Evolution not revolution

Recommendations for the future provision of employment support for the long term unemployed
We have approaching 20 years of experience of welfare to work schemes here in the UK. The policy arena has been one of much consensus across the political parties – the long term unemployed deserve and need specialist help to get them back into the workforce and keep them there. The cost to individuals, communities and UK plc otherwise is just too high to pay.

Schemes have come and gone and much has been learnt. Many have been commissioned by government departments, most notably the Department for Work and Pensions. Others have been commissioned or run directly by local government or even by business, often under a corporate social responsibility banner. An industry has grown up, consisting of a healthy mix of private, voluntary and public sector agencies. Those now identifying with the descriptor ‘welfare to work provider’ range from small private training organisations and corporate managing agents through to local voluntary sector organisations and national campaign charities. All share the same passion – to help the long term unemployed transform their lives through work.

This short paper is intended to bring together the best thinking in the sector as to the preferred model for future employment provision for the long term unemployed. It is the result of a lengthy consultation process during the latter part of 2013, to which over 90 organisations contributed – their spread of knowledge and expertise spanning the totality of the employment related services sector and beyond.

Fundamentally, the sector is calling for evolution not revolution. Commissioners under the leadership of politicians of all political parties have made many right choices in the past, but they have also sometimes got things wrong. Providers, both large and small, have learnt in turn, not just from UK schemes, but also increasingly from what has worked abroad.

Our thanks go to everybody, ERSA member and non member alike, who took the time to come to meetings and to respond in writing. Our hope is that policymakers now take note of this collective offering.

Employment Related Services Association
December 2013
Top ten recommendations for future employment support

1. Introduce an **accurate jobseeker needs assessment**, co-designed with providers and facilitated by Jobcentre Plus, on day one of unemployment for all jobseekers making a claim for benefit. Use this to identify the 10-15 per cent of jobseekers with a high likelihood of becoming long term unemployed and fast track them to an in-depth needs analysis.

2. Allocate all jobseekers making a claim for benefit to one of a set number of **employment streams**. Jobseekers in the streams catering for the lowest level of need would be supported by Jobcentre Plus; all other streams would be catered for by outsourced providers.

3. Commission **disability employment services** as a separate stream of provision, but better integrate these services with the other employment streams. Give people with disabilities the option to access other employment streams in line with their overall needs.

4. Retain, but sharpen, the **differential pricing model** and retain the **payment by results** model for the majority of employment streams. However, for the streams catering for those with disabilities and those with the highest level of need, pay providers for the achievement of milestones.

5. Create a separate **ring-fenced budget for specialist services**, accessible through a quality controlled online portal. Providers would only be able to use this budget for purchasing from these specialist service providers who would be paid for distance travelled measures. The majority of these specialists are likely to be from the voluntary and community sector.

6. Retain national commissioning, using current or similar size CPA areas to preserve economies of scale. However, **introduce CPA level boards consisting of representatives of local government, LEPs and other organisations, alongside DWP officials**, to help create better integration with local provision and to ensure a greater level of local accountability.

7. **Integrate skills and employment provision** through the ring-fencing of a proportion of the Adult Skills Budget for the long term unemployed.

8. **Improve how performance is measured and reported.** Report regularly on numbers entering work as well as sustaining work and align measures across all employment streams, whether delivered by Jobcentre Plus or outsourced providers.

9. **Support subcontractors** of services by requiring the use of a standardised Expression of Interest Form and contract terms. Introduce a social innovation pot available to subcontractors and potential subcontractors and evolve the Merlin Standard to cater better for the live running of contracts.

10. **Introduce minimum standards for commissioners.** Such standards should include a requirement to consult on programme models, comply with minimum commissioning timelines from invitation to tender to bid submission, and publish economic assumptions underpinning financial models and target setting.
Helping the long term unemployed into work

This section sets out in detail ERSA’s recommendations for evolution not revolution in the arena of welfare to work. We recognise that there are still questions to be answered and thus we are recommending that a number of priority workstreams are taken forward during 2014.

Accurately assess jobseeker needs

The fundamental lesson from all welfare to work schemes is the importance of an accurate, easily understood and professionally delivered assessment of jobseekers needs. At present, jobseekers can be subjected to a myriad of assessment processes delivered by Jobcentre Plus, welfare to work and skills providers, most of which are not shared. Introducing a more accurate process, in which all parts of the system have confidence, has the potential to increase efficiency, reduce frustration for jobseekers and decrease costs in the system. ERSA is recommending that:

- All jobseekers making a benefit claim undertake a streamlined assessment process delivered by Jobcentre Plus on day one of their claim. This assessment is likely to consist of a limited number of questions, the results of which, when combined with demographic information, are used to identify the 10-15 per cent of jobseekers who have a higher propensity to become long term unemployed.

- This 10-15 per cent would then undertake a more detailed assessment again delivered by Jobcentre Plus. This would cover aspirations and skills as well as barriers and needs.

- For existing jobseekers, there should be a requirement to undertake the new assessment either (a) when their circumstances change; or (b) after a set period of time out of work. Crucially this would relate to cumulative time spent unemployed over a specific period rather than to continuous time out of work. That way, the phenomenon of ‘cycling’ would be avoided – jobseekers avoiding referral to specialist support because of short breaks in their unemployment claim.

- Both parts of the assessment process should be co-designed by Jobcentre Plus with employment and skills providers to ensure that all parts of the system have confidence in the assessment results.
• Assessment results should be routinely shared across all providers. ERSA recommends that all jobseekers have an Employment Passport, access to which is controlled by the jobseeker, which records the results of assessment processes, courses undertaken, work experience completed and career aspirations, etc. This should be an online Passport, perhaps hosted by Universal Jobmatch.

**Place jobseekers into employment streams**

The main output of the assessment process would be the placement of jobseekers into one of a defined number of employment streams. The terminology of ‘streams’ would run throughout the entirety of employment related services provision. ERSA is recommending that:

• The lowest intensity jobseeker streams would be supported by Jobcentre Plus as at present. It is likely that approximately 85-90 per cent of jobseekers would be catered for by these streams given the likelihood of a return to work within a relatively short period of time.

• The remaining streams would be supported by outsourced providers. Crucially jobseekers in this 10-15 per cent bracket would be sent directly to this specialist provision rather than waiting, as currently, to complete a set time out of work before referral is triggered.

• There would be a separate disability employment stream, the providers for which would be commissioned separately. However, jobseekers with disabilities would have the ability to opt onto other employment streams if they believed that it was more appropriate for their needs. Conversely, health related support would be likely to remain an important element of all employment streams.

• Jobseekers with complex needs, such as those who are homeless or who have drug and alcohol issues, would almost always be signposted to the highest intensity employment stream. ERSA heard from a range of campaign charities, some of whom wanted separate provision for their clients outside mainstream employment services for the long term unemployed and others who were concerned that such separate provision might risk stigmatising their clients. It is therefore considered that running a high intensity employment stream, separate to the other streams, but within the overall system, would be the most effective means of achieving the best of both worlds.

• There should be the possibility for providers to move customers more easily between streams if this were deemed necessary for the jobseeker. This may involve providers challenging assessment results.

**Ensure sufficient resources are available for all jobseekers, including the hardest to help, while delivering value of money to the taxpayer**

The payment by results, differential payments model operating within the current Work Programme builds on previous experience of different financial models run in welfare to work schemes. The greatest lesson from the current model has been the financial sensitivity to small changes in the system – an economic downturn, lower referral numbers, a different mix of customers being referred, etc. The binary nature of the outcome payment has indeed served to concentrate minds on delivering jobseekers into sustained jobs, but has delivered insufficient funding overall to allow providers the ability to move jobseekers a long way from the labour market nearer to employment. The financial model for the next iteration of welfare to work support must build on this learning, without losing the discipline and focus of payment by results. ERSA is recommending that:
• There should be a sharpened differential payments model, structured by need, combined with the retention of payment by results for most employment streams.

• Alongside this, there should be a regional payment variation mechanism which recognises the impact of different labour markets across the UK.

• However, for the disability employment and highest intensity support streams, payment to providers will need to be phased to allow sufficient funding in the system. In addition to some level of upfront service fee, payments should be for distance travelled measures. These could be weighted towards labour market related outcomes, but must recognise other milestones achieved by customers.

• In addition, there should be a separate ring-fenced budget for specialist services, accessible through a quality controlled online portal. Providers would only be able to use this budget for purchasing from these specialist service providers who would be paid for milestones achieved rather than through a binary in work/out of work payment by results mechanism. It is envisaged that the majority of these specialist providers would be from the voluntary and community sector.

Cater effectively for young people within the employment system

The plight of young jobseekers in today’s labour market is of particular public and political concern. The problem seems less one of money overall than of disjointed initiatives, poor career guidance and invisible career pathways. That said, young people on the current Work Programme are faring well, with, at the time of writing, over half of those referred having started a job on the programme. However, traditionally, young people have a higher propensity to fall out of work, while there is also concern that the very hardest to help young jobseekers require intensive interventions that are difficult to fund under current models. ERSA is recommending that:

• The assessment process outlined previously has, as an aim, the identification of those young jobseekers who are likely to become long term NEET, are unlikely to prosper under mainstream employment provision and are likely to need to access intermediate labour market support or similar.

• Such support should be offered as part of the most intensive needs employment stream, funded through a distance travelled mechanism.

• Reallocate monies ringfenced for the Youth Contract or successor schemes to help fund such provision, alongside other specific interventions, including in work skills training for young people not pursuing an apprenticeship route.

Make self employment a real choice within the employment streams

Self employment is a good option for a significant number of long term unemployed jobseekers. However, there is concern that it has not had the prominence that it might deserve in some welfare to work schemes. Evidence from the Work Programme indicates that around 10 per cent of jobs are self employment starts and that sustainment levels for those starting their own businesses are very high. There is also concern that the new Universal Credit regime will substantially disadvantage those seeking to set up businesses. To maximise the number of self employment starts among the long term unemployed, ERSA is recommending:

• There should be a separate employment stream for those interested in self employment. This should be accessible by all jobseekers, whether judged harder or easier to help.
• A test trading period should be introduced within the overall framework of Universal Credit to allow fledgeling businesses the time to test the water and grow in confidence. Universal Credit rules should be adjusted to allow this to happen.

• A start up loan facility should be made available to all jobseekers, whether short or long term unemployed.

Retain national commissioning and management, but strengthen the fit with the local

The current system of national commissioning for the largest employment programmes has advantages and disadvantages. It delivers a greater degree of uniformity of provision, but potentially makes integration with local services more difficult. Similarly, the size of contract package areas for current programmes delivers economies of scales, but can be criticised for excluding high quality mid range organisations from acting as prime contractors.

Local government in particular has felt unable to connect effectively to employment services in some instances, whether delivered by Jobcentre Plus or outsourced providers. As a result local councils have sometimes commissioned competing provision, some of which is good and some of which may not offer value for money. There has also been insufficient integration of employment services with other local support – partly because of concerns about ownership and accountability and partly because of concern about double funding, exacerbated by a clash between grant funded and payment by results regimes. The next iteration of employment programmes needs to retain the positive elements of the current system, while ensuring far greater synergy with local structures. On balance, ERSA is recommending that:

• There should be the continued use of national level commissioning, with contract package areas (CPAs) of similar size to currently. Attempts should be made to align CPA, local authority and local enterprise partnership (LEP) boundaries wherever possible.

• Competition within CPAs should be retained if the volume of referrals supports it. However, the system of having three prime contractors in an area should be dropped. If volumes of referrals are low, single prime contractor CPAs will be inevitable.

• Random allocation for most jobseekers would be retained. However, for volunteers and for specific groups, such as jobseekers leaving prison, there should be customer choice between provider.

• Local government is given a clearer role in the commissioning and scrutiny of provider performance. This is just as important for Jobcentre Plus services as for outsourced provision. In particular, ERSA is recommending that CPA level boards consisting of representatives from local government, LEPs and other organisations, such as Clinical Commissioning Groups, alongside DWP officials, are set up. These should lead the conversation regarding better integration with local provision and allow greater accountability of employment services to different tiers of government. This could also allow one integrated conversation, potentially led by LEPs, about labour market demand in the area.

Make greater skills funding available to the long term unemployed jobseekers

There is strong evidence to show that career progression once in work is more likely if the skills levels of recruits are higher. There is therefore a strong business case to show that accessing skills support both whilst a jobseeker and once entering employment will bear fruit in terms of increased earnings and
therefore decreased reliance on benefits. Despite this, providers of outsourced welfare to work services have reported inbuilt problems in accessing courses funded by the Adult Skills Budget for the jobseekers they support. Part of the problem stems from misconceptions; part from structural issues. In the former case, there is concern that some colleges and skills providers believe welfare to work providers can afford to pay for skills provision from their own funding pots or that allowing such jobseekers access to paid courses constitutes ‘double funding’.

In the latter case, it appears that there is insufficient financial incentive for colleges to deliver units of qualification (which may be more suitable to jobseekers) rather than whole qualifications and that the Ofsted regime may provide disincentives to take on jobseekers that are the furthest from the labour market. It seems possible that the very welcome employer ownership of skills agenda may address a number of these concerns. However, in the meantime, ERSA is recommending that:

- A proportion of the Adult Skills Budget is ringfenced to support long term unemployed people on the outsourced employment streams. This will involve politicians making an active political choice to give greater priority to this group of jobseekers.

- A clear message is given to and by the Skills Funding Agency (SFA) and associated bodies that allowing jobseekers on outsourced employment streams access to SFA funded courses is not only permissible but desirable.

- Structural changes are made which mean that colleges have sufficient financial incentives to deliver short courses/units of qualifications to jobseekers rather than whole qualifications.

- There should be greater ability to allow jobseekers to move from unemployment into work while continuing to study for qualifications.

- The Ofsted regime recognises and incentivises colleges and training providers to help the long term unemployed.

**Work together to develop plans to support progression under in work conditionality**

All political parties are placing increased emphasis on ‘in work’ progression, a policy objective likely to be actively integrated into the Universal Credit regime. At the time of writing the implications of ‘in work conditionality’ are largely unknown. It is therefore recommended that a separate workstream, shared across government, industry, employer organisations and other stakeholders, should be developed during 2014 to work through how effective support for this group could operate.

**Integrate nationally commissioned programmes better with Scottish and Welsh specific provision**

The operation of nationally commissioned welfare to work programmes has had specific challenges in Scotland and Wales, primarily due to the different application of funding rules and the operation of specific (and potentially competing) provision in those countries. It is recognised that the results of the Scottish referendum may herald the handing over of all employment and welfare policy to the Scottish Government. If current arrangements were to continue however, it is important that the system recognises and supports the importance of the Welsh and Scottish Governments’ role in relation to employment support, while ensuring that both jobseekers and providers are not disadvantaged by different policy priorities between the Westminster, Scottish and Welsh executives. ERSA is recommending that:

- There is consultation with the Welsh Assembly and Scottish Government on programme design issues at an early stage in the process.
• National level boards are set up which enable the devolved nations to have oversight of the performance of services and to enable better co-ordination with any provision they fund.

• There should be clarification of what should be paid for and not paid for by the black box in Wales and Scotland to avoid the current situation where long term unemployed jobseekers are not able to access funded services available to those nearer to the labour market. This is particularly the case in relation to ESF funded provision which cannot be accessed by customers of Westminster commissioned programmes in Wales and Scotland.

Introduce minimum standards for commissioners
Commissioning decisions drive behaviours and shape outcomes. It is therefore essential that the best possible systems and standards are put in place for commissioners of employment services, not only to ensure a level playing field for those tendering for services, but also to support those further down supply chains and ultimately to help jobseekers themselves. Again much has been learnt over many years about good (and less good) commissioning. ERSA is therefore recommending that:

• Minimum standards of expected behaviour should be put in place for commissioners of employment related services in the future. These standards should be publicised and commissioners held to account if standards fall below what is expected.

• Open consultation on programme design, including the financial model, should be commonplace. All parties have a shared interest in ensuring programmes deliver for jobseekers and allow a healthy competitive market.

• Minimum timeframes should be put in place between invitation to tender and bid submission. This will allow time for meaningful conversations between potential prime contractors and subcontractors, helping to avoid allegations of ‘bid candy’.

• All assumptions underpinning target setting should be openly shared to allow providers at all levels a better ability to assess likely performance levels against targets. Regional
economic variations should be taken into consideration when target setting.

• When assessing bids a 70/30 split between assessment on quality versus price should be the norm, although it should be noted that many providers believe that quality should be the only driver in awarding contracts.

• There should be joint consideration between industry and commissioners as to the implications of the Social Value Act for future commissioning. It is likely that government could do far more to position back to work schemes for the long term unemployed as a mechanism to deliver social value in other public sector contracts. In turn, social and environmental impacts could be given more weight in the awarding of welfare to work contracts.

**Improve how performance is managed and reported**

Performance management regimes, plus decisions as to how performance is measured and reported, also drive behaviour. ERSA believes that it is fundamentally important that the performance levels of employment programmes are put regularly in the public arena in an easily understood form, allowing like for like comparisons across providers and different parts of the employment service. To achieve this, ERSA is recommending:

• There should be regular reporting (ideally monthly) of the number of jobseekers both entering work and sustaining in work across all employment streams, including those delivered by Jobcentre Plus. Reporting should be on a monthly cohort basis taking into account how long jobseekers have been on the programmes. In addition, information on benefit savings should be regularly released allowing the public to see the value for money of these schemes.

• There should be no more constraints on subcontractors reporting their performance than there are on prime contractors. It is important for all providers that they are able to compare their performance across other providers in order to both drive up their own performance and when tendering for new business.

• Far more accurate and regular forecasting of referrals should be made by government across all employment schemes. It is unexpected increases
and decreases in referrals volumes that cause most concern to the industry at all levels and can act as a substantial drag on performance due to difficulty in planning the right shape of workforce to support the profile of jobseekers being referred.

• The potential for a single IT system governing management information and payments should be explored – this would be used by all prime contractors and subcontractors of services, avoiding the current system where some subcontractors are operating multiple systems for their prime contractors.

Support subcontractors of services
Many of the changes outlined above have the potential to substantially benefit subcontractors of employment services. However, there are some additional concerns felt by subcontractors that also need to be addressed. In particular, subcontractors of back to work services can sometimes feel distant from the commissioner and uncertain where to turn in the case of difficulties with their prime contractor, Jobcentre Plus or other agencies. In addition, commissioning processes can place too many burdens on potential subcontractors, many of which could be avoided. ERSA is therefore recommending:

• There is a requirement on all prime contractors to be transparent about what is provided in return for management fees charged.

• All prime contractors should be required to use a standardised Expression of Interest Form when commissioning subcontractors of services. In addition steps should be taken to standardise contract terms for subcontractors wherever possible.

• The minimum standards for commissioners in relation to commissioning timetables should be strictly adhered to, thus maximising the window for subcontractors to assess the bidding opportunity and to enter into meaningful dialogue with potential prime contractors.

• A social innovation pot should be put in place to which subcontractors could bid to test out new innovative approaches.

• The Merlin Standard is evolved to cater better for the live running of contracts. It is recognised that many believe that Merlin is not yet a strong
enough standard, however, ERSA believes that it is better to build on what has been collectively achieved rather than starting afresh.

**Greater transparency about service quality for jobseekers**

All jobseekers must be aware of the support they are being offered and the requirements on them to participate in employment programmes – whether delivered by Jobcentre Plus or outsourced providers. The introduction of the black box has been an important step forward in allowing services to be shaped around individual needs. However, in a multiple provider market it also has the effect of fragmenting the overall customer promise – put simply, different jobseekers will receive different services in different locations depending on local service design and individual jobseeker need. ERSA is therefore recommending that:

- There should be investigation during 2014 of the feasibility of developing one overall shared quality standard for all employment provision, whether that is delivered by Jobcentre Plus or external providers. Crucially this must replace the current plethora of internally facing quality checks to which outsourced providers are currently subject – none of which are designed for an external audience. If such an overarching quality standard were put in place this would drive performance rather than inhibit it. It should also not ‘grey’ the black box – a development which is greatly valued by the sector.
- There should be greater visibility of providers’ customer complaints procedures and one easily accessible and independent point of recourse if individual complaints procedures are exhausted. This process should be overseen by a shared industry/government board with a shared agenda of quality improvement.
- All parties should back the Institute of Employability Professionals. One of the most important developments put in place by the outsourced industry in recent years, this new organisation is developing national occupational standards and an appropriate ladder of qualifications for those working within the industry. This must be a shared endeavour across all employment streams, including those delivered across Jobcentre Plus.
This document is calling for evolution, not revolution. The broad consensus across political parties in this policy arena has helped the employment related services sector develop and learn over the last period. As a result millions of long term unemployed jobseekers have gained work. However, it is time again to take stock and to plan what comes next.

Throughout the document we have flagged a number of priority areas on which the sector and the government could fruitfully work together during 2014. In synopsis these are:

- To develop an accurate fit for purpose two stage assessment tool.
- To change Universal Credit rules so that self employment is not disincentivised.
- To engage with the skills sector to allow long term unemployed jobseekers greater access to skills funding.
- To develop plans for in work support in advance of an in work conditionality regime.
- To work through the implications of the Social Value Act for providers.
- To investigate the feasibility of developing one overall shared quality standard for all employment providers.

### About the consultation
ERSA consulted with and gathered evidence from over 90 stakeholders over a three month period in the development of these recommendations. Feedback was obtained from:

- Prime contractors and subcontractors of the Work Programme, Work Choice, ESF Families with Multiple Problems contract, Access to Work, DfE Youth Contract, Mandatory Work Activity contract, plus non government commissioned programmes
- Organisations spanning public, private and voluntary sectors
- Specialist providers, including those catering for people with disabilities, youth employment experts and the homelessness sector
- Housing associations
- Local authorities
- Enterprise agencies
- Skills providers
- Residential training colleges

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Employment Related Services Association (ERSA)
10 Greycoat Place
London
SW1P 1SB

Telephone
+44 (0)20 7960 6808

Email:
membership@ersa.org.uk

Website:
www.ersa.org.uk