

# Local Government Association Submission to the Work and Pensions Select Committee, Welfare-to-work inquiry

28 August 2015



## 1. About the Local Government Association

- 1.1 The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.
- 1.2 We are a politically-led, cross party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

## 2. Summary

- 2.1 Councils have a strong history of supporting people into work and integrating and providing services for vulnerable people through a range of delivery partners.
- 2.2 Local government has been instrumental in making a success of a number of initiatives to reduce worklessness, including the New Deal and the Future Jobs Fund.
- 2.3 Councils understand the importance of employment and skills in the local workforce in order to meet the needs of employers in local areas. In support of this, local authorities work together on initiatives such as Growth and City Deals, community budget and specific pilots and interventions, proving that a devolved approach is successful.
- 2.4 The LGA is calling for powers, funding and responsibilities on employment and skills to be devolved to councils so they can plan investment in their area, reduce long term unemployment and maximise opportunities for joint working. This would draw on local government's expertise and knowledge.

### Detailed information

#### 3. *The contemporary labour market*

##### *Reflect the needs of claimants and the areas they live in*

- 3.1 Job prospects of residents are affected by where they live and although we support the intentions of the Work Programme it does not adequately take this into account.

- 3.2 The Programme was designed, commissioned, and implemented nationally in isolation and at speed. This prevented councils and partners from offering expertise on client groups, the local services they rely on and the local economy in which provision was to be delivered.
- 3.3 The Work Programme's 18 Contract Package Areas (CPAs) are too large. They are inconsistent with the contemporary labour market and with what people recognise as the areas they can travel to work or learn in. Further, CPAs do not fit with other nationally defined economic, welfare and skills boundaries. This has created a complex system that is difficult to coordinate between Local Enterprise Partnership areas (LEP), Jobcentre Plus Districts (JCP), and Skills Funding Agency regions (SFA).
- 3.4 Research commissioned by the LGA on this area showed that this approach has not benefited local areas and has created significant variations in performance between areas. Job outcomes vary hugely across England's local authority areas, from 28 per cent below the average to 44 per cent above between local areas<sup>1</sup>.
- 3.5 We recommend that when current Work Programme and Work Choice contracts end future employment should be planned and commissioned along functional economic areas from 2017. This would then reflect what people recognised as an area that they will travel to work or learn in. It would also allow more sophisticated commissioning, which would recognise differing labour market strengths and weaknesses, sectoral variations, social characteristics, and collective economic development actions of councils and their partners. This can span multiple local authority areas – combined authority, LEP or borough groupings – recognised by the Government for economic planning.

***Reconfigure employment support and devolve commissioning***

- 3.6 The Work Programme has helped many Jobseeker's Allowance claimants (JSA). However, it has not been as successful with weaker labour market prospects, primarily Employment Support Allowance (ESA) claimants. The average job outcome is 23 per cent and for ESA claimants it is 10 per cent.<sup>2</sup>
- 3.7 A more specialist approach was required and combining employment support into one programme for all claimants has not worked. Those requiring intensive and specialist support were not supported by adequate funding and planning.
- 3.8 We would like the Work Programme, valued at £620 million a year, to be replaced with two locally influenced programmes to meet the challenges of serving a range of unemployed people.
- 3.9 One programme should be for mainstream JSA claimants, co-commissioned locally as a minimum. The second programme should be fully devolved and designed for up to 2.55 million claimants facing multiple disadvantages into work, including ESA work related activity group claimants that may require joint employment, and health and skills

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<sup>1</sup> Realising Talent for Everyone, Centre for Economic and Social Inclusion, March 2015

<sup>2</sup> September 2014

interventions.

- 3.10 Groups of councils, working with LEPs, should have the power, funding and responsibility to plan, commission and integrate employment support with other local and national policy and interventions. Further, skills, health and welfare support should be provided along functional economic areas. This will ensure economies of scale work in favour.
- 3.11 We are looking at this area in detail and considering what a programme for disadvantaged claimants should look like. This work builds on, and draws from, councils' expertise on the successful Troubled Families case worker programme, and other interventions. As part of this work we will consider financing, payment models, performance management and accountability.
- 3.12 It is clear however that providers should be selected on their capacity, expertise, supply chain and ability to develop provision consistent with labour market conditions. They should be accountable to central government and the local areas in which they serve.

#### **4. Deficiencies in the Work Programme**

##### ***Earlier, more sophisticated triage for claimants into appropriate support***

- 4.1 Employment support should be defined by the type and level of support that people require to get a job. It should also be based on cumulative rather than consecutive unemployment to stop people cycling in and out of work. Further, support should not segregate participants purely by benefit type, such as the long term unemployed, clients with health related issues, young people, the homeless and care leavers.
- 4.2 For example, a JSA claimant could suffer from unrecorded health conditions, yet it could be a major barrier to employment and require the same level of support as an ESA claimant.
- 4.3 We would also like to see speedier, more effective signposting and referral for unemployed people that will help to keep them focused on employment as an end goal and mitigate the risk of disengagement. This has been successfully trialled through Universal Support delivered by councils, Job Centreplus and Citizens Advice Bureau.
- 4.4 The Work Programme would also benefit from encouraging genuine volunteering opportunities at an early stage as people seek work. Applicants should not be discouraged from accepting voluntary work by the threat of sanctions or affect eligibility for benefits.

##### ***The need to review payment models***

- 4.5 The difference in performance between JSA and ESA is mostly due to the investment by prime contractors in intensive job search for the more work ready; and less resources for specialist support which ESA claimants (and some other groups) require.
- 4.6 Providers should be incentivised to invest in the individual to avoid

'parking them'. A shift in the payment model to keep an attachment fee, with some conditions placed on receiving the fee, would ensure providers have the incentive and contractual requirement to work with all claimants referred to them.

## **5. Personalised or community-level provision; supporting the hardest to help unemployed people**

### ***Whitehall needs to enable integration to support hard to reach groups***

- 5.1 The Government is rightly aiming to halve the disability employment gap, support more people with mental health issues into work and reduce the number of workless adults. In order to meet this it must improve integration between local services, health and employment support.
- 5.2 Further, government departments should align programmes, funding and services (employment support, skills, health and social care, Universal Credit and Troubled Families) to enable interventions and services to be integrated to support claimants.
- 5.3 Every local area wants to improve the outcomes of interventions, but the current system does not allow it. For example:
  - The Department for Work and Pensions's three year ESF Troubled Families scheme (£182 million), designed, contracted and managed nationally was launched alongside the Department for Communities and Local Government's locally-led Troubled Families programme. Both could have been designed together with funding and objectives aligned. The ESF scheme was unable to meet clients' complex needs. As a result it underspent by 73 per cent, and demonstrated that pure employment support is not suitable for those furthest from the jobs market.
  - The devolved Youth Contract (YC) in three City Deals helped twice as many 16 and 17 year olds as those supported by the nationally contracted programme (27 per cent), because it could spot and bridge gaps, offering coherent pathways to skills and jobs.

### ***A devolved case worker approach***

- 5.4 The council-led Troubled Families programme proved the success of having a local caseworker, and this should be transferred to provide local interventions in employment cases.
- 5.5 For people who face multiple disadvantages it would bring together employment and skills provision, with welfare support and other local services that people rely on, including: housing, childcare, health, debt management and substance misuse.
- 5.6 This would improve client transitions between providers and agencies, instead of people falling through the cracks of fragmented national schemes, including £13 billion employment and skills support delivered

through 28 national schemes<sup>3</sup>.

### ***Identifying hard to reach groups who need support***

- 5.7 Local government can identify hard to reach groups through their links to communities, the delivery of services to the unemployed, and partnerships with the voluntary and community sector. Councils can use these connections to provide a safety net and provide support for those people that do not present at job centres.
- 5.8 There are currently one million unemployed people that do not claim out of work benefits and do not receive government support to re-engage in work or society. More must be done to engage them in provision, so they can contribute to the local economy and national productivity.

### ***Provider incentives***

- 5.9 We are calling for incentives to ensure that providers help clients achieve milestones towards employment, rather than just meeting job outcomes. This could also mean greater input and involvement of voluntary and community sector organisations in supporting and delivering specific programmes bringing real value to contracts.
- 5.10 Time limits on provision may be detrimental to hard-to-help clients who overcome barriers and are ready to find employment. Providers could be given the flexibility to continue supporting participants where they feel a job outcome is realistic and achievable, rather than the client simply being referred back to the Jobcentre.

### ***Explore risk and reward so local areas can reinvest savings locally***

- 5.11 A direct financial incentive will make a significant difference to levels of local investment to reform services or improve performance of local partners. Currently, only 7p in every £1 saved is retained locally<sup>4</sup> where local areas are successful at reducing the number of claimants.
- 5.12 Financial incentives could be a powerful tool for local partners to offer more services to ESA and long term JSA claimants, and reward local areas for stimulating jobs and tackling disadvantage.

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<sup>3</sup> [LGA Realising Talent research \(July 2014\)](#)

<sup>4</sup> CESI report for Joseph Rowntree Foundation 'The Economic and Financial Benefits of Tackling Poverty', 2014