

## **1. Introduction**

- 1.1 This paper has been developed by the Employment Related Services Association (ERSA) in response to the Work and Pensions Select Committee inquiry into contracted 'welfare to work' provision.
- 1.2 ERSA is the representative body of the employment support sector. It has over 200 members, spanning the public, private and voluntary sectors. Its membership includes all the prime contractors of the main Department for Work and Pensions (DWP) contracted employment schemes, including Work Programme and Work Choice, plus a significant number of subcontractors. Two thirds of ERSA's members are not for profit, with charities, social enterprises, local authorities and housing associations in membership.
- 1.3 ERSA has undertaken extensive consultation across its membership and with partner organisations about the future shape of contracted services provision in the UK. This submission is therefore informed by the following:
- A comprehensive proactive policy development process in 2013 for ERSA members leading to the subsequent recommendations document, 'Evolution not Revolution', which sets out ERSA's blueprint for future services in England and Wales emanating from Westminster.
  - The content of numerous consultation meetings for different parts of the sector convened for the Department for Work and Pensions (DWP) as part of its market engagement exercise on future provision during 2014 and 2015.
  - Dedicated workstreams with partner agencies looking at various aspects of employment support. This includes a workstream with the Local Government Association in early 2015; a paper produced with nine social finance intermediaries and submitted to government in summer 2015; and bespoke work with specific sectors of the ERSA membership, such as the homelessness sector (paper to government in summer 2015).
  - Previous submissions to the Work and Pensions Select Committee, including on the Work Programme, jobseekers on Employment and Support Allowance, plus Jobcentre Plus operations.
- 1.4 In addition, the Committee is asked to note that ERSA is working with both the Scottish Government and the Greater Manchester Combined Authority on future plans for employment services, the two areas where the Westminster government is committed to devolution and co-commissioning employment services respectively. ERSA operates active networks in both areas, with ERSA also sitting on the Scottish Government's Advisory Committee on future employment support services.

## **2. Scope of response**

- 2.1 This paper addresses the main elements in the Committee's call for evidence rather than set out ERSA's overall recommendations for the shape of future commissioning. As such, it focuses on the connected questions of:
- how to help jobseekers furthest from the labour market into employment, including those on Employment and Support Allowance;
  - how provision should be structured to help younger jobseekers into sustained employment;
  - how to encourage innovation in contracted services provision.
- In setting out these thoughts, other areas of interest to the Committee – namely how to develop a diverse, healthy market of providers, including specialist and community-led provision and how to address deficiencies in current provision – will be addressed.

### 3. Views on current provision

- 3.1 ERSA and its members have been involved with current DWP employment programmes since their outset. They are therefore able to detail at length the positive and negative aspects of current provision and what has been learnt in its delivery. ERSA members also have extensive experience of previous nationally commissioned back to work programmes and current non-DWP commissioned provision.
- 3.2 In summary, ERSA members tend to believe that both the Work Programme and Work Choice are essentially well designed programmes, which draw on many elements of previous provision commissioned by both Labour and Conservative governments. Work Programme performance for jobseekers on Jobseekers Allowance is acknowledged to be good and improving, with all targets being met. Work Choice performance is also good and improving. The following programme design elements are, by and large, supported by the majority of ERSA members:
- Length of contracts – leading to stability for providers, partners and jobseekers.
  - Black box nature of the Work Programme – moving away from activity based contracting, which may not always be appropriate for all jobseekers.
  - Payment by results, which has sharpened the focus on the most effective interventions.
  - Prime contractor model, which, by and large, has settled down, with good relationships operating through most supply chains. Connected to this, the Merlin Standard appears also to have driven improvements in the quality of supply chain management.
  - An increasingly confident and coherent contract management culture at the Department of Work and Pensions, with performance metrics more in line with the programme's characteristics.
  - Competition between providers in contract package areas. However, this has become far less viable with the recent drops in referrals to the Work Programme.
- 3.3 In summary, ERSA members tend to believe the following are areas where improvement should be made in the next round of contracting:
- Day one segmentation of jobseekers based on a better assessment of jobseeker need, rather than benefit type.
  - Earlier referral to provision for some groups of jobseekers who have characteristics which mean that they are far more likely to become long term unemployed.
  - Alignment of the Work Programme 'job outcome' and Jobcentre Plus 'off benefit' performance metrics. This could be used to stop 'cycling' on and off benefits by some jobseekers, which currently means they do not qualify for referral to specialist services.
  - Reform of elements of the Work Capability Assessment (WCA), which currently does not support the jobseeker journey into work.
  - Greater integration with health, including GP services, and skills provision, including access to short courses which can be highly valued by employers, but may not lead to an accredited qualification.
  - More ability to move jobseekers between types of provision. At present, it is difficult to move jobseekers from Work Programme to Work Choice and vice versa.
  - Greater clarity from day one about services provided to subcontractors in return for any management fee charged by prime contractors.
  - Greater transparency of performance information, including at subcontractor level.
  - Improvements to the actual procurement process, including longer lead in times from contract award to go live, simplification of subcontractor terms and conditions, a common Expression of Interest form for subcontractors, plus standardisation of the management information system used by contractors, thus helping subcontractors operating across a number of different primes.
  - Clearer service standards, designed in partnership by the government, service providers and jobseekers themselves, backed up by an accessible complaints procedure.

- Better forecasting of referral flows so that contractors can plan their operations more effectively. Minimum numbers of referrals would be ideal in helping organisations, particularly smaller organisations, manage risk.
- Reform of the validation system, which currently means that providers need to keep track of jobseekers for two years after they enter work, even if they and their employer do not wish to be contacted. Real time earnings information makes that possible in future.
- Recognition that payment mechanisms based on 'job outcome' data will need review under Universal Credit, as individuals will not move 'off benefit' as such.

#### **4. Jobseekers furthest from the labour market**

- 4.1 Many of the points set out in 3.3 above address the issue of providing greater support for jobseekers furthest from the labour market. In essence, better identification of need from day one of a claim, leading to earlier referral to specialist support, with that support funded sufficiently and integrated properly with other services should be prerequisites of the system.
- 4.2 At the heart of this should be high quality frontline advisers who are able to forge strong trusted relationships with jobseekers. Evidence to ERSA, particularly from Work Choice providers, shows that intensity of support is often key to supporting jobseekers with disabilities and health conditions into work. In many instances, the disability or health condition may not be the primary reason for worklessness. This could actually be a combination of low skills, lack of confidence, lack of work history, insecure housing, lack of demand in the local labour market, in line with other jobseekers, but compounded by disability or health conditions, which in turn may affect a jobseekers' self belief in their ability to work. Ensuring that programmes are funded to allow for sufficiently low caseloads to support such jobseekers is therefore essential.
- 4.3 Specialist organisations skilled in supporting jobseekers presenting with health conditions and disabilities are often particularly successful to supporting the journey back to employment. However, such organisations tend to be smaller, with less appetite and ability to take on risk. At present, all prime contractors of the Work Programme essentially subsidise investment in jobseekers on Employment and Support Allowance (ESA) from elsewhere in their operations. This has therefore limited the amount of money available to spend on jobseekers with the greatest needs. Evidence from the Greater Manchester Working Well pilot for jobseekers on ESA is that the average amount of time out of work for this cohort is six years. Evidence from other geographies is that this figure is higher. This group is therefore inherently a long way from the labour market and thus has significant investment needs.
- 4.4 As such, ERSA recommends that the financial model for future provision for those with the greatest needs, including, but not limited to those on ESA, be adjusted to take into account evidence on the profile of this jobseeker group, which was simply not available at the time of the Work Programme's commissioning. It recommends, in future, that there be a service fee retained throughout the programme's length, combined with incentives rewarding progress travelled towards employment (which could be made sufficiently tangible to avoid 'gaming' by providers), combined potentially with the 'accelerator model' for job outcome payments. Its belief is that such a model would substantially de-risk involvement in the programme for smaller providers, place funding where it is needed (further forward in the jobseeker journey given that sustainment levels for jobseekers on ESA, in particular, are high) and also, through the accelerator model, continue to incentivise providers to move further into the jobseeker cohort.

- 4.5 In addition, ERSA believes that the social finance market could be engaged to encourage investment in new ways of working, particularly with the most complex jobseekers. There is interest in such approaches from social finance intermediaries, who have collaborated on a recommendations paper on how DWP commissioning and procurement could be flexed for them to play a larger role.
- 4.6 ERSA does not believe, however, that changing the current financial structure for providers is the only element of need of reform. As stated above, the relationship between employment support, GP services and the Work Capability Assessment (WCA) is also in need of an overhaul. As set out in a previous submission to the Committee, there are concerns that:
- The WCA is not at all employment focused. Indeed, there appears to be no mention of employment during the WCA process which means referral to the Work Programme or other provision can find jobseekers mentally unprepared.
  - Providers estimate that a high proportion of individuals who have been through a WCA and who have been placed on Jobseekers Allowance (JSA) or who are in the Work Related Activity Group (WRAG) are engaged in appealing the WCA findings rather than engaging positively in employment provision. This means the provider has little real chance of moving them towards employment. ERSA recommends that ‘the clock should be stopped’ during the appeals process to give a better chance of positive engagement with employment support over a sufficient period.
  - The WCA is not routinely shared with providers (still) meaning that providers may not be aware of serious conditions, including mental health concerns, that may affect a jobseekers’ interaction with provision. There is some evidence that this may be a factor leading to higher sanctions rates.
- 4.7 In many areas, health services are not set up to work effectively with employment providers, be they Work Programme, Work Choice or other provision, including Jobcentre Plus. Evidence from ERSA members is that GP services rarely support back to work plans and may be too apt to reinforce jobseekers’ own views that they are unable to work, even when this may not be the case. This could well be a result of pressure on GP caseloads rather than anything else. Employment support providers are increasingly employing health professionals as part of their own core staff and/or co-locating health related staff onsite. Although this is a growing trend, it cannot replace joint working between employment and mainstream health professionals.
- 4.8 There are also concerns that the length of time that providers have to work with jobseekers may not be sufficiently long enough to support those with the most complex needs. Since November 2012, jobseekers on ESA with a 12+ month prognosis have been referred to the programme. These are individuals who are not expected to be well enough to work for at least 12 months from their date of referral. Given that the Work Programme is a two year scheme, this truncates the period where realistically individuals could be expected to move back to the workplace. In terms of Work Choice, jobseekers are referred to a provider for just six months (with the possibility of an extension in some cases). Providers believe more could be achieved if the referral were for a longer period.
- 4.9 In order to overcome concerns about lack of integration between employment, health and related services, including social care, ERSA has called for the trialling of co-commissioning of services for jobseekers with the most intense support needs and for the pooling of budgets and sharing of outcomes with some other service providers, such as social housing. In addition, local authorities must be encouraged to support any nationally commissioned schemes than hitherto, where experience is mixed across the country. To enable that, local authorities should be given a greater role during the assessment of contract bids, plus be able to scrutinise provision thereafter. Contract boundaries should also respect and work with boundaries of other services.

## **5. Helping younger jobseekers into employment**

- 5.1 ERSA members also believe that more could be done to support young people both avoid becoming 'NEET' and also to help them back into employment, education or training if that becomes necessary. At present, it can be very difficult for young people to navigate their way through the employment and skills systems in order to access appropriate advice and support to kickstart a successful working life. Reform of the system needs to stretch back to schools and encompass earlier intervention to identify young people who may otherwise become future customers of the Work Programme or similar interventions. Later in the journey to employment, providers often find it difficult to combine employment and skills budgets to support younger (and indeed older) jobseekers. Alignment of incentives and the framework for outcomes could go a long way to bridging this divide.
- 5.2 In terms of current provision, young people are the best performing group on the Work Programme. ERSA figures for March 2015, show that over 174,000 young people referred to the programme have started a job. However, even for those who do not make the job outcome mark (of six months continuous employment), they have gained that crucial work experience which can effectively de-risk employment of a young person in the eyes of an employer.
- 5.3 However, improvements in this space can be made. ERSA's recommendations include:
- The introduction of a young person's 'employability passport' capturing their skills and employment journey spanning school, post 16 education and training, work aspirations, experience and achievement.
  - The expectation that the co-production of action plans by the employment provider and young person should be the norm.
  - Greater access to 'intermediate labour market' type interventions, which can prove particularly useful for young people who may be perceived as the most risky recruits by mainstream employers.
- 5.4 In particular, ERSA believes that there should be immediate referral for young people who do become NEET to high quality specialist support – this could sit quite naturally under a Work Programme-type structure in a locality. If HM Treasury was reluctant to fund such intervention on 'deadweight' grounds, ERSA recommends the development by government and the sector of a shared checklist of characteristics which could be used to determine the likelihood of that individual becoming long term unemployed and thus act as a gateway mechanism for referral to specialist provision. It is accepted that there will still be deadweight arguments with such an approach; however, paying for provision for some young people who would have found a job regardless seems a price worth paying for avoiding long term unemployment amongst those who would not.

## **6. Encouraging innovation in employment provision**

- 6.1 Innovation needs a number of preconditions to thrive, including sufficient headroom financially for organisations to take chances, procurement processes which give weight to innovative approaches and an acceptance by contract managers that innovation means uncertainty and may thus not, in all cases, improve performance. This culture is not yet reflected systematically in the design or procurement of programmes.
- 6.2 ERSA's belief is that investment in new approaches has increased in recent years, particularly within the Work Programme, stimulated by a) a more positive economic backdrop and increasing performance, which relieved some of the financial pressures on providers; b) greater knowledge about the jobseekers whom providers were serving, which in turn allowed for different intervention to be trialled;

c) acknowledgement of what was not working, particularly for jobseekers on Employment and Support Allowance, thus creating greater urgency to try new solutions.

- 6.3 ERSA has previously shared with the Committee details about a range of innovative approaches entered into the Innovation category of ERSA's annual employability awards, now approaching their fourth year of operation. As many programmes develop, the evidence is growing about the impact of some of these innovations. More information on any of these projects can be shared with the Committee. It is worth noting that many innovatory approaches are generated by smaller providers at local level. However, their very nature may mean it is difficult to undertake meaningful evaluation, whilst their learning may not be widely shared. ERSA would therefore support calls for a 'What Works' centre to be set up accessible to all providers of employment services and their partners.

## **7. Conclusion**

- 7.1 In conclusion, ERSA believes there is a great deal of consensus amongst the provider base, academics, think tanks and other policy influencers as to what is working well in terms of current DWP-commissioned employment provision and what needs to be adapted for future programmes. Many of these reforms are within the gift of central government, given the right political will and appetite from HM Treasury.

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