

Which way now for employment support in Wales?

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Learning and Work Institute

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About Learning and Work Institute

Learning and Work Institute is an independent policy, research and development organisation dedicated to lifelong learning, full employment and inclusion.

We research what works, develop new ways of thinking and implement new approaches. Working with partners, we transform people's experiences of learning and employment. What we do benefits individuals, families, communities and the wider economy.

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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 disabilities¹. 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%) equaled 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 2023². Skills provision and careers advice – the responsibility of the Welsh Government – is not always integrated into local employment support offers. Furthermore, employment support

¹ Labour Force Survey, May 2022-July 2023.

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

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 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.