

Reforming Public Services: Devolving Employment Support

March 2015

London Councils, which represents London's 32 boroughs and the City of London, is proposing devolution and reform of London's public services in order to deal with the financial challenges of the next five years and to invest in the social and economic infrastructure that is vital to the capital's continued growth and success.

Over the past few years, a range of work carried out by London, including most prominently the London Growth Deal submission, has started to set out London's offer to create a step change in reducing entrenched worklessness and broader dependency on public services through greater local design, leadership and integration of employment support services. London's engagement in this area is driven by a broader ambition around transforming public services.

Context

It is clear that local government in London faces a period of prolonged financial austerity. By 2019/20, London boroughs could be facing a reduction in core funding of close to 70 per cent in real terms compared with 2010/11. Combined with a rapidly increasing demand for local services, they face funding pressure of more than £3.4 billion by 2020.

London's councils recognise the scale of the challenges that lie ahead. Tackling these will require a reform of public services that focuses on integrated, preventative services that help avoid the high costs of dealing with failure.

A commitment was made to London in its [Growth Deal](#) that success in the Growth Deal Pilots, specifically the Working Capital Pilot, 'will unlock a series of progressive steps towards further local service integration across London'. The first review on progress and decisions on further service integration will take place prior to spring 2017, ensuring that it will influence the commissioning and delivery of the next phase of employment support programmes. As such we look forward to engaging with Ministers and officials from the Department for Work and Pensions (DWP) following the general election on the future of employment support in the capital

This paper:

- Sets out some detailed proposals for how devolution of employment services would work in practice
- Shows how long-term unemployed people with complex needs will get improved access to other public services at the local level, such as health, housing and family services

These proposals have been developed in partnership with other stakeholders across London - boroughs, Central London Forward and the Greater London Authority.

Challenge: London local government faces a period of prolonged financial austerity at a time of rising demand

Solution: Devolve public services and give London's leaders the freedom to devise joined-up solutions to complex problems that can unlock the full potential of investment in public services

The challenge and how to address it

Strong employment growth over the last two years has led to substantial reductions in the number of people on Jobseekers Allowance (JSA), to the point where the claimant count is now back to pre-recession levels¹. With cyclical joblessness receding, the priority is to tackle long term unemployment and structural worklessness²; which all available evidence and experience suggests will not reduce simply as a result of a more buoyant labour market.

There are no examples of large scale interventions that have supported those on health related benefits and/or the very long-term unemployed into work. However, there are promising initiatives and emerging evidence about the basic components of effective practice³. Moreover, it is now hard to conclude that existing, mainstream employment provision has any significant impact on this group⁴.

If this challenge is not effectively met, a significant minority of citizens will remain locked out from the social and economic benefits of work, while often also facing a wider range of complex and unmet needs. The resulting high costs and high demands will continue to fall on overstretched public services – including those funded and managed both centrally and locally. These impacts are particularly acute in London due to the city's fast-moving, polarised and globalised labour market and housing affordability challenges. London believes that significant gains can be made from providing local areas with the freedoms and flexibilities to design, commission and integrate services.

The DWP will see its investment go further if it involves local government in the next round of commissioning specialist employment support⁵. This will unlock a wider range of public services that people accessing specialist employment support are likely to need. Simply put, depending on how ambitious the government is willing to be with devolution, there will be more support for clients in the programme. Locally contributed resources can come from:

- public health (including drug and alcohol services)
- homelessness support services
- adult social services
- childcare and early years services
- the Troubled Families programme
- local financial support such as Discretionary Housing Payments and Council Tax support.

There would be further benefits from aligning the work of further education colleges in the delivery of skills provision, alongside the Mayor and the London Enterprise Panel (LEP)⁶. Local involvement can also add value in the following ways:

Local service integration and alignment: using London government's position as a commissioner and place leader to lead the implementation of an integrated customer journey incorporating employment, health, housing, family services and other interventions around the needs of the individual. This will reduce duplication, help to intervene as early as possible and save money.

Local expertise in commissioning and procurement: harnessing local expertise from the specification stage through evaluation, appointment and management of employment support providers, to help validate providers' proposed approaches to local service integration, business engagement and bringing together the right supply chain including specialist and third sector organisations.

Long-term outcomes: moving from outcome frameworks based on benefit off-flows to help individuals to achieve more holistic and longer-term objectives including work readiness, addressing skills needs and progression in-work. This will avoid simply moving people from out of work to in-work benefits and will maximise the incentive effects of Universal Credit.

How would this work in practice?

Through a new relationship between central and London government, we can collectively devise solutions that maximise our impact on this complex challenge. This relationship can be realised through three models:

- **co-commissioning and co-design of specialist employment support**
- **partnership delivery of specialist employment support (partial devolution)**
- **local leadership and control of specialist employment support (full devolution).**

These potential models allow for a differential approach to employment devolution, with different models running concurrently⁷.

Model 1: Co-commissioning and co-design of specialist employment support

This is the least ambitious model and is closest to the current Work Programme. It will retain the framework of a national programme for specialist employment support delivered by prime providers, with outcome-based payments. However, it will involve substantially greater local authority, GLA and LEP participation in the design and commissioning of the programme.

We envisage local involvement at all stages of the procurement cycle (assessing local need, deciding the priorities for intervention, design of the service, shaping the structure of supply, selecting the provider and monitoring and evaluating provision). In return, local authorities commit to aligning provision of related services and funding streams, based on 'statements of intent' with prime providers. They also commit to enabling providers to access wider local services on behalf of programme participants, although it is unlikely they would be able to provide priority access.

This model will address the lack of integration of mainstream employment programmes with other local services. By joining up throughout the commissioning process both DWP and local areas will have a better understanding of what is being commissioned, who is being targeted and what the needs of this client group will be.

However, this model's ability to unlock access to and the value of other local services would be limited compared to the other proposed models.

Model 2: Partnership delivery of specialist employment support (partial devolution)

This will be a development of [Central London Forward's 'Working Capital'](#) model. This model will provide deeper integration between a contracted provider and local government in the delivery of specialist employment support. Groups of London boroughs will lead the commissioning of DWP programme funding for their area, in return for contributing quantified resources and/or services into the programme.

Specialist employment support within the programme is provided either by the contracted provider ; the local council; or through sub-contracting with other public services, external providers or voluntary organisations - or a combination of the three. To sharpen incentives and drive meaningful collaboration, councils will also share any financial reward for strong performance with the contracted provider.

This model will unlock and align other local service resources towards clients on the programme and consequently, improve programme performance, particularly for those individuals with more complex needs.

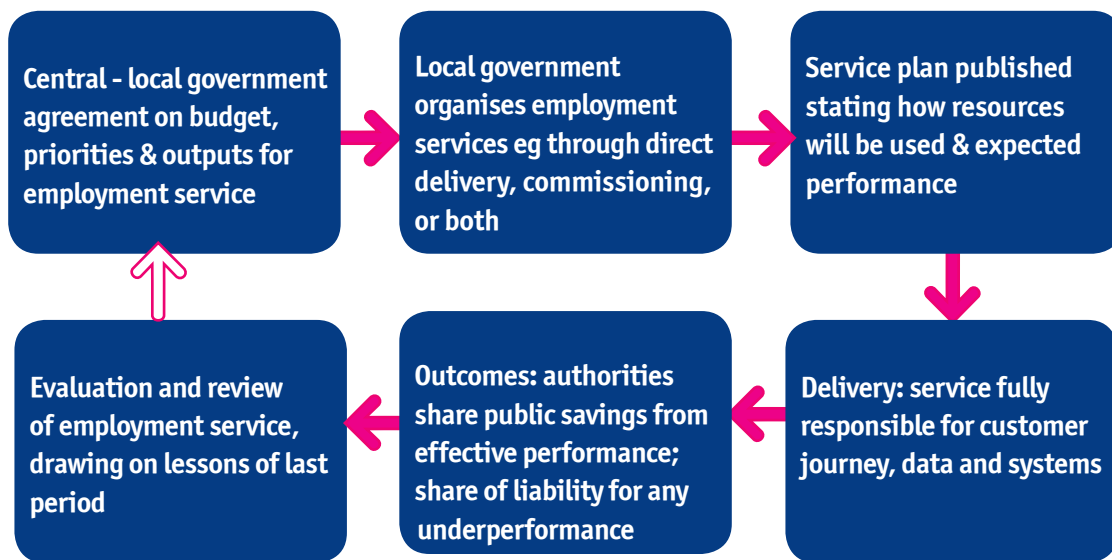
However, London's ambition is to move towards full devolution to produce the greatest benefits (see Model 3, over)

Challenge: To create a system that allows for differential approaches that can maximise the impact of investment in employment support

Solution: London Councils is proposing three models for a new relationship between central and local government that can maximise our collective impact

Model 3: Local leadership and control of specialist employment support (full devolution)

London's ambition is to have full local leadership and control over specialist employment support services, such as the Work Programme and Work Choice, as this will bring the greatest benefits. Rather than operating within a DWP framework, this will involve London taking full control of the design and delivery of specialist employment support. Operating as a service rather than a programme, it will involve devolving national funding on the basis of rolling central-local agreements on employment priorities and goals, in return for groups of London boroughs committing quantified financial and/or service contributions and agreeing to a 'risk and reward' sharing formula based on performance. It will provide full integration of local services, for example, with pooled budgets and joint commissioning of services such as health. The diagram below sets out the detail of this model:



This model will provide the opportunity to develop a truly integrated and co-ordinated job brokerage service for employers that reduces bureaucracy and interactions with public agencies. Integration with local services could be developed further through pooled budgets and joint commissioning, allowing significant public service reform.

London Councils will be working with our partners to develop these models further over the coming months and **we would welcome feedback on the proposed models.**

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Endnotes

1. London's claimant count in December 2007 stood at 130,700; it reduced to below this level for the first time in December 2014 (at 122,330) Source: NOMIS
2. There are almost 53,000 Londoners claiming JSA and out of work for six months or more (Dec 2014) and 1.35 million economically inactive Londoners (Sept-Nov 2014) Source: NOMIS
3. For example, the integration of clinical treatment and employment support; lower caseloads and high quality work coaches; and active job brokerage plus practical support for employers.
4. Only 7 per cent of Employment Support Allowance (ESA) claimants in London have achieved a sustained job outcome on the Work Programme (September 2014)
5. Specialist employment support is support for long-term unemployed people and jobseekers with complex needs
6. For example, through Transport for London the Mayor has provided travel discounts for apprentices and part-time workers.
7. All three models require a new approach to common assessment and early referral. The existing suite of out of work benefit categories provide very crude proxies for levels of labour market disadvantage, which the introduction of Universal Credit (UC) will not significantly alter. We propose using a more sophisticated jobseeker profiling and segmentation tool applied across a range of service providers in different fields to support more consistent data capture and better signposting of individuals to the services they need.