



**No one written off: reforming welfare to reward responsibility**

**Consultation submission by ERSA**

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## **i. About ERSA**

ERSA (Employment Related Services Association) is a membership organisation representing 34 providers delivering welfare to work programmes. 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 publication of *No one written off*. We support welfare reform where it will benefit the customer in achieving sustained employment, and we believe that the green paper is an important stepping stone to increasing the effectiveness of the welfare to work system. We particularly welcome the re-statement of the Government's commitments to achieving an 80% employment rate, reducing Incapacity Benefit claims by 1 million, eradicating child poverty by 2020 and providing equality for disabled people by 2025. It is important that all proposals for reform use these targets as their overarching goal. ERSA would be pleased to be involved in all discussions and activities relating to welfare reform to help find ways of putting these ambitions at the heart of welfare to work programmes. In writing our consultation submission we have commented on each chapter of the green paper in turn.

## **1. Chapter 1 – Promoting Opportunity and Realising Potential**

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

1.2 ERSA recognises that the Government has made progress in reducing levels of unemployment and reforming the welfare to work system over the last ten years. We have shifted from a passive welfare state to one where it is recognised that people who are able to work should work and that support should be provided to enable this to happen. This idea, described in the paper as building 'capability' for individuals is one which ERSA members have expertise in and would like to be actively involved in providing.

1.3 From past experience ERSA has found that the welfare to work system itself sometimes prevents providers from being able to deliver services that are high performing, efficient and innovative. The system was fragmented, focused on short term objectives and largely process driven.

1.4 The short-term contracts available impeded provider performance, proved a barrier to investment and deterred new entrants to the market. To promote a vibrant market, encourage investment and drive up performance, longer-term contracts are a must. Too often in the past, the focus was on processes rather than outcomes, and sustainability measures were inadequate in encouraging sustainable job progression over unsustainable job entries.

1.5 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. Providers must be able to implement solutions tailored to the needs of the individual without constraint to tackle the multiple (and cross-departmental) barriers to work that their customers face.

1.6 ERSA recognises that moves have been made towards awarding longer contracts (for instance in Pathways to Work), rewarding sustainable outcomes and simplifying programmes to increase flexibility. 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 the Government should purchase only what works, meaning that providers are motivated to perform well and deliver innovative services.

1.7 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. We have supported the introduction of flexible New Deal as a much-needed simplification to the plethora of programmes that currently operate and particularly welcome the recognition that for more disadvantaged customers with complex and multiple needs, the move towards a personalised and individually tailored service is of the utmost importance. The private and voluntary sector is able to provide specialist support to these clients to help them into employment.

1.8 ERSA applauds the overall theme of the Green Paper: that no-one should be written off. A key priority for ERSA is to make Flexible New Deal work for those who are hardest to help. We have concerns that the limited funding available for FND will make this difficult to achieve, because the budget will not stretch to cover the costs of the interventions that support clients to remove complex barriers to finding and keeping a job. Moreover, it must now be acknowledged that the UK is currently facing a different set of economic conditions to those which existed when Flexible New Deal was conceived. The number of people unemployed is set to increase significantly in 2009. This will impact on budgetary requirements and funding mechanisms, specifically with regards to the risk providers will have to shoulder.

## 2. Chapter 2 – An Obligation to Work

2.1 ERSA is supportive of the rights and responsibilities agenda. Increased conditionality for claimants has a role to play in achieving the overarching targets that underpin reform. However, stronger conditionality requirements must be balanced within a context of positive incentives to work. This means providing more support for claimants in preparing for and moving into employment. In introducing a tougher sanctions regime, DWP must ensure that the application of sanctions is consistent, fair and transparent and that the customer has recourse to an appeals or complaints process should they dispute the sanction. Crucially, the threat of sanctions is only effective if it is followed through; anecdotal evidence suggests that Jobcentre Plus is often reluctant to impose conditionality, and this prompts a response among some claimants that the system can be 'played'.

2.2 There must be a managed cultural change in the benefit claims process. Customers must not feel as if they are merely participating in a box ticking exercise in order to obtain benefits, going through the motions without engaging in the return to work process. A more personalised service delivery means that all activity must be of value and focused on improving employability, and barriers must not be ignored.

2.3 ERSA supports the 'work for your benefit' proposal to prepare the customer for employment where they may have become detached from the labour market. Well implemented and properly resourced, it will allow people to move into work with the right support and leave benefits behind having had a realistic experience of the world of work. Community programmes were a precursor to 'work for your benefit' and were very successful where customers benefitted from a structured period of appropriate work with a defined role. This helped them to become job ready and very motivated where they could see how the scheme was providing them with useful work experience, increasing their skills and preparing them for employment. It is critical, in introducing a 'work for your benefit' scheme, that it is structured and helps to create a pathway to sustained employment. This will require a range of activities to be available, in line with the greater personalisation of welfare to work services. Clarification is needed on how the scheme will be funded, and how the transition from this scheme into paid employment will work. The scheme should guard against displacing paid employment. Similarly, there is a need to offer a distinction between this work

and voluntary work: 'work for your benefit', in its very essence, is not voluntary, and should not undermine the voluntary work that is carried out by a proportion of job seekers.

2.4 In increasing conditionality for lone parents, and moving them to a reformed JSA regime, ERSA agrees that skills assessments and work focused interviews should be available to lone parents with children under the age of seven to prevent disconnection from the labour market for prolonged periods. The change should be carefully managed to ensure that a positive message is presented as to why it is taking place, with clear information available about the in-work benefits and tax credits lone parents will be eligible for to prevent fears about support being severed.

2.5 We would also like clarification as to whether lone parents with children under the age of seven would be able to volunteer for the full back to work support that is automatically available to those with children over the age of seven. Many ERSA members work with lone parents who currently volunteer for programmes and we have concerns that these customers would be left without support should the full provision not be available to those outside the mandatory regime. One member reports that 49% of voluntary registrations on Employment Zone programmes came from lone parents with children under seven years old. Removing the ability to volunteer for programmes would clearly have a severe impact on this customer group and will adversely affect the progress in meeting the child poverty target.

### **3. Chapter 3 – No one written off**

3.1 ERSA agrees with the principle that no one should be written off. Everyone has the potential to progress towards work with the right support. Providers want to be able to offer services to all customers who require support to help them into work. We therefore welcome the increased focus on work, the view of ESA as a temporary benefit for the majority and the extension of Pathways support to claimants migrating from IB to ESA.

3.2 ERSA strongly endorses the introduction of DEL/AME pilots in Greater Manchester, Norfolk, and Lambeth, Southwark and Wandsworth. We have been pressing for the re-investment of benefit savings for some time as this will assist providers in achieving improved sustained outcomes for benefit customers. ERSA believes that DEL/AME is an essential mechanism in order to provide the necessary funding for the most disadvantaged customers whose return to work journeys will be expensive to support due to their complex and multiple barriers to work. We appreciate the dialogue between DWP and HM Treasury that resulted in the decision to proceed with these pilots. We understand that providers will need to maximise the opportunities afforded by the DEL/AME initiative by producing highly innovative solutions that tackle barriers to work on an individualised basis. We are keen to ensure these pilots progress quickly, particularly within the context of a tighter financial settlement for the Department and the very real prospect of increased claimant numbers due to the economic downturn. ERSA will be pleased to assist the Department in introducing the pilots to ensure their maximum impact and to capture good practice.

3.3 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 engaging in Local Employment Partnerships (LEPs) should be aware that the job opportunities they offer should have the scope for progression and sustainability in order to have synergy with the welfare reform agenda. In turn providers will ensure the candidates presented to employers represent a wider talent pool than traditionally reached by the employer, are motivated and above all job ready. It is important that employers also appreciate the flexibility they need to offer candidates, especially those candidates who are disabled, or are single parents or have care responsibilities. Continuous communication between employers, government and providers is key to ensuring that the requirements of employers are still being met by LEPs, particularly in uncertain economic times. Specifically, there is a need to foster a greater understanding among employers of how the

system works, with regard to funding, the practical help available and the responsibilities they take on.

ERSA would also point out that not all of the focus should be on larger employers; much of our collective attention should be concentrated on SMEs, where many new jobs will be created.

3.4 Public sector employers have a role to play in leading by example, in not only participating in initiatives such as LEPs, flexible working patterns and signing the jobs and skills pledge, but also by removing practical barriers that job seekers encounter in recruitment processes. For instance, for many public service jobs the application process is long and complex: for job seekers wanting to move into employment quickly this can be discouraging.

3.5 Sustaining outcomes for clients over an extended period will allow providers to build a much stronger attachment to the labour market for their clients. 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.

3.6 ERSA does believe there has been a major shift towards the alignment of skills and employability provision. We support a greater focus on skills for achieving sustainable employment, as skills raising programmes are essential to making work a realistic route out of poverty. We are concerned that, in the first year of a person's unemployment, Jobcentre Plus is not always sufficiently robust in ensuring that basic skills needs are addressed, which can result in an entire year being wasted. We are pleased that co-commissioning pilots as announced in *Work Skills* will test the DWP's general approach, and are keen to work with both Departments to ensure that momentum is not lost in this area as there is further scope for innovation. The parity and esteem of learning provision across programmes and departments must be harmonised. There have been cases where some customers have been moved off learning programmes (which may have been ESF funded, for example) to approved New Deal learning provision, however this has resulted in being less useful to the customer's identified needs. ERSA's main aim is to ensure that a seamless service is provided to the customer, so we need to understand how the interface between Departments will work and to help identify potential problems and barriers to joining them up.

3.7 ERSA wishes to point out that the disabled, whilst technically not covered by Flexible New Deal, are among the 'hardest to reach' groups and their need should be addressed as policy is developed.

#### **4. Chapter 4 – Ending child poverty**

4.1 ERSA supports the prominence of ending child poverty within the green paper. ERSA agrees that the measures contained within the chapter will assist with achieving the target and will work as appropriate to enact this, for instance by working with the partners of benefit claimants. We would also point out that although child poverty results from a wide range of factors, disability is one of the more prevalent causes.

4.2 However, while endorsing the concept that work is the best route out of poverty, ERSA believes that we should not lose sight of the need for reform of other aspects of the system. Incentives to work need to cover income. Although the in-work credit has been extended and the publicising of Housing Benefit as an in-work benefit has increased, these are not enough in themselves. Customers require benefit disregards to be smarter to take into account more realistically the financial support lost by moving into low paid entry level work. Tax credits need to be assessed more accurately and should be based on current income rather than the previous year's income. We should aim towards providing customers with a 'better-off in work' package rather than a 'better-off in work' calculation.

4.3 The multi-agency, multi-provider approach is clearly beneficial to combating child poverty, given the wide range of factors that can prompt it. For this approach to achieve its full potential, however, ERSA believes it is essential that there is communication between providers throughout the process, and that 'best practice' is shared at every available opportunity.

## **5. Chapter 5 – Delivering choice and control for disabled people**

5.1 While ERSA welcomes the standing given within the paper to empowering people with disabilities to exercise choice and control, we find it difficult to comment fully on the chapter pending the outcome of the DWP review into specialist disability employment services.

5.2 The concept of control and choice for people with disabilities is welcome, but we need to consider carefully how people are enabled to access that choice. Will Jobcentre Plus act as a gatekeeper to services in an area for instance? Giving advice to customers to facilitate choice is not necessarily in itself an impartial or empowering process. For instance, although star ratings are useful for gauging provider performance, providing only this information would not enable the customer to make a choice based on all factors they feel to be relevant. It will be important to share the lessons of Pathways to Work choice areas to ensure that customers are empowered to make choices based on a variety of measures that they feel will help tackle their barriers to work most successfully.

5.3 The case studies in the green paper show very clearly how barriers to employment take different forms. They highlight the importance of the welfare to work system and associated funding being flexible in order to help overcome individual barriers. It will be impossible to run a successful system by predicting a set of circumstances and prescribing the appropriate solution.

5.4 For many people with disabilities, moving into employment is the last step of a long process addressing other needs to remove barriers to work, for instance obtaining accessible housing, transport and so on. It must be recognised that investment is required in these supporting areas in order to make the desired impact on levels of claimants. Although DWP has made progress in working more closely with other departments such as Health and Communities, joined-up interventions are also required at a local level, so working with other agencies such as health and housing must be facilitated and funded appropriately at the local level.

5.5 ERSA supports the Government's target of eradicating child poverty by 2020 but encourage the Government to accelerate its plans for achieving equality for the disabled by 2025.

## **6. Chapter Six – Simplifying and streamlining the benefits system**

6.1 ERSA agrees that the benefits system requires simplification. The complexity of the system creates inefficiencies and opens the door to greater risks of fraud and error. We believe that the long-term goal of the Government should be the introduction of a single benefit for working age people. This will help deliver more flexible support for welfare to work clients and will be complementary to the flexible New Deal. ERSA would certainly support the abolition of Income Support as a step to benefit simplification given its status of a passive benefit that allows the claimant to lose all connection with the requirements of the labour market. However, it would be inappropriate to move carers from Income Support onto Job Seekers Allowance, since this would label them as someone who should be looking for paid employment. The Department needs to find a way of helping carers raise their skill levels but not during the difficult stage of caring when they are emotionally vulnerable.

6.2 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 disadvantaged clients, can form part of their recovery process.

6.3 In introducing a simplified system, the Government should recognise that barriers to employment exist which lie outside the scope of employability and motivation of benefit claimants. ERSA believes that the Government should consider outstanding benefit traps and the wider incentives of moving into work as part of the simplification process. The high cost of accommodation in some areas and the inflexibility of housing benefits have been identified as key barriers to employment alongside the availability of affordable and flexible childcare.

## **7. Chapter 7 - Empowerment and devolution: a new way of delivering our services**

7.1 ERSA supports the introduction of flexible New Deal. We welcome the recognition, inherent in the programme, 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.

7.2 Flexible New Deal is a necessary step towards simplifying the range of programmes currently operating. The plethora of existing programmes is confusing, unwieldy and defines the support available to customers according to the benefit they claim as opposed to offering an individual solution. We therefore welcome the proposal to pilot a single employment programme for ESA and JSA customers. The sooner we move to less specific, more flexible programmes, the sooner we can benefit from more effective, high performing contracts. Commissioning and associated funding needs to move towards a 'benefit to work' contract rather than maintaining the concept and design of specific programme contracts. Less specific contracts concentrate the focus on individualising the solutions.

7.3 We do not believe that flexible New Deal as it stands is the definitive version of a UK welfare to work programme for jobseekers. The programme will need continual monitoring and refinement to ensure it maintains effectiveness in moving people quickly into sustainable employment while also supporting the hardest to help customers in removing barriers to work and progressing towards job readiness. ERSA would particularly like the Department to review the effectiveness of the 12 month period that customers remain with Jobcentre Plus before being referred to specialist provision, and would urge the Department to conduct research into the customer groups that could benefit most from early participation in specialist provision. We agree that Jobcentre Plus has performed well in helping the newly unemployed back into work, and should continue to perform this role, but our original concerns remain about customers left drifting for too long under the current flexible New Deal model without access to targeted help. With the claimant count rising it is imperative that people are helped quickly and appropriately to minimise the time spent on benefit away from the labour market.

7.4 The purpose of flexible New Deal must be to give 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.

7.5 ERSA understands that the DWP operates with a challenging financial settlement, however appropriate investment in welfare to work services is crucial to achieving outcomes for the most disadvantaged customers. Any reforms must be supported by realistic budgets otherwise they will be ineffective and will not reach the hardest to help individuals. ERSA welcomes challenging performance targets, but these must be based upon a clear understanding of what it takes, both in terms of time and funding, to support the very furthest from work. It must be remembered that those referred to flexible New Deal as it stands will have been unemployed for at least 12 months and will require intensive support in order to achieve sustained employment. It is vitally important too that the current economic downturn – where unemployment is rising and vacancies are reducing - is reflected in performance targets.

7.6 In the next wave of flexible New Deal, ERSA sees a strong case for introducing payment differentials based on individual customer need. One example of such a system is the Further Education additional support budget, and DWP could examine how this might apply to welfare to work. A payment differential system must recognise that it is expensive to provide consistent, personal support that targets the full range of barriers to employment individuals face.

7.7 The introduction of payment differentials may become even more vital as we move towards larger prime contracts. The incentive structure within the contract must be aligned to the desired outcomes and implemented throughout the contracting chain. There is a danger that inadequate budgets will threaten engagement by prime contractors of the voluntary sector because a very tight financial model requiring high outputs cannot support a long supply chain, or incorporate organisations that add substantially in social terms but may only add limited additional capacity. Smaller organisations providing sub-contracting services to work with the hardest to help portion of the contract must receive a fair price due to the additional inputs required to provide appropriate support. A payment system that does not recognise this will not mitigate against cherry picking or benefit recycling, will encourage a focus on only those close to work, and critical will endanger specialist capability being lost from the marketplace. Both government and providers will need a more efficient system of tracking whether an individual stays in employment; ERSA supports the use of National Insurance for this purpose.

7.8 ERSA welcomes the 'right to bid' proposal in the paper. We agree that it gives providers the opportunity to drive innovation outside of contracting rounds, and it has certainly created a lot of excitement and optimism about the future of welfare to work. We are cautious however, over the scope and reach that the 'right to bid' will have in practice, and feel that some organisations may have high expectations of the scheme that will not be met. We urgently need clarity about the extent to which 'right to bid' will operate. It is unlikely that the budget will be large enough to fund all the proposed 'right to bid' schemes and in this case it is important not to lose sight of the fact that customers with multiple and complex needs will still have to be catered for under mainstream programmes such as flexible New Deal.

7.9 DWP has to manage expectations of the extent of 'right to bid' by disclosing the budget, communicating the parameters for evaluating the merits of different proposals and ensuring that the initiative is effective in supporting the hardest to help. We must not let innovative proposals from mainstream programmes slip and we certainly do not wish for the 'right to bid', although a very exciting opportunity, to detract from the potential for innovative solutions from flexible New Deal. There is also a lack of detail about the process of the 'right to bid'. It is unclear how a provider would submit a bid and what the likely timescale of bid assessment through to implementation would be. The problem with continually assessing bids is that it would seem to run counter to procurement regulations

which require an open competition on all ideas. The Department would need clear legal advice on how to run a 'right to bid' scheme prior to implementation.

One possibility may be to hold a series of innovation competitions and invite entries. However the scheme is implemented, budget and timescale are necessary information for all wishing to participate.

7.10 ERSA notes the paper looks favourably upon the City Strategy Pathfinders as a way of devolving power to deliver local flexibility. ERSA is yet to be convinced that City Strategies are fulfilling their potential as truly representative local partnerships due to our members' experience of trying to work with them. Providers have found it very difficult to participate in City Strategies. They seem to operate as closed-shops rather than being democratic, open and accessible. Providers feel that many City Strategies have shown reluctance to involve organisations that are not operating at a very local level, when in fact there is much expertise and valuable provision above this level, from which Pathfinders could benefit. Should the model be expanded, providers will have the added challenge of breaking into these partnerships rather than being included from the outset in discussions about forming consortia and delivering services the locality needs. Of most concern is the fact there has been no public evaluation of Cities Strategies. It is very difficult to know what the lessons are arising out of the Pathfinders, and what the good practice is. We would urge the Department to redress this situation and publish evaluation and good practice arising from the City Strategies initiative.

## **8. Final Conclusion**

8.1 ERSA is supportive of welfare reform, and the pace has picked up fast. At the level of principle the paper is very coherent and is moving in a direction that providers support. The challenge is one of implementation - as ever the devil is in the detail. We must be careful to ensure that structures are carefully thought through and are in place before making sweeping changes. There is so much change in provision already underway and the paper introduces even more. Although concepts such as the 'right to bid' and 'work for your benefit' schemes are welcome, we need to examine how they will fit into the current provision picture. We need to consider the implications of the changing roles and responsibilities of organisations – of Prime contractors, Local Authorities, DWP and so on. The overriding objective will be to minimise risks and maximise the chances of success so we need time to fill in the details properly. We must not underestimate the scale of the challenge.

8.2 ERSA does want reform to succeed and wants to actively contribute towards achieving an 80% employment rate, reducing Incapacity Benefit claims by 1 million, eradicating child poverty by 2020 and providing equality for disabled people by 2025, if not sooner. We are pleased that DWP are working in partnership with the provider community to achieve this, and we want to continue to making welfare reform a success for the benefit of our customers.