive participants (aged over 19) in Priority 1: <b>303,000</b> (b) Proportion of Priority 1 participants (aged over 19) who are inactive: <b>34%</b>	(a) Number of inactive people in working age population (LFS): 6,431,000 (b) Proportion of inactive people in working age population (LFS): 21%.	Individual participant data	Annual report and PMC meetings
1.4 Participants aged 14 to 19 who are NEET or at risk of becoming NEET	(a) Number of Priority 1 participants who are 14-19 year old NEETs or at risk of becoming NEET: <b>177,000</b> (b) Proportion of Priority 1 participants who are 14-19 year old NEETs or at risk of becoming NEETs: <b>20%</b>	(a) Number of 16 to 19 year old NEETs plus number of 14 and 15 year olds at risk (Connexions): 357,477 (b) Proportion of 16 to 19 year old NEETS plus 14 and 15 year olds at risk in 14-19 population	Individual participant data	Annual report and PMC meetings

		(Connexions): 5%		
1.5 Participants with disabilities or health conditions	Proportion of Priority 1 participants with disabilities and health conditions: <b>22%</b>	Proportion of people with disabilities or health conditions in the workless population (LFS): 19%.	Individual participant data	Annual report and PMC meetings
1.6 Participants who are lone parents	Proportion of Priority 1 participants who are lone parents: <b>12%</b>	Proportion of lone parents in workless population (LFS): 9%	Follow-up survey of participants	2010 and 2013
1.7 Participants aged 50 or over	Proportion of <u>unemployed and inactive</u> Priority 1 participants aged 50 or over (i.e. indicator 1.2): <b>18%</b>	Proportion of people aged 50 or over in the workless population (LFS): 28%.	Individual participant data	Annual report and PMC meetings
1.8 Participants from ethnic minorities	Proportion of Priority 1 participants who are from ethnic minorities: <b>25%</b>	Proportion of ethnic minority people in workless population (LFS): 18%	Individual participant data	Annual report and PMC meetings
1.9 Female participants	Proportion of Priority 1 participants who are female: <b>51%</b>	Proportion of women among unemployed people and inactive people who want to work (LFS): 51%.	Individual participant data	Annual report and PMC meetings
<b>Results</b>				
1.10 Participants in work on leaving	(a) Number of Priority 1 participants in work on leaving: <b>195,000</b> (b) Proportion of Priority 1 participants in work on leaving: <b>22%</b>	Proportion of (comparable priority) participants in work on leaving in 2000-06 (2000-06 ESF project closure data): 18%	Individual participant data	Annual report and PMC meetings
1.11 Participants in work six months after leaving	(a) Number of participants in work six months after leaving: <b>231,000</b> (b) Proportion of participants in work six months after leaving: <b>26%</b>	Not available	Follow-up survey of participants	2010 and 2013
1.12 Economically inactive participants engaged in jobsearch activity or further learning (distance travelled indicator)	Proportion of Priority 1 economically inactive participants who on leaving are engaged in jobsearch activity or enter further learning to prepare them for work: <b>45%</b>	Not available	Follow-up survey of participants	2010 and 2013
1.13 14 to 19 year old NEETs or at risk, in education,	(a) Number of Priority 1 NEETs or at risk, in education, employment or	Not available.	Individual participant	Annual report and PMC

employment or training on leaving	training on leaving: <b>80,000</b> (b) Proportion of Priority 1 NEETs or at risk, in education, employment or training on leaving: <b>45%</b>		data	meetings
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### Indicators without targets

Indicator	Data source (to measure progress)	Frequency
<b>Outputs</b>		
1.14 % Participants who receive support with caring responsibilities	Follow-up survey of participants	2010 and 2013
<b>Results</b>		
1.15 % Unemployed participants in work on leaving	Individual participant data	Annual report and PMC meetings
1.16 % Unemployed in work six months after leaving	Follow-up survey of participants	2010 and 2013
1.17 % Economically inactive participants in work on leaving	Individual participant data	Annual report and PMC meetings
1.18 % Economically inactive participants in work six months after leaving	Follow-up survey of participants	2010 and 2013
1.19 % Participants with disabilities or health conditions in work on leaving	Individual participant data	Annual report and PMC meetings
1.20 % Participants with disabilities or health conditions in work six months after leaving	Follow-up survey of participants	2010 and 2013
1.21 % Lone parents in work on leaving	Follow-up survey of participants	2010 and 2013
1.22 % Lone parents in work six months after leaving	Follow-up survey of participants	2010 and 2013
1.23 % Participants aged 50 or over in work on leaving	Individual participant data	Annual report and PMC meetings
1.24 % Participants aged 50 or over in work six months after leaving	Follow -up survey of participants	2010 and 2013

1.25 % Ethnic minority participants in work on leaving	Individual participant data	Annual report and PMC meetings
1.26 % Ethnic minority participants in work six months after leaving	Follow-up survey of participants	2010 and 2013
1.27 % Female participants in work on leaving	Individual participant data	Annual report and PMC meetings
1.28 % Female participants in work six months after leaving	Follow-up survey of participants	2010 and 2013
1.29 % Participants who gained basic skills	Individual participant data	Annual report and PMC meetings
1.30 % Participants who gained qualifications	Individual participant data	Annual report and PMC meetings

## Notes

The number of participants who are unemployed (1.2), inactive (1.3) or young NEETs (1.4) is smaller than the total number of participants (1.1). This is (a) to provide some flexibility for regions to support additional unemployed or inactive people or NEETs depending on regional priorities and needs, and (b) in exceptional cases to support activities to retain older and disabled workers in employment and prevent worklessness.

Output targets 1.2, 1.3 and 1.4, and 1.4 and 1.7 are mutually exclusive (i.e. a participant cannot be both unemployed and inactive, or unemployed or inactive and a 14-19 NEET, or a 14-19 NEET and an older worker. Other indicators are not mutually exclusive (e.g. a participant can be unemployed and disabled, a lone parent, ethnic minority, older worker and female).

Results targets 1.10 and 1.12 are mutually exclusive.

Numbers rounded to nearest 1,000. Percentages rounded to nearest 1%.

Lone parent targets and indicators will be measured through the follow-up surveys rather than the Management Information system. The LSC does not collect this information as part of its standard data collection about individual LSC participants. Although DWP/Jobcentre Plus does collect some data on lone parents it is only in respect of those in receipt of benefits. Lone parent participation will also be covered at the Managing Authority's regular reviews with beneficiaries.

**PRIORITY 2: DEVELOPING A SKILLED AND ADAPTABLE WORKFORCE (REGIONAL COMPETITIVENESS AND EMPLOYMENT)**

**Resources:** €1,990,917,526

**Target:** develop a skilled and adaptable workforce by helping more people gain basic skills and qualifications as a result of the programme's interventions.

Indicator	2007-2013 target	Contextual baseline (annual)	Data source (to measure progress)	Frequency
<b>Outputs</b>				
2.1 Total number of participants	Number of Priority 2 participants: <b>825,000</b>	Not applicable	Individual participant data	Annual report and PMC meetings
2.2 Participants with basic skills needs	(a) Number of Priority 2 participants with basic skills needs: <b>337,000</b> (b) Proportion of Priority 2 participants without basic skills: <b>41%</b>	Not available	Individual participant data	Annual report and PMC meetings
2.3 Participants without level 2 qualifications	(a) Number of Priority 2 participants without full level 2 qualifications: <b>338,000</b> (b) Proportion of Priority 2 participants without full level 2: <b>41%</b>	(a) Number of employed people in working age population without full level 2 (LFS): 7,494,000 (b) Proportion of employed people in working age population without full level 2 (LFS): 33%	Individual participant data	Annual report and PMC meetings
2.4 Participants without level 3 qualifications	(a) Number of Priority 2 participants with level 2 but without full level 3 qualifications: <b>101,000</b> (b) Proportion of Priority 2 participants with level 2 but without full level 3: <b>12%</b>	(a) Number of employed people in working age population without level 3 (LFS): 12,785,000 (b) Proportion of employed people in working age population without full level 3 (LFS): 56%	Individual participant data	Annual report and PMC meetings
2.5 Participants with disabilities or health conditions	Proportion of Priority 2 participants with disabilities and health conditions: <b>15%</b>	Proportion of employed people in working age population with disabilities or health conditions (LFS): 13%.	Individual participant data	Annual report and PMC meetings

2.6 Participants aged 50 and over	Proportion of Priority 2 participants aged 50 and over: <b>20%</b>	Proportion of employed people in working age population aged 50 or over (LFS): 24%.	Individual participant data	Annual report and PMC meetings
2.7 Participants from ethnic minorities	Proportion of Priority 2 participants who are from ethnic minorities: <b>13%</b>	Proportion of employed people in working age population who are from ethnic minorities (LFS): 10%	Individual participant data	Annual report and PMC meetings
2.8 Female participants	Proportion of Priority 2 participants who are female: <b>50%</b>	Proportion of employed people in working age population who are female (LFS): 46%	Individual participant data	Annual report and PMC meetings
<b>Results</b>				
2.9 Participants who gained basic skills	(a) Number of Priority 2 participants who gained basic skills: <b>152,000</b> (b) Proportion of Priority 2 participants without basic skills who gained basic skills: <b>45%</b>	Not available	Individual participant data	Annual report and PMC meetings
2.10 Participants who gained full level 2 qualifications	(a) Number of Priority 2 participants who gained full level 2 qualifications: <b>135,000</b> (b) Proportion of Priority 2 participants without level 2 who gained full level 2: <b>40%</b>	Not available	Individual participant data	Annual report and PMC meetings
2.11 Participants who gained full level 3 qualifications	(a) Number of Priority 2 participants who gained full level 3 qualifications: <b>30,000</b> (b) Proportion of Priority 2 participants (with level 2 but without level 3) who gained full level 3: <b>30%</b>	Not available	Individual participant data	Annual report and PMC meetings

**Indicators without targets**

<b>Indicator</b>	<b>Data source (to measure progress)</b>	<b>Frequency</b>
<b><i>Outputs</i></b>		
2.12 % Participants in a managerial position	Follow-up survey of participants	2010 and 2013
2.13 % Female participants in part-time work	Follow-up survey of participants	2010 and 2013
<b><i>Results</i></b>		
2.14 % Participants (without level 2 qualifications) who gained units or modules of level 2 qualifications	Individual participant data or survey	Annual report
2.15 % Participants (without level 3 qualifications) who gained units or modules of level 3 qualifications	Individual participant data or survey	Annual report
2.16 % Participants who gained full level 4 or above qualifications	Individual participant data	Annual report and PMC meetings
2.17 % Participants who gained units or modules of level 4 or above qualifications	Individual participant data or survey	Annual report
2.18 % Female participants who gained basic skills	Individual participant data	Annual report and PMC meetings
2.19 % Female participants who gained level 2 qualifications	Individual participant data	Annual report and PMC meetings
2.20 % Female participants who gained level 3 qualifications	Individual participant data	Annual report and PMC meetings
2.21 % Female participants who gained level 4 and	Individual participant data	Annual report and PMC meetings



above qualifications		
2.22 % Female participants who gained units or modules of qualifications	Individual participant data or survey	Annual report
2.23 % Participants with disabilities or health conditions who gained basic skills	Individual participant data	Annual report and PMC meetings
2.24 % Participants with disabilities or health conditions who gained qualifications	Individual participant data	Annual report and PMC meetings
2.25 % Participants with disabilities or health conditions who gained units or modules of qualifications	Individual participant data or survey	Annual report
2.26 % Participants aged 50 or over who gained basic skills	Individual participant data	Annual report and PMC meetings
2.27 % Participants aged 50 or over who gained qualifications	Individual participant data	Annual report and PMC meetings
2.28 % Participants aged 50 or over who gained units or modules of qualifications	Individual participant data or survey	Annual report
2.29 % Ethnic minority participants who gained basic skills	Individual participant data	Annual report and PMC meetings
2.30 % Ethnic minority participants who gained qualifications	Individual participant data	Annual report and PMC meetings
2.31 % Ethnic minority participants who gained units or modules of qualifications	Individual participant data or survey	Annual report
2.32 % Part-time female workers who gained basic skills	Follow-up survey participants	2010 and 2013
2.33 % Part-time female workers who gained qualifications	Follow-up survey participants	2010 and 2013

2.34 % Part-time female workers who gained units or modules of qualifications	Follow-up survey participants	2010 and 2013
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## Notes

Participants with basic skills needs (2.2) are participants who on starting ESF are identified as lacking one or more of the following Skills for Life basic skills at level 2: literacy, numeracy, language (e.g. English for Speakers of other Languages) or Information and Communication Technology.

Participants without full level 2 qualifications (2.3) will have basic skills so they are not double counted.

Indicators on the acquisition of units or modules of qualifications (2.14, 2.15, 2.17, 2.22, 2.25, 2.28, 2.31 and 2.34) will be measured by individual participant data from the Management Information system. If this is not feasible, they will be measured through annual surveys of a sample of Priority 2 projects from 2009 onwards, in those years when there are no follow-up surveys. To avoid double-counting, a participant who gains a full qualification will not also be recorded as gaining a unit or module towards the qualification.

The basic skills results target (2.9) will be reviewed and if necessary adjusted in the light of any new data that becomes available on the performance of Skills for Life initiatives, and in the light of the performance of ESF projects.

Numbers rounded to nearest 1,000. Percentages rounded to nearest 1%.

#### PRIORITY 4: TACKLING BARRIERS TO EMPLOYMENT (CONVERGENCE)

**Resources:** €99,526,530

**Target:** To tackle barriers to employment in Cornwall and the Isles of Scilly by helping more people enter employment or engage in activity leading to employment, particularly disadvantaged groups, as a result of the programme's interventions.

Indicator	2007-13 target	Contextual baseline (annual)	Data source (to measure progress)	Frequency
<b>Outputs</b>				
4.1 Total number of participants	Number of Priority 4 participants: <b>24,500</b>	Not applicable	Individual participant data	Annual report and PMC meetings
4.2 Participants who are unemployed	(a) Number of unemployed participants (aged over 19) in Priority 4: <b>10,200</b> (b) Proportion of Priority 4 participants (aged over 19) who are unemployed or inactive: <b>42%</b>	(a) Number of unemployed people in working age population (LFS): 10,000 (b) Proportion of unemployed people in working age population (LFS): 3%.	Individual participant data	Annual report and PMC meetings
4.3 Participants who are inactive	(a) Number of inactive participants (aged over 19) in Priority 4: <b>8,400</b> (b) Proportion of Priority 4 participants (aged over 19) who are inactive: <b>34%</b>	(a) Number of inactive people in working age population (LFS): 65,000 (b) Proportion of inactive people in working age population (LFS): 22%.	Individual participant data	Annual report and PMC meetings
4.4 Participants aged 14 to 19 who are NEET or at risk of becoming NEET	(a) Number of Priority 4 participants who are 14-19 year old NEETs or at risk of becoming NEET: <b>4,900</b> (b) Proportion of Priority 4 participants who are 14-19 year old NEETs or at risk of becoming NEETs: <b>20%</b>	(a) Number of 16 to 19 year old NEETs plus number of 14 and 15 year olds at risk (Connexions): 3,775 (b) Proportion of 16 to 19 year old NEETS plus 14 and 15 year olds at risk in 14-19 population (Connexions): 5%	Individual participant data	Annual report and PMC meetings
4.5 Participants with	Proportion of Priority 4 participants	Proportion of people with disabilities	Individual participant	Annual report and PMC

disabilities or health conditions	with disabilities and health conditions: <b>27%</b>	or health conditions in the workless population (LFS): 23%.	data	meetings
4.6 Participants who are lone parents	Proportion of Priority 4 participants who are lone parents: <b>8%</b>	Not available	Follow-up survey of participants	2010 and 2013
4.7 Participants aged 50 or over	Proportion of <u>unemployed and inactive</u> Priority 4 participants aged 50 or over (i.e. indicator 4.2): <b>30%</b>	Proportion of people aged 50 or over in the workless population (LFS): 42%.	Individual participant data	Annual report and PMC meetings
4.8 Participants from ethnic minorities	Proportion of Priority 4 participants who are from ethnic minorities: <b>1%</b>	Not available	Individual participant data	Annual report and PMC meetings
4.9 Female participants	Proportion of Priority 4 participants who are female: <b>51%</b>	Proportion of women among unemployed people and inactive people who want to work (LFS): 51%.	Individual participant data	Annual report and PMC meetings
<b>Results</b>				
4.10 Participants in work on leaving	(a) Number of Priority 4 participants in work on leaving: <b>5,900</b> (b) Proportion of Priority 4 participants in work on leaving: <b>24%</b>	Proportion of (comparable priority) participants in work on leaving in 2000-06 (2000-06 ESF project closure data): 18%	Individual participant data	Annual report and PMC meetings
4.11 Participants in work six months after leaving	(a) Number of participants in work six months after leaving: <b>7,300</b> (b) Proportion of participants in work six months after leaving: <b>30%</b>	Not available	Follow-up survey of participants	2010 and 2013
4.12 Economically inactive participants engaged in jobsearch activity or further learning (distance travelled indicator)	Proportion of Priority 4 economically inactive participants who on leaving are engaged in jobsearch activity or enter further learning to prepare them for work: <b>45%</b>	Not available	Follow-up survey of participants	2010 and 2013
4.13 14 to 19 year old NEETs or at risk, in education, employment or training on leaving	(a) Number of Priority 4 NEETs or at risk, in education, employment or training on leaving: <b>2,200</b> (b) Proportion of Priority 4 NEETs or	Not available.	Individual participant data	Annual report and PMC meetings

	at risk, in education, employment or training on leaving: <b>45%</b>			
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### Indicators without targets

Indicator	Data source (to measure progress)	Frequency
<b>Outputs</b>		
4.14 % Participants who receive support with caring responsibilities	Follow-up survey of participants	2010 and 2013
<b>Results</b>		
4.15 % Unemployed participants in work on leaving	Individual participant data	Annual report and PMC meetings
4.16 % Unemployed in work six months after leaving	Follow –up survey of participants	2010 and 2013
4.17 % Economically inactive participants in work on leaving	Individual participant data	Annual report and PMC meetings
4.18 % Economically inactive participants in work six months after leaving	Follow-up survey of participants	2010 and 2013
4.19 % Participants with disabilities or health conditions in work on leaving	Individual participant data	Annual report and PMC meetings
4.20 % Participants with disabilities or health conditions in work six months after leaving	Follow-up survey of participants	2010 and 2013
4.21 % Lone parents in work on leaving	Follow-up survey of participants	2010 and 2013
4.22 % Lone parents in work six months after leaving	Follow-up survey of participants	2010 and 2013
4.23 % Participants aged 50 or over in work on leaving	Individual participant data	Annual report and PMC meetings
4.24 % Participants aged 50 or over in work six months after leaving	Follow-up survey of participants	2010 and 2013
4.25 % Ethnic minority participants in work on leaving	Individual participant data	Annual report and PMC meetings

4.26 % Ethnic minority participants in work six months after leaving	Follow-up survey of participants	2010 and 2013
4.27 % Female participants in work on leaving	Individual participant data	Annual report and PMC meetings
4.28 % Female participants in work six months after leaving	Follow-up survey of participants	2010 and 2013
4.29 % Participants who gained basic skills	Individual participant data	Annual report and PMC meetings
4.30 % Participants who gained qualifications	Individual participant data	Annual report and PMC meetings

### Notes

The number of participants who are unemployed (4.2), inactive (4.3) or young NEETs (4.4) is smaller than the total number of participants (4.1). This is (a) to provide some flexibility to support additional workless people or NEETs during the course of the programme, and (b) in exceptional cases to support activities to retain older and disabled workers in employment and prevent worklessness.

Output targets 4.2, 4.3 and 4.4, and 4.4 and 4.7 are mutually exclusive (i.e. a participant cannot be both unemployed and inactive, or unemployed or inactive and a 14-19 NEET, or a 14-19 NEET and an older worker. Other indicators are not mutually exclusive (e.g. a participant can be unemployed/inactive and disabled, a lone parent, ethnic minority, older worker and female).

Results targets 4.10 and 4.12 are mutually exclusive.

Numbers rounded to nearest 100. Percentages rounded to nearest 1%.

Lone parent targets and indicators will be measured through the follow-up surveys rather than the Management Information system. The LSC does not collect this information as part of its standard data collection about individual LSC participants. Although DWP/Jobcentre Plus does collect some data on lone parents it is only in respect of those in receipt of benefits. Lone parent participation will also be covered at the Managing Authority's regular reviews with beneficiaries.

# **PRIORITY 5: IMPROVING THE SKILLS OF THE LOCAL WORKFORCE (CONVERGENCE)**

**Resources:** €157,147,152

**Target:** To improve the skills of the workforce in Cornwall and the Isles of Scilly by helping more people gain basic skills and qualifications as a result of the programme's interventions.

Indicator	2007-2013 target	Contextual baseline (annual)	Data source (to measure progress)	Frequency
<i><b>Outputs</b></i>				
5.1 Total number of participants	Number of Priority 5 participants: <b>50,200</b>	Not applicable	Individual participant data	Annual report and PMC meetings
5.2 Participants with basic skills needs	(a) Number of Priority 5 participants with basic skills needs: <b>18,200</b> (b) Proportion of Priority 5 participants without basic skills: <b>36%</b>	Not available.	Individual participant data	Annual report and PMC meetings
5.3 Participants without level 2 qualifications	(a) Number of Priority 5 participants without full level 2 qualifications: <b>18,200</b> (b) Proportion of Priority 5 participants without full level 2: <b>36%</b>	(a) Number of employed people in working age population without full level 2 (LFS): 63,000 (b) Proportion of employed people in working age population without full level 2 (LFS): 28%	Individual participant data	Annual report and PMC meetings
5.4 Participants without level 3 qualifications	(a) Number of Priority 5 participants with level 2 but without full level 3 qualifications: <b>5,400</b> (b) Proportion of Priority 5 participants with level 2 but without full level 3: <b>11%</b>	(a) Number of employed people in working age population without level 3 (LFS): 116,000 (b) Proportion of employed people in working age population without full level 3 (LFS): 51%	Individual participant data	Annual report and PMC meetings
5.5 Participants without level 4 qualifications.	(a) Number of Priority 5 participants with level 3 but without full level 4 qualifications: <b>3,800</b>	(a) Number of employed people in working age population without full level 4 (LFS): 184,000	Individual participant data	Annual report and PMC meetings

	(b) Proportion of Priority 5 participants with level 3 but without full level 4: <b>8%</b>	(b) Proportion of employed people in working age population without full level 4 (LFS): 81%		
5.6 Participants under taking post-graduate research training	Number participating in research qualifications (Masters/PhD): <b>800</b>	Not available	Individual participant data	Annual report and PMC meetings
5.7 Graduates placed within SMEs	Number of graduate placements: <b>1,100</b>	Not available	Individual participant data	Annual report and PMC meetings
5.8 Participants with disabilities or health conditions	Proportion of Priority 5 participants with disabilities and health conditions: <b>17%</b>	Proportion of employed people in working age population with disabilities or health conditions (LFS): 15%.	Individual participant data	Annual report and PMC meetings
5.9 Participants aged 50 and over	Proportion of Priority 5 participants aged 50 and over: <b>22%</b>	Proportion of employed people in working age population aged 50 or over (LFS): 25%.	Individual participant data	Annual report and PMC meetings
5.10 Participants from ethnic minorities	Proportion of Priority 5 participants who are from ethnic minorities: <b>1%</b>	Not available	Individual participant data	Annual report and PMC meetings
5.11 Female participants	Proportion of Priority 5 participants who are female: <b>51%</b>	Proportion of employed people in working age population who are female (LFS): 47%	Individual participant data	Annual report and PMC meetings
<b>Results</b>				
5.12 Participants who gained basic skills	(a) Number of Priority 5 participants who gained basic skills: <b>8,200</b> (b) Proportion of Priority 5 participants without basic skills who gained basic skills: <b>45%</b>	Not available	Individual participant data	Annual report and PMC meetings
5.13 Participants who gained full level 2 qualifications	(a) Number of Priority 5 participants who gained full level 2 qualifications: <b>7,300</b> (b) Proportion of Priority 5 participants without level 2 who	Not available	Individual participant data	Annual report and PMC meetings



	gained full level 2: <b>40%</b>			
5.14 Participants who gained full level 3 qualifications	(a) Number of Priority 5 participants who gained full level 3 qualifications: <b>1,600</b> (b) Proportion of Priority 5 participants (with level 2 but without level 3) who gained full level 3: <b>30%</b>	Not available	Individual participant data	Annual report and PMC meetings
5.15 Participants who gained full level 4 qualifications	(a) Number of Priority 5 participants who gained full level 4: <b>760</b> (b) Proportion of Priority 5 participants (with level 3 but without level 4) who gained full level 4: <b>20%</b>	Not available	Individual participant data	Annual report and PMC meetings
5.16 Participants who gained full level 5 or above qualifications	(a) Number of Priority 5 participants undertaking post-graduate research training who gained level 5 or above: <b>120</b> (b) Proportion of Priority 5 participants undertaking post-graduate research training who gained level 5 or above: <b>15%</b>	Not available	Individual participant data	Annual report and PMC meetings
5.17 Graduates placed within SMEs who gain employment	(a) Number of graduates placed within SMEs who gain employment: <b>830</b> (b) Proportion of graduates placed within SMEs who gain employment: <b>75%</b>	Not available	Individual participant data	

**Indicators without targets**

<b>Indicator</b>	<b>Data source (to measure progress)</b>	<b>Frequency</b>
<b><i>Outputs</i></b>		
5.18 % Participants in a managerial position	Follow-up survey of participants	2010 and 2013
5.19 % Female participants in part-time work	Follow-up survey of participants	2010 and 2013
<b><i>Results</i></b>		
5.20 % Participants (without level 2 qualifications) who gained units or modules of level 2 qualifications	Individual participant data or survey	Annual report
5.21 % Participants (without level 3 qualifications) who gained units or modules of level 3 qualifications	Individual participant data or survey	Annual report
5.22% Participants (without level 4 qualifications) who gained units or modules of level 4 or above qualifications	Individual participant data or survey	Annual report
5.23% Participants (without level 5 qualifications) who gained units or modules of level 5 or above qualifications	Individual participant data or survey	Annual report
5.24 % Female participants who gained basic skills	Individual participant data	Annual report and PMC meetings
5.25 % Female participants who gained level 2 qualifications	Individual participant data	Annual report and PMC meetings
5.26 % Female participants who gained level 3 qualifications	Individual participant data	Annual report and PMC meetings
5.27 % Female participants who gained level 4 and	Individual participant data	Annual report and PMC meetings

above qualifications		
5.28 % Female participants who gained units or modules of qualifications	Individual participant data or survey	Annual report
5.29 % Participants with disabilities or health conditions who gained basic skills	Individual participant data	Annual report and PMC meetings
5.30 % Participants with disabilities or health condition who gained qualifications	Individual participant data	Annual report and PMC meetings
5.31 % Participants with disabilities or health conditions who gained units or modules of qualifications	Individual participant data or survey	Annual report
5.32 % Participants aged 50 or over who gained basic skills	Individual participant data	Annual report and PMC meetings
5.33 % Participants aged 50 or over who gained qualifications	Individual participant data	Annual report and PMC meetings
5.34 % Participants aged 50 or over who gained units or modules of qualifications	Individual participant data or survey	Annual report
5.35 % Ethnic minority participants who gained basic skills	Individual participant data	Annual report and PMC meetings
5.36 % Ethnic minority participants who gained qualifications	Individual participant data	Annual report and PMC meetings
5.37 % Ethnic minority participants who gained units or modules of qualifications	Individual participant data or survey	Annual report
5.38 % Part-time female workers who gained basic skills	Follow-up survey of participants	2010 and 2013
5.39 % Part-time female workers who gained qualifications	Follow-up survey of participants	2010 and 2013

5.40 % Part-time female workers who gained units or modules of qualifications	Follow-up survey participants	2010 and 2013
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### Notes

Participants with basic skills needs (5.2) are participants who on starting ESF are identified as lacking one or more of the following Skills for Life basic skills at level 2: literacy, numeracy, language (e.g. English for Speakers of other Languages) or Information and Communication Technology.

Participants without full level 2 qualifications (5.3) will have basic skills so they are not double counted.

Indicators on the acquisition of units or modules of qualifications (5.20, 5.21, 5.22, 5.23, 5.28, 5.31, 5.34, 5.37 and 5.40) will be measured by individual participant data from the Management Information system. If this is not feasible, they will be measured through annual surveys of a sample of Priority 5 projects from 2009 onwards, in those years when there are no follow-up surveys. To avoid double-counting, a participant who gains a full qualification will not also be recorded as gaining a unit or module towards the qualification.

The basic skills results target (5.12) will be reviewed and if necessary adjusted in the light of any new data that becomes available on the performance of Skills for Life initiatives, and in the light of the performance of ESF projects.

Numbers rounded to nearest 100 (except 5.15, 5.16 and 5.17). Percentages rounded to nearest 1%.

# **PROGRAMME PERFORMANCE INDICATORS**

<b>Indicator</b>	<b>Target</b>	<b>Data source (to measure progress)</b>	<b>Frequency</b>
<b><i>Outputs</i></b>			
1. Total number of participants	Number of participants: <b>1,790,000</b>	Individual participant data	Annual report and PMC meetings
2. Participants who are unemployed	Number of unemployed participants: <b>381,000</b>	Individual participant data	Annual report and PMC meetings
3. Participants who are economically inactive	Number of economically inactive participants: <b>311,000</b>	Individual participant data	Annual report and PMC meetings
4. Participants with basic skills needs	Number of participants with basic skills needs: <b>355,000</b>	Individual participant data	Annual report and PMC meetings
5. Participants with disabilities or health conditions	Proportion of participants with disabilities or health conditions: <b>19%</b>	Individual participant data	Annual report and PMC meetings
6. Participants aged 50 or over	Proportion participants aged 50 or over (excluding 14 to 19 year old NEETs and at risk): <b>19%</b>	Individual participant data	Annual report and PMC meetings
7. Participants from ethnic minorities	Proportion of participants from ethnic minorities: <b>19%</b>	Individual participant data	Annual report and PMC meetings
8. Female participants	Proportion of female participants: <b>51%</b>	Individual participant data	Annual report and PMC meetings
<b><i>Results</i></b>			
9. Participants in work on leaving (priorities 1 and 4)	Number of Priority 1 and 4 participants in work on leaving: <b>201,000</b>	Individual participant data	Annual report and PMC meetings
10. Participants in work six months after leaving (priorities 1 and 4)	Number of Priority 1 and 4 participants in work six months after leaving: <b>238,000</b>	Follow-up survey of participants	2010 and 2013

11. Participants gaining basic skills	Number of participants gaining basic skills: <b>160,000</b>	Individual participant data	Annual report and PMC meetings
12. Participants gaining full qualifications at level 2 or above (priorities 2 and 5)	Number of priority 2 and 5 participants gaining full qualifications at level 2 or above: <b>174,000</b>	Individual participant data	Annual report and PMC meetings



## ANNEX B: INFORMATION ON CATEGORISATION OF ESF

B1. This annex provides information on the indicative breakdown by category of the contribution of the ESF to the Operational Programme. It uses the relevant thematic categories at Annex II of Commission Regulation (EC) No 1828/2006. The indicative breakdown is provided for information purposes only, and is not a set of targets or allocations.

B2. The Managing Authority will provide updated information at Operational Programme level on the cumulative allocation of ESF by category to operations in its annual and final implementation reports.

B3. The indicative breakdown is derived from the description of the priorities and their targets. Most of the ESF expenditure in Priorities 1 and 4 will contribute to active labour market activities (code 66) and employment for disadvantaged people (code 71). Some expenditure will contribute to activities aimed specifically at prolonging working lives (code 67) and women (code 69). In Priorities 2 and 5, most of the expenditure will contribute to the development of lifelong learning (code 62) and some to activities related to restructuring (code 64). In addition, in Priority 5 only, some expenditure will contribute to human resource development in research (code 74). In Priorities 3 and 6 most the expenditure will contribute to the implementation and monitoring of the programme (code 85) and some to evaluation and publicity (code 86).

Operational Programme		
Code	Priority theme	ESF amount (€)
62	Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation	1,034,766,447
64	Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	55,081,710
66	Implementing active and preventive measures on the labour market	747,434,164
67	Measures encouraging active ageing and prolonging working lives	93,429,270
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	186,858,541
71	Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance	



	of diversity in the workplace	840,863,434
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses	11,786,036
85	Preparation, implementation, monitoring and inspection	95,733,422
86	Evaluation and studies; information and communication	23,933,355
	<b>Total</b>	<b>3,089,886,379</b>

### Lisbon earmarking

B4. All ESF expenditure within Priorities 1, 2, 4 and 5 will fall within priority theme categories that are 'earmarked' as Lisbon expenditure according to Annex IV of Council Regulation (EC) No. 1083/2006. The table below provides information on the indicative breakdown by Lisbon category.

<b>Regional Competitiveness and Employment Objective</b>		
<b>Code</b>	<b>Priority theme</b>	<b>ESF amount (€)</b>
62	Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation	934,585,138
64	Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	49,188,691
66	Implementing active and preventive measures on the labour market	717,576,205
67	Measures encouraging active ageing and prolonging working lives	89,697,026
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	179,394,051
71	Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity in the workplace	807,273,230
	<b>Total</b>	<b>2,777,714,341</b>
<b>Convergence Objective</b>		
<b>Code</b>	<b>Priority theme</b>	<b>ESF amount (€)</b>
62	Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation	100,181,309
64	Development of specific services for employment, training and support in connection with restructuring of sectors and firms,	5,893,019

	and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	
66	Implementing active and preventive measures on the labour market	29,857,959
67	Measures encouraging active ageing and prolonging working lives	3,732,244
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	7,464,490
71	Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity in the workplace	33,590,204
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses	11,786,036
	<b>Total</b>	192,505,261



# ANNEX C: SUMMARY OF CONSULTATION

## Introduction

C1. This annex summarises the formal consultation process on the draft Operational Programme, the main issues raised in the responses, and the adjustments made to the programme in the light of those responses. The Government response to the consultation exercise, which was published on 4 May 2007, sets out in more detail the issues raised and the Government's position on those issues.

## Consultation Processes

C2. The Department for Work and Pensions conducted a formal consultation exercise on the draft Operational Programme. The consultation period was from 30 October 2006 to 22 January 2007. Consultation events were held in each of the nine English regions and in the Convergence area of Cornwall and the Isles of Scilly.

## Consultation Responses

C3. The Department received 176 written responses to the consultation. The breakdown by organisation type and region is shown below.

Region	Number
Cornwall and Isles of Scilly	15
East of England	9
East Midlands	18
Gibraltar	0
London	11
Merseyside	6
North East	20
North West (not Merseyside)	14
South East	18
South West (not Cornwall and Isles of Scilly)	14
South Yorkshire	6
West Midlands	10
Yorkshire and the Humber (not South Yorkshire)	10
National	25
<b>Total</b>	<b>176</b>

Organisation	Number
Business or employers' organisation	2
Further Education college	4
Government department	2
Higher Education institution	19
Individual	4

Learning and Skills Council	1
Local authority	39
Local employment or regeneration organisation	4
Non-departmental public bodies	3
Other <sup>97</sup>	57
Private company	1
Private sector training provider	1
Regional Development Agency	6
Regional Skills Partnership	2
Trade union	2
Voluntary and community organisation	29
<b>Total</b>	<b>176</b>

C4 Regions and sectors took different approaches to their responses. For example, there was a co-ordinated response from the main stakeholders in the London region, and a co-ordinated response from the Trades Union Congress. On the other hand there were several individual responses from local authorities, Higher Education institutions and voluntary and community sector organisations.

### Consultation Issues

C5. Overall the responses were broadly supportive of the strategy and priorities of the draft programme. Many responses suggested amendments to the draft programme, or emphasised the importance of particular target groups or activities contained in the draft programme. Some responses raised points that will be reflected in programme guidance or information systems rather than the Operational Programme document. Some responses raised issues that had been agreed by the Government in its response to the consultation on the National Strategic Reference Framework and which were not the subject of the Operational Programme consultation exercise.

C6. The main adjustments made to the Operational Programme as a result of consultation responses were:

- updating the programme to take account of the final report of the Leitch Review, in particular emphasising integrated approaches to employment and skills, and demand-led approaches;
- adding references to addressing barriers to work faced by workless people who face particular problems such as homeless people and refugees;
- adding additional references to entrepreneurship and social enterprise;
- clarifying the respective roles of Regional Committees and Regional Skills Partnerships; and

<sup>97</sup> The others include a variety of regional and sub-regional partnerships and networks, including Structural Fund regional committees and sub-committees.  
Version: Amended OP 2011

- adding a commitment to continue to make a limited amount of funding available in the form of small community grants to achieve labour market objectives.

C7. The table sets out the main issues raised under each consultation question, and indicates the adjustments made to the Operational Programme.

**MAIN CONSULTATION ISSUES**

<b>Question 1: What are your views on the analysis of the strengths and weaknesses of the English labour market?</b>			
<b>No.</b>	<b>Issue</b>	<b>Changes proposed by respondents</b>	<b>Adjustments made to the Operational Programme (OP) or reasons for not making adjustments</b>
1	Sub-regional analysis of employment and skills needs	Several respondents wanted more detail on disparities within regions and pockets of deprivation.	The OP emphasises disparities within regions and concentrations of worklessness in local areas. However, the national OP cannot analyse the problems of each individual sub-region and area. Particular issues will be identified in regional ESF frameworks, with reference to the Cities Strategy, Regional Economic Strategies etc.
2	Migrants	A few respondents wanted more analysis on the effects of migrants on employment and skills.	Further information has been added to the section on migrants.
3	Higher-level skills	Some respondents wanted more detail on demand for graduates and higher level skills.	Some information on higher level skills needs from the Leitch review has been added to the OP, along with the Leitch recommendation that higher levels skills should be funded primarily by employers and individuals.
4	Skills analysis in phasing-in regions	A few respondents proposed adding an analysis of skills needs in Merseyside and South Yorkshire to complement the employment analysis.	This analysis has been added to the OP.
<b>Question 2: What are your views on the strategy for using the England ESF programme to support the relevant Community, national and regional objectives and policies?</b>			
5	Regional flexibility	There was general support for the strategy but some regional stakeholders wanted to influence the balance of funding between priorities.	The OP will establish the national priority breakdown, and the sum of regional priority breakdowns will respect this. Guidance on regional ESF frameworks will set out the scope for regional flexibility within the national

			priorities to tackle worklessness and low skills.
6	Higher level skills	Some responses argued for more scope for higher level skills.	The OP has not been changed, as the priority for public investment is lower level skills. This is consistent with the national skills strategy and is supported by the Leitch Review.
7	Regional Skills Partnerships (RSPs)	Some responses questioned the capacity of RSPs to develop regional ESF frameworks and connect with all stakeholders (especially the local authorities and the voluntary and community sector).	The UK Structural Funds National Strategic Reference Framework confirmed that RSPs will play a leading role in developing regional ESF strategies (now known as regional ESF frameworks). These frameworks will be based on employment and skills priorities identified in existing regional strategies such as the Regional Economic Strategy, which have already been subject to extensive consultation. The frameworks will not reinvent the wheel. The OP has been amended to indicate that the Managing Authority will issue guidance to RSPs on consulting with partners.
<b>Question 3a: What are your views on the proposed activities and indicators for Priority 1 – extending employment opportunities?</b>			
8	Refugees and migrants	A few responses proposed including refugees and migrants as target groups.	A reference to activities tailored to the needs of workless refugees has been added to the OP. But migrants in general will not be a key target group.
9	Redundancy	A few responses proposed adding technically skilled people under threat of redundancy as a target group.	Early interventions to help people under threat of redundancy has been added to the OP as an indicative activity.
10	Mental health	Some responses wanted a specific reference to people with mental health conditions and problems.	A footnote has been added to clarify that people with disabilities include people with mental health conditions.
11	Other disadvantaged groups	Many responses proposed references to other disadvantaged groups such as the	The OP has been amended to include activities to tackle specific barriers to work faced by people who, for



		homeless.	example, are homeless or substance misusers.
12	Challenging employer pre-conceptions of disabled people and ethnic minorities	Some responses wanted to strengthen references to employer engagement and challenging stereotypes.	This has been strengthened in the OP.
13	Entrepreneurship, self-employment and social enterprise	Some responses wanted more references to these issues and to include self-employment as a separate indicator.	A reference to entrepreneurship has been added to Priority 1. There are already references to self-employment and social enterprise. Self-employment is not a separate indicator but will be captured within the indicator on 'in work on leaving'.
14	Soft outcomes	Some responses wanted to include soft outcome indicators and/or guidance on soft outcomes methodology.	Soft outcomes are not programme level performance indicators, but can be included in CFO contracts. As stated in the OP, projects will be encouraged to record soft outcomes and these will be evaluated.
15	Social inclusion sub-priority or allocation	A small number of responses wanted to create a distinct sub-priority and/or financial allocation within Priority 1 for social inclusion of the most disadvantaged groups and community empowerment.	Priority 1 as a whole is focused on tackling worklessness including amongst disadvantaged groups.
<b>Question 3b: What are your views on the proposed indicative activities and indicators for Priority 2 – developing a skilled and adaptable workforce?</b>			
16	Higher level skills	Some responses wanted more scope for funding higher level skills activity, especially in medium sized enterprises.	The priority for ESF funding is basic skills and level 2. There will be scope for level 3 training where there are skills needs identified by Regional Skills Partnerships. Employers and individuals should have the main responsibility for funding training at higher levels. Priority 2 focuses higher level skills on small firms as there is clear market failure, and evaluations show small firms are the least likely to train.

17	Soft outcomes	Some responses argued that indicators should include soft outcomes not just qualifications.	The key indicators of priority performance will be qualifications gained, but evaluations will look at soft outcomes.
18	Social enterprise	Some responses wanted a reference to skills for social enterprise.	This has been added.
19	Environmental skills	Some responses wanted more references to skills for employment in environmental industry, as this is a growth area.	The existing reference to environmental skills has been expanded.
<b>Questions 3c and 3f: What are your views on the proposed indicative activities for Priorities 3 and 6 – technical assistance?</b>			
20	Evaluation	Some responses wanted confirmation that technical assistance (TA) will be used to support evaluations.	The OP confirms that TA can support evaluations of the programme.
21	Cross-cutting themes	Some responses wanted confirmation that TA will be used support the equal opportunities and sustainable development themes.	The OP confirms that TA can support the cross-cutting themes.
21	VCS and local authority involvement	Some responses emphasised that TA should be used to support VCS and local authority involvement in the design and delivery of programme.	The OP commits to using TA to support third sector networks. Applications from other partners will be considered in the usual way.
<b>Question 3d: What are your views on the proposed activities and indicators for Priority 4 – tackling barriers to employment in Cornwall and the Isles of Scilly?</b>			
The issues were broadly similar as Question 3a, but with a particular focus on social enterprise and access issues.			
<b>Question 3e: What are your views on the proposed activities and indicators for Priority 5 – improving the skills of the local workforce in Cornwall and the Isles of Scilly?</b>			
23	HE capacity building	Several responses emphasised that ESF should be used to build the capacity of Higher Education sector in Cornwall.	The OP includes activity to develop HE in Cornwall within the scope of the ESF regulation.

24	Demand-led provision	Several responses argued that ESF skills training should be flexible and demand-led.	The OP has been adjusted to emphasise the importance of demand-led provision.
25	Sustainable development	Several responses argued that skills activity should be linked to sustainable development.	Sustainable development is a cross-cutting theme.
<b>Question 4: In view of the limited funding available, what do you think should be the themes for innovative activity to extend employment opportunities and develop a skilled and adaptable workforce?</b>			
26	Flexibility	A few responses argued that regions should set themes for innovation rather than choosing from a national menu.	Regional Skills Partnerships will be invited to propose themes for innovation in regional ESF frameworks. These will be taken into account when the Managing Authority develops a national menu of themes in partnership with the innovation sub-committee of the Programme Monitoring Committee.
27	Concerns about separate innovation projects	A few responses argued that there should not be separate innovation projects, but that innovation should be integrated across all activities.	The ESF Regulation requires some dedicated innovation activity. However, this does not prevent innovative delivery within other projects, and this is now emphasised in the OP.
28	Demand-led	Some responses said innovation should be demand-led (for example, linked to Sector Skills Agreements).	This will be reflected in guidance on innovation.
29	Themes for innovation	Various themes were suggested, including entrepreneurship, LSC national learners' panel, social enterprise, community regeneration, migrant workers, responding to redundancies, brokerage models for Train to Gain, volunteering, and ex-offenders.	These themes will be considered when the Managing Authority develops the menu of themes for innovation, in partnership with the innovation sub-committee.
<b>Question 5: What are your views on the proposed roles of Regional Skills Partnerships (RSPs) and regional ESF strategies (now known as regional ESF frameworks)?</b>			
30	RSP capacity	Many responses asked for greater clarity on	The OP has been amended to clarify that RSPs will

		the role of RSPs and asked whether they had sufficient resources to play this role.	develop regional ESF frameworks on the basis of existing regional strategies, but will not have a delivery role. Regional Committees will monitor performance.
31	RSP accountability and membership	Several responses argued that RSPs should include other partners such as local authorities, VCS and small businesses'.	RSPs are responsible for determining their own membership and structures. They will be given guidance on consulting the full range of ESF partners when they develop regional ESF frameworks.
32	Sub-regional issues	Several responses wanted to clarify links to sub-regional partnerships and strategies, and take greater account of sub-regional needs. This issue was also raised under Question 8.	ESF regional frameworks will refer where appropriate to sub-regional strategies.
<b>Question 6: What are your views on how the equal opportunities cross-cutting theme should be implemented?</b> Almost all the responses supported the proposals. Many stressed the importance of sharing and disseminating good practice (especially from Equal), gateway criteria, technical assistance training and meaningful management information.			
33	Legislation	A few responses wanted an explanation of how the Gender Equality Duty and other legislation will be promoted	The OP contains general principles. Further information will be contained in guidance where appropriate.
<b>Question 7: What are your views on how the sustainable development (including environment sustainability) cross-cutting theme should be implemented?</b> Almost all the responses supported the proposals. Many commented on the importance of links to ERDF, clear guidance on integrating sustainable development in procurement processes, and targets and monitoring.			
<b>Question 8: Do you have any views on the proposed implementation arrangements?</b>			
34	Co-financing processes	Many respondents supported the principle of Co-financing but sought improvements to processes (for example more flexibility in tendering procedures and contract lengths; greater sensitivity to regional and local needs in tender specifications).	The OP commits the Managing Authority to provide Co-financing Organisations (CFOs) with guidance on good practice that complies with EU and national guidelines on procurement. The Managing Authority and CFOs will consider the issues raised.

35	Direct bidding	Some respondents wanted to retain direct bidding to Government Offices (GOs) and national projects.	The Government said in its response to the UK Structural Funds Strategy consultation that the vast majority of ESF will be delivered through Co-financing at regional level. It is committed to Co-financing in order to streamline and simplify delivery. ESF must be demand rather than provider-led. Following the GO Review, GOs do not have a remit or the resources to run direct bidding rounds.
36	Global Grants	Many respondents wanted to retain Global Grants (small grants for community groups).	The OP has been amended to indicate that there will continue to be a small amount of ESF funding for small grants for voluntary and community groups. These will be delivered through Co-financing to overcome match funding problems.
37	European Regional Development Fund (ERDF)	Some respondents wanted to strengthen links to ERDF.	The OP emphasises that regional ESF frameworks will identify links between ERDF and ESF, and that regions will be encouraged to establish joint ERDF and ESF committees.
38	CFOs	Some respondents argued that a broader range of organisations (not just LSC and DWP) should continue to be CFOs including local authorities.	In view of the reduction in resources and the Government's objective of streamlined delivery, it is envisaged that there will be fewer CFOs in the new programme. The continued status of existing CFOs will be reviewed against CFO selection criteria. New applications to become CFOs will be subject to these selection criteria.