

# Which way now for employment support in Wales?

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**Learning and Work Institute**

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## Executive summary

Unemployment is at an historic low in Wales and its largest urban areas are thriving. But Wales faces some specific economic challenges. Some 146,000 working-age people are economically inactive because of long-term sickness or disabilities<sup>1</sup>. There are also pockets of poverty in many parts of rural Wales and in former coalfield communities: places that often have fewer employment opportunities, lower wages and poorer transport.

If the employment rate of Wales (74%) equalled that of the UK (75.5%) an extra 28,000 people would be in work. As well as the fiscal impacts on the UK and Welsh exchequer, more people in work in Wales helps families move out of poverty, gives people more spending power and boosts demand in local economies. Enabling more people to move into work would also enable successful sectors such as the Welsh biotech industry, food and drink, renewable energy, and IT to grow at a time when many employers are struggling to fill jobs. Increasing the employment rate is key to achieving the ambitions of the Wellbeing of Future Generations Act, 2015, particularly its commitments on a prosperous and equal Wales.

Increasing the employment rate will require addressing economic inactivity due to ill-health through a better employment support system that is integrated with skills and health provision. Today in Wales employment support is provided by Jobcentre Plus, through DWP-commissioned programmes, Welsh Government programmes, councils, colleges and civil society organisations. In some cases, it is integrated with skills and health and social support, but in many places it is not sufficiently integrated.

Employment support covers a variety of activities which include individual coaching, employability courses, job clubs, careers advice and guidance, jobs fairs and jobs brokerage, supported work placements and in-work support. Today, most employment support in Wales is funded by the UK Government (through the DWP or the UK Shared Prosperity Fund) or the Welsh Government, through its Barnett formula allocation.

There are many excellent employment support programmes in Wales and many committed and skilled staff. But there are also shortcomings in current provision. Employment outcomes are often poorer for groups such as older people and those with health conditions and disabilities. Many programmes have a one-size-fits-all approach that lacks flexibility to meet different needs. Clients with the greatest barriers to work may not receive the help they need because of high coach caseloads; in Wales a coach had an average of 86 Universal Credit 'searching for work' clients in May 2023<sup>2</sup>. Skills provision and careers advice – the responsibility of the Welsh Government – is not always

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<sup>1</sup> Labour Force Survey, May 2022-July 2023.

<sup>2</sup> Calculations made from answer to Parliamentary Question to Gut Opperman UIN 188705 tabled on 9 June 2023.

integrated into local employment support offers. Furthermore, employment support programmes struggle to reach economically inactive people and those in low-paid or insecure work. Links between employment support programmes and local employers are sometimes weak.

Despite these unique conditions and the opportunity of economic growth, employment support in Wales doesn't always reflect Welsh circumstances. Giving the Welsh Government and Welsh stakeholders a stronger role in the design and delivery of employment support services in Wales could be opportunity to better tailor provision to Wales' economic and skills priorities and needs and get better results for the people of Wales.

There are already real-world examples of the devolution of employment support in the UK. Nearly all aspects of employment support policy have been devolved to the Northern Ireland Executive. The Scotland Act 2016 led to a devolution of employment support programmes, as well as the administration of some benefits. In 2023 'trailblazer' devolution deals committed to give the Greater Manchester and the West Midlands Combined Authorities powers to co-design employment support programmes and careers policy by the time of the next spending review in 2026. Some aspects of both health policy and the Adult Education Budget (covering funding for adult and further education) have also been devolved to the Greater Manchester Combined Authority which has given its policy makers extra tools to design employment support programmes that better link with skills provision and health support.

There are different models of devolution, and it is for politicians to decide which approach to take. Politicians could opt for the co-design and co-commissioning of services, similar to the Greater Manchester and West Midlands trailblazer deals. Administrative devolution would take co-design and co-commissioning further by allowing Welsh Government and Welsh stakeholders to take responsibility for delivery. Fuller devolution would see the employment support budget devolved to Wales through the Barnett formula, with full policy design and funding parameters set by the Welsh Government which would be accountable to the Senedd for policy outcomes. Whatever approach is adopted, Learning and Work Institute believes that a Welsh employment support service should be underpinned by a set of ten principles, set out below.

### **1. Universal and targeted services**

A Welsh employment support services needs to provide an accessible and universal service for people alongside targeted programmes for those with specific needs – for example, digital inclusion or mental health support.

### **2. A flexible, person-centred and integrated system**

Employment support needs to be responsive to a range of needs, from people who just require a little help to those with many barriers to work.

### **3. Subsidiarity where possible**

Whether responsibility for employment support lies with the UK or Welsh Government, councils, colleges, and local providers are key partners in the design and delivery of employment support. A future Welsh employment support system should be based on the principle of subsidiarity: that a central authority should only undertake roles that cannot be performed better at a local level.

### **4. Evidence-driven design**

Evidence underpins effective employment support – both in relation to local labour market conditions and evidence of what works to help people find work.

### **5. Investment in reaching and engaging users**

Currently most people receive employment support after signing on as unemployed. But over the next two years, Universal Support and the Work and Health Programme Pioneer programmes will be targeting economically inactive disabled people, with participation in these programmes being voluntary. People in low-paid and insecure work also stand to benefit from employment support. Programmes need to find ways to reach and engage participants who are not mandated by Jobcentre Plus. This requires investment in marketing, as well as the involvement of trusted intermediaries to reach people.

### **6. An active role for employers**

Many employment support programmes already involve employers in their work, through job brokerage (matching clients to jobs) and job fairs. Individual Placement and Support (IPS) models of employment support – where a person is placed into a job and given in-work support - also require the provider works closely with the employer to offer a supported placement. Employers also have a role in making sure that work coaches have good local labour market knowledge so they can offer the best advice to clients.

### **7. Value for money**

Services need to be cost-effective and represent value for money. Larger programmes may accrue economies of scale. Devolution has the potential to reduce those economies of scale. However, devolution also has the potential to save money with better tailored programmes that respond to local conditions more appropriately.

### **8. Alignment with other policy areas including health**

Devolution in Wales has created some 'jagged edges' where policy areas can cut across each other rather than contribute to the same goal. As economic inactivity due to ill-health is higher in Wales than in England, it is perhaps even more essential that employment support policy reaches those who do not currently get help and joins up with the skills and health policy.

### **9. Transparency and accountability**

An employment support service with greater levels of devolution will require a Welsh minister who can be held to account. The Senedd would also need to be given powers to

scrutinise a devolved employment support service, potentially through its Economy, Trade and Rural Affairs Committee. Providers could be required to sign outcome agreements with Welsh funders.

### **10. Stable and sustained funding**

Employment support is a policy area that has been beset by short-termism and by multiple programmes and funding streams that have not been sustained. This has added to the complex and fragmented nature of local provision. Future employment support provision in Wales needs stable and sustained funding.

### **Recommendations**

These ten principles should underpin a future Welsh employment support system. It is for politicians to decide the approach to take in relation to the devolution of employment support. But employment policy can be better. With a clear set of shared aims between both governments, and strong underlying principles supporting a discussion on responsibilities, we can begin to piece together a coherent approach to helping the people of Wales into fair work. To take our ideas forward we recommend:

- The Welsh Government and the Department for Work and Pensions should set up an inter-governmental committee to develop a shared strategy and outcomes for employment support in Wales.
- The shared strategy should examine scope for future employment support services. This may include greater alignment, co-commissioning, or devolution of new and existing provision.
- The Department for Levelling Up, Housing and Communities should ensure Welsh Government is involved in the design, administration, and implementation of the UK Shared Prosperity Fund programmes in Wales.
- The Welsh Government should set up a Welsh employment support taskforce that involves councils, colleges, public health, employers, and civil society that looks at the design and delivery of Welsh strategy for employment support.
- Welsh Government should facilitate partnership agreements between employment support provision (including through DWP) and partner services such as in health, housing, and economic development.
- All evaluations of employment support programmes that have operated in Wales are published and made public, job outcomes and value for money data.
- The Welsh Government and the Department for Work and Pensions should work with partners to develop a quality standard for employment support in Wales that can support accountability and be used as a basis for funding agreements.

## Introduction

It is just over 25 years since the Government of Wales Act 1998 was passed, legislation that paved the way to today's constitutional and budgetary settlement for Wales. One of the principal arguments made at the time of this legislation was that devolution would deliver an 'economic powerhouse' capable of shaping the fortunes of the Welsh economy for the better. Despite this claim, the devolution settlement has, in practice, given a mixed bag of economic levers to policymakers with a remit to stimulate growth, create jobs and reduce poverty and inequality.

Wales lags behind England and Scotland across many economic indicators. The employment rate in Wales has been lower than in England and Scotland for all of the last 30 years, while economic inactivity and unemployment rates have been higher. Some 7.7% of the working age population of Wales – 146,000 people – are economically inactive due to long-term sickness, compared to 5.7% of the population of England. The disability employment gap is 33.6 percentage points in Wales, compared with 23.9 percentage points in England. Active labour market policies – employment support – and a joined-up skills, health and employment support service have the potential to increase the employment rate in Wales. In turn this would boost local economies and increase household incomes. Enabling more people to move into work would also enable successful sectors such as biotech, food and drink, renewable energy, and IT to grow at a time when many employers are struggling to fill vacancies.

### **What is employment support?**

Usually termed employment support, or sometimes employability or welfare-to-work support, these are interventions for people who need help finding or progressing in work. Employment support covers activities such as individual coaching, employability courses, job clubs, careers advice and guidance, supported work placements and in-work support. Jobs hubs are another form of employment support. These are place-based initiatives which bring together employment support, skills, provision, and wrap-around services such as digital inclusion and wellbeing support. Some employment support programmes also offer job brokerage, where local employers with vacancies are linked up to people looking for work.

There has been a recent expansion of Individual Placement and Support (IPS) programmes in England, where after an initial assessment, participants are placed into a job and receive most of their support in work, rather than before they find employment. Outside some small pilots, there are fewer supported placements in Wales.

In Wales, employment support is provided by a wide range of organisations, including Jobcentre Plus, programmes commissioned by the Department for Work and Pensions (DWP), Welsh Government, councils, colleges, social landlords and a range of for-profit and not-for-profit organisations.



Wales also faces some specific economic challenges, some of which are a legacy of its loss of its traditional mining and manufacturing base. Employment rates tend to be lowest in the former coalfield communities. There are also pockets of poverty in many sparsely populated rural areas, in communities that often have fewer employment opportunities, lower wages and poor transport<sup>3</sup>. A better employment support system has the potential to build the resilience of rural and former coalfield areas.

Despite these unique conditions and the opportunity of economic growth, employment support policy largely remains the responsibility of the UK Government. We think this situation requires a rethink, with the potential for better alignment of policies, particularly on health and skills and greater input from providers and employers who operate in Wales.

One option is to see greater devolution of employment support services, giving greater powers to the Welsh Government. This could enable decisions to be made closer to the communities they affect and with the active involvement of Welsh councils, healthcare providers, further education colleges, businesses, civil society and service users. Devolution could also enable greater alignment with existing devolved policy areas in Wales such as education and training, health, housing, transport, and economic development.

However, devolution is not an automatic route to a high-quality service that better integrates employment support, health and skills. Devolution needs to draw on evidence of effective practice. As we argue later, it should have clear aims and be based on a set of delivery principles. Regardless of the discussion on devolution, good inter-governmental working will always be a necessary pre-requisite of a successful employment support landscape given the relationship between devolved and non-devolved policy areas that have an impact on employment.

## About this report

This paper examines what a Welsh employment support service might look like if it reflected Welsh circumstances, in particular high rates of economic inactivity due to ill health. We then set out some principles that should underpin the discussion about devolution and delivery of employment support services.

Employment support services need to respond to labour market conditions. Our paper starts by examining employment in Wales: who is and who isn't working, what type of jobs they do and the sectors in which they are employed. We then look at the current employment support system, highlighting where it does well and its shortcomings. Our paper then examines options for devolving employment support and the principles that should underpin this process. We then set out our proposals for a Welsh employment support service.

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<sup>3</sup> Williams, E. and Doyle, R. (2016) *Rural Poverty in Wales: Existing Research and Evidence Gaps*, Cardiff: Public Policy Institute for Wales

The report is timely. Over the next three years, a number of key employment support programmes are due to end. New programmes are currently being developed by the DWP, including Universal Support, an IPS-type programme targeting economically inactive people who are disabled in England and Wales. There are currently opportunities to influence the design of this programme. The first tranche of the UK Shared Prosperity Fund, which is currently funding some local employment support programmes, finishes in March 2025. There will also be a general election, and a Senedd election in May 2026. Elections, the development of new programmes and funding changes are opportunities for debate about the future of employment support. In writing this report, we hope to influence these debates and spark discussions about the design of a future Welsh employment support system.

# The Welsh labour market in context

## Key points

The employment rate in Wales is lower than in England and Scotland, as a result of higher rates of economic inactivity.

- Poor health and disabilities are the main cause of economic inactivity in Wales, with 146,000 people or 7.7% of the working-age population economically inactive due to long-term health conditions or disabilities in Wales, compared with 5.5% in England and 6.9% in Scotland<sup>4</sup>.
- Increasing the overall employment rate in Wales would help families move out of poverty and boost local economies in Wales.
- Employment support also has a role to play in addressing job insecurity and in-work poverty and making Wales a fair work nation that is responsive to changing employment patterns.
- Looking forward, Wales will need more workers with digital and green skills and a larger social care workforce. However, jobs may be lost through AI and automation. Employment support has a role in helping people change career and enabling communities to be resilient to economic shocks.

It is impossible to examine the Welsh labour market of today without understanding what's happened in the past. Wales was one of the first nations in the world to industrialise, with copper, coal, iron and steel bringing a wholesale transformation of an agrarian society towards one based on primary resource extraction and manufacturing industry. Despite the economic growth of the 19<sup>th</sup> century, the decline of these industries during the 20<sup>th</sup> century has left enduring social and economic challenges.

By the 1990s, it was clear that Wales was an economic outlier compared to other parts of the UK with a labour market facing lower levels of employment and higher levels of economic inactivity. There are also deep inequalities in Welsh society, with younger people, the over 50s, people from some minority ethnic groups, disabled people, or those with health conditions less likely to be in work. These inequalities are often compounded by geography, with lower employment rates in many former coalfield and rural communities. The employment support system needs to respond to these conditions, which we discuss in greater detail below.

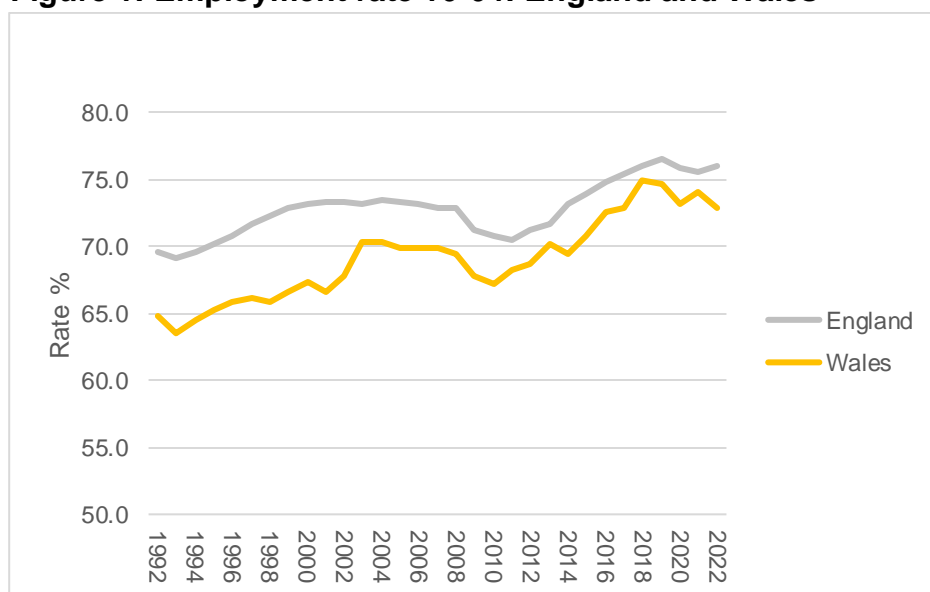
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<sup>4</sup> Labour Force Survey, May 2022 – July 2023.

## The employment rate in Wales is lower than in England or Scotland

Compared with England and Scotland, Wales has long had a structural gap in employment rates with roughly 5 percentage points lower employment rates between 1992 and 2022. Despite this, the overall trend has been one of steady growth in employment rates and convergence with the England and Scotland trend, until the beginning of the pandemic. Since March 2020, the gaps between Wales, Scotland and England have started to widen again (Figure one). The latest Labour Force Survey data shows that 75.8% of the working age population was in employment in England, compared with 75.1% in Scotland and 74% in Wales<sup>5</sup>.

**Figure 1: Employment rate 16-64: England and Wales**



Source: Labour Force Survey March 2023

Wales' lower employment rate is a result of higher rates of economic inactivity, rather than unemployment. Indeed, the overall unemployment rate in Wales (3.8% in May-July 2023) is now lower than that of England (4.3%) and Scotland (4.3%). There are, however, pockets of long-term unemployment in Wales.

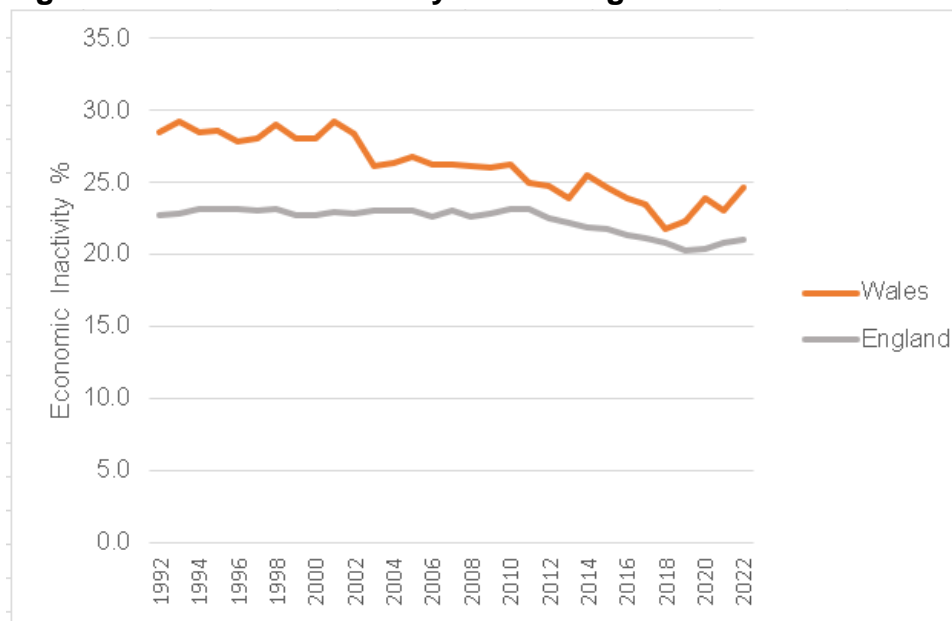
Worklessness impacts on individuals, families, communities and wider society. Sustainable, good quality, fairly paid and secure work is the best route out of poverty. Boosting the employment rate to equal that of England would mean an extra 34,000 people in work in Wales. Boosting Wales' employment rate to that of New Zealand (80.3%), a country with many socio-economic similarities to Wales, would mean an extra 114,000 people in work. As well as the fiscal impacts on the UK and Welsh exchequer, more people in work in Wales helps families move out of poverty, gives people more spending power and boosts demand in local economies. Increasing the employment rate is key to achieving the ambitions of the Wellbeing of Future Generations Act, 2015, particularly its commitments on a prosperous and equal Wales.

<sup>5</sup> Labour Force Survey, May – July 2023.

## Economic inactivity due to disabilities and poor health is a major cause of worklessness in Wales

Proportionally more people are economically inactive in Wales (24.5% of the working age population) than in England or Scotland. It is economic inactivity – meaning people are not working or looking for a job - rather than higher rates of unemployment, that drives the lower employment rate in Wales. Economic inactivity has long been higher in Wales, compared with England, although there were modest improvements until 2018 (Figure Two). Since then, the trend in economic inactivity has been upwards.

**Figure 2: Economic inactivity 16-64: England and Wales**



Source: Labour Force Survey March 2023

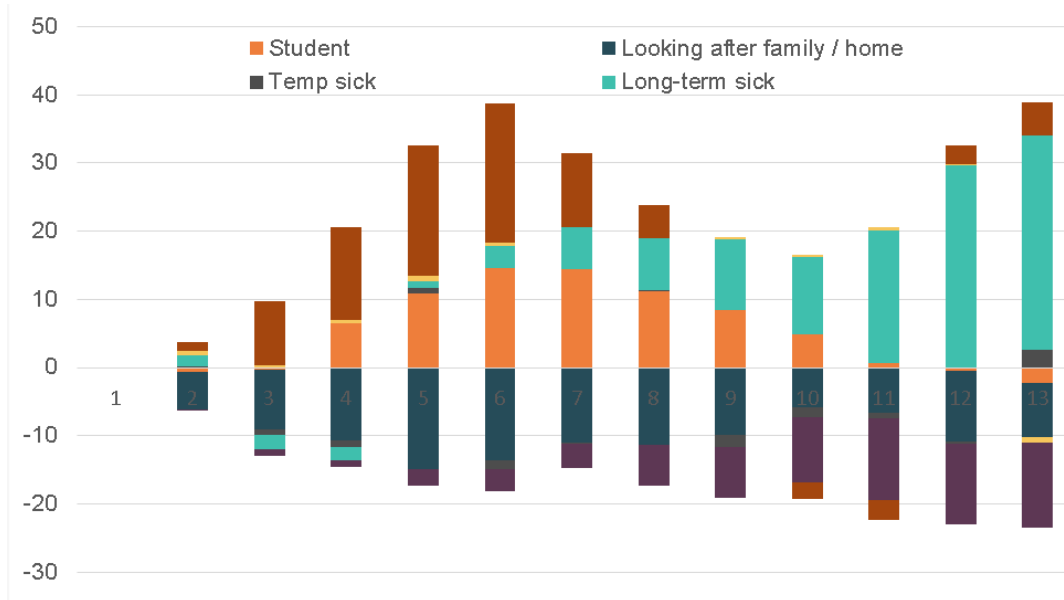
The most recent Annual Population Survey suggests that 468,000 people are economically inactive in Wales, of whom 161,600 people are not working because of long-term health conditions or disabilities. Indeed, poor health and disabilities are the main cause of economic inactivity in Wales, with 153,800 people or 8.5% of the working-age population economically inactive due to long-term health conditions or disabilities in Wales, compared with 5.4% in England and 6.9% in Scotland.

The Annual Population Survey suggests that the employment rate for disabled people in Wales was 48.9% in the year ending December 2022. This compares to a rate of 82.2% for non-disabled people.<sup>6</sup> The unemployment rate for disabled people in Wales was 6.2%, suggesting a significant number of disabled people are economically inactive.

<sup>6</sup> <https://www.gov.wales/labour-market-statistics-annual-population-survey-2022-html#120769>

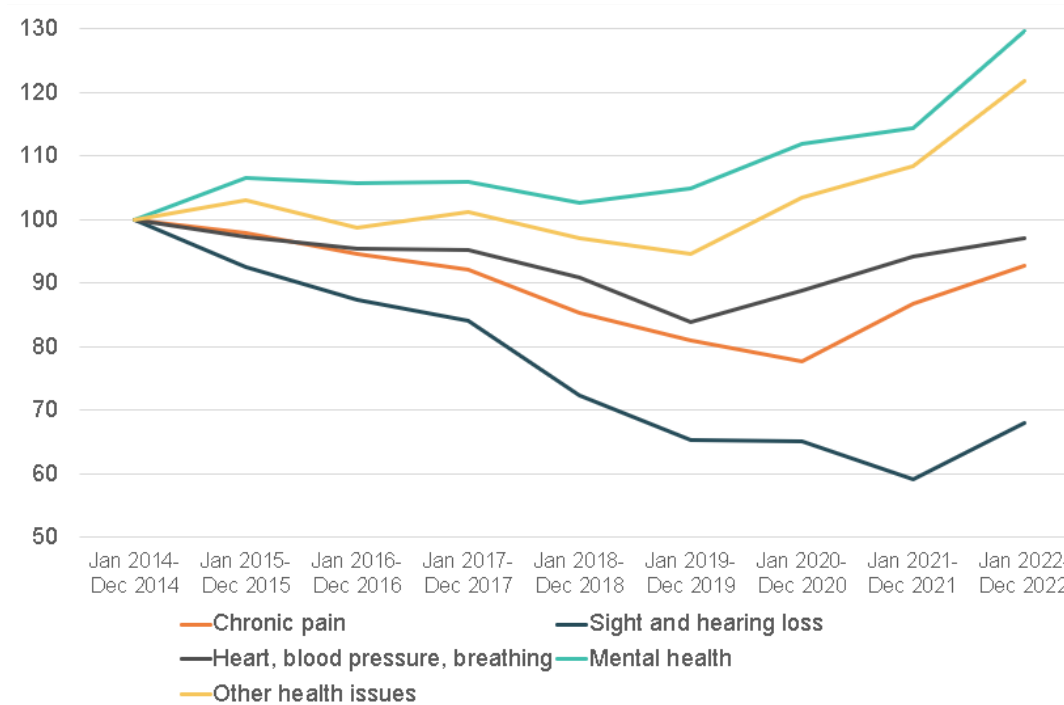
The COVID19 pandemic has increased the numbers of people in Wales leaving the labour market, in particular, among the over 50s. In the first months of the pandemic, the increase in economic inactivity was largely driven by students staying on in education. But as the months progressed, the rise in economic inactivity was driven by long-term sickness, in particular, mental health conditions (Figures 3 and 4).

**Figure 3: Economic inactivity during the pandemic**



Source: Annual Population Survey June 2023

**Figure 4: Health conditions for those economically inactive (Annual Population Survey June 2023)**



Source: Annual Population Survey June 2023

Some 75,000 economically inactive people in Wales say that they want a job, among them people with health conditions and disabilities. Yet most Jobcentre Plus and DWP commissioned employment support currently excludes economically inactive people. While economically inactive people are often entitled to employment support that is offered by other providers in Wales, many of this group do not take up this help, because they do not know about it, or are not referred to it by Jobcentres. Some economically inactive people are fearful of trying out work, because they are worried about losing their benefits<sup>7</sup>.

If employment support is to help more economically inactive people in Wales move into work, providers need to reach out and engage communities, as well as help people manage health conditions and disabilities while working.

### **Labour market inequalities in Wales**

Wales' headline labour market statistics tell us about the broad challenges facing the Welsh economy, but below the headlines there are specific challenges that warrant addressing. In Wales, the employment rate for females was 69.2% compared to 78.8% for males, with this gap tending to reflect women's caring responsibilities. Female employment rose steadily in Wales from the early 1990s until 2019, reflecting a UK-wide trend and more affordable childcare. In April 2019, female employment peaked at 73.3%, compared to 57.6% in April 1994. However, female employment rates in Wales have fallen since 2019 in Wales, and now stand at 69.2% while UK-wide figures have remained steady.

Minority ethnic groups have lower rates of employment in Wales – 67.7% in 2022 – compared with the white population (73.6%). At 6.2%, the unemployment rate for minority ethnic groups is more than double that of the white population, where unemployment stood at 2.8% in 2022<sup>8</sup>.

There are also marked geographic differences within Wales in rates of employment and economic inactivity. North Wales has historically performed better than the Wales-wide average with higher levels of employment and lower levels of economic inactivity. Conversely, South Wales has typically performed poorly in relation to unemployment and economic inactivity. Table A.1 in the appendix sets out employment and economic inactivity rates for each current Senedd constituency, and the proportion of the working-age population that is economically inactive due to long-term health conditions. The planning and targeting of employment support programmes needs to respond to these ethnic, gender and geographic inequalities.

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<sup>7</sup> See Disability Rights Alliance response to 2023 Spring Budget  
<https://www.disabilityrightsuk.org/news/health-and-disability-white-paper-support-not-sanctions-needed-says-dr-uk>

<sup>8</sup> Annual Population Survey 2022.

## Insecure work in Wales

Median pay tends to be lower in Wales, compared with England and Scotland, particularly in rural areas and the heads of the valleys<sup>9</sup>. As well as low pay, significant numbers of people in Wales are employed as agency or casual workers, on zero hours contracts, or self-employed. For many, these forms of work can suit their personal circumstances. For others, it can be the only work they can get, and they might prefer more secure forms of work.

The Living Wage Foundation estimated that 26% of workers in Wales experience elements of contractual, financial or protection insecurity, more so than in England (21%)<sup>10</sup>. Low pay and job insecurity put pressures on too many families in Wales. This is recognised by the Welsh Government which has a longstanding commitment to making Wales a fair work nation, where everyone can access better jobs, develop their skills and careers and where work is life enhancing and without exploitation or poverty<sup>11</sup>. Employment support and careers advice have a role to play in achieving these aims helping people in low paid or insecure jobs progress in work. In Wales, Jobcentre Plus is providing employment support to nearly 40,000 people who are working but still receiving Universal Credit, but as we discuss later in this report, it has proved challenging to reach and deliver employment support to people who are in work.

## Career change

Wales' industrial base has never been static. The final years of the 20<sup>th</sup> century saw the decline of Welsh extractive and manufacturing industries on which its 19<sup>th</sup> economic growth was based. Some of the place-based differences in employment rates across Wales are a result of failures to help the populations of deindustrialising areas to change careers. Manufacturing jobs in Wales continue to fall, from 184,000 in June 2003 to 143,000 in June 2023. More recently, the growth of out-of-town and automated online retail is linked to fewer jobs in the high street. Retail and wholesale jobs in Wales fell from 209,000 to 189,000 between 2003 and 2023<sup>12</sup>.

Looking forward, the Welsh economy will require more digital and 'green' skills and a larger social care workforce<sup>13</sup>. There will be a greater need for workers with level 3-6 qualifications. But jobs may be lost because of offshoring, artificial intelligence and automation. In an ever-changing job market, career changes will become more the norm, rather than an unusual experience. Responding to these emerging trends is an employment support as well as a skills challenge. People need the confidence, job search skills and knowledge to be able to think about new careers, apply for jobs and enrol in

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<sup>9</sup> Provisional data from the Annual Survey of Hours and Earnings showed gross median weekly pay was £540 in Wales in 2023, compared with £576.90 in England and £588 in Scotland.

<sup>10</sup> Richardson, J. (2021) *The Insecurity Complex*, London: Living Wage Foundation.

<sup>11</sup> Fair Work Commission (2019) *Fair Work Wales: Report of the Fair Work Commission*, Cardiff: FWC.

<sup>12</sup> ONS Workforce Jobs by Industry dataset year to June 2003 and year to June 2023.

<sup>13</sup> NFER (2022) *The Skills Imperative 2035: Occupational Outlook – Long-run employment prospects for the UK*, Slough: NFER.



training. Employment support services need to be responsive when people are made redundant, enabling them to change careers if they need to. Services also need to be proactive, enabling people to consider their future job prospects and reskill in anticipation of future changes. Employment support services that are forward thinking in this way help make communities resilient to economic shocks.

## Future demographic challenges

Wales faces demographic challenges as its population ages. While the population of England is projected to grow by 3.5% by 2030, growth in Wales will amount to 2.6%<sup>14</sup>. Importantly for the labour market, the ratio of working age population (16-65 year olds on this data) to those over age 65 will decrease from 2.9:1 to 2.4:1. Around one quarter of the population will be aged 65 or over.<sup>15</sup> Between Census 2011 and Census 2021 the population of Cardiff grew by 4.7%, with Newport also seeing a significant growth in its population. In contrast, the population of rural Wales and the heads of the valleys was at best static or in some cases it declined<sup>16</sup>. Employers in these areas are already struggling to recruit workers.

There are some stark policy choices to be made going forward. Facing a shrinking or static labour force, policy options include:

- Expanding the workforce by increasing international migration.
- Raising the state pension age further
- Increasing productivity, for example through the use of technology.
- Supporting more unemployed and economically inactivity people to work, through improved childcare, tax and benefit incentives and through better employment support.

The Welsh Government does not have the power to determine migration policy as this is a reserved area. In any case, increasing the number of work visas is no guarantee that migrants would remain in Wales. The Welsh Government's ability to change pension, tax and benefits policy is limited. Similarly, Welsh Government cannot alter the state pension age to widen the workforce. However, Welsh Government does have the ability to help more people move into work through the provision of employment support. As we argue later in this report, this provision must better meet the needs of those furthest from the labour market, with greater powers to determine policy granted to the Welsh Government and to local areas.

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<sup>14</sup> ONS National Population Projections, January 2022.

<sup>15</sup> L&W analysis of Stats Wales population projection by year and age.

<https://statswales.gov.wales/Catalogue/Population-and-Migration/Population/Projections/National/2020-based/2020basedpopulationprojections-by-year-age>

<sup>16</sup> The population of Gwynedd saw a 3.7% decline between censuses, while that of Blaenau Gwent saw a 4.2% decline.

## The current employment support landscape in Wales

Employment support has a major role to play in addressing some deep-rooted economic and social challenges in Wales. It is provided by a range of organisations that include Jobcentre Plus, organisations delivering Department for Work and Pensions (DWP) contracts, Welsh Government provision, councils, colleges, independent providers and civil society. Here we examine current provision in Wales.

### Jobcentre Plus and DWP provision in Wales

Currently, 116,000 people receiving Universal Credit are mandated to engage with employment support provision as a condition of receiving their benefits (Table 6). This provision is usually offered by Jobcentre Plus work coaches or DWP-commissioned programmes which include:

- Restart provides 12 months help for people who have been unemployed for more than nine months. Unlike most employment support programmes which are voluntary, Restart participants are mandated to take part by their Jobcentre Plus coach. In Wales, Restart provision is contracted out to Serco, which works with 12 subcontractors including two councils. By April 2023, some 19,000 people had started the Restart programme in Wales. The programme has recently been extended for a further two years and will take its last participant in June 2026.
- Work and Health Programme (WHP) provides help for disabled people who have been out of work for more than 24 months, including in-work support. By the end of April 2023 some 19,125 people had started on the WHP in Wales, including 4,111 in the 12 months to the end of April 2023. The programme delivered by the US public services provider Maximus and is due to end in September 2024. A new WHP Pioneer programme within this contract came into operation in September 2023 and targets economically inactive people who are disabled.
- The DWP Youth Offer provides specialist coaching and access to youth hubs for unemployed 16-24-year-olds. From September 2023 eligibility for the Youth Offer is being widened in stages and on a voluntary basis to include economically inactive 16-24s.

Although most economically inactive people are currently not entitled to receive Jobcentre Plus and DWP-commissioned employment support, this is changing. The Work and Health Pioneer Programme and DWP Youth Offer now offer help to economically inactive people. The UK Government is also developing a new programme which will be opened up to economically inactive disabled people. Called Universal Support and announced in the 2023 Spring Budget, it builds on pilot employment support schemes for people with health

conditions and disabilities<sup>17</sup>. It will follow an Individual Placement and Support (IPS) model, so that after assessment, participants are placed straight into a job where they receive in-work support for up to 12 months. Universal Support will run in England and Wales starting in Spring 2025 and aims to reach 100,000 people. It is envisaged that local authorities will take a leading role in running the Universal Support programme.

DWP Youth Hub have re-energised debates about co-located services. There has been a recent expansion of ‘hub’ based services, usually located in a high street, where coaching, wrap-around support and training are offered under one roof, with the DWP Youth Hub programme taking this forward. This type of provision could be expanded in Wales.

**Table 1: Universal Credit Work Conditionality Regimes in Wales**

Conditionality regime	Description	Number of claimants in Wales
No work-related requirements	No need to look for or prepare for work. Mostly people who are too ill to work, and also lone parents and lead carers whose youngest child is aged under one and other groups with particular caring responsibilities. This group of people would be classed as economically inactive.	131,277
Searching for work	Must actively seek work and meet with their work coach.	56,508
Planning for work	Must meet regularly with their work coach.	5,309
Preparing for work	Must take reasonable steps to prepare for work, usually a group who have a limited capability for work due to ill health or disability and some lone parents and carers.	18,418
Working – with requirements	People who are in work but not earning sufficient to exit conditionality	35,074
Working – no requirements	People who are working and not required to keep in touch with their coach.	56,636

Source: DWP Universal Credit conditionality regime statistics September 2023

<sup>17</sup> DWP and Department for Health and Social Care (2022) *Health-led Employment Trial Evaluation 12-month outcome report*, London: DWP.

## Welsh Government programmes

While employment support is a reserved power, the Welsh Government funds a number of employment support programmes, which aim to fill gaps in provision not catered for by Jobcentre Plus, DWP-commissioned programmes or local provision<sup>18</sup>. Its largest programme is Working Wales, delivered by Careers Wales which has centres in every local authority. Working Wales underpins the Young Person's Guarantee, which provides all under 25s in Wales with help to find a place in education or training, find a job or become self-employed. Although no evaluation of the Youth Guarantee has been published, there has been a small reduction in the proportions of 16-18 year olds and 19-24 year olds who are not in employment, education or training since the Youth Guarantee was introduced in 2021, with 14.6% of 19-24 year olds not in employment, education or training in Wales in the year to October 2022, compared to 17.3% in the year to October 2021. This contrasts with UK-wide trends, where there has been an increase in young people not in employment, education or training since quarter two, 2021<sup>19</sup>.

Working Wales offers careers advice, one-to-one coaching and help to access grants and training. This programme also assesses and refers clients to a number of other Welsh Government employment support programmes which include:

- ReAct+, which provides financial advice and wrap around support to people who face specific barriers to work, for example, low confidence or poor mental health.
- Jobs Growth Wales Plus, which offers training and employment support for 16-19 year-olds who are not in Education, Employment or Training, with 5,330 young people on this programme over the 2022-2023 academic year. As well as coaching and mentoring, the programme reaches out to employers who are wanting to recruit staff and places participants in work. Young people on the programme are placed in jobs and employers receive a wage subsidy from the Welsh Government to help pay their salaries in the first six months of their job.
- Communities for Work Plus which provides more intensive employment support to people who have multiple or complex barriers to work, for example refugees, care leavers and ex-offenders, economically inactive people and young people not in employment education or training.

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<sup>18</sup> Welsh Government (2022) *Stronger, Fairer, Greener Wales: a plan for employability and skills*, Cardiff: Welsh Government.

<sup>19</sup> ONS Young people not in employment, education or training statistics, August 2023.

## **Communities for Work and Communities for Work Plus**

Communities for Work was an employment support programme that ran from 2015 to 2023 with £66 million funding from the European Social Fund and £46 million from the Welsh Government<sup>20</sup>. It works in two areas – West Wales and the Valleys and East Wales – and with three target groups that include the long-term unemployed and economically inactive people aged 25 and over who have complex barriers to work and young people aged 16-24 not in employment, education or training. The groups that this programme worked with included refugees, ex-offenders and people with health conditions and disabilities. Communities for Work was a voluntary programme which aided better coach-client relationships. Mentors and coaches provided participants with job search help, CV writing and interview practice, as well as referring them to provision to help with soft skills and basic skills development. From 2019, Communities for Work was able to offer up to three months of in-work support. Many clients were referred by Jobcentre Plus into this programme, although it was challenging to reach and engage economically inactive participants. In turn, Communities for Work and Communities for Work Plus referred some of its clients to other local employment support and training provision.

The job outcomes for Communities for Work have tended to be a little better than other large employment support programmes with similar client groups<sup>21</sup>. By July 2022, 13,458 participants had found work, including 31% with work limiting health conditions, 29% of disabled participant and 36% of people who were long-term unemployed. This contrast with the Work and Health Programme (targeting disabled people and those with health conditions) 27% of voluntary participants had done some work after taking part in the programme<sup>22</sup>. The programme evaluation of Communities for Work suggested that skilled coaches, the flexibility of the programme and the emphasis placed on boosting participants' job-search and soft skills were major factors in the programme's success.

Running until October 2023, Communities for Work Plus was an extension of Communities for Work and designed to fill in the funding gap between the end of European Social Fund grants and the start of the UK Shared Prosperity Fund. There are some differences in its approach, in that the programme has taken on both participant engagement and employer engagement officers. It also works across Wales. The role of participant engagement officers is to reach out to clients who may not be on the books of Jobcentre Plus. Employer engagement officers reached out to employers to encourage them to offer work to participants and to discuss flexible work opportunities.

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<sup>20</sup> See Holtom, D., Burrowes, E. and Bryer, N (2023) *Evaluation of Communities for Work and Communities for Work Plus*, Cardiff: Welsh Government.

<sup>21</sup> Ibid.

<sup>22</sup> DWP (2023) *Work and Health Programme Evaluation*, Research Report, London: DWP.

## Other public sector provision

Local authorities are also significant providers of employment support in Wales. Many councils are delivery partners for Welsh Government or DWP-commissioned provision, alongside their own bespoke programmes. Previously, the European Social Fund co-financed council-run employment support in Wales. The UK Shared Prosperity Fund (UKSPF) is now taking over this role, with money allocated to councils by the UK government. Its funding runs from April 2022 to March 2025 with £585 million allocated to Wales during this period. Critics point out this is £1.1 billion less than EU funding<sup>23</sup> and have also argued for the Welsh Government to have a larger role in deciding priorities. More positively, economically inactive people have been a target of some UKSPF employment support programmes.

Some further education colleges also offer employment support, alongside their skills and training offer. For example, Gower College in Swansea has an overarching programme called Better Jobs, Better Futures which is located in an accessible location in the city centre.

### **Better Jobs, Better Futures, Gower College**

Gower College, Swansea has run employment support programmes since 2013, with recent provision delivered from a building in the city centre and under the generic brand of 'Better Jobs, Better Futures.' In 2017, Gower College secured £6.77 million funding from the European Social Fund (ESF) and together with £2.05 match funding set up some new employment support programmes targeting unemployed and under-employed people in Swansea. Overall, 1,931 people took part in the ESF-funded schemes which ran until December 2022.

Better Jobs, Better Futures staff identified large numbers of people moving in and out of insecure or low paid work. One of the target groups for the programme were newly unemployed people with low skills. Better Jobs, Better Futures was one of the first large employment support programmes in Wales that targeted people who were in low paid or insecure work, reaching 570 people who were in work over the course of the ESF-funded programme.

As well as referral from Jobcentre Plus and other programmes, Better Jobs, Better Futures staff reached out to potential participants through social media, community groups and through contacts with employers. After an initial assessment, clients received one-to-one coaching.

Where clients lacked skills, Better Jobs, Better Futures coaches were able to refer them to courses in the college. Another feature that distinguished Better Jobs, Better Futures was that support was not time limited; rather, participants received help when and for as

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<sup>23</sup> See Vaughan Gethin, Economy Minister, written statement 6 December 2022  
<https://www.gov.wales/written-statement-delivery-uk-shared-prosperity-fund>

long as they needed. This flexibility enabled coaches to offer intensive support to people when they first became unemployed or before they had an interview.

Overall, 39% of clients who were working saw improvements to their labour market position, through promotion, changing jobs, securing more hours or a better contract. Some 48% of people who were not working were employed when they left the programme. The choice of a further education college to run Better Jobs, Better Futures reduced the costs of overheads, a practice that other colleges might consider.

## Independent providers

Sitting alongside public sector employment support provision are services offered by private and not-for-profit organisations while range from large providers to smaller, local organisations. Some of these organisations are sub-contracted to deliver DWP or Welsh Government programmes.

There is a large faith and civil society employment support sector in the UK, some of which targets disadvantaged groups or people who live in disadvantaged areas. For example, the Salvation Army runs a programme called Employment Plus, with this provision often co-located in its foodbanks. The Welsh Refugee Council runs an Education and Employment Project which offers employability courses, careers advice and helps people search and apply for work. It also provides funding for vocational training courses and also offers placements with large local employers. Some foodbanks offer employment support to clients. Groundwork, the network of community development organisations has a large employment support programme which it sees as an integral part of addressing place-based social exclusion.

### Groundwork North Wales

Groundwork is a network of local trusts which focus on community development, with a particular emphasis on the environment. Groundwork North Wales is delivering a number of employment support projects that target young people. Boosting soft skills and wellbeing and encouraging volunteering are at the centre of many of Groundwork's local employment projects. In North Wales, the Toyota Thrive project offers pre-placement training then paid work placement in the catering, customer service, health and social care, IT and retail sectors. The training last eight weeks, followed by a 26-week placement, with many participants going on to permanent work. Groundwork's TRAC project targets young people at risk of falling out of employment, education and training, offering them courses which provide a taster to working in sectors such as construction, as well as focusing on soft skills and confidence.

Faith and civil society organisations often have strong links with the communities they serve and may provide more intensive forms of employment support tailored to people with greater barriers to work. Some of these organisations have long record in community



development. However, the size and local focus of faith and civil society organisations that offer employment support means that it can be difficult to upscale this provision to reach larger numbers of people.

### **Strengths and weaknesses of current provision**

The overall unemployment rate has been falling since 2012 in Wales, with active labour market policies playing a role in this achievement. Employment support provision has helped many people in Wales move into work and there are many strengths of current provision. As the first port of call for many people, Jobcentre Plus coaches help thousands of people every day and offer a cost-effective service at scale. But employment outcomes are often poor for older people and those with health conditions and disabilities<sup>24</sup>. Programmes also sometimes struggle to reach economically inactive people and those in low paid or insecure work.

As already noted, the Spring 2023 budget announced a new employment support programme called Universal Support which will target people with health conditions and disabilities, including people who are economically inactive.

Some Welsh Government's employment support programmes have been effective in targeting young people and those furthest from the labour market and have achieved good outcomes<sup>25</sup>. We are seeing more place-based provision where employment support is co-located with other services. Staff are generally committed to achieving the best for their clients. As the case studies in the previous section show, there is lots of evidence of innovation. However, there is significant scope for improvement as we discuss below.

### **Employment outcomes are often poorer for groups such older people and those with health conditions and disabilities**

Although there are gaps in evidence, a number of studies of employment support programmes show poorer outcomes for the over 50s and people with health conditions and disabilities. Prejudice and poor health, the design of employment support programmes, the lack of tailoring to meet very different sets of needs does not always help people, as we discuss below<sup>26</sup>.

### **Employment support sometimes lacks flexibility to meet different needs**

Many long-term unemployed people may face multiple barriers to work. These barriers differ from person to person. Models of support that solely focus on coaching may not help

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<sup>24</sup> Parsons, D. and Walsh, K. (2019) *Employment Support for the over 50s, rapid evidence review*, London: Centre for Ageing Better.

<sup>25</sup> Holtom, D., Burrowes, E. and Bryer, N (2023) *Evaluation of Communities for Work and Communities for Work Plus*, Cardiff: Welsh Government.

<sup>26</sup> Parsons, D. and Walsh, K. (2019) *Employment Support for the over 50s, rapid evidence review*, London: Centre for Ageing Better.



clients address health issues. Not all provision provides an easy route to access additional or wrap-around services, such as health services, debt and financial advice, essential skills training and wellbeing activities<sup>27</sup>.

### High coach case loads

Clients with the greatest barriers to work may not be provided with intensity of help that they need because work coaches have high caseloads. Table Two shows that Jobcentre Plus employed 670 work coaches in Wales in May 2023 to cover 116,024 people who are on Universal Credit conditionality regimes on the day that these statistics were collected (Table Six)<sup>28</sup>. Of this number, 50% (57,816 people) were on the most intense ‘searching for work’ regimes that require regular contact with their Jobcentre Plus job coach.

Typically, Jobcentre Plus clients are allocated a 15-minute slot per month, which may be insufficient time to assess the needs and progress of clients, undertake coaching and discuss referral to other services.

**Table 2: People on Universal Credit Working with Requirements, Searching, Planning and Preparing for Work conditionality regimes per Jobcentre Plus Work coaches, 30 May 2023.**

Area	Work Coach Numbers	UC Claimants on conditionality regimes	Claimants on UC conditionality regimes per work coach	Claimants on UC searching for work conditionality regime	Claimants on UC searching for work regime per coach
Central Area	2,870	557,413	194	306,737	107
London and Essex Area	2,910	549,615	189	312,507	107
North East Area	1,060	188,474	178	91,264	86
North West and North Central Area	2,670	514,189	193	287,154	107
Scotland Area	1,210	201,844	167	103,788	86
Southern Area	2,680	516,467	193	265,304	99
Wales Area	670	116,024	173	57,819	86
Other	60				
Total	14,130	2,644,028	187	1,424,573	101

Source: DWP Universal Credit statistics, available of X-plore and answer to parliamentary question tabled by Alison McGovern MP, 9 June 2023.

### Employment support programmes can struggle to reach economically inactive people and those in low-paid work

In Wales, there are currently 75,000 economically inactive people who say they want to work. Yet Jobcentre Plus, DWP-commissioned and European Social Fund employment support misses nine in ten out-of-work 50-64 year olds and nine in ten out-of-work

<sup>27</sup> Scholz, F. and Ingold, J. (2020). Activating the ‘ideal jobseeker’: Experiences of individuals with mental health conditions on the UK Work Programme. *Human Relations* 74(10).

<sup>28</sup> A coach will have supported more than an average of 86 ‘searching for work’ clients in a year, because people move in and out of receiving Universal Credit.

disabled people<sup>29</sup>. This is largely because the eligibility criteria for this provision excludes economically inactive people who have ‘no work requirements’ (see Table Six) or who are not claiming benefits. Moreover, the programmes that do not operate such eligibility criteria, for example, those run by some councils and by civil society organisations, often rely on Jobcentre Plus to refer clients.

Employment support programmes also need to be better at reaching people in low-paid or insecure work. Analysis undertaken by the TUC suggests 3.7 million people (11% of the workforce) are undertaking insecure forms of work which include zero hours contracts, agency, casual or seasonal work and low-paid self-employment. DWP is extending in-work employment support, with every Jobcentre now having an in-work progression coach, but Jobcentre Plus in-work support still reaches just 35,000 people in Wales<sup>30</sup>.

### **The assets of faith and civil society organisations who are delivering employment support are not always put to the best use**

These organisations often have strong links with the communities they serve and are often providing more intensive forms of employment support tailored to people with greater barriers to work<sup>31</sup>. However, faith and civil society often work in isolation to other providers in their area and may also find it difficult to bid as part of partnerships to deliver.

### **There is a postcode lottery of links that employment support providers have with local employers**

Coaches need good local labour market knowledge to do their job well – they need local intelligence about sectors that are growing and contacts with employers who are hiring. Employment support projects that have strong links with employers are more likely to offer initiatives such as job brokerage, recruitment campaigns and supported placements<sup>32</sup>. Yet research shows there are large variations in the strength and quality of links between employment support providers and employers<sup>3334</sup>.

### **A fragmented and complex local employment support and skills landscape means that government investment is not put to the best use**

As well as the Welsh Government, six Westminster government departments have responsibilities for aspects of employment support and skills policy. Learning and Work Institute mapping suggests that in a typical English or Welsh local authority area, there

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<sup>29</sup> [Evans, S. \(2022\) \*Towards Full Employment\*, Leicester: L&W.](#)

<sup>30</sup> DWP Universal Credit conditionality regime statistics, September 2023.

<sup>31</sup> [Alexander, K., Evans, S. and Wilson, T. \(2022\) \*Building Opportunity: how social housing can support skills, talent and workforce development\*, Brighton and Leicester: IES and L&W.](#)

<sup>32</sup> Ecorys (2019) Employer Engagement Learning Paper, Building Better opportunities Evaluation, London: Ecorys.

<sup>33</sup> *ibid.*

<sup>34</sup> Evidence from Dr Eleanor Carter to Work and Pensions Committee Inquiry on Plan for Jobs and Employment Support <https://committees.parliament.uk/work/1697/plan-for-jobs-and-employment-support/>

may be as many as 50 organisations or programmes delivering employment support<sup>35</sup>. This complex landscape means that government investment is not always put to the best use with gaps and duplication of provision<sup>36</sup>. Outside of Jobcentre Plus provision there are a lot of short-term programmes and funding streams, which add to the fragmented nature of this provision. The public and employers may also find it difficult to navigate the large array of local programmes and providers. Many people also need joined-up support, particularly health, work and skills, but this help is not always available on the same site. Furthermore, at a local level, organisations providing employment support do not always work closely with those providing education and training.

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<sup>35</sup> Research for the Walsall Pathfinder programme, 2023.

<sup>36</sup> L&W audited employment support in Walsall in autumn 2022 and found 85 different employment support and skills projects and programmes.

## Devolution – an opportunity to improve employment support in Wales?

Devolution can mean a number of things. For instance, devolution to nations such as Wales or Scotland has conceptual similarities and differences to devolution to the large cities of England. Both have the idea that local circumstances can be reflected in policy underpinning them, however devolution to nations often leads to a different national framework for policy, such as in education and skills. In principle, devolution in Wales could contain both concepts in that we may see devolved powers to the Welsh Government in the first instance, who set a national framework for devolved programmes amongst local authorities or corporate joint committees in economic regions of Wales. We focus on devolution to the Welsh Government in the first instance, but many of the principles we identify should also support a conversation on local devolution within Wales.

There are many excellent employment support programmes in Wales and many committed and skilled staff. But as we have discussed above, support does not always reach those who need it most and may not help those with many barriers to employment find a job. Our report now looks at opportunities to address these shortcomings. These opportunities include the development of new programmes that target economically inactive people and successor funding to the UK Shared Prosperity Fund. The Greater Manchester and West Midlands trailblazer deals show that there is now a greater commitment to involve local stakeholders in the design of future employment support programmes. Senedd elections in 2026 are also an opportunity to push employment support up the policy agenda in Wales.

### Devolution – real world examples

Devolution of employment policy is not an abstract concept and has been undertaken on several levels across the UK already. Nearly all aspects of employment support policy have been devolved to the Northern Ireland Executive. This demonstrates that a fully devolved employment support policy is possible within the United Kingdom.

More recently, in **Scotland** the Scotland Act 2016 led to a devolution of employment support programmes around support for the long-term unemployed and people with disabilities. This significant change was accompanied by devolution of the administration of some benefits and allows for the Scottish Government to change the conditionality around accessing employment support for Universal Credit. This has meant that in practice a large proportion of employment policy is now devolved in Scotland with the notable exceptions of the UK Shared Prosperity Fund and DWP's continuing management of Jobcentre Plus.

Similarly, recent moves towards devolution in England has led to new trailblazer deals for the Greater Manchester and West Midlands combined authorities. The Greater Manchester Combined Authority (GMCA) has secured powers under its 2023 *Deeper Trailblazer Devolution Deal* to co-design employment support policies (outside of

Jobcentre Plus). The Secretary of State for Work and Pensions retains ultimate sign off for any programme, but the practical delivery and commissioning is being undertaken by the GMCA.<sup>37</sup> The trailblazer agreement states:

*'GMCA's local authorities are responsible for many public services (like health or housing) which are crucial in tackling the barriers that often prevent people moving into good, sustainable employment and which see the wider social consequences of unemployment and inactivity resulting in increased demand and poor outcomes.'*<sup>38</sup>

The GMCA also has powers over careers education, information, advice and guidance strategy with the aim of putting in place an all-age careers service in partnership with the National Careers Service in England. A similar deal has been agreed with the West Midlands Combined Authority. Other combined authorities in England are currently making preparations, with the expectation of being granted powers over careers and employment support. Some commentators have criticised the trailblazer deals, stating that co-design is not real devolution, with UK Government ministers retaining a veto<sup>39</sup>. Nevertheless, the co-design of services does involve local expertise to input into the design of employment support.

Looking outside the UK, there are examples of devolved employment support services which are responsive to local labour market conditions and bring employment support and skills together.

Denmark devolved the funding, planning and delivery of its employment support services to its municipalities in 2009, transferring staff to local government. Municipalities also administer welfare benefits and have some flexibility to set conditionality regimes for unemployed people. Each municipality sets out an annual employment plan, which reflects both local needs and national priorities. Employers, trade unions, colleges and health services are actively involved in developing these plans, as well as delivering an employment support services through integrated jobcentres. Denmark's employment support service is characterised by strong partnerships between employers, and there are also strong accountability mechanisms, with municipalities accountable to the Ministry of Employment<sup>40</sup>.

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<sup>37</sup> chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/1143001/Greater\_Manchester\_Combined\_Authority\_Trailblazer\_deeper\_devolution\_deal.pdf p.39-41

<sup>38</sup> Ibid.

<sup>39</sup> Sandford, M. (2023) *Small steps and gateways: England's trailblazer devolution deals*, London: UK in a Changing Europe.

<sup>40</sup> Wilson, T., Crews, A and Mirza, K. (2017) *Work Local: Report to Local Government Association on developing*

## Models of employment support devolution

There are continuing policy and political debates on how devolution can progress further in this area. Mayoral combined authorities in England are currently arguing for deeper devolution deals, similar to those granted to Greater Manchester and the West Midlands Combined Authorities. The new Universal Support service is likely to see a greater role for local authorities. The Labour Party at a UK-level has explored potential for deeper devolution. The Gordon Brown *Commission on the Future of the UK* called for the devolution of the administration of Jobcentres to Scotland and to combined authorities in England to allow for much stronger integration of complimentary public services and greater local accountability<sup>41</sup>. In summary, devolution as a process is likely to continue, but there is no consensus about the approach it could take.

Looking at existing devolution and simplifying the various approaches into broad categories, there are four possible models in relation to the devolution of employment policy that would be relevant to Wales. They are the status quo, co-commissioning, administrative devolution and full devolution. There are benefits and drawbacks of each approach. However, it is important to keep in mind that devolution is a process not an event and also that any final proposal for Wales could involve a mixture of these models. There is no reason for example why some policies cannot be co-commissioned while others are devolved, and employment support as an area is not a single policy, rather an area of policies and should therefore be seen as such.

**Status quo**, with the Welsh Government responsible for education, training and careers services and the UK Government through DWP and DLUHC responsible for benefits, employment support and the UK Shared Prosperity Fund. The status quo is a shifting approach due to changes to regeneration policy since the introduction of the UK Shared Prosperity Fund. Previously, Welsh Government had more influence over regional policy and employment policy more generally. For example, the Welsh Government, rather than the DWP had responsibility over how the European Social Fund grant was spent in relation to employment support and regeneration.

**Co-design and co-commissioning** would see Welsh Government and Welsh councils working with the DWP and DLUHC to draw up the specification for any specific programmes. For instance, the design and delivery of the new Universal Support programme might involve the Welsh Government, Welsh Councils and DWP and DLUHC, co-designing and commissioning services together. This approach is similar to the trailblazer deals in Greater Manchester and the West Midlands. This would require much stronger inter-governmental ways of working but policy responsibility, budget and accountability would still rest with the UK Government.

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<sup>41</sup> <https://labour.org.uk/wp-content/uploads/2022/12/Commission-on-the-UKs-Future.pdf> P77

**Administrative devolution** would take co-design and co-commissioning further by allowing Welsh Government and Welsh stakeholders to take responsibility for delivery. There are a number of different approaches to administrative devolution, which can focus on different areas of delivery and alignment with existing devolved policy areas. For example, the Welsh Government could be granted the powers to deliver employment support programmes, contracting out this provision to councils and independent providers. An alternative approach would be for Jobcentre Plus district managers in Wales to see their role changed and to be given powers to decide on how employment support is delivered locally. However, the general policy direction and budget would still be controlled by UK Government under administrative devolution. This would also require a strong space for collaboration between Westminster and Cardiff.

By contrast, **full devolution** would see the employment support budget devolved to Wales through the Barnett formula, with full policy design and funding parameters set by the Welsh Government. The commissioning and delivery of the policy would also be led by the Welsh Government and it would be held accountable to the Senedd for policy outcomes. The UK Government would no longer have a role and would no longer be accountable on issues relating to the policy. Full devolution would also allow the Welsh Government to set conditionality regimes in relation to Universal Credit.

In summary, the four possible positions and their respective benefits and drawbacks are highlighted below:

Model	Benefits	Drawbacks
Status quo	<p>Stronger economies of scale and efficiency</p> <p>Alignment with other areas of UK policy.</p>	<p>Weaker alignment Welsh Government priorities</p> <p>Lack of responsiveness to local conditions and Welsh labour market challenges.</p> <p>Less transparency and limited accountability to the Senedd and councils.</p> <p>Short-termism, reflected in time-limited programmes and initiatives.</p>
Co-commissioning	<p>Stronger economies of scale and efficiency</p> <p>Alignment with other areas of UK policy.</p> <p>Ability to co-design policy responses to reflect local conditions</p>	<p>Weaker alignment with Welsh Government priorities than administrative or full devolution.</p> <p>Limited transparency and accountability to the Senedd and councils.</p> <p>Short-termism, reflected in time-limited programmes and initiatives.</p>

<p>Administrative devolution</p>	<p>Potential for greater alignment with other devolved policy areas.</p> <p>Ability to design policy responses to reflect local conditions.</p> <p>Easy to integrate employment support, careers advice, skills provision, health and social support.</p> <p>Greater transparency and stronger accountability mechanisms in Wales.</p>	<p>Potential for weaker economies of scale.</p> <p>Potential for less alignment with UK policy.</p> <p>Some risks of short-termism.</p>
<p>Full devolution</p>	<p>Full alignment with other devolved policy areas particularly economic policy, skills and welfare.</p> <p>Ability to design policy responses to reflect local conditions.</p> <p>Easy to integrate employment support, careers advice, skills provision, health and social support.</p> <p>Long-term programmes and more stable funding regimes.</p> <p>Greater transparency and stronger accountability mechanisms in Wales.</p>	<p>Potential for weaker economies of scale.</p> <p>Potential for less alignment with UK policy.</p>



# Principles underpinning a Welsh employment support service

Across the UK, further devolution of employment support seems likely – it is the direction of travel that the main political parties are taking. *Whether there is more devolution or not in this area, the Welsh and UK governments need to work together to create a shared vision and ambition for the Welsh labour market.* It is for politicians to decide the model that applies to Wales – from co-commissioning to administrative or full devolution. Whatever approach is adopted, Learning and Work Institute believes that a Welsh employment support service should be underpinned by a set of ten principles, set out below.

## 1. Universal and targeted services

A Welsh employment support services needs to provide an accessible and universal service for people alongside targeted programmes for those with specific needs – for example, digital inclusion or mental health support – and those facing the greatest barriers to employment.

As previously discussed, it is not only unemployed people who should benefit from employment support. Some 75,000 economically inactive people in Wales want to work. Many people in low-paid or insecure work can benefit from employment support to enable them to progress in work. We are also seeing on-going changes to the way that we work driven by socio-economic and technological change. Jobs are being lost in the retail sector with the demise of the high street, and in manufacturing industry because of automation and IT. Increasingly, employment support services will need to reach those needing support in changing their careers.

## 2. A flexible, person-centred and integrated system

Employment support needs to be responsive to a range of needs we have described above. Some people will require little help – perhaps just assistance with writing a better CV or some interview practice. Other people face multiple barriers to work, with employment support needing to address a range of needs. Evaluations have shown that this provision can be more effective and better at reaching people if it is brought under one roof. Employment support, careers advice, skills provision and social support need to be brought together in an integrates system.

Over the last three years we have seen a return to ‘place-based’ public services, where a range of support and help is brought under one roof. This builds on previous initiatives such as children’s centres. The DWP is now rolling out ‘Youth Hubs’, bringing a range of provision together as one integrated employment support and skills development services that addresses people’s individual barriers to work, training and wellbeing. We would like to see a Welsh employment support service invest in a place-based hubs that bring services together.

### **3. Subsidiarity where possible**

Whether responsibility for employment support lies with the UK or Welsh Government, councils, colleges, and local providers are key partners in the design and delivery of employment support. A future Welsh employment support system should be based on the principle of subsidiarity: that a central authority should only undertake roles that cannot be performed better at a local level. For example, labour market analysis or procurement processes may be undertaken better by the Welsh or UK Government. Decisions about target groups for support or the services that are offered might be best undertaken at a local level.

Subsidiarity is an important principle and is part of the reason for devolution to city regions in England such as Manchester. Key partners, such as employers, training providers and learner representative groups are often organised at a Welsh level with the policy debate following this.

### **4. Evidence-driven design**

Evidence underpins effective employment support – both in relation to local labour market conditions and evidence of what works to help people find work. Employment support providers need accurate data on the employers and sectors are hiring so as to give their clients advice about searching for work or undertaking training.

Policy makers and providers need to know what practices are most effective in helping people find and progress in work, as well as the relative costs of different models of provision. This requires that providers have casework management systems that collect information about people's backgrounds and their employment and skills outcomes. Providers also need to be committed to institutional learning and commission evaluations that contribute to this process.

### **5. Investment in reaching and engaging users**

Currently most people receive employment support after signing on as unemployed. They are helped by their Jobcentre Plus coach (on a mandatory basis) or are referred to a programme by their coach. But over the next two years, Universal Support and the Work and Health Programme Pioneer programmes will be targeting economically inactive disabled people, with participation in these programmes being voluntary.

These programmes will need to find ways to reach and engage participants. Providers need the right model of support, to use the right engagement methods and messages. There needs to be investment in marketing, as well as the involvement of trusted intermediaries to reach people.

### **6. An active role for employers**

Many employment support programmes already involve employers in their work, through job brokerage (matching clients to jobs) and job fairs. IPS models of employment support also require the provider works closely with the employer to offer a supported placement. Employers also have a role in making sure that work coaches have good local labour

market knowledge so they are able to provide the best advice to clients about the jobs that are on offer and the skills they need. A Welsh employment support service must involve employers in its design, both at a national level and locally. This should include input from large employers and SMEs.

Individual Placement and Support (IPS) programmes place people in work then offer on-going support to the employee and employer to help people stay in employment. These programmes have traditionally focused on individuals with severe mental health conditions, with specialist coaches working within mental health teams or out of GP's surgeries<sup>42</sup>.

Recently, the IPS model has been shown to be effective in supporting individuals with a wider range of barriers to work, including poor physical health, disabilities or among groups such as ex-prisoners<sup>43</sup>. As previously noted, the new Universal Support programme will take an IPS approach. The Welsh Government has recently granted funding to the 'I Can Work' Individual Placement Support pilot project in North Wales. The service delivers a person-centred and integrated health and employability support to people recovering from mental health into employment, with a particular focus on 16-24s. There is scope to expand IPS in Wales, but for it to be successful, employers will require support.

## **7. Value for money**

Whoever designs and delivers employment support, it is crucial that it is cost-effective and represents value for money. There is no doubt that with larger programmes there are economies of scale, from procurement to delivery. Devolution has the potential to reduce those economies of scale. However, devolution also has the potential to save money with better tailored programmes that respond to local conditions more appropriately. This reduces the need for the Welsh Government to use its budget to fill gaps in provision not met by DWP services.

Evaluations have shown that more time-intensive or open-ended services often have better employment outcomes for users with many barriers to work<sup>44</sup>. However, policymakers need to balance the costs of delivering more time or input intensive forms of employment support against better labour market outcomes.

It may also be worth considering the role of Jobcentre Plus in designing cost-efficient services. Jobcentre Plus has a base in every significant Welsh conurbation and has the capacity to see large numbers of clients. It could undertake an initial assessment of clients'

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<sup>42</sup> DWP (2023) *Health Led Trials: evaluation synthesis report*, London: DWP.

<sup>43</sup> Ibid. See also Learning and Work Institute (2019) *Evidence review: Employment support for people with disabilities and health conditions*, Leicester: L&W.

<sup>44</sup> Ecorys (2020) *Building Better Opportunities: Focussed support for those furthest from the labour market*, London: Ecorys.

needs and then refer them to the most appropriate provider. In a 'triage' type system, people with few barriers to work could continue to receive support from Jobcentre Plus, with those with greater needs referred to more appropriate services.

### **8. Alignment with other policy areas**

It is important that employment support policy aligns with childcare policy as well as policy on health. Policy alignment is also an important consideration for broader UK functions, such as tax and benefits policy which can also have an impact on the labour market. Devolution in Wales has created some 'jagged edges' where policy areas cut across each other rather than contribute to the same goal. Welsh Government's Working Wales programme operates in a different policy environment and strategy to Jobcentre Plus provision.

### **9. Transparency and accountability**

One of the main reasons for devolution in the first instance was to improve the transparency and accountability of public services in Wales. At present, accountability mechanisms for Jobcentre Plus and DWP-commissioned provision lie with ministers, then the UK Parliament and bodies such as the National Audit Office. Employment support in Wales forms a relatively minor part of the work of the Work and Pensions Select Committee and accountability for Welsh outcomes is not frequently tested. To its credit, the Welsh Affairs Committee plays an important role in raising issues of Welsh policy in the UK Parliament with recent inquiries on issues such as the Shared Prosperity Fund and the benefits system in Wales. However, there is a limit to what it can achieve as a single committee that has many policy areas to cover.

An employment support service with greater levels of devolution will require a Welsh minister who can be held to account. The Senedd would also need to be given powers to scrutinise a devolved employment support service, potentially through its Economy, Trade and Rural Affairs Committee. Transparency and accountability could be increased by giving Estyn the powers to inspect employment support providers against a set of common standards. Providers could be required to sign outcome agreements with the funder.

### **10. Stable funding**

Employment support is a policy area that has been beset by short-termism, 'initiativitis' and by multiple programmes and funding streams that have not been sustained. This has added to the complex and fragmented nature of local provision, as well as contributing to the loss of key staff and institutional learning when programmes close because funding stream ends. We would like to see a long-term and on-going funding commitment to employment support that forms part of the Welsh Government's programme for government.

## Recommendations and conclusions

Policy makers should aim for a high-quality and person-centred employment support system that provide good outcomes for people who use these services. There are some excellent programmes in Wales that are achieving this ambition, but this is not universal. Devolution could offer the opportunity to address some of the shortcomings of current support and provide a person-centred and integrated system. Education, skills and careers information, advice and guidance are already devolved to the Welsh Government. The devolution of employment support is an opportunity to put in place a more integrated system.

It is for politicians to make decisions on devolution. As we have argued, this process could take different approaches. But employment support provision must respond to Welsh labour market conditions, including economic inactivity caused by ill-health, pockets of poverty and job-insecurity, out-migration from sparsely populated rural areas and the scars of deindustrialisation. These are not always being addressed by the current system.

But we believe that there is a strong case for the greater involvement of Welsh stakeholders – the Welsh Government, councils, employers and civil society – in the design of employment support provision that responds to these conditions.

Our report sets out a series of principles on which a Welsh employment support system should be based. To take our ideas forward we recommend:

- The Welsh Government and the Department for Work and Pensions should set up an inter-governmental committee to develop a shared strategy and outcomes for employment support in Wales.
- The shared strategy should examine scope for future employment support services. This may include greater alignment, co-commissioning or devolution of new and existing provision.
- The Department for Levelling Up, Housing and Communities should ensure Welsh Government is involved in the design, administration and implementation of the UK Shared Prosperity Fund programmes in Wales.
- The Welsh Government should set up a Welsh employment support taskforce that involves councils, colleges, public health, employers and civil society that looks at the design and delivery of Welsh strategy for employment support.
- Welsh Government should facilitate partnership agreements between employment support provision (including through DWP) and partner services such as in health, housing and economic development.
- All evaluations of employment support programmes that have operated in Wales are published and make public job outcomes and value for money data.

- The Welsh government and the Department for Work and Pensions should work with partners to develop a quality standard for employment support in Wales that can support accountability and be used as a basis for funding agreements.

This report marks the start of a discussion, not the end. Employment support policy is broad and multi-faceted, dealing with individuals of all types with often complex needs. It is therefore no surprise that employment support influences and is influenced by a number of other policy areas such as housing, economic development, education and skills. In that context, there is unlikely to be a perfect mix of responsibilities between UK, Welsh and local governments. Rather, there is likely to be a continuing movement of policies as each tier of government finds its best way to achieve its aims.

But employment policy can be better. With a clear set of shared aims between both governments, and strong underlying principles supporting a discussion on responsibilities, we can begin to piece together a more coherent approach to helping the people of Wales into work, and meaningful well-paid work at that. We hope our contribution helps us on that journey and we look forward to working with others to make Wales' labour market work better for its people.

## Appendix 1

Employment, unemployment and economic inactivity by Senedd Constituency – October 2023

Seat	Employment rate	Unemployment rate (model based)	Economic inactivity rate	Economic inactivity due to ill-health, numbers	Economically inactive people who want a job
Aberavon	68.4%	2.9%	28.7%	4,900	7,600
Aberconwy	68.3%	2.9%	28.8%	3,200	7,500
Alyn and Deeside	83.6%	1.7%	14.7%	3,100	1,000
Arfon	69.8%	1.5%	28.7%	2,800	800
Blaenau Gwent	67.2%	7.1%	27.7%	5,600	1,100
Brecon and Radnorshire	71.7%	NA	27.6%	3,400	2,100
Bridgend	68.1%	NA Council area = 3.4%	30.3%	4,300	2,500
Caerphilly	75.8%	NA Council area = 3.6%	20.5%	2,600	1,300
Cardiff Central	70.4%	2.8%	26.8%	NA	2,200
Cardiff North	77.7%	NA	20.4%	NA	2,800
Cardiff South and Penarth	80.9%	3.8%	15.3%	NA	2,400
Cardiff West	72.7%	4.8%	22.5%	NA	700
Carmarthen East and Dinefwr	75.4%	NA	22.9%	3,500	1,900
Carmarthen West and South Pembrokeshire	79.8%	NA	18.2%	1,800	1,200
Ceredigion	72.7%	NA	23.8%	4,000	1,700

		Council area = 3.4%			
Clwyd South	78.1%	NA	19.6%	NA	1,900
Clwyd West	78.9%	NA	19.9%	2,500	1,600
Cynon Valley	66.1%	3.4%	30.5%	5,600	1,000
Delyn	78.7%	NA	18.7%	NA	3,300
Dwyfor Meirionnedd	75.4%	NA	22.9%	NA	1,800
Gower	77.4%	NA	19.8%	3,900	1,500
Islwyn	73.9%	NA	25.4%	5,800	3,000
Llanelli	67.6%	3.2%	29.2%	4,800	1,400
Merthyr Tydfil and Rhymney	68.7%	NA  Council area = 4.3%	26%	4,900	1,400
Monmouth	74.1%	3.7%	22.2%	3,200	1,300
Montgomeryshire	78.2%	5.9%	15.9%	NA	1,300
Neath	74.6%	3.5%	21.9%	4,500	2,700
Newport East	74.1%	5.1%	20.3%	2,400	2,400
Newport West	76.5%	5.2%	19.1%	3,000	1,800
Ogmore	72.5%	NA	26.1%	6,100	2,900
Pontypridd	71.2%	7.3%	21.5%	NA	2,400
Preseli Pembrokeshire	72.2%	4.9%	24.1%	4,200	2,700
Rhondda	70.5%	NA	26.7%	6,300	200
Swansea East	74.7%	NA  Council area = 4.2%	22.8%	4,500	2,200
Swansea West	70.6%	NA  Council area = 4.2%	23.6%	3,400	1,300
Torfaen	76.4%	NA	21.5%	4,900	800



Vale of Clywd	70.1%	NA	28.8%	4,800	2,000
Vale of Glamorgan	74.6%	NA	24.6%	2,400	1,700
Wrexham	81.3%	NA Council area = 2.9%	17.1%	3,800	2,700
Ynys Mon	78.7%	3.7%	18.1%	2,000	1,800

Source: Labour Force Survey. In some constituencies unemployment figures are not available due to sample sizes of the Labour Force Survey.