

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.

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

Overview of strategic links				
Community Strategic Guidelines	Integrated Guidelines on growth and jobs	National Strategic Reference Framework	National Reform Programme	ESF Priority
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"> developing the employability and skills of unemployed and economically inactive people; overcoming barriers to work faced by disadvantaged groups (e.g. people with disabilities and health conditions, lone parents, older workers, ethnic minorities amongst others); reducing the numbers of young people not in education, employment or training (NEET). 	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).

Community Strategic Guidelines	Integrated Guidelines on growth and jobs	National Strategic Reference Framework	National Reform Programme	ESF Priority
3.2 Improve adaptability of works and enterprises and the flexibility of the labour market.	23 Expand and improve investment in human capital.	Developing a skilled and adaptable workforce by: <ul style="list-style-type: none"> Improving basic skills; Tackling skills deficit in the workforce; Tackling gender segregation in workforce; Trianing managers and workers in small enterprises. 	Learning and Skills Council; Apprenticeships; Skills for Life; Train to Gain; Women and Work Commission.	Priorities 2 and 5. To develop a skilled and adaptable workforce by; reducing the number of people without basic skills; increasing the number of workers qualified to level2 and, where there are skills shortages, to level 3; reducing gender segregation in the workforce; and developing managers and workers in small enterprises.
3.3 Increase investment in human capital through better education and skills.	24. Adapt education and training sytems in response to new competence requirements.			

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.⁶⁸ 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 2006.⁶⁹ 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 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.

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

⁶⁹ Council Decision of 6 October 2006 on Community Strategic Guidelines on Cohesion.

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"> • 1.1.1 Expand and improve transport infrastructures • 1.1.2 Strengthen the synergies between environmental protection and growth • 1.1.3 Address Europe’s intensive use of traditional energy resources 	<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"> • 1.2.1 Increase and better target investment in research and technological development • 1.2.2 Facilitate innovation and promote entrepreneurship • 1.2.3 Promote the information society for all • 1.2.4 Improve access to finance 	<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"> • 1.3.1 Attract and retain more people in employment and modernise social protection systems • 1.3.2 Improve adaptability of workers and enterprises and the flexibility of the labour market • 1.3.3 Increase investment in human capital through better education and skills • 1.3.4 Administrative capacity • 1.3.5 Help maintain a healthy labour force 	<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"> • improve the employability of young people and reduce youth unemployment; • increase the participation of women in the labour market; • tackle barriers to work faced by people with caring responsibilities; • improve the employment rate of older people. 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.
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"> • promote apprenticeships and entrepreneurship; • improve basic skills and qualifications; • promote lifelong learning, especially among low skilled and older workers.
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"> • ease and diversify access for all to training; • respond to new occupational needs, key competencies and future skill requirements.

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.⁷⁰ 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, 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.

⁷⁰ 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.

Employment Recommendation	England ESF Programme
increase basic and intermediate skills, in order to raise productivity	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.
further improve employment prospects for the most disadvantaged	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.
improving access to childcare	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**.

Proposed common objectives on social protection and social inclusion	England ESF Programme
(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.

Proposed common objectives on social protection and social inclusion	England ESF 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.
<i>A decisive impact on the eradication of poverty and social exclusion by ensuring:</i> (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 relevant public policies, including economic, budgetary, education and training policies and structural fund (notably ESF) programmes.	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 responsible for the plan.
Adequate and sustainable pensions	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.

Proposed common objectives on social protection and social inclusion	England ESF Programme
Accessible, high-quality and sustainable healthcare and long-term care	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.⁷¹
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.

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

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 on Industry in October 2005.⁷² The priorities for ESF spending identified in the Framework have 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.⁷³ 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.

⁷² UK National Strategic Reference Framework, DTI, October 2005.

⁷³ The Department for Work and Pensions' (DWP) Five Year Strategy, February 2005.

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.⁷⁴ 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.
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.

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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.⁷⁵
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.

⁷⁵ 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.

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.’
- ‘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.⁷⁶ 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.⁷⁷ 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.

⁷⁶ Productivity in the UK 6: Progress and new evidence, HMT, 2006.

⁷⁷ 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.⁷⁸ 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 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.

⁷⁸ Learning and Skills Network, The Impact of European funding on mainstream Learning and Skills Council provision, Research Report, February 2007.

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 2006.⁷⁹ 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 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 2006.⁸⁰

⁷⁹ Shaping a Fairer Future, Women and Work Commission, February 2006.

⁸⁰ 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.

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.

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.⁸¹ 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;

⁸¹ Leitch Review of Skills, Prosperity for all in the global economy – world class skills, Final Report, December 2006, HM Treasury.

- 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:

- 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'⁸² 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.

⁸² 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.

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 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.⁸³ 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 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.

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

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.⁸⁴

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 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.

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

- 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.⁸⁵

2.9 Programme indicators

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

- 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.

⁸⁵ Regulation 1081/2006.