



City of Westminster

# Housing, Finance and Corporate Services Policy and Scrutiny Committee

<b>Date:</b>	13 <sup>th</sup> June 2016
<b>Classification:</b>	General Release
<b>Title:</b>	Westminster Employment Service – analysis and issues to inform the design of the new service
<b>Report of:</b>	Ed Watson, Executive Director of Growth, Planning & Housing
<b>Cabinet Member Portfolio</b>	Councillor Daniel Astaire, Cabinet Member for Housing, Regeneration, Business & Economic Development
<b>Wards Involved:</b>	All
<b>Policy Context:</b>	City for All and Westminster's Employment Programme promote opportunity for all including through supporting residents into training and employment and activities which encourage healthy, active lifestyles to reduce dependency and isolation.
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## 1. Executive Summary

The report provides Committee with an analysis of long term unemployment in Westminster and the lessons learnt from other programmes.

Options are set out about the City Council's future role in reducing long term unemployment. Committee's views will help inform the business case for a new Westminster Employment Service which is a City for All Year 2 commitment.

Following input from Committee, workshops are planned with colleagues, external partners and experts to inform the business case for the service which will be considered by the Council's Executive Management Team and Cabinet Members.

## 2. Key Matters for the Committee's Consideration

The Committee is asked for a view on:

- Strategic options for the City Council in designing a new Westminster Employment Service, summarised at paragraph 4.6 below.

Other matters which Committee is asked to consider are:

- The analysis of long term unemployment and the challenges of reducing long term unemployment.
- The outline vision for the Westminster Employment service and intended outcomes which it seeks to support.
- Beneficiaries for the new service and considerations of who should be prioritised, if at all.

## 3. Background

Background information regarding each of the key matters is set out below. Additional information is also set out in the Background paper (Annex 1)

- Analysis of long term unemployment – slides 2-14
- Summary of challenges – slide 15
- Four strategic options for the Council – slides 16-21

### ***Local policy context & definition of long term unemployment***

- 3.1 The City for All Ambition is to 'work with and challenge our partners to reduce by a third, within three years, the 10,000 residents who are long term unemployed'
- 3.2 Year 2 of City for All commits the City Council to supporting this target through establishing a new Westminster Employment Service.
- 3.3 The local definition used by the City Council for long term unemployment is residents claiming Department for Work and Pensions benefits for 1 year plus. This included the following benefits: Employment Support Allowance (ESA), Jobseekers Allowance (JSA) and Lone Parents.

### ***National policy & direction on unemployment***

- 3.4 Features of the government's approach and policy direction of most relevance to Committee include:
  - *Devolution* – Westminster Council, through Central London Forward and the GLA is pursuing 'asks' to the government focussed around better support for the long-term unemployed and reinvestment of resulting benefit savings into local programme.
  - *Redesigning and commissioning programmes to address long term unemployment* – National programmes overseen by the Department for Work and Pensions – the Work Programme and Work Choices – are being

replaced by a more targeted Work and Health Programme from 2017. The focus will be on health barriers and people that have been unemployed longer than two years. Through the devolution deal which London has secured, sub-regions in the capital will co-commission the Work and Health Programme.

- *Welfare reform* - Jobcentreplus functions are likely to change radically in coming years through rollout of Universal Credit which will also transform the definitions of unemployment / benefit off-flows, blur current distinctions between in-work and out of work benefits and change the basis of labour market statistical analysis.

#### **4. Additional information for Committee on key matters**

##### ***Strategic options for the Council in reducing long term unemployment***

- 4.1 Reducing unemployment and the number of residents claiming DWP benefits is not a statutory function for local government but there are a number of reasons why local authorities, including Westminster choose to get involved which include:
- Employment is a mean of sharing prosperity and helping residents to become more resilient and independent.
  - Providing quality services to residents through integrating local services, including those directly managed or commissioned by local authorities.
  - To leverage resources to deliver programmes and to reduce demand on mainstream budgets.
- 4.2 Local government has a unique role in being able to add value to local and national programmes designed to tackle long term unemployment. This includes through orchestrating multi-sector partnerships, commissioning interventions which are known to work e.g. to reduce barriers to employment and leveraging the value of its commercial relationships for public good.
- 4.3 To help the Council understand where its efforts and resources might be best directed to reduce long term unemployment in the future, four options have been developed. Options are presented to inform discussion and plans for the Westminster Employment Service.
- 4.4 Options developed reflect emerging good practice, particularly the lessons learnt from what other local authorities do, including Manchester. Options reflect the fact that the City Council is not an exclusive provider of employment support – there are a number of local services: including Jobcentreplus, the Work Programme, College and WAES provision and programmes commissioned by London wide organisations.

- 4.5 In developing the four options, consideration has been given to:
- Creating a coherent local “brand” for employability, whilst reflecting national intentions around regional procurement of the next wave of DWP programmes.
  - Ways of structuring local partnerships.
  - Varying levels of ambition and risk for the Council.
- 4.6 Further information on each option is set out at Annex 1. In summary the four options are:
- **Prime Integrator:** co-commissioning welfare programmes with DWP and participating directly in the management and delivery of employability programmes.
  - **Multi-agency integrator:** utilising the powers and influence of the Authority to “join-up” local services around the individual.
  - **Local franchise:** creating a local framework within which all organisations operate to a set of agreed practices and standards.
  - **Targeted commissioning:** commissioning (and delivering) programmes for most disadvantaged residents not supported effectively through other employability services.
- 4.7 Committee and expert witnesses attending the Committee meeting are asked for their views on these options to inform the development of the new Westminster Employment Service.

### ***Analysis of long term unemployment***

#### Population and trends in long term unemployment

- 4.8 Information about long term unemployment in Westminster, comparative analysis with other areas and an illustrative customer journey of a long term unemployed resident in Church Street is set out at Annex 1.
- 4.9 The analysis suggests that to reduce long term unemployment in Westminster requires a fundamental shift in the Employment Support Allowance population which forms 80% of all long term claimants.
- 4.10 Analysis below sets out the performance of public provision and focussing on the long term unemployed groups with complex needs and or significant health conditions. This represents the biggest single group of claimants in Westminster.

#### Analysis of the performance of publicly funded employment programmes

- 4.11 There is a consistent, independently verified, evidence base pointing to the lack of success in DWP national programmes over the last 10-15 years in providing effective support for people with complex barriers to employment.

- 4.12 Throughout this period, employment rates for those receiving benefits linked to health or disability barriers, now called the Employment and Support Allowance Work Related Activity Group (ESA WRAG), have remained static and around 50% lower than other groups of unemployed people.
- 4.13 There has been significant reform around the welfare to work market and the structure of commercial arrangements between commissioners and providers. The payment by results approach taken by both Flexible New Deal and Work Programme gave operational license to providers to utilise a “Black Box” approach to delivery, incentivised to innovate by a stepped payment tariff which rewarded sustainable job outcomes according to complexity of need.
- 4.14 Despite the payment tariff for people with the most complex needs exceeding £13,000 per person, it is estimated that 86% of the “harder to help” cohorts will return back to JCP after two years on the Work Programme without a sustained job outcome. Analysis undertaken for the Council suggests that few providers had the resource to invest in those uncertain of achieving a job outcome.
- 4.15 Other programmes aimed at supporting those with more complex barriers have also delivered similar results: Pathways to Work (2003-11) delivered 12% sustained job outcomes.
- 4.16 The successor programme to Pathways to Work under the Coalition Government was Work Choice (2011-date), a specialist programme for those with health and disability-related barriers to work. The Pathways to Work Programme is delivering sustainment rates of 17% in unsupported employment. Unlike the Work Programme, Work Choice providers receive 70% of funding up front, and caseload sizes are significantly lower (typically = 40), meaning the service provided to participants can be much more intensive and tailored to their needs.
- 4.17 However, all referrals to this programme must be deemed capable (by JCP) of finding work in the next six months, meaning those with more complex barriers to work have been, inadvertently, referred to the more generic support initiative, the Work Programme. As a result, those harder-to-help participants miss out on the additional support, evidenced by Work Programme performance statistics, which show those participants achieve around 7% sustainment.
- 4.18 Considerable information exists about what works and has been drawn from national government evaluations, think tanks and programme evaluations. In designing a new or improved offer in partnership with others, the Council can use this evidence base about what works which is summarised at slide 11 in the Background Information.

### ***Challenges of reducing long term unemployment***

- 4.19 A summary of challenges which need to be considered and addressed through a new service offer is set out at slide 15.
- 4.20 Specific challenges for Westminster and reflecting the nature of those that are long term unemployed in the City and the welfare to work market include:
- Designing programmes around the needs of residents and valuing “distance travelled” on the journey to employment as well as long-term sustainment is needed.
  - Integrating services to better reflect customer journeys and the time needed for those furthest from the job market.
  - Most employability services are designed to provide job seeking skills like creating CVs and interview skills: approaches being trialled by the Council could potentially be scaled up Evidence about what works suggests that those who have not worked for many years need support to build confidence, self-esteem, as well as dealing with practical barriers like debt, language and technical skills.
  - Relationship with employers - the tension is that employers seek the best candidates and therefore there is a pressure to put those closest to the job market into the opportunities. The alternative for those not ready to work in competitive work environment is to volunteer and there are few options between the two. There is an opportunity to create a different relationship with local employers providing a more supported employment environment and to create “social businesses” to provide employment opportunities.

### ***An outline vision for the Westminster Employment Service***

- 4.21 Officers have received range of inputs to inform our thinking on how challenges identified above could be address through a new service.
- 4.22 In summary, the outline vision for the Service is:
- A local “brand” positioned as the mainstream employability service for people in Westminster, encompassing other programmes and providers in a partnership.
  - New service designed specifically for long-term unemployed and co-commissioned with DWP (see question on beneficiaries).
  - Comprehensive needs assessment and triaging linked to identifying all barriers to employment and developing a personalised action plan.
  - An integrated model that leverages other services, inside and outside the Council around a defined customer journey.
  - Leverage of Council powers and assets to support improved employability.

- A single point of interface with local employers, a local model for supported employment and means of rewarding and celebrating contribution.
- Creating new skills and qualifications through schools and colleges relevant to employer needs.
- Leveraging new sources of funding through engagement with social investors and grant making organisations to improve the quality of support.

**4.23 Intended outcomes** for the new Service which have been drafted to date and aligning to the City for All priority include:

- Reduction in the stock of people who are long term unemployed (as per City for All ambition)
- Reduction in unemployment for prioritised cohorts (see below)
- (Larger) Number of people closer to work or given opportunities to take up employment
- Reduction in prevalence of issues which are barriers to employment
- Increase in sustained job outcomes

***Beneficiaries for the new service and considerations***

4.24 Knowing who the service is going to support and why, underpins the design of the new service and specific interventions delivered by the Council and or local partners. The Council's interests are to provide a quality service, to increase efficiency, reduce duplication and to support savings.

4.25 To help the Council to answer the question of who should be supported and why, a cross Council team has developed an analytical tool based on best practice from elsewhere – New Economy, Manchester.

4.26 Officers have analysed information on 40 particular groups of unemployed people based on:

- **The size** of a particular group of resident (e.g. temporary accommodation residents or NEETS)
- **The “Severity” of their barrier to employment** (e.g. childcare, living in temporary accommodation, ex-offender)
- **The cost avoidance** to WCC in the medium and long term and our partners in public sector (e.g. DWP, NHS and Police)

4.27 To be best placed to meet the aspiration set out in City for all, it is recommended the council takes the approach of focusing its resources on groups that rank highest in terms of cost avoidance and size of a particular unemployed group as set out in table 1 below.

**Table 1 Analysis and ranking of long term unemployed cohorts**

<b>Cohort Group</b>	<b>Size of unemployed group</b>	<b>Rank through WCC analysis</b>
Temporary Accommodation	1090	1
Troubled Family	250	2
Child known to Social Services	500	3
In Supported Accommodation	400	4
Having a physical disability	4000	5

4.28 This approach would enable the council to support groups which present the highest demand on council services, are likely further from the labour market and are the largest in terms of volume.

4.29 Further cost benefit analysis will be undertaken on each of the top 5 groups of residents above followed by consultation with stakeholders and within the Council as part of the Business Case for the new Westminster Employment Service.

## 5. **Health and Wellbeing Implications**

5.1 The City Council's Health and Wellbeing Strategy set out the role of employment as a wider determinant of health and wellbeing. Outcomes for the new service are currently being developed and with input from the City Council's Public Health team and officers involved in developing the revised Strategy.

## 6. **Financial Implications**

6.1 Financial implications for the different options are being developed with input from colleagues from City Treasurer's Department. Analysis will be included in the business case to be agreed for the new Service in July.

## 7. **Risks and Mitigations**

<b>Risk</b>	<b>Mitigation</b>
The service design doesn't reflect the specific needs of long term unemployed customers and what works	<p>Undertake customer journey analysis for cohorts that make up Westminster's long term unemployed population.</p> <p>Review literature from a wide range of sources about what works; and convene an expert panel to learn lessons from elsewhere.</p>



Long term unemployment increases due to external factors including demographic changes and an economic downturn	Develop options for the Service or with suppliers that can be responsive to fluctuations in demand.
Most employment services are commissioned externally and not by the Council which might impact on the effectiveness of a new Service	Develop options for the design of the service with input from providers and local commissioners.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact Report Author x2244  
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