

# BULLETIN

## Intermediate Labour Markets

### Introduction<sup>1</sup>

Intermediate Labour Markets (ILM) operate by creating transitional opportunities for the long-term unemployed to enter paid employment. Organisations operating as ILMs do so in a market context determined by key transactional relationships with funders, suppliers and customers. Through this often complex network of relationships, market niches are created within which the ILM operates, but the nature of many ILMs means that a balance has to be reached between sustaining commitment to the ILM *as an enterprise* alongside its employability mission. The extent to which conflict arises out of this tension is determined largely by the level and quality of support from partner organisations.

### Defining Intermediate Labour Markets

The term 'pure' ILM differentiates between archetypal ILMs and others that operate under different auspices and with different priorities. Pure ILMs offer *transitional* jobs open to the long-term unemployed and other disadvantaged groups, who are generally participating on a voluntary basis. These organisations are trading or operating for a direct social purpose in an activity which would not normally be undertaken due to local market failures in the provision of

goods or services. Whilst many ILMs do offer a wage at the 'going rate' for the job, in practice, paying a salary comes up against the realities of complex benefit entitlements and the uncertainties facing individuals when changing from benefit to wage regimes, where the security of a job after leaving the ILM cannot be guaranteed. Thus, those ILMs which offer a 'benefits plus' arrangement are also included in the 'pure' ILM category, where they are operating solely as an ILM and are not part of a wider enterprise or initiative.

The ILMs identified in our study can be categorised into pure ILMs, local development ILMs, ILMs operating as third sector companies or as part of charitable organisations. Examples of each of the types of the ILMs identified are shown in Table 1. It should however be recognised that the boundaries between such categories are often blurred and ILMs may fall into more than one category. For example, certain local development organisations or charities operate small ILM initiatives within their boundaries.

**Table 1 Examples of UK ILMs**

Type of ILM	Examples
Pure 'archetypal' ILM	Glasgow Works, The Wise Group, CREATE, Sheffield Rebuild.
Local Development ILMs	Orchard Park North Hull Enterprises; Healey City Farm, Sheffield; Arts Factory, Rhondda.
Third Sector Companies Charitable Organisations	Furniture Resources Centre, Merseyside; Pecan Ltd, South London

Source: IER, 1998

<sup>1</sup> This Bulletin is based on the summary of a forthcoming study by Robert Lindley, Ruth Shackleton and Claire Simm, to be published by the Department for Education and Employment (DfEE). The research was completed in the summer of 1998 and involved mainly the examination of published and unpublished documents on the development of intermediate labour markets. Responsibility for the views expressed lies entirely with the authors of the study and should not be attributed to the DfEE.

## Developing Employability

One of the major aims of the ILM is to bolster the employability of the long-term unemployed by offering them work experience and training which is socially useful and labour market relevant. The development of 'employability' is of particular importance to the re-integration of the long-term unemployed within the labour market. Many employers are increasingly placing greater emphasis on core attributes such as self-motivation, self-discipline, and enthusiasm rather than on job-specific skills. Employers consider that these core attributes are gained through sustained workplace experience and consequently perceive them to be lacking in applicants with a history of long-term unemployment. ILMs seek to attack the problem from both sides, by working on the attributes of the individual and developing their readiness for work, and by demonstrating to employers the real potential which these individuals possess.

## Intermediate Labour Markets in Practice

The style and status of ILM organisations differ radically according to their size, aims, and stage of development. Many of the larger ILMs make a clear-cut distinction between trading and non-trading activities by separating them into two distinct management functions. It is apparent that smaller organisations operating largely within short-term, public-sector projects often do not have the same opportunities for commercial development.

Partnerships are crucial to the success and the sustainability of the ILM. Effective partnerships may spread financial risks, provide impetus for development into new markets, and offer opportunities for the local community to voice previously unmet needs.

Activities undertaken by ILMs vary widely incorporating innovative environmental projects and the development of services such as computer consultancy and call centres. Those ILMs which placed the greatest emphasis on their employment re-integration objective tended to operate more at the margins of the conventional labour market than others which placed more emphasis on community and environmental regeneration. Most of the activities pursued by ILMs fell under one or more of the key areas for local job creation identified by the CEC (1998) and are shown in Table 2.

**Table 2 ILMs in the context of key activity areas for Local Development and Employment Initiatives**

Activities for local job creation	Selected ILMs which undertake (or plan to undertake) the activity
Home help	Nottingham Connects
Child care	The wise Group, Glasgow Works
Information and communication technologies	Pecan Ltd
Assistance to young people facing difficulties with integration	Sheffield Youth Theme ILM
Better housing	The wise Group, Sheffield Rebuild
Security	The wise Group, Nottingham Connects
Local public transport services	
Redevelopment of urban public areas	Into Work, Glasgow Works, The Wise Group, Sheffield Rebuild
Local trade	Orchard Park, North Hull Enterprises, Furniture Resources Centre
Energy management	The Wise Group.
Sport	
Tourism	Glasgow Works City Guide project
The audio-visual sector	The Arts Factory, Edinburgh Media and Arts Training Trust
Cultural heritage	The Arts Factory
Local cultural development	The Arts Factory
Waste management	CREATE, The Wise Group, Sheffield Rebuild
Water services	Atlantis (Germany)
Protection and maintenance of natural areas	The Wise Group
Regulation	
Pollution controls and installations	Nottingham Connects

Source: ILMs classified by IER based on the areas. Commission of the European Communities (1998). *Second Report on Local Development and Employment Initiatives*, CEC Working Paper, Brussels: CEC.

In larger ILMs, management structures tend to be separated into strategic and functional management. Particularly important for the successful operation of an ILM is expertise in the financial engineering of funding packages and the avoidance of a narrow funding base. The reasons for this being due to funding delays and the unpredictability surrounding the sustainability of funding sources.

The recruitment of participants was undertaken selectively in the majority of cases. This can complicate the assessment of outcomes of ILMs due to the possibility that it is already the most employable and motivated out of the ranks of the long-term unemployed who benefit most from participation.

## Evaluating Intermediate Labour Markets

The burgeoning growth of ILMs as a tool for area regeneration and a means of combating long-term unemployment heightens the importance of rigorous evaluation. A significant number of the ILMs identified in our study sought to establish themselves as models and export their consultancy advice to other local areas. While some of these had been independently evaluated, others had not. The evaluation literature accessed was limited to two extensive and independent evaluations of the most high profile and longest standing ILMs (Glasgow Works and the Wise Group),<sup>2</sup> together with a mixture of subsidiary evaluation material based on monitoring statistics, academic case study research, annual reports, and feasibility studies.

The constituents of 'success' from the point of view of ILMs can be distinguished according to tangible and intangible measures. The former includes such quantifiable outputs as the employment outcomes for participants, training outcomes, and cost savings made to local community residents in areas such as fuel bills and reduced crime. The latter incorporates the extent to which the 'cycle of disadvantage' has been broken through:

- enhancing the employability of participants;
- the extent to which the community has improved in terms of the quality of life for local residents; and,
- the cohesion of local political support for the ILM and the partnerships upon which it is founded.

The principal evaluations identified explored a range of performance indicators. Labour market history was found to be a key factor influencing the outcomes of participation, particularly the duration of spells in *employment* (as opposed

to the length of time spent unemployed or not seeking work). It is therefore suggested that control groups should be matched more closely on this criterion as well as on the customary characteristics of age, sex, and duration of unemployment. It is also recognised that the ILM may provide not only transitional employment opportunities but they offer work for those unlikely ever to enter the conventional labour market because of a basic shortage of local jobs. The critical importance of paying a wage should also be re-assessed in the light of particular local conditions such as very high rent levels.

The cost-benefit balance sheet concerning the impact of ILMs on the working lives of those they recruit yields high net costs per job. This is placed alongside a still higher estimate per job for Training for Work. The much higher delivery costs of the ILMs are matched by much higher proportions of participants who gain jobs, especially of the type that would appear to involve competing not with other long-term unemployed people but with those more in the mainstream labour market.

The available evidence indicates that ILMs are expensive *as approaches to improving the long-term employability of long-term unemployed adults*. They probably do not challenge the view that once-and-for-all training and employment schemes do not tackle effectively a chronic problem of long-term unemployment. Some sustained use of explicit or implicit wage subsidies – or, more generally, organisational subsidies – is likely to be necessary. Where the ILM appears to score is in the mechanisms it creates for generating the latter *in conjunction with* various approaches to local socio-economic regeneration.

There is a danger that too narrow an evaluation framework may be applied to this area of activity which discounts a considerable body of relevant factors such as costs of partnership involvement, creating market niches, and transactional arrangements. Such costs are crucial because they have a particular bearing on the replicability of a given ILM model. Monitoring and evaluating the processes of design, implementation, and development of ILMs is therefore necessary because there is a larger range of factors explaining the performance of ILMs compared to more conventional programmes.

## The Policy Context

The introduction of the New Deal raises issues that are generically quite similar to those raised by ILMs:

- Its use of portfolios of different options and varying degrees of counselling activities may be seen as satisfying unmet non-market-driven needs render evaluation highly problematical.

<sup>2</sup> Cambridge Policy Consultants (1996) *Glasgow Works Evaluation*, on behalf of Glasgow Development Agency, Glasgow. McGregor, A. *et al* (1997) *Bridging the Jobs Gap: An Evaluation of the Wise Group and the Intermediate Labour Market*, York, Joseph Rowntree Foundation.



- Its search for high quality experiences and outcomes in the face of past records (in some but by no means all areas) and restrictive budgets.
- The development of partnerships.

The quality of the partnership process becomes an integral part of the design and delivery mechanisms. The mix of aims of the New Deal with those of the different partners which overlap but are not restricted to New Deal objectives need to be taken into account and certain broader aims need to be made more explicit. Especially important is the extent to which the creation of a strong 'third sector' or social-economy organisations is seen as a complementary long-term aim.

The universality of the New Deal framework has been overlaid by several concurrent initiatives to target employment assistance more effectively in areas of high

local disadvantage. Employment Zones have explicitly adopted the ILM approach via the Neighbourhood Match strand – a move away from the top-down, implicitly employer-oriented focus of the New Deal. However the emphasis remains squarely on employment and training outcomes rather than on area regeneration.

More recently the New Deal for Communities has highlighted the debate about ILMs as a focus for integrating employment and regeneration strategies. This co-ordinated approach to the problem of social exclusion, addressing not only unemployment but poor housing and local services, has been established in areas suffering from the most severe local deprivation. ILMs are an integral aspect of this policy because they seek to present a multi-faceted solution to a multi-dimensional problem, acting as a conduit for more community-led measures which seek to integrate action on unemployment within an area regeneration framework.

The full results of the Institute's latest assessment, including detailed tabulations and colour graphics, can be found in the

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## Long Distance Living: Dual Location Households Anne E. Green, Terence Hogarth and Ruth Shackleton

Published by The Policy Press, June 1999, £14.99. ISBN 1 86134 170 9

This comprehensive report presents the results of a survey into long distance weekly commuting carried out at the Institute for Employment Research, University of Warwick. It details information concerning the emergence of dual location households and the stresses and strains of the long distance weekly commuting lifestyle on the commuter and their families. It also explores the extent to which the employers are willing to allow employees carrying out this lifestyle flexibility in order to successfully marry their family and working lives.

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