



Work and Pensions Committee

Oral evidence: Devolution of employment support, HC 623

Wednesday 8 May 2024

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[Watch the meeting](#)

Members present: Sir Stephen Timms (Chair); Debbie Abrahams; Neil Coyle; David Linden; Selaine Saxby; Sir Desmond Swayne.

Questions 1 - 55

Witnesses

I: Christopher Rocks, Lead Economist and Head of Secretariat for the Commission for Healthier Working Lives, Health Foundation; Tony Wilson, Director, Institute for Employment Studies; Sinéad O'Regan, Employability and Skills Manager, Belfast City Council; and Andrew Phillips, Senior Researcher, Demos.

II: Ben Gadsby, Head of Policy and Research, Impetus; Anna Shiel, Chief Investment Officer, Better Society Capital; Professor Jonathan Payne, Professor of Work, Employment and Skills, Director of the People, Organisations and Work Institute (POWI), De Montfort University; and Pegs Bailey, National Third Sector Employability Engagement Manager for Scotland, TSI Network.

Written evidence from witnesses:

[Mental Health Foundation](#)

[Demos](#)

[Impetus](#)

[Better Society Capital](#)

[Professor Jonathan Payne](#)

[Labour Market Partnerships](#)



Examination of witnesses

Witnesses: Christopher Rocks, Tony Wilson, Sinéad O'Regan and Andrew Phillips.

Q1 **Chair:** Welcome everybody to this meeting of the Work and Pensions Select Committee for our first evidence session in our inquiry on the devolution of employment support. We are very grateful to the four witnesses who are joining us for the first panel this morning. I will ask each of you to tell us briefly who you are.

Christopher Rocks: I am Christopher Rocks. I am from the Health Foundation, an independent charity. I am a lead economist and head of secretariat for our Commission for Healthier Working Lives.

Andrew Phillips: Good morning, and thanks for the invitation. My name is Andrew Phillips. I am a senior researcher at the cross-party think tank Demos.

Tony Wilson: I am Tony Wilson. I am the director at the Institute for Employment Studies.

Chair: Thank you. Joining us virtually, Sinéad O'Regan.

Sinéad O'Regan: I am Sinéad O'Regan. I am the employability and skills manager in Belfast City Council.

Q2 **Chair:** Thank you all very much. I will put the first question and ask each of you to comment. How much variation is there between different areas of the country in the drivers of unemployment and economic inactivity? Do you think further devolution of employment support makes sense in response to those variations, and do you think the appropriate degree of devolution will differ between, for example, urban and rural areas? I will ask each of you to comment on that, starting with Chris Rocks.

Christopher Rocks: In terms of the variation, we know there is variation both in the health challenges, for example, faced across different areas—the extent of that—and in things like economic inactivity patterns and economic inactivity due to long-term sickness. It does vary across the country. It is particularly high in parts of the north-east and north-west regions. In general, a lot of this correlates with what we know about deprivation, so areas with high levels of socioeconomic deprivation also have higher levels of challenges around health, inactivity and unemployment to some extent.

The first point is that there is variation. If we look at what has been happening over time, we have seen a sharp increase in economic inactivity due to long-term sickness, in particular recently. Some of that has reinforced existing inequalities.

In terms of the health drivers, we know that there are significant inequalities. We have done a report—colleagues in our REAL Centre have done a report on health inequalities in 2040, which explores some of this variation and some of the factors affecting health. The prevalence of conditions like COPD, chronic pain, anxiety and depression is significantly



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different between the most deprived and least deprived parts of the country. I think that has a significant impact.

There was a lot in your question, I think. Does devolution have a role to play in addressing this? Perhaps. There is probably a level of nuance to bring to that, but clearly some of the challenges differ across different areas.

Just on some of the health challenges, there are common challenges as well. If we think about musculoskeletal issues and mental health issues, they come out quite commonly across the board, but the extent of those challenges would differ. At a very local level, there could be differences with different demographics playing out at a hyperlocal level as well, so there are different levels to that.

I shall pause there and hand over to colleagues, but I am happy to follow up.

Andrew Phillips: I agree with Christopher that there is significant variation in different areas of the country, as well as differences in drivers of unemployment inactivity. I would also say that a lot of the differences are related to demographics. When we think about devolving employment support, it is important that those programmes work for the demographics of the local area or the region that you are looking at.

We did some research looking at the area of east Birmingham and north Solihull, which is a particular area within the west midlands that has quite high deprivation and quite high unemployment. It is a very young area; it has a large proportion of young people. There are some demographic factors and then a range of other factors, as you mentioned, like urban-rural, as well as cultural factors that make a big difference to the kinds of support that people need. That is not just employment support but thinking about how you join up services across a local area so that they work together well for local communities.

Q3 **Chair:** Given those factors, do you think that devolution of employment support is an appropriate response?

Andrew Phillips: Yes. There are a couple of advantages of devolution of employment support to respond to those. One is flexibility—so giving local areas more flexibility around how they deliver employment support and adapting that for different areas of the country depending on some of the different factors I mentioned. We already see some of that in different areas, so I think we have made progress on that in the last few years.

The other big potential benefit is integration—so joining up different employment support services, joining up employment support and skills, joining up employment support and health. That kind of joined-up local working is more likely to happen in a more devolved system. It is not inevitable, because the way that devolution is done will make a big difference to how much of that integration and joined up working happens or not, but it is potentially a big benefit. We know that there is a



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lot of evidence to show co-located services, for example, can be effective at improving outcomes.

Tony Wilson: There is not much that I can add to the previous contributions, but I will make a few points. There are definitely variations. We can think about those in terms of labour markets and labour force—the populations, if you like—but a third area is around the institutional capacity and capability of different actors to join things up or do things differently.

On the labour market, we have talked about some of the labour force differences and some of the variations around it, which are related to disadvantage and wider socioeconomic factors. Those are really pronounced—like ex-industrial, coastal and some inner-city areas, much higher rates of economic inactivity, and much more long-term worklessness. That is often compounded by a lack of access to good quality work as well. Those two are linked.

When we think about devolution, we also think about this in the context of wider local economic growth. Therefore, how do we create the demand for jobs in disadvantaged areas and improve the supply and availability of a workforce to do that? There are a lot of areas—a lot of levers we can pull on that. Employment support, and employment services is a small part of that, but it is an important part.

Can devolution make a difference? Yes, definitely. We talked about some of the regional differences. Differences within regions are even bigger than differences between regions. When you get down to that more local level, the differences within local authorities are bigger than the differences between local authorities, and the lower down you go—we do have quite high rates of inequality and we have, cheek by jowl, areas that are relatively prosperous and relatively deprived occupying the same sorts of spaces.

That is a bit of a challenge for devolution, because we cannot integrate everything, but we also cannot devolve everything to a very local level, so we need to think about what we are devolving, where and how, which links to Andrew's point. There are two concepts here. One is around devolution of powers, funding, policy responsibility and control, and I think there is some really good work being done by combined authorities. Northern Ireland is a great example of really significant devolution.

Alongside that is localisation. How do you localise service delivery? You don't necessarily need to devolve policy, money and control to the very local level to have much more localised and effective service delivery. That is a challenge that we need to address, regardless of where we get to on the politics of devolution. Jobcentres need to work much, much better with other local services. We need to have much more co-location. We need much greater access to services; we need to make better use of the 600 plus offices that we have and use that to help drive better integration and service delivery locally.



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On your rural point, I do think that is a particular challenge because this is where the labour force, the labour markets and the capacity all come together. We cannot expect every local authority to have the same level of capacity and capability around running an employment service or commissioning programmes and so on, and nor should they necessarily need to. It is okay to take slightly different approaches in different places, but even so, the priority should be that everywhere, we have localised services that are joining up other local actors, and that ideally funding follows those needs, too. We can link up with transport support, we can link up with housing and community services, and we can link up on the economic development side and things that will help to create more prosperous communities, better access to employment and more local jobs.

Q4 Chair: Is Jobcentre Plus working on that localisation that you have—

Tony Wilson: Yes and no. I think Jobcentre Plus does a really good job in many different respects, dealing with hundreds of thousands of new claimants every single month who become unemployed, who turn up at jobcentres and need help to get back on their feet and find new work. It is a significant, large-scale service. You can see why there has been a move towards delivering that in a fairly centralised, standardised way.

There are arguments around ensuring consistent quality of standards and economies of scale, and so on. The challenge for localisation, though, is that there is not much capacity in the Jobcentre Plus local management tier to effectively join up locally. There isn't really a culture of seeking forgiveness rather than permission when you want to do things differently in a place. There are some places where more of this happens, particularly in combined authorities where there is much more alignment and engagement between Jobcentre Plus and local partners. There are other places where it really doesn't happen.

Q5 Selaine Saxby: I want to come in on one point that you made about getting jobs into those deprived areas. In my constituency, I have a very deep, small pocket of deprivation, which is rural and coastal. We have found that there are some top employers, but we don't have any skilled workers, so we have seen, actually that the jobs have been de-skilled to match the workforce. Do you have any thoughts on how you can turn that model on its head? The highly skilled jobs sit there vacant in my constituency because we do not have a skilled workforce. I don't think we can lean on the employer for that. They are sat there looking for staff. How do we turn that model on its head?

Tony Wilson: This is a really common refrain. It is a common challenge now, because a lot of the story in the labour market has been around labour shortages. It has been around the fact that economic inactivity is high—and it is high—and employment has come down a bit, or the rates have come down but the level of employment is still pretty high. We do have labour shortages, but skills shortages have become more pronounced, too. Employers now classify about one third of vacancies as



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being due to a shortage of skills. One in 10 employers currently have a skills shortage vacancy.

Part of the challenge is that although it is really important to focus a lot a lot on work and health, and on engaging people outside the labour force—we need to focus on raising participation—we do need an equal focus on linking up skills and employment. I think we have lost sight of this a bit. These are probably less joined up than they have been at any point in the 25 years I have worked in this space. We had a real push towards greater integration between employment and skills. It is now a much more fragmented system.

Again, some combined authorities are able to do this, but it is challenging in more rural areas or in areas that are not covered by combined authorities. This is where I think effective wider local devolution is important, because it also links to housing, schools and health services—the things that will keep people in areas and attract people into areas. Also, how do we align skills provision through colleges and training providers with the demands of employers? Skills bootcamps are a great example of this, but it is not particularly employer-responsive. How do we ensure that the funding for adult skills provision is following employer need, and we can link it up with supporting people out of work to get those jobs?

We don't do it very well here. The US has some great examples—career pathway models—that try to support entry and progression in work into better skilled work.

Selaine Saxby: Thank you.

Sinéad O'Regan: In terms of linking up the skills with the employability and employment support, one of the things we have done through our labour market partnership, actually, regionally—there are 11 labour market partnerships in Northern Ireland, and one of the big things we do is employment academies. It is the skills bootcamp idea. They tend to be sometimes longer, but short, sharp interventions driven by employers, and it is directly the skills that the employers need.

We resource the skills to meet those exact demands. That is quite nuanced, depending on the labour market that each labour market partnership operates within. In Belfast, we would have maybe 28 different variations of employment academies. That could be from childcare to fibre splicing to tech—there is a whole raft and range of them, but they are all driven by employment demand. They are actually very good jobs.

For example, one of them is on working at sea; it is for people working on ships and the starting salary is £33,000. Our investment per person is something like £2,000 for the technical licences and training. That work is all over the UK, so you cannot do it when you devolve it down to a city level or a smaller region. The intimacy we have with our employers is really high because we sit within economic development, so it is the



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direct connection between skills, people and jobs. If you offer people good jobs and access to good work, you will get people interested who are economically inactive. It is about offering real opportunity for them.

Interestingly, some of my colleagues who work across rural areas—because I am in Belfast, which is very urban—are looking at working-from-home options within their local labour market, so that people stay in their local areas. I am saying that because, certainly, for us, in terms of our labour market partnerships in Northern Ireland, we are intimate within the supply and demand space with the people in our areas and also with our labour markets to look at innovative solutions. It is not about solving economic inactivity; it is about accessing good jobs for people.

Q6 Chair: We will be interested to hear more about that Northern Ireland model. When were the labour market partnerships set up?

Sinéad O'Regan: We began developing them in 2020, but in 2021 they were all set up. It is a Government initiative, so the Department for Communities in Northern Ireland leads on it, but it is a cross-departmental and regional approach as well.

Q7 Sir Desmond Swayne: Thinking specifically about the extent to which mental health issues are work limiting, how would the devolution of services better enable people with mental health problems to find and stay in work? In any order—do not all speak at once.

Tony Wilson: I am happy to go first. This is interesting because it is a reminder that, when we think about devolution, we do not necessarily mean devolving funding, power and control to an individual local authority to run services because, of course, they do not have control over talking therapies in the NHS, which are run by NHS employers. They may or may not control skills support. They will have little leverage over what local employers do. The rationale for devolution there is more about being able to join up more effectively, to bring services together better, to engage better, to be closer to people and to deliver services through the public services they are already engaged with.

The WorkWell initiative announced yesterday is a good example of that. It is a great idea, to my mind. Integrated care boards in England were invited to submit bids to run these local services, in partnership with local authorities in almost all cases. The intention is that by bringing together local authorities and health services, you can have better quality conversations with GPs to encourage referrals earlier. You can build pathways from talking therapies, where those are available, and other mental health services. You can engage better.

Also, beyond that, you can, hopefully, talk to employers, too, to start to get some of those economies of scale and some of that clout by having more partners together around the same table to do some of that functional economic area. Local authorities can use the leverage they have with employers and use their own role as employers. The NHS is an



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important employer and has its own challenges around mental health, stress, wellbeing at work and other services.

What role does Jobcentre Plus play in that? Frankly, it is really patchy. I am certain that Jobcentre Plus will be engaged in a lot of those WorkWell partnerships and will have things to bring, but will services be co-located in jobcentres? Of course not. A health service, a skills service or a local authority service will not have a desk in a jobcentre. It will not happen. Will they outsource into GP services? Maybe. It will depend on where and how. Will they flex some of the provision being delivered locally? Probably not. A lot of this provision is nationally contracted.

By devolving some of that localisation, some of that joint working and some of that managerial flexibility to do things differently, we could have much better alignment between different services and, hopefully, then deliver better services.

I have a final point on mental health and work. Work is incredibly protective and supportive of our health. Most of the time, work helps to keep most people well. When it goes wrong, it can go badly wrong, but work is an opportunity as well. Making workplaces more supportive of wellbeing is a real opportunity. Helping to address some of the drivers of poor health at work, which often are not related to access to occupational health but are related to management, relationships and control, is fundamental but is missing a little bit from our strategy at the moment. What is our strategy? How do we engage with employers on this agenda? How do we hold them to account? It is better than having arguments about sick notes and statutory sick pay. How do we try to improve working conditions, equality of management and relationships at work? We do not have answers for that, but it is important.

Christopher Rocks: I have one point to add. We funded the Resolution Foundation to do some work on young people's mental health. To echo something we have said already, we looked at young people with health-related inactivity—particularly with mental health driving a lot of that—and it was strongly linked to education. The majority of young people who were inactive for health-related reasons had qualifications below degree level. That echoes the point that the link between health and education is important.

I reinforce the point that Tony said about access to good quality work and also early intervention if people are at risk of moving out of work. WorkWell seeks to address that to some extent. We know that is important. It is also about recognising that mental health conditions can fluctuate. That creates some particular challenges both for the individual and the employer. Making support available to respond to those fluctuating conditions is important, too.

Andrew Phillips: Yes, I will echo the comments on WorkWell as a good example of an innovative, devolved programme that seeks to provide people who are in work with earlier support to prevent them leaving work in the first place. We were pleased to see the Government announce that.



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We did some research looking at people in their 50s and 60s and we pointed out that, once people in that age group leave work, they are quite unlikely to return. The outcomes of traditional employment support programmes are often not particularly good. Bear in mind that mental ill health can affect people of all ages. The WorkWell model provides support to people while they are still in employment or as early as possible, which is a good thing, and I am pleased to see the Government announce those pilots.

Q8 **Sir Desmond Swayne:** If we take the devolution of aspects of employment support via WorkWell or universal support, we have touched on quite a lot of the challenges there, but what do we have to put in place to ensure that those initiatives are successful? What will make them work?

Tony Wilson: I am happy to go first again. Those two initiatives get to the heart of quite a lot of the trouble we have had around devolving in the employment space and more generally. We tend to devolve in silos with individual initiatives. It is not always devolution; sometimes it is delegation. It gives a combined authority the opportunity to deliver the same programme that is delivered nationally, but to commission it itself and make a few specification changes.

WorkWell goes beyond that and so does universal support. Universal support is a radically different model, but we are concerned about the pace and the time it has taken to roll that out. That is about trying to push more funding and control down, but, again, it is siloed and programmatic.

The opportunity longer term for devolution would be more like the model in Northern Ireland, which in turn echoes models in Denmark, Canada, the United States and other countries where they have clear accountability. What needs to be in place? You need accountabilities between national and local, a set of national objectives, and then clear accountabilities locally for how services will be organised and delivered. You need clear ideas about where services sit, and then funding for commissioning of services, for example, being pushed down to more local levels with less prescription around commissioning particular services in particular ways, and more opportunities to commission based on local needs but against a set of national priorities and national objectives.

Professor Dan Finn gave evidence to the Committee and set some of this out well. Alongside this are challenges around raising performance of programmes, or performance in areas—how do you ensure consistent quality of delivery? How do you build the capacity and capability for effective management of services, which is a different role for the Department? And how do you ensure equity? You cannot ensure equity perfectly but, underscoring that, do we need some guarantees—clear service levels where people have entitlements to support, even if the particular services might be commissioned differently?



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At least from where we are now, these programmes will be delivered locally but managed as WorkWell initiatives and universal support initiatives. The opportunity in the coming years would be to get more of a labour market agreement or labour market partnership model, similar to what happens in Northern Ireland, where more of the funding is pushed down. Local and national accountabilities for performance, for delivery and for quality management are clear.

Christopher Rocks: Probably to echo some of the points, we run a programme with a series of local areas called Economies for Healthier Lives. That has shown that we need to recognise as well that it can take time to set these partnerships up. It is quite ambitious to bring services together, but it can take time to build in the buy-in from local leadership.

Some areas will be better placed in terms of where their partnership working already is, or how well some of those geographies combine and overlap, but some places will be different. It takes time to set up, though. We need to recognise that. Sustained investment is important. These are promising initiatives, but we have seen, if we take a step back, quite a lot of churn in this space and quite a lot of different initiatives. Sustained investment is important.

The other thing to note is that it is important to learn what works well and also to scale that up and roll it out promptly and effectively so that it can reach a wider population.

Sir Desmond Swayne: Sinéad, do you want to add anything?

Sinéad O'Regan: Yes, I would say all of the above. National and local can also work together. Our labour market partnership has the condition management programme, which I assume is working well—Tony is nodding his head. It is a regional programme about keeping people in work, and it is health-led and funded by the Department of Communities through the benefit system. It is quite a big Department; DWP is its equivalent.

The programme is delivered through the health trusts, which is fairly important. It is purely health-led to keep people in work. It is a member of our labour market partnership. The labour market partnership is about bringing together all of the services and all of the strategic thinking—employers, the voluntary and community sector and the advice sector. So it is bringing Government, corporate and commission together to look for joint solutions. Being joined up is extremely important. The money does not all need to be reserved.

I echo that if things are short term—we went into our labour market partnership thinking that we needed a 10-year strategy to do this, and we needed to mean this regardless of the resources that came with it, but resources are needed, and you do need a long-term strategy for it. The fits and starts are never good for any local labour markets or the people who live in our areas. That long-term approach is essential.



Q9 Debbie Abrahams: Good morning, everyone. I want to pick up a few points that you have made. Tony, you were right about most work being good for you and the importance of employers taking a preventive approach to that. Is there scope for employers to provide employment support formally?

Tony Wilson: This happens in some ways already. Employee assistance provisions and occupational health support get a fair amount of use. We have reservations, and many people who have experienced it may have reservations, too, about whether that is always focused on rehabilitation. Sometimes people can be quite nervous about accessing occupational health provision in particular, or may not want to. Also, there have been some challenges with the delivery of employee assistance programmes in the recent past in terms of being able to recruit sufficient staff and being able to deliver services of sufficient quality. Some people have a work-limiting condition or could be at risk of leaving work and, in good workplaces, often will be able to access that.

The rationale for WorkWell, to some extent, is to recognise that that does not happen everywhere. Some of this goes back to Carol Black's 2008 "Working for a healthier tomorrow" report—we could almost still be there 15 years later. That set this out and was the reason why the fit for work service was introduced, and it was subsequently discontinued. There is going to be a role for employers, and good employers will do this. Health services will always have a role as well. Part of the challenge is about those boundaries.

What role can employers play in engaging people who are potentially outside the labour force entirely to support entry into work? We need to explore this interesting and important area. We talk quite a lot to employers at the Institute for Employment Studies. We work quite a lot with employers. In general, employers are thinking about how to widen access to their jobs in the context of talent acquisition. They often think about how they recruit, how they advertise and to some extent how they design jobs, but the challenge is that people who are economically inactive by definition are not looking for work. It does not matter how you advertise it. If people are not looking for work, they will not find it.

We need to also think more creatively about how employers can engage with local partners and local services to get out and talk to people about work. This would tie in well with corporate social value broadly and the role employers play. It would make them much more likely to win public contracts, for a start.

But we could do any number of things. For example, we could offer to mentor or support people who are outside the labour force, offer to provide advice and coaching, offer to engage or offer work placements or work experience. That stuff is hard to do in a centralised system. Local government does not have the money to run those schemes. It would depend on the whim of the DWP Minister wanting to do it. In a more devolved system, if we could get better alignment with what employers



are doing, too, and how we engage with employers, we will have much more scope.

Q10 Debbie Abrahams: Thank you. You have touched on my second question already. You mentioned that it would be difficult for GPs or members of their teams to be at jobcentres, but we already have welfare rights provided by many GPs. Could this extension be considered? In addition to welfare rights support, could you also have employment support?

Tony Wilson: Yes, absolutely, because a more co-located employment service would have more opportunities to do that. Also, a more devolved system would give more opportunities for employment advisers to locate within health services and other community services, definitely.

Debbie Abrahams: Does anybody want to add to that?

Christopher Rocks: I have a reflection on what we are asking of employers. We said at the start that different areas and the levels of health challenges vary. What we ask of employers will vary as well.

It is also about recognising that employers can do more in lots of areas. Line management comes out as important, particularly around mental health issues. It has come up in a lot of conversations I have had with employers. Research is important as well, but I reflect that the context will make a big difference. We know that access to health services, broadly speaking, is a challenge. Again, anecdotally, employers recognise that they might want to refer people to other health services, but the wider environment has those challenges.

Andrew Phillips: Integrating health and employment support is a good approach to take for people who have work-limiting health conditions. I point to individual placement and support as one of the best-evidenced programmes of that kind. It offers support to people with, usually, severe mental illness. A number of randomised control trials have shown that it is much more successful than standard employment support programmes. Part of the concept of that is to integrate the health support and the employment advice together. It is currently funded by the NHS, so it is explicitly on the health side, but that kind of approach is definitely positive.

Debbie Abrahams: Sinéad, do you want to add anything on that?

Sinéad O'Regan: Yes, I know other studies do this, but from an employer perspective, we have implemented, over the last number of years, the Belfast business promise, which is our inclusive growth city charter. Manchester has an employment charter. It is fairly similar.

Employers offer inclusive recruitment practices and good jobs. We have the living wage and no inappropriate use of zero-hours contracts. It challenges our employers to be inclusive in their workforce. Yes, we would certainly utilise that lever in this city to do that.



Q11 Debbie Abrahams: Thank you. That was my preamble. I will come on to my substantive question now so that I do not annoy the Chair too much.

Andrew mentioned the evidence base. An evidence base, if the DWP or another Department invests in these programmes, is important. This is the difficulty between national programmes with critical mass and the ability to evaluate and so on, and smaller programmes that might not necessarily have that evidence base. Do you want to comment on the pros and cons of devolving that? Andrew, do you want to start first?

Andrew Phillips: Yes, it is definitely important to have a strong evidence base to decide what employment support is funded and which models are more effective. Devolution of employment support means we need to give up on evaluation. It is perfectly possible with the right design to evaluate devolved programmes or schemes.

My slightly wider thought on this specifically is that there is a degree to which simply evaluating programme by programme is quite a narrow way of thinking about how effective employment support is in a local economy, or in a combined or local authority area depending on the region. Simply looking at the individual programme may not capture the integration between services and how well those join up. I know from speaking to practitioners on the ground delivering employment support that many areas currently have a baffling array of schemes provided by numerous different organisations, which makes this a complex landscape. We described it as a tapestry of services in our report.

Thinking about evaluation and accountability for devolved systems, I would like to see a move towards looking at wider systemic outcomes—things like employment, productivity, earnings and employment for different groups, and so on—to encourage those services to join up rather than having so many individual programmes that we try to evaluate in silos.

Q12 Debbie Abrahams: Yes, you can evaluate your outcomes and so on, but you also need to evaluate and understand whether the partnership working and the integration with employers and so on worked effectively. The point I would like to make—I don't know if you agree—is about the importance of the evaluation, whatever programme is undertaken.

Andrew Phillips: Yes, both and—

Debbie Abrahams: Thank you. Does anybody else want to add to that?

Sinéad O'Regan: We find our evidence base is crucial to us. Northern Ireland has 11 labour market partnerships. We are flat out talking to each other, and others can scale up if it works well. We have done simple things. For example, we set up a framework to deliver our employment academies. Other councils can draw from that framework. They are drawing from the same model.

We have created a project with the RSA's Cities of Learning around digital badging. We have found that the app we use to do that provides us with a solid evidence base of every single person who comes through our



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programme—any characteristics, whether they are economically inactive, are out of work or are the working poor. So we gather all of that; in Northern Ireland, it is called section 75 equality monitoring. It can look at evaluating the impact on the individual's soft outcomes and how employable they feel. It measures them into work, and it measures them six months later in the work and their salary level. We have that evidence base.

Once one labour market partnership creates something solid, the others can take that practice on. Certainly the Department for Communities, which effectively owns labour market partnerships, although they are cross-departmental, is looking to bring that in for all labour market partnerships.

Local and national can interact and work together. Do not ever think that because something is devolved it will not have a solid evidence base. For example, in our employment academies, if we do not get 75% of people into work through our interventions, we are doing something wrong. It is in our interests to look at how we can always improve it as well.

Debbie Abrahams: Yes, that is a good point. Is there anybody else?

Tony Wilson: I have a couple of quick points. You are absolutely right that we need to evaluate the implementation and the delivery of services, as well as the outcomes they achieve. Some of the evaluations of devolution internationally—such as devolution in Denmark, Canada and the United States—appear to find positive effects from the process of reorganising services, doing things more locally and joining up effectively, but it is contested. It is really hard. We cannot run these things as randomised control trials. People will always argue whether it is right or not.

Part of the challenge is that we tend here to start from a presumption of proving that you can do it. It is an earned autonomy model—"You need to prove it will be better if we devolve", which I know is not what you mean by the question, but it is how a lot of that devolution happens and DWP does it. We could start from the alternative and say, "We think there is intrinsic value in delivering services more localised and better, so let's test this and try to evaluate it effectively and try to learn from it".

In the long term, we could have a more devolved system, perhaps along the lines of Northern Ireland. I know we will come on to it, but the equivalent of Jobcentre Plus is run by the Northern Ireland Government, and then local authorities have a lot more local control. It is a mix of devolved and central in that respect.

A model more like that could point to a different role for DWP—an important role. If it had more of a stewardship role, enabling and supporting local commissioners to understand what works and commission more effectively, we are helping to give them the tools to evaluate more effectively, but we are also holding them to account for what they achieve and potentially looking at the quality of services. We



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have no equivalent of Ofsted or the CQC. There is no independent quality for employment services at all—it is about the only public service that does not have one. More of that approach to quality management and stewardship of the system would give much better results and would improve the capacity and capability of the system.

That happens in other countries, including in Denmark. The US has amazing online resources and clearing houses for evidence that commissioners can use to understand what would work and what we should buy.

Debbie Abrahams: We were in the US last year to look at that work. Christopher, do you want to add anything?

Christopher Rocks: That resonated with me. Some of the work we have done demonstrates building capacity. How you share learning across networks is important as well.

Q13 **Selaine Saxby:** I know we touched on some of this at the start, but perhaps there is something further you want to add. If it was further devolved, along what boundaries should employment support be delivered? In particular, would you use the same boundaries across employment support provision, or different boundaries for different types of provision or for different regions?

Andrew Phillips: I am happy to go first. In research from a couple of years ago, we proposed what we called a universal work service, which would provide a front door to careers advice and employment support skills for anyone who wants to access it. We think that could help simplify the current system, especially for people outside the social security system. They do not necessarily know where to go to access support or advice. I run focus groups for people who would be in the target group for universal support, but they have never heard of it, and they do not know what is available or where to go to get advice or support.

We said in that research that devolving the commissioning and the design of that front-door service to the combined authority level or the functional economic area level is the right kind of geography for that. Going back to what I said previously, and as Tony said, in terms of thinking about joining up employment support and skills, where combined authorities exist, they have devolution of the adult education budget, so there is an opportunity to align economic policymaking at the same geographical level.

Lots of areas in England do not have combined authorities, so we need to think about groups of local authorities or maybe individual local authorities, depending on the geographical area. We should go in the direction of aligning those economic policymaking functions at the same tier of government.

Selaine Saxby: Thank you. Would anyone else like to add anything?



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Christopher Rocks: It is quite complicated—the current landscape is quite complicated and is quite fragmented. It probably will be different in different places. For example, it would be quite different in London than in other areas. It has a lot of complexity. You mentioned simplification, and it would probably help to simplify it more than complicate it.

Tony Wilson: Yes, the point about trying to align with other approaches and how other services are devolved or better co-ordinated is important. A lot of that at the moment in England happens at combined authority level. However, there is no reason why some of this cannot also happen at local authority level, and I think it should. Again, Northern Ireland is an interesting example of this because the labour market partnerships happen at the individual local authority level.

You may not in England—this is where the distinction between devolution and localisation is important—push funding, policy, commissioning and everything down to each individual local authority. That may not be appropriate in some parts of the country, but you would want to see effective local partnerships in different local authorities that try to bring the right actors together and join up services and, where you have a duty to co-operate with the local jobcentre, to be around the table, to engage with that, to offer to co-locate and to think about how they can flex differently.

We should not forget that the shared prosperity fund was, in effect, devolved to every local authority. One challenge was that some local authorities were not able to commission. Some have not used the people and skills funding at all. In my view, some have not commissioned particularly effectively, but some have done some great, innovative stuff in short timescales with little support, because there has not been that stewardship function to help them understand what they could commission, how they might understand their areas and so on. It has had a little support but has been largely left to local areas.

We could do more of this at local authority level, particularly where we have more rural, semi-urban or urban-rural areas, which would need more localised approaches. It gets drowned out a bit. I have worked in some combined authorities. Combined authorities have more rural and less connected areas, too, and often get disadvantaged by the focus on the centre.

Q14 **Selaine Saxby:** If it is further devolved, how should funding be allocated to support employment services and providers?

Tony Wilson: We are doing a commission at the moment with the abrdr Financial Fairness Trust on the future of employment support, so we get into a lot of these areas about how we might organise services differently nationally and locally. We will be consulting on proposals in the next month or two, but what we are edging towards would be that for the funding of employment services—the additional employment support programmes, but not everywhere, the management of Jobcentre Plus. That should be pushed down to combined authority level in England and



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then, where combined authorities do not exist, either we need to create the functional economic areas to do that or look at devolving it to local authorities. A lot will depend on what happens in the next Parliament about devolution and how those are organised but, even with that, the important point still at the local authority level is to have some control over how services are delivered in your area.

Q15 Selaine Saxby: Thank you. Does anyone have anything to add? To follow up, how would DWP ensure it achieves value for money? Back to you, Tony, I guess.

Tony Wilson: This where you need a different role for DWP. Its objections to it are understandable. Its view is that primarily, for most of what DWP purchases, it knows what it wants to buy, and it can define it fairly well. It is a transaction, and the provider will offer to do it, and we can do it at a large enough economy to get the economies of scale and we can manage efficiencies more effectively. Good evidence shows that it can be more challenging to do those same things multiple times everywhere. Again, this is why you may not want to commission Jobcentre Plus in every single local authority, but in terms of commissioning additional employment support for disadvantaged groups, there is no reason why we wouldn't necessarily push that down.

The value for money point comes back to the stewardship role for the Department—being clear about setting the framework, who the beneficiaries will be, what outcomes we will achieve, how we understand the counterfactual of what would have happened without the intervention and how we evidence it. We have a lot of the tools to do that. The DWP data lab is a great initiative that enables us to do some of that, too. It would mean a different focus for the Department, and it would be quite a significant change.

DWP has the capacity and the capability to do some of this already but not necessarily the capacity to do it at the scale that they might need to if we had a much more devolved system and if funding was more systematically devolved everywhere.

Q16 David Linden: I want to come on to some of the opportunities and challenges. How does further devolving employment support impact the consistency of service delivery? Would any consistent factors determine success? I will start with you, Mr Rocks.

Christopher Rocks: Does further devolving it risk less consistency? Others might be better placed to comment, but one thing to recognise is that we do not have full consistency at the moment. Service delivery and outcomes vary already. Potentially, less consistency is a risk, but learning from that is an opportunity. It goes back to the importance of how you evaluate some of this, how you learn from good practice and how you spread good practice. There is an opportunity as well as a risk.

Q17 David Linden: Can you elaborate more on the consistency of the national employment support provision and delivery?



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Christopher Rocks: Not to go back to Tony, but I don't know—others might be better placed to comment. I don't know if anyone else on the panel would be able to comment.

Andrew Phillips: I am happy to give my view. My summary is that it is quite inconsistent overall. If you are unemployed and receive universal credit or an equivalent unemployment benefit, there is some consistency in accessing a jobcentre and the jobcentres themselves are quite consistent. Even then, it is worth mentioning that jobcentre work coaches often refer people to other organisations locally that provide various types of additional support. That looks quite different in different places depending on the programme schemes and organisations available locally.

The support available for people outside the social security system is inconsistent. Depending on where you live, your local authority might run a service where you can get some advice or support, but it might not. People's awareness about what exists in the local area is inconsistent as well.

There are good reasons for having different programmes in different places. We spoke about the advantages of flexibility already in the session. We should not worry about inconsistency in that sense, but we need to think about how to make it work well for citizens, particularly focusing on people who are outside the social security systems—for example, people who are economically inactive. We propose a universal work service idea with a single front door, which would boost awareness so that people know they can get some advice or support. That triage service would then refer and direct people to specific programmes, organisations and charities that can help them in their local areas.

Q18 **David Linden:** If we end up further devolving employment support services, what role would DWP still have to ensure a base level?

Tony Wilson: You could do this in different ways. There should be clear accountability at different levels and a set of agreements to govern that, with the objectives set at a system level, a national level and a local level and how they will be achieved.

Alongside that, we need something more citizen-focused—a straightforward guarantee that if you want help to get a job, you will be able to get help to get a job. That feels like something we should be able to say but at the moment it is not, because you cannot phone up Jobcentre Plus and get help to get a job unless you are claiming a benefit and, even then, only if you are claiming the right bit of benefit. The arguments about consistency are fine to a point, but whether you get a consistent—or any—offer depends on you claiming the right bit of benefit. You can have a base-level citizens' entitlement to access some kind of support.

Do you go beyond that and have an entitlement to individual placement support if you have a long-term health condition? That is quite



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challenging. There will never be enough supply for everyone who might want that, but we could guarantee access to specialist employment support if you are disabled or have a long-term health condition. We might guarantee you a caseworker if you are long-term unemployed. If you are unemployed for more than a year, we might guarantee that you will have somebody who will help you find a job and you will see them regularly and, hopefully, it will be the same person. You can still set standards.

Devolution does not mean that everyone can decide what they want to do and do it totally differently. We can still set standards within it, just as we do in other public services, but, again, DWP's role then becomes different because it needs to be the police person for that. It needs to be able to check that this is actually happening and also to stimulate innovation and help organisations commission better.

This is what local government—in my experience, this is what people want. They want more help doing this. The DWP views devolution as a threat, whereas it could be the most important actor in a devolved system because it has such power to help organisations and local partners understand what works, drive improvement, give people the tools to do it better and hold them to account.

Sinéad, this happens in Northern Ireland, too, and it works there. Not everywhere is the same, but there are consistent services across the country.

Sinéad O'Regan: Yes. To add, we are also the public sector, so it is in our interests to ensure a good standard of quality of provision. For example, in Belfast, we are bringing our own quality assurance framework into the work of the employability and skills team. No one is making us do that. If that works out well for us, we can iron out the kinks and share it with all labour market partnerships across the region. We commission all our services, and we all want value for money. If you devolve it to local authorities, I do not see the issue, necessarily. You set a framework with clear expectations.

Also, the labour market partnership looks at four things: supply or people, demand, employment and then policy and provision. We design, commission and deliver the services based on all of those things. It is based on what currently exists in the ecosystem.

In Belfast, we did not have that triage service that was talked about, so we set that up. That is different in a rural area. I would not be able to design or deliver a service in a rural area—I don't have the background; I don't have the knowledge; I don't know that local labour market. But my colleagues in LMPs in rural areas do know how to do that.

We need consistency of approach, and we also need flexibility if we want to seriously solve issues of economic inactivity. It needs to be fairly innovative, and a place-based approach is okay.



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Q19 David Linden: Quite helpfully, that brings me on to my next question. Ms Abrahams referred to the trip that the Committee undertook to the USA. Last year, we had the opportunity to see the Jobs Plus programme. How could local areas ensure that different types of support, such as housing or other skills, are best designed to meet the needs of those areas? Can you speak a bit more to that, Ms O'Regan.

Sinéad O'Regan: Through the labour market partnerships, we look at gaps in provision. We can take risks in a way that the Government cannot. One big mainstream programme in Northern Ireland is called skills for life and work. It is the mainstream provision for 16 and 17-year-olds who have left school. Our mandatory school age ends at 16. The outcomes from those are really poor—so the official outcome is between 1% and 3%. So that was one of the big things that we looked at within our labour market partnership.

We designed an intervention that was so tiny, but it was to be bolted on to the existing provision—if we did something different and measured the outcomes. Now, actually, the outcomes were so good, and the money that we put in was tiny. It was very needs-led, so we did not say what it would be. The outcomes for the young people in those programmes were really poor, and what we found out was that people were not staying on the programmes. Once they stayed until the end, it was all fine, and we were able to have a test to learn—if we put in an intervention that was genuinely based on the needs of those young people, would it have a positive outcome? Yes, it had a massive outcome. Mostly, it was around counselling and mental health provision. Sometimes it was about having the resources for those providers to truly value a young person—not about that hard-edged training, “You are getting your level 1. You are doing this, you are doing that”, which they are funded to do, but about those additional things.

The purpose of us doing that is not to continue to do it. It is so that the mainstream programme can adapt and change to account for the learning from that. That was one example, but I hope that answered your question.

Q20 David Linden: That was great. I will turn to Mr Wilson. How easy is it for employers to engage with employment support services?

Tony Wilson: We published some polling that we did over a year ago as part of our commission on the future of employment support. We found that between one third and one quarter of employers had accessed Jobcentre Plus services. Of those who did, most were pretty happy with their experiences of it. That was mainly because you know what you will get if you engage with Jobcentre Plus. Also, sometimes programmes like kickstart, for example, have been quite effective. Sector-based work academies work well for employers—

David Linden: Employers of a certain size.

Tony Wilson: Absolutely. That is a good point, because it is also about where devolution fits. There is a clear argument for having a clear



national offer for employers and, for employers of a certain size, national management of those partnerships is effective. But day to day, most interaction with employers is local in one way or another. Even for a national employer, we want to reach the local managers.

A devolved system would still have a national employment service because another aspect to this is digital delivery. If you lose your job, probably the first place you will go, once you have sorted out your benefit claim, is your phone or your computer—so it is about having a digital front end as well. There are other arguments for having clear national services, and this is one, but we can do much better around devolving the day-to-day practicalities and the specific design of services for employers, too, to more local levels.

David Linden: Does anybody else have anything they would like to add?

Q21 **Chair:** Can I pick up that point? Sinéad, presumably, in the past, employers recruiting across Northern Ireland could go the Department that runs the jobcentres, but now they have to go to 11 different labour market partnerships. Is that a problem?

Sinéad O'Regan: No. Labour market partnerships join up with each other and they can still go to the Department. It is not ever one or the other at all. It is important for us to work with the Department for Communities and to work with the Department for the Economy.

We commissioned scoping on what we called a unified employer navigation service. Could all the key players—Invest NI, Departments, colleges, us—live in one hub? We found that employers—particularly smaller employers, so microbusinesses and SMEs—found it all complicated. It was like a rabbit hole they would go down. If an employer needs an apprentice, going into that system is a minefield. It is a competitive system so everyone competes for employers' attention.

We hope, certainly through our labour market partnership—and we are new, but this is our ambition—to coalesce and create an employer-facing unified presentation of ourselves that can reach them and that every labour market partnership picks up. For example, there are programmes at the Department for the Economy, and those massive employers will sort themselves out and work really well, and they can interact with the system. Maybe SMEs and smaller employers need one unified voice and service for them, with triaging to find the right provision for them. We hope that is what our service will be.

It means we are not talking to not even 11—it is probably about 30 currently, because every college and every Government Department competes in this same space. But because we are slightly outside, we are a natural broker in that space, and we can see things from a different perspective and look at the solutions to that.

Q22 **David Linden:** I may have missed this earlier, Ms O'Regan, but you mentioned 11 LMPs. Roughly how many people do they cover? Is that based on local authorities? Is that the 11 councils?



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Sinéad O'Regan: It is local authority-based, yes, with 11 councils. The resources and the funding for it is proportional to the population size and deprivation levels. All LMPs get different resources, but it is a regional approach owned by the Department for Communities, which also owns the benefit system. Other Government Departments sit on the regional labour market partnership and then all 11 councils.

We are a small part of the UK. Our population is under 2 million. Belfast is the biggest, so our population sits at around 400,000. Yes, it is on a local authority level. We are flat out speaking to each other. We organise ourselves through infrastructure like Solace, which has all 11 councils regionally coming together.

David Linden: You would not be surprised to hear that as a nationalist MP, I happen to think that small is beautiful and more devolution is good, but we will leave it at that.

Q23 **Chair:** Before we finish, if I am working in a jobcentre in Northern Ireland, how has my work changed because a labour market partnership has been set up in the area?

Sinéad O'Regan: We call them jobs and benefits offices. They are the equivalent to Jobcentre Plus. We work closely with them. It is about adding value. It is not about duplicating. We have principles that we work to: do not duplicate; it is about joining up. We meet with all our jobs and benefit officers, and they sit on our LMPs. We meet with them operationally every single month. We co-plan and co-deliver localised job fairs or city-wide job fairs. We plan with each other.

It is about joining up those opportunities so that, if we have an employment opportunity, any provider in the city, including our jobs and benefits officers, can refer people to those current opportunities. Our provider network of about 400 to 500 people are critical partners. We recognise that none of us can do this on our own. Parts of government will be interested in only their programmes, like skills or employment. It is about breaking out of that and not just looking at your own, but looking at demand or supply or the provision in the city. All of those are critical for us.

Chair: Good. Thank you very much indeed. That concludes our questions to you. Thank you for an interesting session; we are grateful to you all.

Examination of witnesses

Witnesses: Ben Gadsby, Anna Shiel, Professor Jonathan Payne and Pegs Bailey.

Q24 **Chair:** Welcome everybody to the second panel this morning for our first evidence session in our inquiry on the devolution of employment support. I warmly welcome the four witnesses joining us for this second panel and I ask each to tell us briefly who they are.



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Ben Gadsby: Good morning; thanks for having me. My name is Ben Gadsby. I am head of policy and research at the charity Impetus.

Anna Shiel: Good morning, and thank you, Chair. My name is Anna Shiel. I am chief investment officer at Better Society Capital, formerly known as Big Society Capital, an independent organisation with a mission to grow private investment tackling social issues in the UK.

Professor Payne: Hello, I am Jonathan Payne. I am professor of work, employment and skills at De Montfort University.

Pegs Bailey: Hi there. I am Pegs Bailey. I am the national third sector employability partnership engagement manager supporting engagement with the third sector in devolved employment services in Scotland. Third sector interfaces are your equivalent of voluntary outsourced services in England.

Chair: Are you in Edinburgh, Pegs?

Pegs Bailey: Yes, I am today.

David Linden: I am sorry to hear that.

Pegs Bailey: I will be in Glasgow this afternoon, though, David.

Q25 **Chair:** First, which groups of people need the most support to enter, stay in and progress in employment?

Ben Gadsby: At Impetus we commissioned some research looking at the LEO data a few years ago called the Youth Jobs Gap. The main finding from that was that young people from socioeconomically disadvantaged backgrounds were about twice as likely to be NEET as their better-off peers. About half of that is due to qualifications and half is due to other stuff, which I must admit surprised me slightly. I sensed that qualifications would be a big protective factor and they are, but it is by no means the whole story.

We also found significant geographical variation. People often talk about this stuff in terms of regions, but we found significant variations between local authorities within regions and within combined authority areas. People from local authorities tell us about the different challenges they face in different places within their local authority, with a real focus on granular local differences.

Anna Shiel: I should I say that I am speaking in my capacity as an investor in social outcomes partnerships, which are a model where the Government pay only for the outcomes for the individual once they are delivered rather than the more traditional fee-for-service model.

You have heard from many of the experts around the nature of the need, and I certainly will not try to match their level of expertise, but we have seen that the social outcomes partnerships can be a powerful tool for supporting individuals who have more complex needs and who might fall through the cracks of more standardised programmes of support. Some



of the types of individuals that we have seen benefiting from social outcomes partnerships can be young people exiting care, young ex-offenders, people facing mental health challenges and people experiencing homelessness.

Professor Payne: People who tend to have complex needs and multiple barriers, so people with disabilities, whether physical or mental, people with low education and low qualifications, substance and alcohol dependency, mental health problems, domestic abuse for women, a whole range of complex needs that tend to be related to multiple deprivation—they need a particular model of support that is tailored to helping them access the labour market. This group is unlikely to reach out to mainstream services. A lot of outreach work needs to be done to get these people to engage.

Pegs Bailey: I don't have much to add to what others have said other than, given that this is in the context of devolved employment services, to reflect that the people who need most help will vary significantly depending on the area.

The help they need will vary significantly depending on the area as well. In some areas it might be to do with lack of accessible jobs, not necessarily a lack of ability within the individual. It might be about that intersectionality of complex barriers, which requires a much more integrated support response—not just the traditional confidence building, CV and some interview skills to tick it off and get the job outcome, but something more rounded, more personal and more adapted to whatever is happening in that area. Sometimes the more traditional numbers in, numbers out approaches to employability might not work so well.

Q26 **Sir Desmond Swayne:** What is special or even unique about the ability of third sector organisations to reach those who are furthest from the labour market?

Anna Shiel: I am happy to step in on that. Third sector organisations bring a number of things. The first is their willingness and ability to work in partnership in local areas and to bring together, often, the best range of support that might be needed around an individual, taking an individual-centric approach to their needs and then building around that to bring a partnership together.

A number of third sector organisations have deep expertise in working with some of the groups of individuals that we have talked about. That may be people who have experienced domestic abuse or who have other challenges. They bring that expertise to bear.

Thirdly, they can bring local knowledge, context and understanding, which helps form those partnerships, means they understand what might be needed locally, what might drive the challenges for the individuals and also some of the solutions. That allows them to deliver potentially more flexible, more tailored services to individuals based on the needs and the



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strengths of those individuals, and to take an asset-based approach to those individuals' needs.

Sir Desmond Swayne: Does anyone want to add to that?

Professor Payne: At De Montfort University, we surveyed third sector providers, and we got 64 responses from organisations, some of which support hundreds of thousands of people every year.

It is interesting to put some numbers on this. Some 86% said that all or most of their users have complex needs. We have mentioned those. That suggests that they do reach this client group. On their particular way of working, nine in 10 said that they work with users to identify barriers to employment before looking at a job and they delve into those barriers first. They work with users at their own pace to support their own choices, which is important—nine in 10 said that. They support users into work that is sustainable and right for them given their choices.

Also, their effectiveness comes through in the survey. One third stated that they get most of their clients into work during the lifetime of their organisation and a further third get between a quarter and a half of their users into employment. They are quite effective organisations in helping this client group into work.

Finally, the holistic approach that Anna talked about is important because almost all the respondents to our survey said that the mainstream employment and skills support models are not suitable for meeting the needs of their service users.

Pegs Bailey: To add a couple of points, we have had devolution to local authority employability partnerships in Scotland for about four years now. It has been happening for five to 10 years through various different means in the area where I worked specifically until I took on the national role.

We identified a couple of things as important with the third sector partnerships that we have in place. They act as trusted intermediaries. A lot of those people you are looking to reach are further from the labour market and may have been out of work for a long time, or are young people disengaged from education. More traditional jobcentres, more traditional local authority delivery and more traditional official systems and processes are quite off-putting and not places that they would necessarily go to seek support other than their benefits, if they claim them at all.

People come up against and work with third sector organisations in their communities through gardening projects, health support, housing advice or drug and alcohol support. As those organisations have built up trusted relationships with those individuals, they then begin to have conversations with them around these other parts of what might become an important part of their journey to becoming a contributing member of society, if you want to call it that. The trusted intermediary role that third



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sector organisations play is an important point. They quite often work in spheres that are not just employability.

If you look at the traditional current systems of commissioning, or some of the previous systems we had in Scotland, quite often we saw the larger, national-scale commissioned provision or regionally commissioned provision still relying on these small organisations, but those smaller organisations never getting any funding, support or recognition for the role they played. Larger organisations were perceived as taking the money and taking the credit for others' work.

Q27 Sir Desmond Swayne: What estimate have you made of the current mix of locally as against nationally commissioned services? What impact would greater devolution of services have on the third sector? Don't all speak at once.

Pegs Bailey: I can talk to the experience in Scotland if that is helpful. In Scotland, everything is now devolved through local authority local employability partnerships. To speak to a point somebody made earlier, areas with established partnerships have worked well and the local provision is thriving and dynamic. There are risks and challenges because every local authority is politically different and oriented partnership-wise or internally. We can learn a lot of interesting lessons around doing this work at scale and those points of accountability and transparency.

For example, 70% of the employability provision in Fife was delivered through third sector organisations. In Scotland nationally, I could not speak to the whole balance, but certainly a significant proportion—over 50%—across Scotland is commissioned out to third sector providers, but it varies by local authority. The level of delivery looks positive in those areas where that is happening, but it varies significantly. That is where some of those accountability measures are probably really important to have in place.

Q28 Sir Desmond Swayne: What are the main financial and funding challenges for third sector employment services providers? How can that be improved? How might further devolution affect that? Anna, you go first and then we will carry on.

Anna Shiel: I will touch again on social outcomes partnerships and that model of contracting and commissioning, which is based on outcomes only. That can be hugely positive because it, essentially, empowers those third sector organisations to deliver the tailored services. They can make it about the individual. They do not have to deliver a specified programme of support to the individual.

There is evidence that that can provide better outcomes for those individuals, as well as better outcomes for government. We have evaluated some of that. An independent evaluation found that every £1 spent by the government gave £10 of social, economic and fiscal value, and £3 of that was direct fiscal costs saved. It can be beneficial for arranging partnerships.



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It creates a challenge for third sector organisations in that they are paid only if those outcomes are delivered. Large national organisations may be able to absorb that risk. Smaller local organisations cannot necessarily absorb that, and they could potentially be precluded.

Social outcomes partnerships, therefore, bring in socially motivated investors who provide the up-front investment to allow the services to be funded and participate in the risk. They are paid only if the outcomes from that particular programme are achieved. That is how to empower and enable more local third sector organisations to participate in the delivery of these programmes.

Additional challenges have been touched on around the fact that they often integrate multiple different funding streams and different services and have to deliver for individuals across those, which can be complex. Some of the partnerships that we have seen are about being able to bring some more of those together over multi-year periods to design more bespoke, more tailored services that are needed for individuals with complex needs.

To support that, central Government have created central outcomes funds, which act as co-commissioners alongside local government or other local commissioners. That gives some confidence to local commissioners to adopt this approach, but it also reflects that some of the benefits may accrue centrally and not always locally.

Sir Desmond Swayne: Someone else wanted to have a go.

Professor Payne: Yes. I wanted to say something about what should be devolved and what should be done nationally. It came across strongly through the interviews that we conducted that most people seemed to argue that you need a blended approach. You need some nationally commissioned programmes that can deliver at scale with impacts that you can evaluate. They will work only for those individuals who are closer to the local labour market. You need local, trusted, grassroots organisations offering specialist support to get at those with complex needs and multiple barriers.

The idea is that you cannot have one or the other because people's needs are so different. You cannot devolve it all nationally. You cannot have one or the other. You have to have a mix to get this right.

Picking up on what Pegs said about Scotland, a lot of the interviews we have conducted are extremely critical of the devolution of employment support to local authorities for a whole host of reasons—about the lack of transparency, the lack of accountability, and the lack of funding getting out to the third sector because some local authorities are black holes that suck in funding for their own teams to protect their own staff.

A lot of the interviews are quite positive about nationally commissioned programmes like the employability fund that was commissioned by Skills Development Scotland, because they saw it as much more transparent,



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fair and effective. There is almost a juggernaut movement towards localism in local authorities, but we need to lift the lid on that a bit and understand some of the problems that go along with it.

Pegs Bailey: On the point about funding and some of the points that Jonathan has made, I don't agree with all the interviewees, but things can be put in place, if one took a devolved commissioning approach that would help mitigate some of the challenges that have happened. One issue is that every single local authority in Scotland has taken a different approach to commissioning and some of the money has been given to people within local authorities who have no experience of commissioning employment services.

It is about understanding that what you are talking about here, for England and Wales, is a large culture change programme. If you are looking at devolving decision making to local employability partnerships, local authorities, regional authorities or whatever it might be, people need to have a significant set of skills in place to do that work well. Some of those skills are around understanding commissioning at scale and around governance at scale. Some of them are around partnership working as well, which is not always a matter of course in every area. And yes, there are organisations that have said they would prefer there to have been a two-tier approach, with some national and some local.

It is a myth that somehow having everything commissioned nationally gives consistency of service. That is not my experience. That is not evidenced in the delivery, whether it be externally commissioned services or even in the delivery of work coaches from one jobcentre to the next. Having local-level governance is also helpful to flesh out challenges where they do arise. But yes, there have definitely been challenges.

Q29 **Sir Desmond Swayne:** What has been the impact of replacing the European social fund with the UK shared prosperity fund? Has that made any difference?

Professor Payne: I am quite happy to come in on that. First, the UK shared prosperity fund's level of funding is not anywhere close to making up for the loss of the European social fund. However much you devolve and whatever structure you put in place, if the system does not have enough funding, you have a problem.

In our survey, three quarters of third sector organisations said they have experienced a reduction in funding. Six in 10 of those said that that reduction was significant. Four in 10 have already had to lay off staff, and a similar proportion expect to do so in the next two years. Some 15% said their organisation could close within 12 months. There is also huge uncertainty about what will happen come 31 March 2025. We have a looming cliff edge. We do not know what will happen with UK SPF.

The picture coming out from our research, certainly in England, is that our third sector is in crisis now. It is struggling for a whole host of reasons. I mentioned local authorities not releasing funds. Some are



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trying to release funds but cannot get third sector organisations to take it up because the funding available is too short. It is for less than one year. It is small pots of money. They have to deal with multiple local authorities with different procurement models. It is incredibly fragmented. Lots of bidding goes on. It creates a nightmare for staff recruitment and retention.

Also, it does not work for the users because these users need long-term support. If you have only 12 months, you are picking people up and dropping them again. That does not work at all. We need at least multi-annual funding to support people with long-term needs and to provide them with the long-term support that they want. We need more accountability for the impact of local authority commissioning and whether it gets out there and supports the organisations that are effectively meeting people's needs.

Q30 Chair: In principle, is it good to fund employment support through payment by results? Should we look to the newer variations like the so-called outcome partnerships that Anna talked about? Are they better? Is payment by results a good approach? Pegs, you are shaking your head.

Pegs Bailey: There is quite a lot of research and evidence out there now for payment by results that demonstrates the industry terms of creaming and parking—so a tendency to work with those easier to work with to ensure you get your payments. That happens even within voluntary sector or third sector organisations of scale. What you get with payment by results is the numbers, so you will absolutely be able to go, “Look—ta-da!—we have helped this many people” and, “Ta-da! This many people have got into work.” Whether you are working with the people that you really want to be reaching, that is a very different question.

I think it comes back to understanding that employability is a fundamentally complex issue. It does not just reside within what one does to one individual. It depends on the context within which they are seeking work. It depends on whether there is public transport, whether there are jobs, whether there is stigma in the workplace. If we just focus on a payment by results model, we instantly take away any insight to all of that complexity.

For example, in Fife where I was working most recently, we ended up coming up with a model where we looked at the numbers, obviously, because the numbers matter—we have to understand whether people are being supported into work—but we also looked at things like cross-referral to relevant other services. We also looked at performance around evidence of continuous learning, and we created a set of quality criteria that were as important as the job outcome that we were assessing and understanding what was happening in terms of the services that were commissioned. It is really important to look at it from the perspective of the people who are seeking work.

We did quite a significant amount of what we call co-production or co-design—service design—work in Fife, and that is happening more and



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more across Scotland, to try to understand what it felt like from the perspective of people using services and seeking support to get to work. From their perspective, actually, how they were treated was much more important than what services they were given access to. If they felt respected, empowered and not judged, and that the service was discreet, all of these things were actually far more important and more likely to lead to a positive and lasting outcome than whether they have a CV or an action plan. We really need to get more nuanced around that understanding.

Q31 Chair: Would anyone like to defend payment by results for funding employment support—no?

Professor Payne: I don't want to defend it, but from our data, we can say that with some of the programmes like the Work and Health programme, restart and fair start, if you talk to the third sector providers involved, they will say they get a bad press, they have moved on from the days of the Work programme. It is not just about getting people into any job. There has to be an element now of getting people in there to stay in work for at least six months, and that represents progress.

On the negative side, though, there is a lot of concern around cherry picking and focusing upon the users that are easier to get into employment, and that still goes on. At the end of the day, it is not possible to deal with people with complex needs if you have very high caseloads. If you are dealing with 70 or 100 clients, you cannot deliver the bespoke, tailored support that you need.

The other thing with payments by results is: what results are you actually measuring? Is it just getting into a programme or getting into work? What about distance travelled towards employment? What about the soft outcomes like self-confidence, feeling part of society, self-esteem, family relationships, helping your kids with homework—all those things that third sector organisations help to do that are really important for people and society.

Q32 Chair: The social outcomes approach is a response to those concerns in a way. Would it be right to see it as a variation on payment by results? How would you describe it?

Anna Shiel: I would say that social outcomes partnerships are something that we have evolved and been learning about since some of the initial contracts over a decade ago. There has been an evolution of that approach as we have learned about what works for individuals who are more vulnerable and with more complex needs.

Q33 Chair: Was it initially around people leaving prison?

Anna Shiel: The very original one was actually called a social impact bond, which was the terminology at the time. Again, that has evolved a bit actually as we have learned about how these work. It was focused on people leaving prison and reoffending rates there. Since then, there has been a number—the DWP was actually a pioneer in creating an



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innovation fund that was looking to innovate around some of the outcomes for younger people there, for example.

So there have been a number of programmes over the past decade that have developed and built the social outcomes market, if you like, in terms of how that can best work and which issues that can be particularly focused on. I would say it is as much based on an evolution and building of learning from the 90 social outcomes contracts that there have been in the UK so far, where we are actually a global leader in that, as it is a response to payment by results. Although I think some of what both Jonathan and Pegs have said is absolutely right, the sorts of outcomes that we are talking about measuring through an outcomes partnership are a more holistic view of progression for that individual.

To give an example—forgive me, it touches also on homelessness, which speaks to the fact that these are complex and interconnected issues—the Kirklees Better Outcomes Partnership will be looking at a range of measures of progress for the individual. That is entry into housing and then sustainment of that accommodation over six, 12, 18 months. They also know that a predictor of actually sustaining accommodation is employment, so they will be looking at measures around entry into employment and sustainment of that employment. Finally, they will be looking at some of those softer measures that Jonathan talked about, for example wellbeing, family connections and other factors that are determinants of long-term progression towards independence for that individual.

Ben Gadsby: I have to say, I am less of a fan of the softer outcomes stuff. I think the point of employment support is to get people into employment. Where we have further distance to travel, for me that just means that we need more intensive and/or longer programmes to get them where they ultimately need to go.

The common thread that runs through all of the most recent questions is that we all have this shared desire for more people to get better quality support that leads to better outcomes. What we are really groping around at here is: is the best way to devolve that? Which bits should we devolve? Or should it be national, should it be payment by results?

The big thing that has not come up yet is that there is a distinct lack of data and particularly comparison data. If you are working with a relatively easy unemployed target group, like unemployed graduates, you might expect a programme to get 80% of those people into work fairly quickly. At the opposite extreme, if you are dealing with people with housing issues, substance issues, domestic violence issues, a 20% outcome rate might be really good. What I think we really lack is good-quality benchmarks data on outcomes. A lot of these questions about what should be devolved and what should not, and how we pay for it, would be much simpler to answer if we had better data on that and the ability to compare not just the outcomes for an individual programme, but to have those outcomes and to measure them against a sensible comparison.



Chair: Interesting, thank you.

Q34 **David Linden:** I take Mr Gadsby's point on that if we place to the side the outcomes and the data-driven aspect of it. Let us say that a decision has been taken that employment support be further devolved. Can I ask the panel—both in person and virtually—along what boundaries should that be delineated? Should it be county councils, borough councils, combined authorities or health boards, which I think in England are called NHS trusts? Should it be regions? Who wants to have a go at that?

Professor Payne: I am happy to start. The interviewees that we talked to told us you really have to think very carefully about the level and scale you devolve down to. What they seem to say about UK SPF is that devolving to lower-tier authorities is a key problem, because it is too fragmented. You need to devolve to something like a geographical area at least as big as what we might have once referred to as a local enterprise partnership area, and preferably a combined authority.

Our interviews are telling us that some combined authority areas are better at this, such as Greater Manchester and the Greater London Authority, because they have been doing it for longer, they have more experienced teams in place to do it and they have established ways of partnership working with the third sector.

What complicates it is that we should not assume that all combined authorities are equally as effective as others, because we do hear stories that it is not always great in some of the combined authority areas. The geographical scale is important because you get problems emerging where a local authority area does not map on to a "travel to learn" or "travel to work experience" area. You might have a young person who is in one local authority having to travel across a boundary and then you get a dispute as to which local authority pays for that.

You also get problems with UK SPF in that there are areas of the country, say between London and Brighton, where the funding model means that they do not get any UK SPF funding, but they still have pockets of deprivation. If you have funding over a bigger geographical area, you circumvent some of those problems. They do not emerge so much.

Going back to your last session—I was listening to that—you need to think about doing this at a particular geographical scale. The Northern Ireland situation is interesting, because there they have not commissioned down to local authorities and they have not experienced the same problems of fragmentation and inconsistency that we have seen in, say, England. They have had problems with getting the funding out quickly enough. In some ways that is an experiment with national commissioning, because we have not seen the model that we have seen in England with local authority commissioning and employment support.

Q35 **David Linden:** Does anybody else want to answer before I move on?

Anna Shiel: I don't think we have a specific view, just that we have seen examples of how it can work at local authority level, and we have seen



examples of it working at combined authority levels. Examples like Skill Mill are working with a number of different local authorities to essentially deliver a similar type of approach in multiple authorities, but it is still working at that local level. There are some great examples from Greater Manchester around their homes partnership, which is working across the whole of Greater Manchester and brings together quite a large consortium to respond to a diverse set of needs within Greater Manchester. We have seen a range of approaches.

Pegs Bailey: Adding to that, I think it probably does depend—actually allowing those decisions to get made depending on the area is probably quite a tricky but useful way to consider it. Depending on the size and scale of each area, it may be more sensible for local authorities to team up, or it may make more sense, actually, if it is a sizeable local authority, for them to set up their own partnership and allow that to not necessarily be 100% dictated. It might be something to think about.

Q36 **David Linden:** The next line of questioning that I was going to come is specifically to yourself. We have discussed at length the experience in Scotland of devolving employment support to local authorities, and I think you were quite candid when you said that there are lessons to be learned around things, whether it is governance or commissioning. Can you just expand on that?

Pegs Bailey: Yes, absolutely. Just to be clear, my role was recently created. I started in post in January, and it has been part of the learning journey in Scotland. My role is to work across Scotland with the local employability partnership; we have one for every local authority. I share the many good examples of good practice around local authorities committing to multi-annual funding—even though they do not get multi-annual funding at the moment—committing to collaborative working and having really effective partnerships and very flexible local delivery, with smaller organisations coming on board who really connect into the grassroots of an area. There are some amazing areas of good practice and part of my job is to share those stories.

There are also areas where it has landed differently—where there has been less of an established habit of partnership working, where the confidence of the local authority around commissioning is very different. With hindsight, perhaps a post like mine or the improvement service post—my equivalent who works with the local authorities—would be something you would have in place from the get-go to try to mitigate some of those challenges and issues.

In Scotland, we have third sector interfaces; they are the equivalent of the centres for voluntary organisations—CVSs. They are funded to support third sector engagement in community planning and to support capacity building and support volunteering. In some areas, some local authorities have given their TSI a bit of extra money to help do that capacity-building work, to help build the links between the sector and the partnership, to help ensure commissioning is going to be effective, and so



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on. In those areas, it has been very positive. Part of what I am doing is trying to grow that.

The other thing we have in Scotland is the national Third Sector Employability Forum, which is a voluntary membership group with over 400 members of third sector organisations working in the field of employability. That is another avenue of creating a collective voice to help inform, troubleshoot and ensure that policy is going to be effective.

Q37 **David Linden:** Before I go on to my final question, do you think there are too many councils in Scotland?

Pegs Bailey: I could not possibly comment.

Q38 **David Linden:** Well, it was worth a try. Finally, you mentioned the Third Sector Employability Forum. This is a question for the rest of the panel: do you think there would be an appetite for a similar body in other parts of these islands?

Professor Payne: I will go back to your earlier question first, if I can. I wonder whether that it is too fragmented with 32 local authorities in Scotland and trying to devolve employment support to so many, all of which are going to take out an overhead for that. I agree with Pegs that there are some great examples in Scotland of partnership working—really fantastic examples in Dundee, Edinburgh, Glasgow, East Renfrewshire, Fife, but that is five or six among 32 local authorities.

The question that our interviewees pose or where the divisions come is: can you spread that best practice, or are the problems of local authority mindsets so embedded in some areas that they treat the third sector with disdain? Trying to shift those is going to be extremely difficult.

It is important to have a voice that speaks for third sector organisations to Government. ERSA has an ad hoc forum for the third sector, and it does a great job. It has lots of good connections with ministers, as does the Third Sector Employability Forum in Scotland, but the message from our research is that the sector is in crisis, there is a funding crisis, the sector feels unheard, unloved, unappreciated, that the sector is on its knees, and that it is not being heard and it is not being acted upon.

David Linden: At the risk of experiencing the wrath of my party press officers, I would not agree too much with you on the number of local authorities, but I will leave it at that.

Q39 **Neil Coyle:** Some of these issues have been touched on, but I want to focus on the capacity of local authorities. I think the word Professor Payne just used was “disdain”, but what is your assessment of the capacity of local authorities to deliver employment and to commission employment support services?

Professor Payne: It is incredibly patchy and incredibly variable. I think that is the picture. What some of the interviews tell us is that local authorities have extremely limited capacity. We have to remember that there has been a long period of austerity and cuts and that that has



denuded a lot of local authority capacity in many areas. Commissioning employment support is not the same as commissioning your dustbin collections. It requires a particular skillset, a particular level of expertise. Some combined authorities and some local authorities have that, and some are a million miles away from it. Before you push funding and commissioning down to local authorities, the logical thing to do is to work out whether the capacity is there, and if it is not, how you would go about building that capacity, knowledge and experience.

Q40 Neil Coyle: Do the other panellists share that assessment and, if it is so patchy, how would you fix it? What support do local authorities need to be able to do their job better?

Anna Shiel: I would not necessarily be able to comment on the whole on the capacity of local authorities, but I can speak a bit to what we have seen around their confidence in commissioning on an outcomes basis, which has been growing as they have seen more examples of it. There is still not consistent confidence in applying that outcomes-based approach. It is still a relatively new tool for a lot of commissioners, and there is a degree of risk involved in taking that new approach.

Some things that we have seen help include building more of the data and evidence and examples of how it can be effective, and sharing those across local authorities. Initiatives like the Government Outcomes Lab is doing some of the work to evaluate and provide some of those examples.

I think it is right to say that there are challenges in being able to put together some of these structures. One of those can be that not all of the funding streams that are required for some of this approach are necessarily available to a particular local authority. That is where we have seen some of the central Government co-payment models working alongside local authorities to unlock some of the potential at local authority level.

Others have talked about the long-term nature of some of both of these problems and the need for multi-year settlements around the budgets—that can be another constraint. A lot of the time for people with more complex needs, the issues only really emerge in the first year, let alone being able to then design and deliver some of the support to them. So there can be that constraint as well around being able to have the longer-term budget settlements that are required.

Q41 Neil Coyle: That comes back to your point, Ben, about data in some ways.

Ben Gadsby: Yes, I am always really struck by the lack of professional networks that bring together people doing very similar jobs in local authorities to learn from each other and share best practice. I always worry that we would want decision-makers to be evidence-led, and the more decision-makers there are, the more people there are that you need to walk through the evidence and explain and help them understand it in their context. I think the more you devolve stuff—there is definitely a role for not just devolve and forget, but for to bring together those



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decision-makers to learn from each other, share tips and do joint training and things like that.

Pegs Bailey: That is a really good point on joint training. Some of the things that have been put in place in Scotland now would help mitigate some of those issues, and some of them would not. Some of the things that the sector has advocated for—a really basic thing is that the person who is in charge of spending the money, whether it is at local authority or regional level, is not the same as the person who is in charge of the internal delivery of employability services, because quite often they already have their own delivery. You have a fundamental conflict of interest there. You want the person who is in charge of commissioning, planning and strategy, making sure this is a partnership thing, to be different to the person who is also in charge of maintaining the internal services. It is a really simple thing that can be put in place.

It is about maximising the role of what are called labour market partnerships in Northern Ireland—in Scotland, we call them local employability partnerships—and building those up, so that they are absolutely the collaborative decision-making space where the money is coming, so that the conversation is around the whole budget in that room and it is strategically considered and multi-annual.

There is something in this idea about training and learning, and building those capacities that you want the regional or local areas to have to be able to do this work well. Things that I am thinking about in my role are around managing diverse perspectives, good practice in commissioning in employability, understanding the role of consortia—these things that actually would enable that decision-making to happen effectively on the ground.

The last point I would make is the importance of the national infrastructure that supports that. It is about having facilitators, because it is a multimillion-pound culture change programme coming through. You need to make sure that you have almost a national equivalent to your labour market or local employability partnership, where issues can come up the food chain and come back down it, and where those people can work locally to pick up issues very early and support the journey of change that you might be asking to happen.

Investing in some of that infrastructure at a national level to support devolution is really critical. We should not just hand it over and think that somehow it is all going to be sunshine and roses, because the experience that we have had has shown that that does not always land that way.

Q42 **Neil Coyle:** The need for longer term contracts has been raised several times. I am assuming the whole panel agree that that would be beneficial to those bidding, as well as to the people who need support over time. Is there anyone who disagrees—no? Good. That is an easy one.

Ben Gadsby: As a slight caveat, one of the things I would want to see over time would be higher quality provision growing. There is a risk



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sometimes if we have contracts that are a fixed size for a fixed period; that can effectively be a barrier for growth. If there are long-term contracts, we need to ensure that we have space in them, as we develop evidence about what is working and what is not, to grow the things that are working and shrink the things that are not, potentially, rather than locking in for five years.

Q43 Neil Coyle: That is really interesting. Professor Payne painted quite a bleak picture for the third sector—I think the word “crisis” was used a couple of times. Has that come about because of the way the contracts are devolved, or is it the short-term nature? Is there a different experience among the panel around devolving employment support on the process?

Ben Gadsby: One of the things that really struck me, with my background in education more than employment, is that when I first started work on employment stuff, I had not worked on anything where the demand goes up and down so dramatically over a period of a couple of years before. With schools, it is pretty predictable how many people are going to be in schools, but if you think about recessions and return from recessions, the demand for employment support services can go up and down by 20% in a couple of years.

That is a significant thing to manage for an organisation—being able to scale 20% to 50% over a couple of years to deal with increased need, but then potentially to have to scale that down again and then come back again over a 10-year period, for example, in line with an economic cycle. I have always been really struck by that.

Q44 Neil Coyle: Is the flex in the system to be able to do that?

Ben Gadsby: I don’t know that it is as easy to flex your organisation to do that, because that involves hiring and training more people, then making them redundant, and then three years later hiring more people again.

Q45 Neil Coyle: Any other specific comments on devolving employment support?

Professor Payne: I think you have a perfect storm because, first of all, you have the Government being extremely late in getting funding out to the third sector. We know that the people and skills support element was massively delayed. You then have a huge amount of funding sucked out of the system with the loss of the European social fund. There is less money in the system, and that is a big part of the problem that we are skirting around—the lack of funding there.

You then have the fragmentation, the multiple bidding, the short-term contracts, the fact that there is an assumption that the third sector is out there and you can pay them in arrears, and they have huge reserves they are sitting on to pay for their staff, when they do not have funding coming through their doors. They have not.



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I am really concerned by what I hear from the third sector about the fact that the capacity is being so reduced that even if we turn around tomorrow and say, "Hey, we need this sector to come and solve the problems of economic inactivity", it might not be there. The staff are being lost. The capacity is being eroded. This is serious, and we need to really recognise what the third sector does, value it and make use of it.

Neil Coyle: I think there were ministerial commitments to replacing the social fund post-Brexit. Maybe the Committee needs to double-check what has been delivered.

Chair: Well, this is the UK shared prosperity fund. As Professor Payne says, we don't know what is going to happen to it after March next year.

Q46 **Neil Coyle:** Has it been delivered to the same level? Perhaps I need to look at this afterwards. Finally, given the difficulties that you have expressed, what support do third sector providers need to be more successful and deliver the goals of this Government, or whoever are the next Government after the election?

Professor Payne: Without doubt, they need certainty in terms of funding. We need to know what is going to happen with UK SPF come 31 March 2025. If we cannot be clear on that, we need at least an interim arrangement for the funding to roll on for a year while whatever Government, of whatever political stripe, decide what they are going to do next.

As many people have said, we desperately need to have longer-term funding to restabilise the sector. That is absolutely critical. You cannot run a sector on funding that is for less than one year. It turns out that by the time you have your money, you are trying to run a programme for nine months. Multi-annual funding is key, but also certainty going forward.

Q47 **Neil Coyle:** Is there any other support anyone wants to suggest, either from DWP or elsewhere?

Pegs Bailey: The point has been made about the importance of fair and transparent commissioning models. Clarity of budget early is one of the most important things you can do, and then multi-annual, absolutely. I take on board the point that there might be a little bit of money in the short term, and if it has to change, great, but fundamentally longer-term and multi-annual.

Effective voice is an interesting one, so making sure—as is now happening in Scotland through my role and through the third sector—that there are effective routes to work alongside policymakers and Ministers to ensure that the risks and the opportunities are properly considered and assessed, and that solutions are put in place before they arise, rather than after. That is a very important thing.

Just in case this is my last chance to speak, why would you care about making sure that the third sector has all those things? It is important to



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re-emphasise this point. Third sector organisations are working with the furthest from the labour market. They are non-profit organisations. Everything they do is reinvested back into either their local area or within the national space.

They are not taking money out of the system and putting it elsewhere, and that is absolutely critical. They are integration personified when it comes to the kind of things that I think the employment system is trying to achieve. There is a really strong reason to make these investments, to hear the concerns and to listen to how they may be addressed, because I think they can be addressed. I don't think it is all doom and gloom.

To Jonathan's point about confirming UK SPF or whatever replaces it, please, soon would be good.

Q48 Neil Coyle: Co-production, funding and length of contracts—any other points?

Anna Shiel: Specifically in the context of trying to tackle more complex needs for more vulnerable individuals, a clearer commitment to using outcomes commissioning and partnerships, and potentially designating certain amounts of existing spend for that purpose, would give a signal and embed this approach much more. It would also ensure that the value that Pegs has just talked about—third sector organisations contribute to delivering those—is really integrated into the design and future commissioning of such programmes.

Professor Payne: One final point to mention that is very important—I don't know if we are going to come on to this, but it is significant—is the impact of the private sector primes in the market, particularly in England, and the effect that is having on third sector contractors.

We hear a lot of reports about third sector organisations being forced out of the employment and training market because of these large private sector primes, and primes using third sector organisations as bid candy to get contracts but then not providing them with any referrals. We also hear about third sector organisations being exploited by national private sector contractors that cream off huge management fees of 40% in England, which then do not flow down to the third sector. This is in a period when money is tight.

It is interesting that Scotland is different. The big private sector primes have not managed to penetrate the market in Scotland because Scottish Government are not willing to allow the primes to take a 40% management fee. It is much lower.

Third sector primes generally do a better job of supporting and building capacity among their supply chain. We really do need to look at the market and whether it is functional in terms of how the private sector primes are operating.

Q49 Chair: Does what you have said apply to all private sector primes, or is it variable between the different private sector primes?



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Professor Payne: I don't think that our data are granular enough to answer that question. All I can say is that from the interviews that we have conducted and the survey responses that we have had, there is a great deal of concern about how the primes act and how they treat the third sector organisations, which is compounding all of the other problems that we have spoken about today.

Q50 **Chair:** Understood—fine, thank you. Can I just ask Anna, finally, to give us one or two examples of a social outcomes partnership addressing employment? What does it look like? Who does it?

Anna Shiel: Sure—maybe a couple of examples. I touched on one called Skill Mill, which is specifically focused on young people who are leaving the justice system, often without prospects towards employment or, necessarily, other opportunities for training.

Q51 **Chair:** Is this in a particular locality?

Anna Shiel: They are working in seven or eight local authorities—I will get you the exact details—to deliver that. They are working with those young people to help them get real, paid work placements, working with local employers to gain the right qualifications, and also build their confidence and wellbeing through that. That is an example that we see there.

Q52 **Chair:** That is funded by investors, is it?

Anna Shiel: The funding comes from an investor for the up-front service delivery. That comes from, in that instance, a specific social outcomes fund run by Big Issue Invest, which provides that funding. That then allows the charitable organisation, essentially, to deliver the support to the individuals. There is then a series of established outcomes payments, which are only paid out after they are demonstrated and evidenced to have been delivered.

Q53 **Chair:** The local authorities make those payments?

Anna Shiel: Exactly. There will be a local authority and other commissioners that pay for those. As I have alluded to, we tend to see models where some element of that is local authority commissioning and payment, but often a contribution comes from central Government in a co-payment model. There have been a number of funds—like the life chances fund, which was set up originally by the Cabinet Office but is now managed by DCMS—that effectively offer that co-payment model to reflect, as I touched on, the fact that some of the benefits of these approaches do accrue centrally rather than locally, and also to help overcome some of the barriers that might exist for local commissioners in adopting this approach.

The other example that I touched on—although this is about homelessness, it is also about employment—is the Kirklees Better Outcomes Partnership. It was originally finding that its very specified service model was not working as well for people with complex needs,



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who were potentially re-presenting and coming back. It was perhaps addressing the symptoms for the individual rather than the root causes.

The outcomes partnership that it has—which is commissioned by the Kirklees Council, again with a top-up from the life chances fund—allows it to take a much more personalised approach to that. If an individual is someone who might be leaving prison, who does not have a job or a home, the established pathway might be for them to go straight into supported accommodation, which has implications for their ability to get a job.

By listening to the individual—this is a real case study—they found that that person really wanted to focus on their path towards employment and re-establishing family connections. Therefore, instead of funding the standard pathway, they fund that individual to gain a qualification, support them with employment and also help them with private rented sector accommodation. That is supporting them on that path towards independence.

That particular case study also brought together quite a lot of fragmented programmes of support across the council, which might have been touching those individuals but were not necessarily being brought together. They are still being delivered by eight third sector organisations who bring their own specialism and knowledge to that, but they are able to bring that together around a particular individual. There is some positive evidence of what that is delivering by way of employment outcomes and also housing outcomes for people.

Q54 **Chair:** You said that the UK is a leader in this.

Anna Shiel: It is.

Q55 **Chair:** Did you give us a number for how many there have been?

Anna Shiel: Ninety so far.

Chair: Since 2008?

Anna Shiel: Broadly speaking, yes.

Chair: Very interesting. Thank you all very much indeed. That concludes our questions to you. We are very grateful to all of you for being willing to help us out this morning.