



In Work, Better Off: Next Steps to full employment

Consultation submission by ERSA - October 2007

Contact: Gila Tabrizi, Policy Officer, ERSA, 101 Newington Causeway, London,
SE1 6BN. Tel 020 7367 4538

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i. About ERSA

ERSA (Employment Related Services Association) is a membership organisation representing 34 providers delivering welfare-to-work programmes.¹ Our membership spans the private and voluntary sector with large, small as well as highly specialised provision. Our membership represents well in excess of 50% of the DWP spend on welfare-to-work programmes.

ERSA welcomes the government's re-commitment to reaching the full employment target contained within this Green Paper. Although the Paper is not directly a response to the Freud report it is clear that the debates sparked by Freud have influenced the issues at the forefront of the Department's thinking. ERSA is keen to be involved in further discussions and activities around welfare-to-work issues and in finding practical solutions as to how we attain the full employment target.

¹ ERSA Membership List: A4E, Action for Blind People, Agens International, Carter & Carter, DISC, Employment Opportunities for People with Disabilities, E.Net, Enham, Inbiz, Instant Muscle, Maatwerk, Maximus, Mencap, OSW, Papworth Trust, Pluss, Prospects, RBLI, Reed in Partnership, Regenerate Glasgow, Remploy, RNIB, RNID, The Salvation Army, Seetec, Sencia, Shaw Trust, St. Loye's Foundation, TNG, Tomorrow's People, Turning Point, Working Links, WTCS, YMCA Training

ii. Overview: Welfare-to-Work - the need for reform

ERSA believes that employment changes lives. Our members work to provide high quality services to their customers to help them find, and keep, suitable employment to enable them to experience the life-changing financial, social and personal benefits of working.

From past experience we have found that the system itself sometimes prevents providers from being able to deliver services that are high performing, services that are efficient and services that are innovative.

Short-term contracts have impeded provider performance, proved a barrier to investment and deterred new entrants to the market. In the interests of a vibrant market, encouraging investment and to drive up performance, longer term contracts are a must. Payment structures have too often concentrated on processes rather than outcomes, and sustainability measures are woefully inadequate if we are to encourage job progression rather than concentrating on job entry.

Programmes have been too prescriptive and segment the customer according to the benefit claimed as opposed to concentrating on overcoming actual barriers to employment. Contracts must encourage investment and programmes must be designed around the needs of the service-user if we are to reach the level of resources and achieve the degree of flexibility needed.

ERSA recognises that moves have been made towards awarding longer contracts (for instance in Pathways to Work) and rewarding outcomes. Nevertheless going forward welfare reform must contribute further to building a high performing, multi provider market which works for the benefit of the customer by delivering quality services at good value to the taxpayer. Best practice should be shared, with the Department facilitating this, and government should purchase only what works meaning that providers have no choice but to perform well and deliver innovative services.

ERSA believes that by utilising the talents of the private and voluntary sector in delivery in combination with good procurement practice and responsible supply-chain management, we can achieve high performing welfare-to-work services that will contribute effectively to reaching the full employment target.

1. Comments on the Green Paper

1.1 ERSA wishes to provide the Department with some comments on the content of the Green Paper not directly covered by the specific consultation questions.

- **Contracting Principles**

1.2 The contracting principles (p.60) represent a positive move in the right direction. We agree with the stated key principles; but it would be helpful if there were a more explicit recognition that the Department should not focus on process at the expense of outcomes. The Department must instead proportionately balance the outcome payments and process payments required for successful delivery. Outcome-related payments help drive innovation and mean that more efficient delivery contributes towards Departmental savings and ensures that effective sustainable practice is rewarded. However, a balanced approach to this is required. ERSA sees a strong case for introducing payment differentials based on individual customer need. This would ensure that all customers are supported into work; including the hardest-to-help. A payment system that does not recognise the additional inputs required by providers to support those furthest from work will not mitigate against cherry picking or recycling and will encourage a focus on only those close to work.

1.3 The agreed contracting principles should feature prominently in all communications and underpin all future procurement activity. The Department should be measured against them to ensure the requirements of the principles are being met.

1.4 The terms of the outcome-related payments will have a direct relationship to the cash-flow implications of performance measures and the timing of these. ERSA would be happy to contribute our experience of good practice in outcome-related payments and provide some insight into the trade-off between different payment structures.

1.5 ERSA welcomes the recognition in the Green Paper of the role private and voluntary sector providers have played in delivering welfare to work programmes. We hope the Department will endeavour to harness the sector's talents further through effective contracting and procurement methods.

- **Role of employers**

1.6 ERSA welcomes the focus on Local Employment Partnerships and the new 'Jobs Pledge' (chapter 3). The role of the employer is vital to achieving a full employment rate and so they must be fully engaged in the process of welfare to work reform. Private and voluntary sector providers can provide support to candidates to become job ready and can establish good relationships with employers. Employers signing the 'Jobs Pledge' should be aware that the job opportunities they offer should have the scope for progression and sustainability in order to have synergy with the purposes of the welfare reform agenda they are putting their name to, and in turn providers will ensure candidates presented to employers are job ready.

1.7 Sustaining outcomes for clients over an extended period will allow providers to build a much stronger attachment to the labour market for their clients. We note that Freud suggested contracts which measured outcomes over a period of three years.² Current measures of sustained outcomes are based on 13 weeks of employment and are not adequate to build this attachment or reach a stage for progression. Sustained employment over a longer period is closely associated with a clients' ability to progress from entry-level wages and pursue their career goals. This in turn requires qualifications and experience. ERSA believes that the key to achieving sustained employment for an extended period and career progression will be combining employer engagement with the integrated delivery of skills development.

- **Flexible New Deal**

1.8 ERSA supports the introduction of a Flexible New Deal (p.49). We welcome the recognition that particularly for more disadvantaged customers the move towards a personalised and individually tailored service is of the utmost importance; and that the private and voluntary sector is able to provide specialist support to these clients to help them into employment.

1.9 It must be stressed that for these customers furthest from the labour market the twelve month waiting time to move onto Flexible New Deal is unacceptable. It is well documented that the longer a person is unemployed, the harder it is for them to return to the labour market. A twelve month delay in receiving appropriate support would compound the already serious barriers to work these

² Reducing Dependency, Increasing Opportunity: options for the future of welfare to work, David Freud, P.61

customers have to overcome and would require in the longer term more resources. It is hugely important therefore that intensive support through the Flexible New Deal must be available for the most disadvantaged customers immediately.

1.10 Similarly for the hardest-to-help customers with the furthest distance to travel it would be detrimental to break their intensive support from a specialist provider and return them to the Jobcentre Plus gateway after twelve months on Flexible New Deal. This would only serve to set back progress made towards the labour market; and for customers reluctant to engage with 'authorities' would remove trust gained in their personal advisor and could reduce their motivation to engage any further. To assist with the engagement of detached customers, providers should be able to accept and enrol customers directly.

1.11 Flexible New Deal is a necessary step towards simplifying the range of programmes currently operating. The plethora of existing programmes is confusing and unwieldy and defines the support available to customers according to the benefit they claim as opposed to offering an individual solution. ERSA supports the Flexible New Deal as it gives providers the freedom to find solutions appropriate to the individual customer. The emphasis of New Deal henceforth should be its flexibility and the provider should determine the best mix of provision necessary for each individual customer. This will be more effective in helping people find employment and will allow the private and voluntary sector to develop innovative service provision: an area in which the sector excels, and yet has been constrained in the past by overly prescriptive programmes. To increase the focus on sustained outcomes the introduction of Flexible New Deal provides an opportunity to remove onerous administrative and process requirements placed on providers. Providers must be able to concentrate on implementing what works for their customers in helping them move towards and into sustained employment rather than achieving a set of processes.

1.12 It would be helpful to have clarification as to whether all strands of current New Deal programmes would be subsumed into Flexible New Deal, and whether current participants will also be eligible for Flexible New Deal. ERSA recommends that this should be the case to improve simplification and efficiency in addition to allowing more customers to benefit from the personalised support of Flexible New Deal. The right to receive self-employment support through Flexible New Deal with the test trading conditions should also be maintained provided self-employment is the right solution for the individual customer.

1.13 While we support a strengthening of conditionality for those able to work, this needs to be set in the context of positive incentives to work. A more

personalised service delivery means that no clients should be required to undertake activity which they do not see as relevant help.

1.14 These concerns reflect the need for dialogue with stakeholders in the design of programmes in order to get the detail right. ERSA supports the concept of the Flexible New Deal and wants to contribute towards making it a success. Roundtable discussions with providers and customers would be a helpful method of identifying what customers' value and extracting what has worked in the past for providers. Flexible New Deal can then incorporate the results of such discussions into its programme design.

2. Specific Consultation Questions

2.1 ERSA provides the following responses to the consultation questions in the document.

- *Question 1: At the moment, lone parents are entitled to Income Support until their youngest child is 16. Is it right that this age should be reduced?*
- *Question 2: What would the minimum age be?*
- *Question 3: Should we do more to ensure that our support for lone parents is accessible and useful for all groups, in particular those with disabled children and those from certain disadvantaged groups and areas?*

2.2 Increased conditionality for lone parents has a role to play in both achieving full employment and eradicating child poverty.

2.3 ERSA does not take a view on the lower age limit for conditionality. The specific age of the child should be irrelevant providing that proper employment support and the practical infrastructure to enable the lone parent to take up employment is in place. This means addressing the availability and affordability of wrap-around childcare and other barriers to work such as the high rent trap. Although much is made of Housing and Council Tax Benefit being in-work benefits, the taper once in employment is so steep that many customers in high rent areas, or those living in expensive temporary accommodation, are not able to achieve the earning power to offset the loss of these other benefits.

2.4 It should be noted that lone parents who take up self-employment support and enter the test trading stage are not eligible for Income Support. To access this stage of the programme it is already necessary to move onto Job Seekers Allowance. The lone parent then has to re-apply for their other benefits such as Housing and Council Tax Benefit. The administrative processing of these benefits can be lengthy. In considering making support for lone parents accessible and useful, transitional arrangements for supporting benefits should be introduced. It would not be acceptable to expose lone parents to conditionality when their children are younger and at the same time put them at risk of having their benefits stopped because there are delays with the relevant authority assessing the change of circumstance or with the benefits office processing the new JSA claim.

2.5 The underpinning infrastructure necessary for this reform will require cross-departmental support and the investment of financial resources. It should be regarded as a crucial factor that appropriate supporting infrastructure is in place before the age is lowered.

2.6 In some cases, such as where the parent is a carer, it will be desirable to make special provision for the lone parent to be excused from conditionality; and ideally to ensure greater contact with the world of employment to have access to a dedicated voluntary programme.

2.7 It should be noted however that lone parents with younger children currently have a much lower employment rate than those with older children; therefore this new group of customers may require the investment of greater resources and more intensive support. 'Lone parents' as a target group are clearly not homogenous and will need access to flexible, tailored support.

- *Question 4: More frequent Work Focused Interviews are currently offered to lone parents in the two years before their eligibility to Income Support is lost. As the age of the youngest child is reduced, should other forms of support be provided, and over what period prior to loss of eligibility?*
- *Question 5: For lone parents who move onto Jobseeker's Allowance when they lose income support eligibility, what forms of support (in addition to those provided to JSA claimants who are not lone parents) should be available, and over what timescale?*
- *Question 6: JSA claimants can in certain circumstances, restrict their job search to work for a minimum of 16 hours per week. Should additional flexibilities be available if the proposed changes are made?*
- *Question 7: What form might a better off in work calculation take?*

2.8 A skills assessment should be offered allowing the lone parent to address any skills deficiencies prior to their being subject to conditionality.

2.9 Earnings disregards are out of date and far too low. People may earn very little before they start to lose benefits, and in many cases the trade off between working and earning a low wage and losing Housing and Council Tax Benefits is simply not affordable due to the high costs of housing. Although measures such as the return to work credit seek to offset the loss of benefits, earnings disregards must be updated and should remain in line with increases in the National Minimum Wage.

2.10 ERSA regards the availability of wrap-around child care as essential and cannot envisage a situation where a lone parent with a young child should be subject to the conditionality of JSA if this does not exist in their locality.

2.11 A clear financial incentive to work must exist, and a better off in work calculation could show a percentage increase in earnings over benefits for a

simple and clear result. It is vital that the calculations made are robust and accurate.

- *Question 10: What more could we do to help working families – especially those from the most disadvantaged backgrounds – improve their earnings and lift themselves out of poverty?*

2.12 Disadvantaged clients must have access to transitional support and a skills escalator. The concept of work progression support in addition to job search support must be included to support career advancement and not just achieve entry level employment. This will ensure skills and support needs are met and will help to successfully sustain employment and contribute to the goals of improving earnings and reducing poverty. Longer term support is a pre-requisite for implementing this, and therefore contracts must reward providers on longer term outcomes.

2.13 The proposed adult skills service is a welcome development and it must be effective in meeting people's needs accurately. Clarity is needed over how it will fit with the Flexible New Deal model.

- *Question 12: In exchange for more specialist support, are we right to ask more of those who have been unemployed and receiving benefit the longest?*

2.14 ERSA supports the concept of a rights and responsibilities based welfare system. Support should be conditional upon people actively engaging in the return to work process, regardless of the length of time of unemployment. This of course must be balanced by appropriate conditions recognising individual circumstances which do not act as a deterrent to moving towards work.

- *Question 15: Should some people be enabled or required to enter the Gateway stage more quickly than others, taking into account their employment history or needs? Which groups should be 'fast-tracked'?*

2.15 It will be absolutely essential for some customers to enter the Gateway stage more quickly, and for the most severely disadvantaged with complex and multiple support needs a direct route to the Flexible New Deal must be made available. An appropriate skills assessment must be held early on in the process to assist with determining fast-track need. For clients needing intensive support, any delay could be severely detrimental to their chances of moving successfully toward employment.

2.16 Until an appropriate screening tool is in place, some obvious groups to fast track include ex-offenders, people with health problems, homeless people, people with drug or alcohol addictions and people with a history of receiving benefits and a poor employment record. Clearly such groups will be in need of intensive and holistic support services which tackle their multiple barriers to employment.

- *Question 16: Should we require a period of work experience from those who do not succeed in getting work after benefiting from a more intensive level of help from specialist providers? How can we best ensure this experience is beneficial?*

2.17 In making work experience a requirement, we must remember that employer relations are fundamental to the welfare to work process and therefore only job ready candidates should be placed with employers. It would be appropriate to place an emphasis on community projects for this group.

3. Other Relevant Issues

3.1 ERSA would like to use the opportunity of this consultation to highlight other pertinent issues which are not covered in depth by the Green Paper.

- **Invest to Save**

3.2 ERSA strongly believes that to ensure a level of continuous investment in welfare to work services the invest to save principal is crucial. The Green Paper recognises that to reach the full employment target we must tackle economic inactivity. David Freud estimated an Incapacity Benefit claimant moving into work would save DWP £5,900 with wider exchequer gains bringing the figure to £9,000. This figure would be multiplied for each year the claimant had not worked.³

3.3 Given that the fiscal savings are so significant, to say nothing of the wider societal benefits of full employment, it is desirable to re-invest a proportion of these savings into providing more services and enabling high performing providers to reach a greater number of clients.

3.4 It must be recognised that in tackling economic activity we will be engaging clients who are the furthest from work, and so the investment of time and resources will be crucial. To help achieve the required funding, an investment of savings made from benefit expenditure is necessary. It is self-evident that the expenditure on successful programmes directly impacts upon the expenditure on benefit payments and so removing caps on services and reinvesting savings made from the Annual Management Expenditure budget into greater spending on good quality services through the Departmental Expenditure Limit are principles that ERSA believes to be essential for achieving full employment.

- **Skills and Employment**

3.5 It was encouraging that the response to Leitch and the DWP Green Paper were published simultaneously. If we are to move people into sustained employment we have to recognise that upskilling whilst in work is crucial if people are to make the transition from entry level employment to a career that fully allows them to meet their potential.

³ Reducing Dependency, Increasing Opportunity: options for the future of welfare to work, David Freud, p.14

3.6 Clients with low or no skills must have access to transitional support after entering work to ensure their skills needs are being met and to increase the likelihood of maintaining employment, especially for those with no previous employment experience.

3.7 The objective of career progression over job entry is essential to the goals of making work pay, raising skills, breaking cycles of deprivation and the eradication of child poverty. As evidenced by Freud's suggestion of a three year support period⁴, longer term contracts will be necessary to achieve longer term support, focusing on sustained outcomes and payment on results.

3.8 Addressing the problem of low skills not just about delivering vocational qualifications. ERSA's experience of vocationally-based training is that it is too often not demanded by the employer and requires too lengthy a commitment from more disadvantaged clients. Too many clients drop out without completing their courses. Instead, job specific training leading to recognised qualifications engages employers in progressing their staff, and crucially, produces relatively quick results for individuals.

3.9 It must be repeated that joined-up government is absolutely essential in making this work. Welfare to work reform and the Leitch proposals have to be aligned. The objectives of increased employability, raising skills and the eradication of child poverty are issues that must be addressed within one uniform framework of activity. It is not clear from the Green Paper proposals where the adult careers service recommended by Leitch sits in the Flexible New Deal process, and it is crucial that it is incorporated into the programme design to achieve a seamless service.

- **Role of Jobcentre Plus**

3.10 ERSA has always believed that Jobcentre Plus has a vital role to play in welfare to work services in acting as a one-stop gateway to benefits and support. However, the Green Paper maintains a role for Jobcentre Plus as a deliverer of services until the twelve month referral point onto a Flexible New Deal provider. ERSA has concerns that this may lead to some customers being parked for a

⁴ Reducing Dependency, Increasing Opportunity: options for the future of welfare to work, David Freud, p.69

year until they are able access the specialist help they require through Flexible New Deal.

3.11 For certain groups early intervention prior to the twelve month referral is essential and fully supported by available evidence – ex-offenders, homeless people, drug and alcohol abusers, some disabled people and people with health conditions, people who are recycling through the system and especially those who have a combination of these barriers, face severe penalties in finding employment. It is paramount that such groups are referred to appropriate support as soon as these issues are identified.

3.12 Greater partnership working between Jobcentre Plus and contractors will be essential to ensure that lessons learnt in preparing clients for the labour market are taken on board in each circumstance – it would not do for Jobcentre Plus to hold on to clients until the 12 month point if they have no realistic prospect of helping them and in turn, contractors have a responsibility to inform Jobcentre Plus of good practice delivery, so that any client who can enter sustainable work in the first 12 months does so.

3.13 ERSA believes that current screening technology is not reliable and as such referrals prior to the 12 month point should be made on clear criteria not to any “black-box” process. ERSA is being proactive in this respect and is holding a workshop for its members in November to begin to formulate an effective screening tool model taking into account the experience of international assessment tools. We will of course share our results with the Department.

3.14 We are wary of Jobcentre Plus’ ability with more disadvantaged clients to build up sufficient trust to provide an accurate assessment of their future potential in the labour market. The role of the initial assessment and subsequent support for clients who are ultimately referred to contractors needs careful planning.

- **Benefit Simplification**

3.15 The Green Paper does not address the issue of simplifying the benefits system. The introduction of a single benefit for working age people will help deliver more flexible support for welfare to work clients and will be complementary to the Flexible New Deal.

3.16 Much of the current range of provision is conditioned by the particular benefit a client may be claiming and the system is simply too complex. A single working age benefit will send out a message to all claimants that work is the best route out of poverty and, for many more disadvantaged clients, can form part of their recovery process.

3.17 While moving towards a single benefit, programme reform can still be implemented. A general entitlement to employability support, whatever the clients' benefit, would help to remove much of the confusion around the plethora of different programmes.

3.18 There are concerns with barriers to employment which lie outside the employability and motivation of clients. ERSA believes that in introducing a single benefit, the Government should consider any outstanding benefit traps and the wider incentives of moving into work. The high cost of accommodation in some areas and the inflexibility of housing benefits have been identified as key issues alongside the availability of affordable childcare.

- **Local and National Strategies**

3.19 ERSA supports the introduction of the Flexible New Deal which will hopefully deliver the greater personalisation of services that we have been calling for. However, the Green paper does not address the alignment between the Flexible New Deal and the Cities Strategy Pathfinder areas. The Department will need to clarify how the programmes will work together where their responsibilities overlap. For instance, how would the Cities Strategies localised solutions be delivered should the Department set up large regional prime contracts?

3.20 ERSA would welcome the opportunity to contribute to the evolving relationship between local strategies and national programmes. We have made frequent efforts to engage with the design and delivery stages of the Cities Strategy however we have found the lack of interest from consortia disappointing because we do feel our input is of value to the local strategies.

3.21 ERSA understands that proposals to replace the Workstep programme are shortly to be issued for consultation. The Green Paper does not address the alignment between the Flexible New Deal and any proposals in this area. The Department will need to clarify how the programmes will work together where their responsibilities overlap.

- **Timetable**

3.22 A very clear timetable needs to be set out at the earliest opportunity in respect of any procurement arising from this Green Paper. Every effort should be made to avoid last minute decisions. Any further consultation and the development of a commissioning strategy would be welcome, and ERSA will strive to contribute usefully towards the Department's requests for input.