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Rethinking the Work Programme in Wales

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Rethinking the Work Programme in Wales

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Summary

- Analysis of the unemployed, economically inactive and claimants in Wales suggests that the performance of the Work Programme (WP) has been poorer than the UK average. It is difficult to see how the DWP can address this underperformance whilst it continues to apply a standard template for commissioning and targets.
- In the short term the Welsh Government should assume responsibility for commissioning and management of the Work and Health Programme in Wales, working with Jobcentre Plus Wales. In the longer term the employment support budget should be devolved to Wales.
- The Welsh Government should identify existing funds and activities that can be integrated or aligned with the WP. The DWP should allow flexibility in the specifications of the Work and Health Programme in Wales.
- There is a strong case for devising a single integrated Welsh strategy for labour market interventions that establishes a framework for new interventions to address long-term worklessness.
- The Strategy will need to balance training, jobsearch and general employability, and it should be backed by a detailed action plan that identifies existing budgets which can be integrated or aligned with DWP funds, as well as the outcomes to be achieved.
- The role and composition of the Wales Employment and Skills Board should be reviewed.
- The Welsh Government and DWP should agree a common and shared analysis and segmentation of claimants.
- A joint Wales NHS and Welsh Government team should be established to build on the work of the England NHS/DWP Joint Unit.
- The Welsh Government and Welsh local authorities should work closely together on the design, delivery and management of programmes. There should be sufficient flexibility in any Welsh programme to recognise the wide divergence between localities in local labour markets and claimant characteristics.
- There should be active dialogue with communities, the voluntary sector and providers to inform the Strategy and design of programmes and to test providers' willingness to provide new programmes.

Introduction

The Work Programme (WP) is the Department for Work & Pensions' (DWP) flagship programme to provide employment support to long-term unemployed Jobseeker Allowance (JSA) claimants and some of those claiming the Employment Support Allowance (ESA). It has been operating since June 2011 and covers Wales, Scotland, and England. A separate programme (Steps to Success) operates in Northern Ireland.

External contractors were appointed on five year contracts by DWP after competitive bidding. The two prime contractors for Wales are Rehab Jobfit and Working Links. Their contracts were due to end in June 2016 but have been extended to 31st March 2017. In addition, Work Choice is a smaller and separate programme for people with disabilities and health conditions which is delivered in Wales by the Shaw Trust. The contract for Work Choice will also terminate in March 2017. Together the two programmes make up the majority of the DWP's Department Expenditure Limit (DEL) budget for employment support.

The future nature and delivery of employment support for claimants is now under active consideration by the UK government. In Scotland the Smith Agreement included the devolution of DWP employment support budgets to the Scottish Government, but excluded Jobcentre Plus. In England there are various Devolution Agreements with cities which include the co-commissioning between DWP and cities of the replacement of the WP.

In the 2015 Comprehensive Spending Review the Chancellor announced that the WP would be replaced by a Work & Health Programme for ESA claimants and JSA claimants who have been unemployed for more than two years. For JSA claimants who have been unemployed for up to two years the WP will be replaced by the current activities administered by Jobcentre Plus under Help to Work. Though not mentioned in the Spending Review, the 'Youth Obligation' for 18-21 year olds is due to commence in April 2017.

This report explores the issues involved in devolving responsibility for employment support to the Welsh Government. It considers the profile of claimants in Wales; what has and has not worked on the WP; and highlights the issues that need to be taken into account in re-thinking how employment support could be delivered in Wales.



The Profile of Unemployed, Inactive and Claimants in Wales

A labour market policy needs to be based on three main principles:

- Removing constraints on the supply of labour;
- Improving the skills and employability of working age people; and
- Minimising long-term worklessness and the costs to the individual and society.

The starting point for the design of labour market interventions, especially for the long-term workless, should be a sound understanding of the constraints, levels of skills, and the reasons for long-term unemployment and inactivity.

This section gives a brief description of the key characteristics of the Welsh labour market. Future interventions will need to be underpinned by a deeper and shared understanding of the Welsh labour market to identify where interventions are justified and the most effective means to do so. This should lead to a better segmentation of the different groups at risk of long-term worklessness and an evidence-based segmentation, backed up by assessment processes, to allow more personalised interventions at the right time for individuals.

Claimants

There are just under 250,000 out-of-work claimants in Wales. This is an 'all claimant rate' of 12.5% which is above the England all claimant rate of 9.3%. Two-thirds are on the Employment Support Allowance (67%), above the UK average of 65%.

Table 1: Number of people claiming out-of-work benefits, May 2015

Claimant Group	Great Britain		Wales	
	Number	% of all claimants	Number	% of all claimants
Jobseekers Allowance	785,480	20%	48,520	20%
ESA and Incapacity Benefit	2,526,360	65%	165,880	67%
Lone parent (Income Support)	448,100	12%	24,970	10%
Others	116,580	3%	6,570	3%
Total out-of-work benefits	3,876,520	100%	245,940	100%

Source: DWP benefits data, NOMIS

Jobseeker Allowance claimants

As of October 2015 there were 45,000 JSA claimants in Wales, which is 2.4% of the working age population and above the England average of 1.8%. The numbers on JSA have almost halved in the last two years and have dropped in line with England, but the gap between the England and Welsh JSA claimant rates has widened from 11% to 33%.

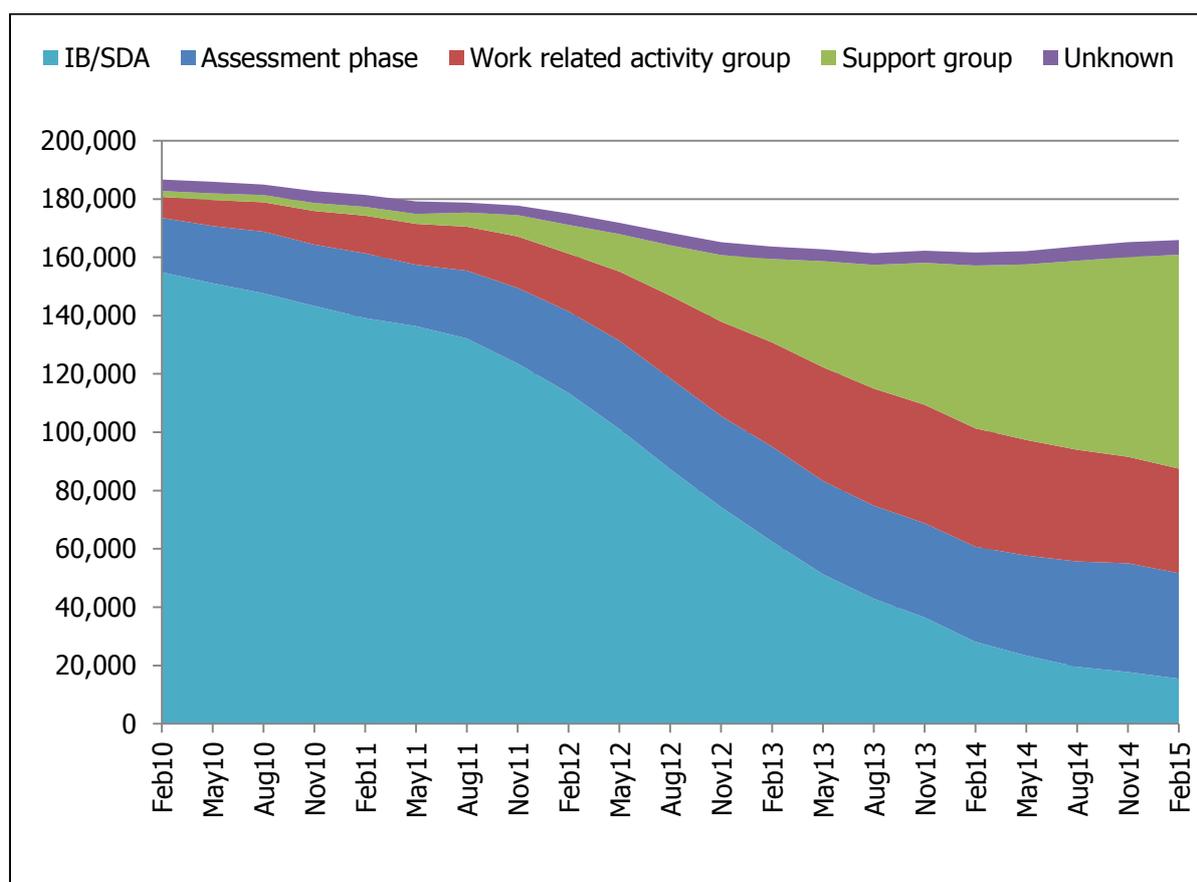
There are currently around 13,500 long-term JSA claimants who are eligible for the WP. This means that 30% of all Welsh JSA claimants are long-term unemployed which is broadly in line with the UK average but below some English regions. 10,000 (three out of four) of long-term claimants are over 25 years old. Only 3,500 are aged 18-24. Young people make up a higher proportion of all JSA claimants but a smaller proportion for the long-term unemployed.

The wider International Labour Organisation (ILO) measure of unemployment in Wales stands at 6.1% (compared to 5.2% in England), which shows that many unemployed people do not claim JSA. At present 49% of the ILO unemployed claim JSA in Wales compared to 44% in England. Over the last twenty years an increasing number of unemployed people have decided not to claim. The reasons for this are complex and poorly researched but the trend does track the progressive tightening of the conditions attached to claiming JSA and the relative monetary value of JSA. The fact that Welsh unemployed people are more likely to claim than their English counterparts could reflect institutional, cultural and financial reasons. However, the main feature to note is that half of all Welsh unemployed people receive no support to get back to work or improve their employability.

Employment Support Allowance

The 166,000 Welsh ESA claimants split between two main groups – the Support Group and the Work Related Activity Group (WRAG). Figure 1 shows the impact of re-assessing former Incapacity Benefit (IB) / Severe Disablement Allowance (SDA) claimants and the split between the Support Group and WRAG.

Figure 1: Composition of Welsh ESA claimants



Source: DWP benefits data, NOMIS

Wales has a significantly higher percentage in the WRAG group (24%) compared to England (19%). This implies that there are more people on ESA in Wales with short-term conditions who are expected to be able to return to work. The higher proportion of WRAG also means there are higher numbers of ESA claimants referred to the WP in Wales.

The primary medical condition reason for claiming ESA is almost identical to England. 48% claim because of 'mental and behavioural disorders'. The remainder claim for various physical conditions, the largest group being musculoskeletal at 15% (one percentage point above England).

Disabled people

The economically inactive population (which includes ESA claimants) in Wales stands at 465,000. This is 24% of the working age population and above England at 22%. There are considerably more people in Wales who say they are inactive for long-term health reasons – 132,000 or 27.5% of economically inactive compared to 21% in England. This means there are proportionately 35,000 more people long-term sick in Wales.

The UK Government is committed to halving the employment rate gap for disabled people. In Wales the gap is 25%. Halving will require an additional 58,000 disabled people to move into work over the next five years.

Qualifications and skills

People with low qualifications are at a greater risk of unemployment than those with medium and high-level qualifications. Employment is dominated by those with Level 3 and above – 58% of those in work. Worklessness is dominated by those with Level 2 and below – 63% of all workless people. The lack of basic skills is also more prevalent amongst those who are workless.

This is driven by employer demand for ever higher qualified people for many of the new jobs that are being created. The consequence of not meeting employer demand leads to a constraint on economic growth and increased worklessness of low qualified people. However, employers can respond by recruiting higher skilled people from outside of Wales – boosting skills levels and growth.

It has been calculated that the skills gap for England is the equivalent of increasing everyone from an average of five GCSEs to an average of three 'A' levels (or their equivalents) by 2022. Whilst there will be a constant supply of low skilled jobs, there will be too many low skilled people if skill levels are not increased. In England the consequence of not raising skills by 2022 will be a surplus of 5.5 million low skilled workers and shortage of 2.9 million high qualified people. A similar analysis in Wales would be likely to show an even greater challenge.

Employers report that qualifications are not the only factor in their recruitment decisions – they also need motivated employees with good time-keeping and team working skills. This wider employability challenge of understanding and experiencing the world of work needs to begin for young people when they are still in education, and in re-thinking the WP for Wales there will need to be careful consideration of the balance between training, jobsearch and general employability.



What Works – International Lessons

There is extensive international evidence on what works in labour market programmes. Lessons from other countries need to be applied with caution because differences in labour market regulations and welfare systems have a substantial impact on the design and performance levels of programmes. However, there are some general lessons that have been shown to have wide applicability.

A recent international quantitative analysis of over 200 programmes for the unemployed (Card et al., 2015) found that:

- Impacts are small in the short run, but become positive 2-3 years after completion of the programme;
- There are greater gains for programmes that emphasize human capital accumulation;
- There are more significant impacts for women and the long-term unemployed; and
- Active labour market programmes are more likely to show positive impacts in a recession.

In general the study found that ‘work first’ programmes had larger short-term impacts, whilst ‘human capital’ programmes (training and work experience) had positive long-term impacts but could, for some groups, have negative short-term impacts. Public sector employment programmes were found to have very small or negative impacts.

Training

In many countries skills training receives a high proportion of funds for active measures, but evaluation evidence (What Works Centre for Local Economic, 2014; CESI, 2013) shows mixed results:

- Training has a positive impact on participants’ employment or earnings in more than half the evaluations reviewed;
- Shorter programmes (below six months) are more effective for less formal training activity;
- Longer programmes generate employment gains when the content is skill-intensive;
- In-firm/on-the-job training programmes outperform classroom-based training programmes;
- Employer co-design and activities that closely mirror actual jobs appear to be key design elements;
- The state of the economy is not a major factor in the performance of training programmes; programme design features appear to be more important than macro-economic factors; and

- There is no difference in success rates between locally delivered or nationally delivered programmes.

The key lessons are that:

- The impact of training on employment is modest and should not be oversold;
- Providing a qualification or certificate that is recognised and valued in the labour market is important for progression;
- A strong on-the-job element to programmes with good connections to local employers are very beneficial;
- Short programmes have a positive impact on larger numbers of people, so appear to be better value for money;
- A focus on the transition into employment at the end of the training is vital i.e. jobsearch and job broking support;
- Wraparound support is required to keep people engaged;
- Participants need to be tightly targeted; and
- Programmes should be kept to a relatively small scale.

Jobsearch assistance

Jobsearch assistance is usually the least costly of labour market interventions. For all JSA unemployed active jobsearch is the basic requirement of claiming benefit and jobsearch assistance is stepped up the longer someone is claiming.

The WP has been typified as an intensive jobsearch assistance programme for the long-term unemployed. The emphasis is on 'work first' through the pricing and contract incentive framework and this has led providers to focus activity on early segmentation of clients and provision of intensive jobsearch for those that are more likely to move into work quickly.

The OECD (Grubb, 2014) finds stronger evidence to support a 'work first' approach than Card et al. (2015) although their studies were undertaken at different times and considered largely different programmes. The OECD found large multi-year impacts on those that received job assistance compared to evaluation 'control' groups, however they recognised that impact is greatest where there is no other alternative provision or there may be declining returns to increasing jobsearch. The quality of jobsearch assistance is thought to increase impact, whilst counselling as part of the assistance can bring additional gains. The conclusion is that ongoing and repeated offers of assistance by a well-managed public employment service do have a long-standing impact.

Job subsidies

Most job subsidy evaluations which examined private sector employer behaviour have found high levels of deadweight and substitution, as such there have been small net gains to employment. Some studies have found combined deadweight and substitution of 90% giving a net gain of only 10%. However, despite the risk of a low net impact, job subsidies do appear to have positive impacts on those participants that benefit (CESI, 2011A). Tighter targeting and controls can lead to higher net gains but the trade-off is that there is likely to be less take-up from the private sector.

Public sector job subsidies are found by most evaluations to have a minimal or even a negative effect and are of little help to unemployed people finding a permanent job in the open labour market.

However, improved design of job subsidies can lead to better outcomes as witnessed in the DWP pilot StepUP, the Future Jobs Fund and preliminary findings for Jobs Growth Wales especially when social gains are taken into account. The Future Jobs Fund evaluation (Fishwick et al., 2011) found that two years after starting the programme participants were 11 percentage points more likely to be in unsubsidised employment. The DWP evaluation (Bivand et al., 2006) of StepUP (a pilot testing temporary waged employment for the very long-term unemployed) found similar large gains but for the more disadvantaged groups and less so for younger people, but within very different labour market conditions. These improvements are thought to derive from using the 'Intermediate Labour Market' approach which combines work experience and personal support and a focus on securing sustained employment after the end of the temporary job.

Vulnerable groups

The OECD (LEED, 2014) surveyed member countries on their programmes for vulnerable and disadvantaged groups in the labour market. Its report made recommendations based on best practice across the countries. In addition, CESI (2011B) summarised what works for people with disabilities and health conditions. In summary the findings are:

- Target programmes effectively based on labour market data analysis;
- Permit flexibility in local service delivery and possibly eligibility and programme design;
- Employer engagement, including in-work support to recruits from programmes for vulnerable people;

- Well designed Intermediate Labour Markets can be effective;
- Strategic leadership is needed to enable partnership and collaboration between services;
- Financing, explore new sources of finance; and
- A person-centred approach is needed to reflect multiple barriers.

Work Programme: What Has and Has Not Worked?

Performance

One in four Work Programme (WP) participants in Wales secure a sustained job outcome. The job outcome rate for all participants is currently 25.3%, below the UK WP average of 28%¹. However, performance in Wales now meets DWP's 'minimum expectations' set at the time of contracting.

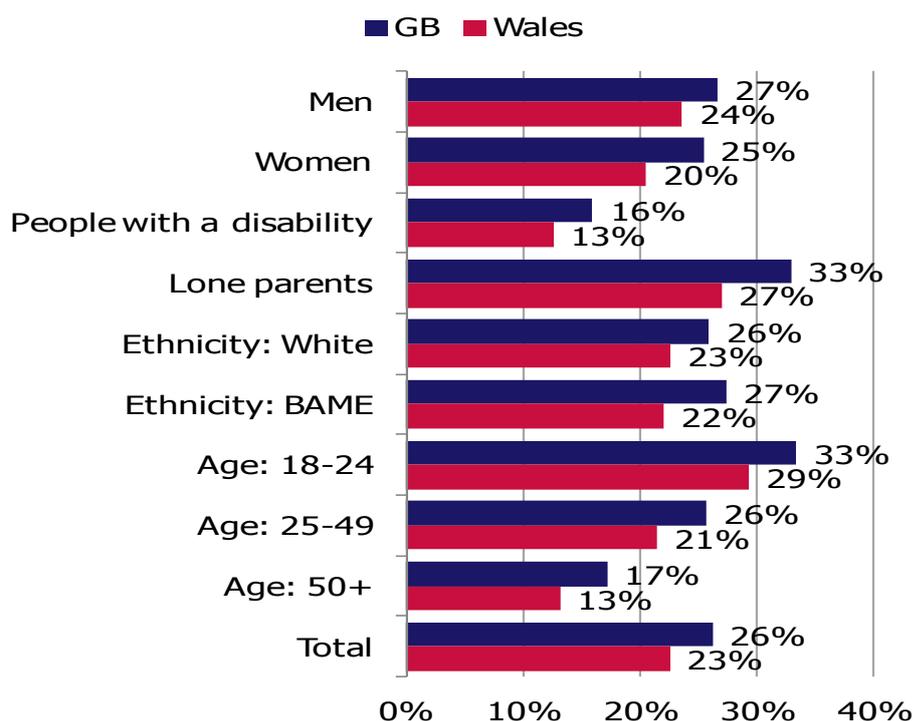
However, because participants stay with the WP contractor for two years, some job outcomes do not sustain until the end of the period. This means in Wales 80% of those who start on WP return to Jobcentre Plus at the end of two years.

The average job outcome performance hides a wide variation between the different groups of eligible people and 'payment groups'. Figure 2 shows performance for different groups. It suggests that:

- Young people and lone parents are the most successful, but Welsh performance is significantly below the rest of GB;
- People with a disability and those aged over 50 have the worst performance;
- There is a relatively poor performance for women in Wales;
- There is broadly ethnic parity of outcomes in Wales but BAME performance is much better for GB; and
- The age profile is much what might be expected, with declining job outcomes with age.

¹ All Work Programme data is sourced from DWP <https://www.gov.uk/government/collections/work-programme-statistics--2>

Figure 2: Performance by participant characteristic, June 2015



Source: CESI analysis of DWP WP data

This picture broadly applies to the different ‘payment groups’ as well, which shows:

- JSA claimants are significantly more successful than ESA claimants;
- Young people are more successful than older age groups;
- JSA Early Access (those judged to be more disadvantaged) perform comparatively well – possibly because of transfer of former New Deal participants; and
- There is little difference in performance between the different ESA groups, with the exception of ESA ex-Incapacity Benefit who would have been claiming for a significant time.

Performance in Wales has been improving over the duration of the contract, with large increases in the period September 2014 to March 2015. For example, 18-24 JSA has increased from 30% to 34%, and new ESA from 11% to 14%. However, Scotland and England improved at a faster rate and the gap in performance has opened up.

Finally, part of the intention of the WP was to increase the number of ‘weeks off benefits’ (i.e. in work). The payment incentives to contractors appear to have led to an increase. On average anyone who secures a job stays in work for a year, and for the more successful payment groups it is fifteen months.

Volumes and characteristics

In the first 12 months of WP (2011/12) the average monthly referrals were 3,285, and in the most recent 12 months the average monthly referrals were 835. The claimant split has moved from 95% JSA at the beginning to 74% now, with ESA now averaging about 25% of referrals every month. The change in JSA was forecast with increased off-flows in the first 12 months of a claim and the consequent reduction in long-term unemployment. However, ESA referrals have been subject to more administrative problems and adjustments in ESA eligibility. For example, ESA eligibility was extended to include those with longer prognoses of a return to work which boosted volumes but probably also led to a reduction in overall performance.

If the WP were to continue with its current eligibility criteria referrals could be expected to remain broadly the same. This will be dependent on the absence of shocks to the Welsh labour market (either a UK recession or significant redundancies in Wales) given that JSA is almost at frictional levels. ESA numbers have been relatively stable and, if anything, have recently slightly increased, as such approximately the same ESA volumes could be assumed for the future.

However, the new Work and Health Programme will restrict JSA claimants to those who are unemployed for over two years. At present there are around 7,000 JSA 2-year plus in Wales and this could reduce to around 4,000 by 2017. This means that Work & Health would have an approximate annual volume of 6,000 compared to 12,000 referrals in the 12 months to March 2015.

Work Programme design

The design of the WP consisted of some core elements considered as innovative. Some of these are considered to have worked and others had unintended consequences or did not work. In brief:

Prime contractors: Large contracts were given to prime contractors who were responsible for either direct delivery or managing a supply chain. This is thought to have reduced the commissioning costs to DWP and loaded the costs on to contractors. There is some evidence that a number of small, local or specialist providers have been squeezed out, with many of these being non-profit organisations.

Black box: Greater freedom was given to prime contractors to deliver 'personalised' provision and to allow for more innovation. Participants value the support of Personal Advisors but this often happens within a tight framework of 'managerial personalisation'. It is generally accepted

that there has not been the level of innovation expected, however the need to reduce costs has driven price-based innovation in systems. There has also been concern at the transparency of the 'black box'. This has led to a lack of understanding of desired service standards by government and reduced collaboration within the provider market.

Payment-by-results (PBR): This was intended to drive increased performance and to shift the financial risk of under-performance to providers. The NAO concluded that the WP has an equivalent performance with previous programmes but at a cheaper cost to the Exchequer. This has reduced the average cost per participant which *Inclusion* calculates to be approximately £1,200 for two years compared to around £1,500 for the Flexible New Deal for one year. However, the payments for sustainment in a job may have increased the number of weeks off benefits by participants. Finally, it is generally accepted that PBR is related to 'parking and creaming' whereby the least employable participants are 'parked' with minimal service levels. This may explain some of the low performance for ESA groups and people with disabilities in general.

Payment differentials: 'Payment groups' had different prices attached to them based on DWP performance assumptions i.e. prices were higher for those groups with assumed lower performance. This was supposed to act as a price incentive to work with more disadvantaged groups, however most believe that the combination of price, risk, and low performance has led to differential pricing having little impact.

Longer contracts: WP contracts are five years and this has brought more security and stability to what was a very short-termist market. However, longer contracts have required more active performance management with clear sanctions for under-performance – market share shift and contract termination.

Analysis of Performance Improvement

If Wales was performing at an equivalent level to England then there would be an additional 1,400 job outcomes. This is the equivalent of a 10% increase in performance on current Welsh WP levels. However, the ambition should be higher given the low performance for some groups of people and for ESA in general.

Performance, in general, is influenced by a number of key factors:

Demand

- The level of vacancies in the local and wider labour market;
- The sector and occupational make-up of local economies and the prevalence of entry-level and low-skilled jobs and seasonality; and
- The willingness of employers to recruit long-term unemployed people.

Supply

- The characteristics of claimants in a local area, especially their benefit history and degree of multiple disadvantage;
- The effectiveness of the contractor(s) in stimulating jobsearch, job matching and improving employability;
- Rurality and transport issues (cost and access) and the ability and willingness to travel;
- The ability to integrate other services which can reduce barriers to work e.g. health, childcare and training; and
- The contracting and performance management framework of the commissioner.

On the demand-side there are few direct levers that can influence demand for long-term unemployed people. Clearly, macro-economic conditions are important but these determine the more cyclical nature of the number of JSA claimants. Performance can be improved by:

- Encouraging and subsidising more openings for entry-level jobs such as apprenticeships;
- General marketing to increase the recruitment of disabled groups, ethnic minorities, and other disadvantaged groups. This may involve a Corporate Social Responsibility (CSR) approach to some employers; and
- Direct subsidies for some targeted groups but which need to minimise deadweight, displacement and substitution.

These actions are mostly either best led by the Welsh Government or by third parties often not connected to employment support providers.

On the supply-side there are some givens and some areas where government and providers can have a significant impact on the level of performance. Performance can be improved by:

- A better and shared understanding of the characteristics of claimants in an area so that provision can be tailored to local circumstances. Currently there is insufficient sharing of data between providers and agencies and this significantly inhibits the ability to analyse need and plan provision in a more systematic way;
- Rurality and mobility are factors in determining the supply of labour. Public transport and the availability of a car is a determinant in how far people can travel to work but this has to

be backed up by a willingness to travel further to work than some unemployed people may wish to. Rural isolation is not only an issue for individuals, it also adds costs for providers which is not recognised in the pricing of the WP. A driving licence (irrespective of whether they own a car) is one of the key employability factors for individuals and should receive an equal focus as basic skills;

- Provider performance can make a significant difference. Performance on the WP can lead to market share shift where high performing providers receive more referrals. This mechanism is based on a competitive model between providers and there is not sufficient evidence to say whether competition drives up performance compared to a collaborative model where monopoly providers are more embedded with other services in an area. The Invitation To Tender (ITT) and contracting process is critical to secure a high performing provider – a wide range of considerations go into the design of the services required but there needs to be a careful balance between tight specifications of services and the freedom to take risks and innovate; and
- Integration of other services for programme participants is a new area of policy development. It recognises that employment providers are not well positioned or funded to tackle many barriers individuals may face. A new model is being developed in Greater Manchester for their delivery of Working Well (a local programme for ESA WP returners) which emphasises collaboration through Local Integration Boards. DWP also recognise the need to forge closer links with health and have established a new DWP/Department of Health Joint Unit backed up by funds for innovative projects.

It is not possible to attribute the extent of performance improvement to all of these factors, however taken together they should deliver an improvement over current levels to at least the England average. Specific attention should be given to those groups where there is significantly lower performance in Wales compared to England and Scotland:

- Young people;
- Lone parents;
- Women;
- Black and Minority Ethnic (BAME); and
- Those aged 25-49.

The reasons will be complex and will require detailed research with the collaboration of the existing WP contractors.

In conclusion, there are some clear areas for improvement and there is sufficient data for analysis. It is difficult to see how, from Whitehall, DWP can manage this process when they will apply a standard template for commissioning and targets. To focus on how Wales can improve requires the analysis, design and commissioning to be led by the Welsh Government.

Budget and Service Integration

There is increasing interest in budget and service integration. This is driven first, by a long-standing argument that a personalised service to disadvantaged groups requires more integration of different services and second, by reduced public expenditure and the need to improve public sector productivity.

There is a difference between budget integration (creating new combined budgets) and budget alignment (ensuring the aims and services of different budgets work together). There are a number of different considerations as to why 'integration' or 'alignment' approaches are used. Often 'alignment' will be the only option when separate and independent agencies are involved. The first step for labour market programme design is to identify those services where there are strong synergies – both at national level and local government. These are thought to be:

- Jobcentre Plus flexible support funds, local innovations, and estate;
- ESF funds for unemployed people;
- Use of Section 106 or planning gain by local authorities;
- Health provision, particularly mental health services;
- Public health;
- Communities First activities;
- Childcare advice and information;
- Early intervention through Integrated Family Support Service;
- Locally funded and commissioned employment provision;
- Skills programmes, Further Education and adult and family education;
- Support for identifiable vulnerable groups such as care leavers, drug and alcohol rehabilitation;
- Social landlord advice and employment support provision ;
- Ex-offenders through transforming rehabilitation; and
- Planning and delivery of Universal Support Delivered Locally (USDL) services when rolled out with Universal Credit.

This is an extensive list and for each there are particular conditions that will determine the possibilities of integration. The initial focus should therefore be on those budgets where the Welsh Government has a direct control and where there are the strongest synergies. These appear to be:

- Communities First;
- Skills programmes, Further Education and adult and family education; and
- ESF funds for unemployed people.

The links with the WP are currently either not permitted (in the case of ESF funding) or left to local partners to make. There is, however, significant potential in the future for these budgets to work together to promote opportunity for long-term workless people and people on low incomes. There is a strong prima facie case for devising one integrated Welsh strategy for labour market interventions with funding from different sources supporting different elements of the strategy.

Beyond those budgets which Welsh Government has direct control over, the single most important priority is how there is improved collaborative working with Jobcentre Plus. This is increasingly important because:

- The closure of most jobcentres in the next three years and increased co-location with other services, often local authorities;
- The impact of Universal Credit and increased conditionality for in-work claimants;
- Help to Work measures, currently mostly managed by Jobcentre Plus, will be extended to all JSA claimants up to two years duration;
- Piloting and possible roll-out of Work Coaches providing careers advice in schools; and
- The management and delivery of the Youth Obligation, due to commence in April 2017.

Options for the Successor to the Work Programme

A number of English cities now have devolution agreements with the UK Government which include the co-commissioning of the successor programme, Work and Health. The basis of new agreements will be an integrated Employment and Skills Strategy that establishes an outcome framework and is jointly agreed.

Overall, there are a number of different levels of engagement and possible roles for Welsh Government with DWP:

Programme co-design: Input to the design of the programme that would remain commissioned by DWP. This is the minimum level of involvement.

Active co-design: The next step on is the active involvement in providing analysis information and priorities for developing the ITT specifications for a nationally procured programme. Linked with programme co-design this would ensure local priorities are reflected in the procurement process, although these would (probably) remain secondary to the priorities set by DWP for the national programme.

Co-commissioning of a UK programme: An active involvement in the evaluation and scoring of bids of the DWP programme. This requires the declaration of any financial interests in bidders and signing a non-disclosure agreement with DWP. This has the merit of direct involvement in the appointment of the contractor but DWP holds the final decision.

Co-commissioning of a Welsh programme: The programme is designed by the Welsh Government but taking into account relevant UK government priorities. DWP remains the client and has the final decision on appointments. Contract and performance management would remain centralised but probably with some Welsh Government involvement.

Devolution of design and contractor appointment: A final step before full devolution could be that the design of the programme and the decision to appoint contractors is taken locally but the procurement process and contract management remains with DWP. This would be somewhat complex to effect because of the different responsibilities and accountabilities.

Full devolution: Finally, full responsibility and finances are transferred, as for Scotland. This would be done through an agreement with DWP based on an agreed strategy with outcomes.

The basis of agreements available to English cities is effectively 'co-commissioning of a UK programme' but with the requirement that the city identifies local funds to integrate. There continue to be bi-lateral negotiations which are at various stages of progress. The net result is likely to be that a substantial proportion of English claimants will be covered by a co-commissioned programme.

How a Welsh Employment Programme Could be Introduced

Irrespective of the level and nature of devolution the starting point will need to be an integrated Employment and Skills Strategy for Wales. This would set out:

- The rationale and aims for interventions;
- The detail of each intervention and their expected outcomes;
- Finances; and
- The commissioning and performance management arrangements.

The strategy will need to be developed and owned by the key strategic partners in Wales. This will involve some consideration of the leadership required to do this and whether the current Wales Employment and Skills Board is the right body to do this. The involvement of employers is essential in the development of the strategy.

The strategy would deal with all relevant labour market issues, including interventions for the short-term unemployed as well as those in employment. As such, interventions for the long-term workless would be one element of an over-arching strategy. The possible financial envelope will determine the extent and nature of services, and the degree of targeting that will be necessary.

Focusing on the replacement of the WP, this short report suggests there are a number of emerging issues that a Welsh strategy would need to address, recognising there are significant trade-offs. In brief these are:

- ESA claimants are the single largest group of claimants but receive minimal support – this suggests a far stronger emphasis on how employment support works with NHS Wales;
- Mental health conditions are the single largest reason why people claim ESA;
- Increasing numbers of unemployed people have not been claiming JSA – should there be a universal service open to all unemployed people and those on low incomes?;
- Some groups on the WP have performed poorly – a stronger focus on improving performance will be needed to close these gaps;
- A stronger focus on developing programmes with voluntary and early access for ESA claimants and vulnerable groups;
- JSA is at historically low levels but a labour market strategy must be prepared for any downturn in the economy;
- With the introduction of Universal Credit, progression in work (more hours and/or higher pay) is going to become more important for those in low wage work;
- The future qualifications demands of employers will put low skilled people at an ever greater disadvantage; and
- The delivery infra-structure for employment and skills will be under increasing pressure with reductions in public expenditure - how resources are best deployed and integrated/aligned will be a key challenge.

The timetable for the replacement of the WP means that the immediate priority should be to secure an agreement on the commissioning of the Work and Health programme. However, this can be seen as a first step towards full devolution after the end of the Work & Health contracts.

Recommendations

1. The Welsh Government assumes responsibility for commissioning and management of the Work & Health Programme in Wales and this is undertaken jointly with Jobcentre Plus Wales. This would be on the basis that Welsh Government identifies funds that can be integrated or aligned with the programme. In return, DWP should permit Welsh Government flexibility in the specifications of the Work and Health Programme.
2. In the longer term (at the termination of Work & Health contracts) the employment support budget should be devolved to Wales, based on the agreed powers for Scotland.
3. An Employment and Skills Strategy should be developed which will set the context for new interventions for the long-term workless. The core purpose of the Strategy should be to set out how a Welsh Government designed and commissioned programme would improve job outcomes for workless people.
4. A core principle for delivering improved services should be the integration and alignment of existing activities which are the responsibility of the Welsh Government.
5. An officer Task Group should be established with key partners (including Jobcentre Plus Wales) to produce the Strategy, backed up by a detailed action plan. The group should be tasked with specifying the budgets that can be combined or aligned with DWP funds and specify the outcomes to be achieved.
6. The role and composition of the Wales Employment & Skills Board should be reviewed to ensure it is the right body to provide the strategic leadership for this Strategy.
7. A full and detailed evidence-base should be established, as such, it is recommended that Welsh Government and DWP agree a common and shared analysis and segmentation of claimants.
8. Integrating health services should be a priority. A joint Wales NHS and WG team is established to build on the work of the England NHS/DWP Joint Unit.
9. The Welsh Government should work closely with Welsh local authorities and there should be sufficient flexibility in any Welsh programme to recognise the wide divergence of local labour market conditions and claimant characteristics.
10. There should be an active dialogue with communities, the voluntary sector and providers to inform the Strategy and the design of programmes and test the willingness of providers to provide new programmes.

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