



Future  
Governance  
Forum



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# SUPPORT FOR THE FUTURE



| Making a devolved employment  
| support system work

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# About The Future Governance Forum

The Future Governance Forum is a new, progressive, non-profit and non-partisan think tank. We are here to provide the intellectual and practical infrastructure vital to national renewal and the revival of progressive government in the UK.

Our goal is to shape a comprehensive new operating model for the way the country works, delivering effectively across national, devolved, regional and local government. We bring together people and institutions with the expertise to develop and implement new models of partnership, policy development and service delivery.

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- **Rebuilding the Nation:** how can we utilise innovative models of public and private investment to deliver future policy objectives?

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# About the authors

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# Executive Summary

A central mission of the new Government is to facilitate sustainable economic growth. Given the UK’s poor post-pandemic supply-side labour market conditions and the need for growth to be domestically-based if it is to be sustainable, the new Government must look to effective labour market interventions. The current system has its strengths, but it has failed in recent years to deal with the core issue of economic ‘inactivity’; and while people out of work are increasingly experiencing ill health and remaining out of work for extended periods of time, the UK labour market is suffering from a related skills mismatch.

For this paper, we looked at the extant evidence on devolved employment support within the context of the UK’s employment support landscape and the country’s labour market factors. Devolution of employment support that gives places and communities more stake in and control over delivery has been shown to work, particularly when there is a focus on integration of services, a utilisation of local expertise and a leveraging of local nuance.

The new Government has made clear that it will give more power to local areas to solve their local labour market problems. Drawing on interviews with experts and stakeholders, we conclude that for devolution to be successful in tackling some of the UK labour market’s core issues, there are conditions that must be in place, including strong relationships between authorities, providers, communities and other stakeholders; sufficient provision of resources to devolved commissioning authorities; and a focus from central government on evaluating programme outcomes. We also find that in both devolved and non-devolved areas, improved outcomes for people and local labour markets can be derived from greater focus on localisation in design and delivery and that combined authorities and mayoralities, where they exist, should act as the chief commissioners for their areas, in consultation with local authorities; with central government ensuring programme performance across the system.

On this basis, we make 5 clear recommendations to central government, combined authorities, and providers.

# Recommendations

**Recommendation 1:**

**Fulfilling the promise of further devolution through Combined Authorities as a general principle:**

Over and above Job Centre Plus provision, central government should continue to devolve employment support funding and commissioning powers to Combined Authority Areas and Mayoralities that want them, along the lines of the partially devolved Work & Health Programme. Whilst there remains a place for nationally commissioned programmes, particularly in areas where there is no combined authority, local areas that wish to commission their own services along central government commissioning guidelines should be provided with the funding to do so. For programmes that are partially devolved, devolved funding must be commensurate with the resources that would otherwise be spent by central government on nationally-commissioned provision and additional resourcing should be provided to combined authorities to ensure there is sufficient capacity in local commissioning teams.

**Recommendation 2:**

**Using local labour market partnerships to determine strategy and programme design:**

In both devolved and non-devolved areas, local Labour Market Partnerships based on the current Northern Ireland model should be established and utilised to determine employment support and skills pathways that reflect the needs of the local labour market. These partnerships should include representation from central government, local government, local enterprise, the local Integrated Care System, trade unions and local skills providers. These partnerships should be in communication with the recently established national Labour Market Advisory Board and should work with commissioning authorities to co-design, procure and deliver support along government commissioning guidelines.

**Recommendation 3:**

**Localising delivery through strong relationships:**

A dedicated focus on localised delivery - which accounts for the nuances and idiosyncrasies of place – should be a priority for both devolved and non-devolved commissioners and providers; facilitated, in devolved areas, by strong relationships between central government and commissioning authorities and, in all areas, by strategic guidance from local Labour Market Partnerships.

**Recommendation 4:**

**Guidance from the DWP:**

Central government should develop commissioning guidelines in consultation with combined and / or local authorities and other local stakeholders including providers, to help establish minimum standards. These guidelines should include enabling greater flexibility within contracts to facilitate agile delivery, working with local Labour Market Partnerships.

Recommendation 5:

A new oversight and data-oriented based role for the DWP:

As the country transitions to a mixed system with both national provision and substantial devolved provision, the DWP’s role should shift accordingly towards facilitating sharing of consistent data, monitoring performance at a national level and evaluating programmes to identify what works and to share that best practice, underpinned by a relentless focus on outcomes.

Recommendation 6:

A commitment to integration:

Commissioners of both devolved and non-devolved employment support should seek to integrate services whenever possible, recognising that health, housing and employment are mutually reinforcing domains, particularly for people further from the labour market. Commissioning authorities should recognise the importance of getting people considered ‘economically inactive’ into work and the centrality of integrating services to the success of this mission.

A note on devolved nations

In agreement with the Institute for Employment Studies’ recent report, we propose that employment services and support in their entirety should be fully devolved to Scotland and Wales on the same basis as Northern Ireland, by the end of this Parliament.

Introduction

The British economy faces reduced employment, productivity growth and real pay growth alongside a rising welfare bill. Simultaneously, we are dealing with high post-pandemic levels of mental and physical health problems<sup>1</sup>, particularly among young people and those who have recently left the workforce<sup>2</sup>. Labour force inactivity is high and those out of work feel that the current employment support system is not meeting their needs<sup>3</sup>.

There is no panacea for these economic woes, but the new Government and Secretary of State for Work & Pensions have stated a goal to increase the headline employment rate by getting people currently considered inactive into sustainable work.

The new Government and the Secretary of State for Work & Pensions have made clear that local leaders and areas will be empowered to deal with the issues facing their local labour market and the broader UK labour market, particularly inactivity – and that the DWP will support local areas to do this<sup>4</sup>. This includes a specific commitment to “devolve new powers over employment support”<sup>5</sup>. Government policy credits the value of programmes which put people at their centre and respond to local circumstances – whether in terms of the differentiated particulars of local market economies or the nature of a place’s assets.

Recent years have seen devolution of some employment support programmes away from centrally-commissioned schemes to local design and management – including commissioning. Evidence from these devolved schemes, as well as from existing international devolved schemes, suggests that greater devolution of employment support commissioning to Sub-Regional Partnerships of Local Authorities (SRPs)<sup>6</sup> and Combined Authorities (CAs) can produce better outcomes for jobseekers, employers and local labour markets<sup>7</sup>. Evidence also suggests that giving local areas a say in co-designing programmes can also lead to better outcomes.

This domestic evidence is derived predominantly from devolution to the Greater Manchester Combined Authority (GMCA) and 4 London SRPs (as well as the nascent success of local Local Market Partnerships (LMPs) in Northern Ireland). These SRPs and CAs have the necessary managerial capacity and delivery capabilities to commission and deliver services and the resulting benefits of devolution on integration of services and involvement of local

1 (Work & Pensions Committee)  
2 (Baker and Kirk-Wade)  
3 (Pollard)  
4 (Pathways to Work Commission)  
5 (DWP)  
6 There are currently 4 SRPs in London which combine multiple authorities into one partnership that has responsibility for devolved commissioning  
7 (WMCA), (GMCA), (Central London Forward), (North East Mayoral CA), (West of England Mayoral CA)

ecosystems are clear<sup>8</sup>. The benefits for people, providers and local economies that have been derived from devolution so far, lay the foundations for a strong argument for further devolution of employment support as we look towards this autumn’s White Paper and the new Government’s long-term aim to reach 80% employment.

Drawing on extant literature and stakeholder interviews, this report looks at the successes and potential pitfalls of greater devolution and outlines some of the key ingredients for devolution of employment support to be successful. We examine the things that all three groups of stakeholders – local authorities, service providers, and the DWP – should do to ensure that people out of work across the country have the best possible chance of finding sustainable employment in a partially devolved employment support system.

Background

The UK economy has experienced stagnated growth for over a decade. This has contributed to a fall in living standards and lower expectations for the future of the economy. Current causes of this malaise include a rise in labour market inactivity<sup>9</sup> and gaps in labour supply<sup>10</sup>. Combating these labour market issues must be of central concern for this new government; and early signs are encouraging<sup>11</sup>. An improvement in the efficiency of labour market interventions is crucial for the new Government in achieving their central mission of growth.

In recent years, we have seen an increasing level of devolution and extension of local-level commissioning powers for employment support and related health and wellbeing programmes; and the new government has said that the future of employment support is that of a more devolved system<sup>12</sup>. With this in mind, The Future Governance Forum, a newly established, progressive, non-partisan and not-for-profit think tank together with our partner, AKG, a leading employment services provider in the East Central region, have looked into the challenges, opportunities and pre-requisites associated with greater devolution of commissioning and delivering employment support, reflecting on existing schemes which have already been devolved and through interviews with those with experience and expertise in employment support.

This report examines the role of the DWP, local authorities and providers in a partially devolved system. We first look at the commonly reported barriers to success faced by people, places and providers in the employment support system and how devolution can help to overcome these hurdles; before turning to an analysis of the role of central and local government and centralised and local commissioning in a partially devolved system.

8 (Work & Pensions Committee)  
9 (ONS)  
10 (CIPD)  
11 (DWP)  
12 (DWP)

Labour market background

In general, prior to the pandemic the trend of the UK labour market was of increasing employment, decreasing inactivity and flexible, if unequal, work<sup>13</sup>. However, since the first quarter of 2020 the positive trends around employment and inactivity have reversed<sup>14</sup>.

Total inactivity stands at 9.3 million. The UK employment rate remains below pre-pandemic levels, 76.2% in December 2019 vs 74.8% now<sup>15</sup>. Labour force inactivity and lower employment represent drags on growth – something the country can ill afford in its current fiscal and economic position and given the need for a strong domestic economy precipitated by wider uncertainty in the current global economy. The inactivity rate in the UK sits 1.4 percentage points higher than the pre-pandemic low, representing an extra 700,000 inactive working-age people out of work<sup>16</sup>.

While current vacancies stand at 860,000, below the post-pandemic May 2022 peak of 1.3 million, and, although they fell on the quarter for the 24th period in a row, vacancies are still above pre-pandemic levels<sup>17</sup>. Labour market tightness is expected to continue to reduce as employers continue to fill vacancies but, despite this trend, half of employers in the private sector report that they are experiencing ‘hard-to-fill’ vacancies<sup>18</sup> pointing not only to a participation gap but also to a skills gap in the UK economy.

The claimant count, an underestimate of unemployment, rose on the year, standing at just under 1.8 million<sup>19</sup>. The unemployment rate remains low compared to historical standards, at 4.1%, but does not take into account the total number of economically inactive people.

Contemporary labour market statistics point to a clear unmet need in the landscape of employment support nationally, supported by our research and already a focus of the new Government: that people not actively searching for work are not receiving support that would benefit them.

People who are ‘economically inactive’ have far less access to employment support services than those who are classified as ‘unemployed’. They are also more likely to have a mental health issue than unemployed people or those in work; much exacerbated since the pandemic<sup>20</sup>. Demographic groups disproportionately more likely to experience high levels of inactivity are young people, people over 50 and disabled people<sup>21</sup>. The problem is most acute for those furthest from the labour market: long-term unemployed people and those with complex barriers to employment.

13 (Taylor)  
14 (ONS)  
15 (ONS)  
16 (ONS)  
17 (ONS)  
18 (CIPD)  
19 (ONS)  
20 (Baker and Kirk-Wade)  
21 (ONS)

Long-term sickness has become the dominant reason for inactivity, having overtaken the number of students and those out of work due to caring responsibilities<sup>22</sup>. Long-term sickness is reported by the majority of ‘inactive’ disabled people as the reason for inactivity; including those with mental health issues preventing them from working. Following the pandemic, the rate of people leaving the workforce due to long-term sickness is the highest since at least the 1990s. Currently, over 3 million people are out of the workforce for this reason. The UK has seen a particular increase in mental health issues across age groups. A third of the population’s mental health was made worse by the pandemic and there has been a significant rise in the number of young people referred to mental health services, with 30% of young people who are in neither employment nor education (NEET) reporting mental health issues – an increase of almost 200% since 2010<sup>23,24</sup>.

Current landscape of support

The landscape of employment support in the UK consists of direct DWP provision through Job Centre Plus (JCP), from which people can be referred by work coaches to other services; large-scale, DWP-commissioned contracts with competitive tenders split across contract package areas (CPAs); smaller, targeted, nationally lead programmes mostly commissioned by the DfE; as well as locally-lead programmes which are funded by local authorities from a range of sources including the Community Infrastructure Levy (CIL), section 106 agreements, the European Social Fund (now discontinued and only partially replaced by the UK Shared Prosperity Fund (UKSPF)), and central government grants<sup>25</sup>. Some programmes that are nationally commissioned have seen devolved commissioning and delivery built in for SRPs in London and the GMCA.

The new Government

The new Secretary of State for Work and Pensions has already outlined the way in which devolution of employment support will be used to try to drive up the headline employment rate, with the long-term goal of reaching 80%. The announcement of a Labour Market Advisory Board<sup>26</sup> signals a welcome focus on the importance of employment support that is targeted at the particular needs of the labour market. This has come with a commitment to a new national jobs and career service and a youth guarantee. The findings of this report chime with the outlook of the new Government: that local areas know their local economies best and are best placed to enlist the resources of their local ecosystem to improve outcomes for people and places. This is the case regardless of whether employment support design and commissioning is devolved to an area or not and it’s therefore crucial that it is not only areas with devolved powers that benefit from localised support.

22 (ONS)  
23 (ONS)  
24 (Work & Pensions Committee)  
25 (LGA)  
26 (DWP)

# Current barriers to success in the system

Inadequate use of local employment support ecosystems

Different regions and their local economies face distinct challenges and opportunities. Variations in labour market conditions, demographics, history and employment demand give rise to differing scenarios that need bespoke solutions with input from local service providers, authorities, community leaders and employers<sup>27</sup>. Local community and non-profit organisations are not always included in centrally commissioned programmes. For example, Restart, has seen prime providers working with regional authorities and delivery partners but underutilised those providers already embedded within their communities.<sup>28</sup> A failure to engage local expertise in local employment support ecosystems leads to inefficient and unsustainable outcomes for people and places<sup>29</sup>.

In general, experts highlight that core support programmes deliver for few groups effectively and that inadequate use of local ecosystems was central to the problem. Non-profit and community sector providers, specifically, told us that they are dealing with high caseloads of economically inactive young people often with complex issues and that current support is not addressing their needs, which matches current data<sup>30</sup>. Those barriers include neurodivergence, high levels of mental health, experience of care, offending and poor housing. Often the support vital for those young people goes beyond the specification of a commissioned service and can be as simple as support to attend a health appointment. The burden for engaging and helping ‘inactive’ young people into work is too often falling on organisations with few resources that are disconnected from centrally-managed support schemes.

Insufficient support for and inclusion of employers

Outside of schemes which provide in-work wraparound support such as Individual Placement and Support in Primary Care (IPSPC), support for employers on recruitment or retention is generally limited<sup>31</sup>. There has long been room for improved communication between JCPs, prime providers and local stakeholders, including local and combined authorities and employers. Local employers provide vital knowledge of the jobs that a local economy requires and local and combined authorities can collate that insight to ensure that commissioning responds accordingly. Better communication with employers would better facilitate positive outcomes for people and the local economy. Employment support programs need to match candidates with appropriate and sustainable employment opportunities: co-working between providers and employers throughout the employment support process is underutilised in pursuing this goal.

27 (Work & Pensions Committee)  
28 (Work & Pensions Committee)  
29 (GMCA), (Work & Pensions Committee)  
30 (McCurdy et al.)  
31 (Work & Pensions Committee)

Some schemes, such as the Way to Work scheme, have emphasised linking candidates with employers, but these efforts have proved insufficient in dealing with skills mismatches which exist in local labour markets throughout the country. Relationships between employment support providers, local authorities, local enterprise groups, local businesses and local skills providers are not strong enough to sufficiently address the gaps in local labour markets and direct people to the right training opportunities – assuming those training opportunities are available, which may not be the case<sup>32</sup>. It is expected that 9 in 10 employees will need reskilling by 2030<sup>33</sup> which only heightens the importance of properly involving employers in determining where to direct re-skilling efforts efficiently and ensuring that those in work and seeking work have access to re-skilling opportunities.

That skills barriers are currently not sufficiently addressed and local employers’ needs are not being met is evidenced by the fact that, although vacancies are decreasing from the post-pandemic high, many employers are reporting persistent, hard-to-fill vacancies<sup>34</sup>. There is a particular issue with those over 50, many of whom have left the labour force since the pandemic. If there is limited access to re-skilling opportunities then older workers will stay outside of the labour force.

Insufficient integration of services

Interviewees we heard from highlighted the impact of wider public policy on people’s employment outcomes, for example, education, housing and exposure to the criminal justice system - all pointing to the importance of greater interconnectivity between services supporting people in the round. That said, employment support service provision can and should better connect and work with healthcare, skills and social security.

A major drawback to the current system is the often siloed nature of employment support provision; particularly for those people furthest from the labour market who experience multiple personal barriers to employment. A journey which begins at a local JCP location and requires someone to effectively independently navigate various services at various locations only reduces their likelihood of finding sustainable employment.

The impact of long-term sickness on labour supply brings into focus a need for healthcare and employment support to be seen not as separate services but as two sides of the same coin – the reality of work as a social determinant of health is well established<sup>35</sup>. And the positive impact of efficiently integrating healthcare – particularly mental health care – and employment support has a strong evidence base<sup>36</sup>.

Yet, centrally-commissioned employment support and JCP provision have faced criticism for being unable to sufficiently integrate employment support with health services in local areas. Integrating health and employment services

32 (Industrial Strategy Council)  
33 (CBI/McKinsey)  
34 (CIPD)  
35 (Frank)  
36 (Burns and Catty)

is made easier when stakeholders are dealing with the same boundaries. This is not the case, for example, with regard to Integrated Care System geographies and DWP-commissioning geographies, the latter of which are much larger than the former. Mismatched geographies have hindered the senior-level stakeholder buy-in that is necessary for an efficiently integrated system of support services.

Given the bidirectional dynamic between mental health problems and inactivity, integrated mental health and employment support that is accessible to those outside of the workforce, not just those who are searching for work, is crucial<sup>37</sup>. Other than IPSPC there are few examples of programmes that include those outside of the workforce with mental health issues. For example, despite some providing mental health support, most youth hubs are not accessible to those young people not in receipt of Universal Credit and therefore cannot solve the core issue of mental health issues deriving from and leading to absence from the labour market<sup>38</sup>.

And when it comes to skills, the work-first, nationally-managed approach of the DWP and JCPs does not integrate skills provision and employment support.

Conditionality and trust

The majority of current employment support provision is eligibility-dependent. An individual must be actively seeking work to receive support; individuals considered unemployed are able to access support, whilst those ‘out’ of the workforce cannot. In the labour market scenario currently facing the UK, sustainably reducing the inactivity rate must be of central concern, which means expanding the support system to include those considered inactive.

Schemes such as Kickstart – which aimed to support young people at risk of long-term unemployment – have seen sub-optimal outcomes due to underspend<sup>39</sup>. Extending eligibility to those not in receipt of benefits would have enabled these schemes to maximise their spend and positively impact the employment rate.

JCP employees and programme participants alike have reported that mistrust is a major barrier to engagement<sup>40</sup>. The dual mandate of benefit administration and delivering employment support that characterises the conditionality of centrally-managed programmes is reported as a central cause of this mistrust. A trusted relationship between provider and participant is crucial for successful and sustainable employment outcomes.

The recent uptick in those absent from the labour market due to mental ill health further highlights the need for a person-centred approach to employment support that meets individuals where they are; an approach that facilitates trust throughout, reduces the likelihood that a participant falls through a gap between services or does not engage with support in the first place.

37 It should be noted that mental health provision in general is insufficient at present, both for those out of work and within workplaces. Integration of employment support and mental health provision will not solve this issue in its entirety.  
38 (Work & Pensions Committee)  
39 (Work & Pensions Committee) (GMCA)  
40 (Pollard)

Data and digital services

We heard from many stakeholders that data practices – collection standards, analysis and sharing – are currently severely insufficient to facilitate the understanding of and sharing of best practice. We heard too that the use of data is not sufficiently focused on outcomes.

It has also been established that data is insufficiently gathered and shared at present<sup>41</sup> – both for individual participants’ journeys and for learnings between providers and within and across regions.

Currently there are restrictions on data sharing for DWP-commissioned providers and there is no central data hub for providers to access to share best practice. DWP also does not share contemporaneous data with regional providers and vice versa. An absence of data sharing in real time reduces the efficiency with which lessons can be learned.

Building a holistic picture of people’s interactions with services is also important to understand where needs are not being met. A lack of data sharing between services hinders integration within a local area. Particularly for those with multiple, complex barriers to work, a comprehensive picture made up of data from multiple services would allow for improved outcomes.

Access to good work, housing and health

There are many areas of the UK which have limited availability of good work (work that is “fair and decent [and where] employers offer opportunities that give individuals realistic scope to develop and progress”<sup>42</sup>) and differences can be even more pronounced within regions than between them<sup>43</sup>. Ensuring the availability of good work is an economic challenge that lies beyond the scope of employment support and of this report but it is of central importance to note that, in the long-term, a UK with an unequal geographical distribution and overall lack of good work opportunities will be unable to solve its labour market or employment issues and will continue to see slow growth, relatively poor living standards and persistent inequality.

The same is true for housing. The problems with housing in the UK, particularly for young people, have been well documented<sup>44</sup>; but it is worth emphasising the interconnectedness of housing and employment. The former is a prerequisite for the latter. To properly engage someone in employment support and job seeking, they must at the very least have safe and secure accommodation. While there are examples of live and work accommodation that include employment support,<sup>45</sup> the broader issue of access to good quality, affordable housing is also something that goes beyond the scope of this report but was highlighted consistently in interviews with stakeholders.

And just as fundamental to the success of any employment support system and any economy is the health of its workers. Economic inactivity varies across the

41 (HoC Committee of Public Accounts), (Work & Pensions Committee)  
42 (Taylor)  
43 (Wilson)  
44 (“The housing crisis: what will happen if we don’t act?”)  
45 (“Live and Work”)

UK and is correlated with economic deprivation<sup>46</sup>. Economic deprivation is also correlated with chronic pain and depression, as well as other adverse health outcomes<sup>47</sup>. These fundamental health barriers and trends in the UK must be addressed by government if we are to see participation rates rise and growth improve. Tackling the NHS waiting lists is a crucial step in this process, something that the new Government has already highlighted as a key focus and as directly related to reducing inactivity.

46 (The Health Foundation)  
47 (Mallorie and Anandaciva)

# Lessons: overcoming barriers with devolution

## On use of local ecosystems, integration of services and involvement of local employers

Evidence from the devolution of schemes such as the Work & Health Programme to Greater Manchester and London tells us that devolution of employment support commissioning allows for greater inclusion of local delivery partners, particularly for train and place models of employment support as well as increased involvement of local health partners, harnessing the pivotal relationship between health and sustainable employment<sup>48</sup>.

Combined, and to a greater extent, local authorities understand the nuances of their local area best and are well placed to adapt provision to reflect those variables – whether in terms of local demographics, local labour market features, local employer needs or local history and culture – and to draw on local assets and local strengths of communities and employers.

Devolving funding and commissioning decisions to SRPs and CAs, as has already been piloted, allows for the possibility of better integration of services, as siloes are broken down and fewer people fall through cracks in the system between referrals. A significant aspect of this integration, one that improves efficiency of employment support, is co-location of services. Extant evidence and our research tells us that a major issue for those accessing support services is the need for individuals to navigate multiple services on their own, including having to physically attend different sites to receive support from different services.

Devolving support gives control and responsibility to local leaders who are engaged with local ecosystems, including housing, skills and health services; allowing them to create a more person-centred journey that reduces friction for jobseekers and improves efficiency and cost-effectiveness<sup>49</sup>. Integration of local services better facilitates a more person-centred approach to support, providing jobseekers with holistic support that can be more co-located<sup>50</sup>.

48 (Central London Forward), (GMCA)  
49 (GMCA) (Central London Forward)  
50 (GMCA)

## Recommendation 1

### Fulfilling the promise of further devolution through Combined Authorities as a general principle:

Over and above Job Centre Plus provision, central government should continue to devolve employment support funding and commissioning powers to Combined Authority Areas and Mayoralties that want them, along the lines of the partially devolved Work & Health Programme. Whilst there remains a place for nationally commissioned programmes, particularly in areas where there is no combined authority, local areas that wish to commission their own services along central government commissioning guidelines should be provided with the funding to do so. For programmes that are partially devolved, devolved funding must be commensurate with the resources that would otherwise be spent by central government on nationally-commissioned provision and additional resourcing should be provided to combined authorities to ensure there is sufficient capacity in local commissioning teams.

For the integration of health and employment support services, trust between employment specialists and local clinicians is crucial. Local leaders and officers have existing relationships with local health providers which they can leverage to improve integration of health and employment support<sup>51</sup>.

One example of integrated health and employment support is IPSPC. IPSPC was introduced in 2022 after trials in the West Midlands and South Yorkshire to allow combined authorities and upper tier local authorities to apply for central government grants to integrate employment support with individual’s health treatment in primary care settings – as opposed to Individual Placement and Support (IPS) provision in secondary care settings. The foundation of IPSPC is recognising that employment is a key driver of health and wellbeing and that there is a need to break the circular dynamic whereby poor health excludes people from work and that worklessness then further negatively impacts health. The dynamic is particularly salient with regard to mental health. IPSPC utilises a place, train and maintain model that has a strong evidence base: individuals are found work placements and are trained while employed, instead of training taking place prior to employment<sup>52</sup>. IPSPC and similar schemes can only be successful if health and employment services are properly integrated. SRPs and CAs have shown that they are well placed to do so.

When it comes to local employers and skills needs, local leaders and authorities are plugged into the needs of local economies and have existing relationships with local employers as well as considerable leverage that central government does not have a history of tapping into<sup>53</sup>.

51 (Central London Forward)  
52 (DWP)  
53 (GMCA)

These relatively stronger relationships with local employers give local authorities a better understanding of the skills required to fill gaps in the local labour market – both now and in the future. Local authorities are able to facilitate formal connections between local employment support and skills systems to create local skills improvement plans.

Local authorities also have a pride and stake in their local area and local economy that encourages bold, focused skills programmes that will give their area the best chance of future success and growth.

There are already international models for devolved systems that formally integrate employment support with other local stakeholders – including employers – and services and provide for clear accountability between central government and local authorities.

An example of one such holistic system is that of Northern Ireland’s Labour Market Partnerships. The partnerships bring together local councillors, representatives from the Department of Communities and the Department for the Economy in each council area and are responsible for developing local labour market intervention plans and integrating services. A central aspect of the Northern Irish system is its emphasis on local skills needs. Value for money is higher when skills training is focused on good local jobs<sup>54</sup> and LMPs have shown this to be true in consulting employers on local skills needs and having this information conveyed to skills bootcamps to inform skills pathways and courses. Investment in skills training that is focused on local employer needs can see the formation of reliable roots to employment opportunities which provide more than value for money for the local economy<sup>55</sup>.

Recommendation 2

**Using local labour market partnerships to determine strategy and programme design:** In both devolved and non-devolved areas, local Labour Market Partnerships based on the current Northern Ireland model should be established and utilised to determine employment support and skills pathways that reflect the needs of the local labour market. These partnerships should include representation from central government, local government, local enterprise, the local Integrated Care System, trade unions and local skills providers. These partnerships should be in communication with the recently established national Labour Market Advisory Board and should work with commissioning authorities to co-design, procure and deliver support along government commissioning guidelines.

54 (O'Regan)

55 (O'Regan)

Similar to Northern Ireland, Denmark has eight Regional Labour Market Councils made up of social partners including representatives of local employers, municipalities and educational institutions. Funding for devolved employment support in Denmark is determined by the number of unemployed and inactive residents in a given area.

In Canada, provinces have primary responsibility for labour market policies, with programs such as WorkBC and Employment Ontario which offer employment and training services to jobseekers as well as help for employers to find suitable employees. These provincial programmes are also linked to Canada’s national online job bank which connects employers and job seekers across the country.

The common thread running through these systems is the clarity around the responsibility that local authorities and partnerships have in meeting the demands of the local labour market and reaching employment goals and, crucially, the commitment of these actors to work together to co-design and deliver programmes. In all cases, there is guidance from central government, but organisations and people closest to those out of work are given power to design bespoke local solutions, with various local stakeholders working together to improve outcomes.

In a perfect world, every area of the UK would have sufficient local capacity to locally initiate a partnership that includes and involves employment support providers, skills providers, health services, local employers and local authorities. In reality, only some SRPs and CAs have taken steps towards this, as devolved power and funding have been limited. However, improved localism and integration of services and local knowledge should be the goal for each and every local area, whether or not funding and control of employment support is devolved.

In a partially devolved system, local authorities, the DWP and centrally -commissioned prime providers – i.e. actors in the non-devolved parts of the system – should still have a responsibility to localise support. Local nuance doesn’t cease to exist just because support is not devolved to an area. Localising support requires deliberate and proper communication between prime providers, local authorities and local organisations in the employment space, including non-profit and community-sector delivery partners and local employers, such that services are moulded around the needs of people, the local labour market and local employers.

In particular, prime providers and JCPs need to communicate with local authority leads on employment support in their respective contract package areas (CPAs) or regions, including Directors of Adult Social Services and local economic development teams, and preferably with input from Chief Executives. This relationship, between a centrally-commissioned provider and the local authority is key to involving the rest of a local ecosystem to create a localised support system by engaging the local expertise held at the local authority level and leveraging the strong relationships that local authorities have with the people and organisations in their local area.

Recommendation 3

**Localising delivery through strong relationships:** A dedicated focus on localised delivery - which accounts for the nuances and idiosyncrasies of place – should be a priority for both devolved and non-devolved commissioners and providers; facilitated, in devolved areas, by strong relationships between central government and commissioning authorities and, in all areas, by strategic guidance from local Labour Market Partnerships.

Alongside the localisation of provision, integration is crucial, particularly integration with health services. In a partially devolved system, the DWP has a role to play in brokering engagement with health services, particularly Integrated Care Boards (ICBs) to facilitate integration of health and employment support services in areas where the latter is not devolved – local authorities can also help to broker this engagement where they have representation on local ICBs. Opportunities for co-location of health and employment support exist regardless of whether support is devolved and, in areas where employment support is not devolved, the DWP and commissioned partners should push for, and help pick sites for co-location in dialogue with local authorities. At present, there is little evidence of nationally-commissioned prime providers and the DWP strategically facilitating this form of co-location, with it being left to staff on the ground to take responsibility and implement co-location in an ad hoc fashion. A continuation of this trend in a partially devolved system would risk significantly exacerbating existing inequalities of outcomes between those areas with SRPs and CAs and those without. Given the vital two-way relationship between health and employment, this is not a potential issue to be taken lightly.

In parts of the system where there is no devolution of employment support, a focus on aligning CPAs with Integrated Care System (ICS) boundaries would help to facilitate integration of health services with centrally-commissioned provision. This is complicated by devolution, as ICS boundaries do not align with combined authority boundaries or other SRP boundaries. So, in order to deal with the misalignment of ICS boundaries and CPA boundaries, there must be extra effort from the DWP and centrally-commissioned Prime Providers to work with senior-level health stakeholders in their respective CPAs to facilitate integration and co-location of employment and health services. Local LMPs being created for areas with and without devolved powers will help to facilitate this integration. The DWP has committed in previous commissioning strategies<sup>56</sup> to develop contract structures that encourage joint working between local partners and providers including the NHS and local authorities; these commitments should be carried through into future commissioning guidelines under the new Government and need to be properly implemented. The strong evidence-base showing the success of integrated health and employment support<sup>57</sup> – particularly for those out of work with mental health problems –,

56 (DWP)

57 (Burns and Catty)

alongside the current prevalence of mental health problems in those out of work in the UK, highlights the need for a focus on integration across the system, not only in devolved areas.

SRP and CAs areas with managerial capacity and ties to local health services are best placed to integrate health and employment services but, in the remainder of cases, ensuring coordination and alignment between health and employment services is still crucial. Economies of scale and the power of central government to bring stakeholders around the table should be utilised in doing so.

Considerations on ensuring the success, specifically, of IPSPC both within and outside of devolved areas include the need for trust between employment specialists and clinicians. In both cases, this requires patience and perseverance, but the long-term dividends are worth pursuing given the strong evidence base for IPS and the need for a wrench to be thrown in the insidious cycle of mental health issues and worklessness that is a characteristic of the current UK labour market. For centrally-commissioned provision, the DWP should broker engagement for the implementation of IPSPC, potentially including developing formal service level agreements. Prime providers must also do their utmost to ensure IPS is properly integrated with local primary care services and that fidelity to IPS is ensured.

Whether employment support is devolved to a particular area or not, services can still be localised and integrated and the DWP and prime providers must endeavour to make this the case by improving communication with non-profit and third sector providers and with local skills providers and colleges as well as health services. Engagement with local authorities who may not have control over non-devolved services would nevertheless improve the ability for providers to provide tailored support to local areas by tapping into local knowledge and leveraging local relationships. Even where JCP provision is the only type of support available, an effort must be made by the DWP and by local authorities and local organisations to create a local ecosystem that increases co-location and lessens the gaps in the system that threaten participants’ journeys to sustainable employment.

Recommendation 6

**A commitment to integration:** Commissioners of both devolved and non-devolved employment support should seek to integrate services whenever possible, recognising that health, housing and employment are mutually reinforcing domains, particularly for people further from the labour market. Commissioning authorities should recognise the importance of getting people considered ‘economically inactive’ into work and the centrality of integrating services to the success of this mission.

On conditionality and trust in the system

A central complaint of those working on the ground in the employment support system is there is an underlying lack of trust in the relationship between job seeker and work coach due to the dual responsibility that the latter holds for employment support as well as enforcement of sanctions<sup>58</sup>. For services that are not devolved, the responsibility of helping someone into work and potentially financially sanctioning them is held by the same person: a Job Centre work coach.

Devolution of employment support allows for the separation of support and enforcement, facilitating a trusted relationship between job coach and job seeker. This separation of support and enforcement can also be facilitated by centrally-controlled, regional commissioning of support for schemes such as Restart; however, in these cases, an initial referral is often required by a work coach, meaning that a jobseeker’s journey towards new work opportunities is held back from the start by the constraints of this relationship.

We heard from our interviews that success in finding sustainable work is driven by genuine engagement with the job seeking process. This has also been confirmed by recent research<sup>59</sup>.

Reducing the tension between jobseeker and work coach is a prerequisite to ensuring that an employment support system is person-centred. Genuine engagement is facilitated by the presence of trust, running not only from people towards the system but also in the other direction: when people are trusted to genuinely engage in pursuing employment opportunities on their own initiative, sustainable employment becomes more likely<sup>60</sup>.

While devolution of employment support allows for separation from conditionality and establishing trusting relationships; it must not be the case that conditionality remains a barrier in areas of the country with non-devolved provision. Current research is clear on the negative impact that conditionality and the threat of benefit sanctions has on job seekers and those who are classified as ‘inactive’<sup>61</sup>. The DWP must do more to ensure that JCP work coaches are cognisant of the insidious nature of the conditionality dynamic and the department should look to do a wholesale review on the purpose and effectiveness of conditionality. The new Government has established two separate ministerial roles within the DWP for employment support and social security. This bodes well for their vision of the future of a system that recognises the importance of a trusted relationship between advisor and jobseeker.

58 (Pollard)  
59 (Pollard)  
60 (Pollard)  
61 (Pollard)

In summary

Devolution of funding, commissioning powers and delivery responsibility to SRPs and CAs has proved successful. What may have been lost in economies of scale is made up for through the successes of local service integration, employer engagement and more successful programmes. For those SRPs and CAs with sufficient capacity and funding, devolution is likely to improve outcomes for unemployed people, ‘economically inactive’ people and local economies as well as allowing for innovation in provision. However, localised delivery should be a reality across the country and can be brought about by stakeholders communicating and working together to co-design programmes that work for each and every local area, driven by local Labour Market Partnerships.

And while the barrier of conditionality can be more easily removed for devolved programmes, there needs to be a focus on mitigating the negative consequences of conditionality elsewhere in the system.

# Making a partially devolved system work

## Picking the right level to commission

Combined Authorities and sub-regional local government partnerships are best placed to design, co-design and commission services. Whilst there are still programmes that should be commissioned centrally, using large contract ares to do so, devolution of design and commissioning powers to combined authorities is the path the new government has signalled they intend to go down; and extant evidence from abroad and within the UK tells us that devolution improves outcomes when power is handed to non-central authorities with sufficient resourcing and capacity.

Where employment support is devolved to CAs and SRPs, they should take responsibility for involving the expertise of the local authorities within their patch and are best placed to do so. CAs have local knowledge, but the local knowledge held by single local authorities about their respective areas is even stronger. In taking responsibility for management and commissioning, CAs should look to local authorities to inform on how to truly localise delivery across the region as the CA makes decisions about design and delivery with direction from the local Labour Market Partnership.

Whilst there may be some local authorities that have sufficient resourcing to locally design and commissioning employment support, CAs and SRPs are large enough to benefit from economies of scale and are well placed to obtain guidance from central government on programme design.

## Communication and guidance from the DWPto commission

To facilitate greater freedom for CAs and SRPs to design and co-design employment support programmes in their areas whilst ensuring adherence to commissioning guidelines – in particular on designing programmes such that consistent outcomes-based data can be gathered and compared across programmes – communication between the DWP and CAs and SRPs must be much stronger. Expertise that the DWP holds on commissioning large-scale contracts and ensuring widespread provision can be matched with all the benefits of localised programme design and control; but the DWP must develop positive and productive relationships with devolved administrations for this to be a reality. Guidance from the DWP during the transitional phase towards a mixed system is vital in ensuring the system’s future success.

A system which allows policymakers to draw on successes of devolution to innovate must also be a system where outcomes are comparable across programmes and where contracts are sufficiently flexible to take data on outcomes into account. Central government and devolved authorities need to be in constant dialogue for these goals to be realised.

## Recommendation 4

Guidance from the DWP: Central government should develop commissioning guidelines in consultation with combined and / or local authorities and other local stakeholders including providers, to help establish minimum standards. These guidelines should include enabling greater flexibility within contracts to facilitate agile delivery, working with local Labour Market Partnerships.

For example, the secondment of DWP officials with experience in, for instance, large scale commissioning and data use to CAs who are taking on new devolved powers would help to smooth any transition to further devolution. CAs and SRPs should be open to advice from the DWP and both the DWP and devolved authorities should work together on co-design where appropriate. There is precedent for this, for example on the boards of Northern Ireland’s Labour Market Partnerships where the Department for Communities and the Department for the Economy are represented.

Where there has been devolution of employment support, there have been some examples of duplication of services due to lack of coordination between centralised and devolved programmes<sup>62</sup>.

This is where it is critical that the UK learn from international examples. Central government must be clear about what exactly a SRP or CA is responsible for; whether it is employment support alone or includes skills provision and integration with health services too – which we recommend. A system which clearly communicates responsibility for different areas will reduce duplication; the DWP must take the lead here and ensure that services are not overlapping by establishing clear roles and responsibilities for authorities with devolved power; the alternative is a system with inefficiencies in public spending and confusion for jobseekers on the ground.

The pitfalls of a lack of communication and clarity around responsibility for delivery has been highlighted in Scotland, where a dual system of some devolved support and some JCP support has created a ‘cluttered landscape’<sup>63</sup> which has created problems for people trying to access services.

## Funding

There is consensus among LAs that if employment support is to be successfully devolved in the long run then funding needs to be simplified; rather than coming from multiple funding pots from multiple government departments, funding streams should be combined and devolved to mayors, SRPs and CAs in full. This longer-term, guaranteed funding would better enable authorities to plan and develop programmes and for capacity to be fully developed and maintained at a local level<sup>64</sup>.

62 (GMCA)  
63 (IPPR Scotland)  
64 (West of England Mayoral Combined Authority), (York & North Yorkshire Combined Authority), (GMCA), (Central London Forward)

Single, long-term funding streams would also free up local authority capacity that is currently used in the bidding process for smaller streams, thereby improving efficiency across the system<sup>65</sup>.

A potential problem of increased devolution is an increase in the requirements for managerial resources for both Prime Providers and local authorities to deal with a higher number of procurement processes. SRPs and CAs that see devolved power also need the requisite funding to increase managerial capacity when necessary and ensure sufficient resourcing in all instances.

For prime providers, devolution can place an extra burden on management as providers try to deliver the same service on behalf of multiple commissioning authorities, undergoing multiple procurement processes. We heard that, currently, varying requirements for Management Information and Key Performance Indicators mean that management resources can be stretched thin and require further investment, taking resources away from the front line.

Mitigating these costs for providers requires a focus throughout the system on consistent outcomes-based measures of performance. The DWP should ensure that outcomes-based measurements are informed with data that is as uniform as possible to ease pressure on management costs for all providers as well as allowing for better comparisons between programmes.

Outcomes-based analysis and proper utilisation of data

Alongside delivering JCP services and commissioning contracts for non-devolved sections of the country, in a system where employment support is devolved to a greater number of SRPs and CAs, the DWP will need to determine and establish the outcomes-based measurements of success that best allow for simplicity and consistency in evaluation of various programmes, and the department will need to ensure that this data is shared on a regular basis. The DWP will need to disseminate consistent approaches to evaluations and well-defined outcome measures. Further devolution is only going to complicate analysis and comparison as programmes vary but the vital need to realise the gains of innovation that devolution can bring only compounds the importance of data collection standards and the development of outcomes-based measures and metrics that can be compared across programmes.

Ensuring consistency of approaches to evaluation and sharing regular analysis to determine the impacts of different programmes becomes a central part of the DWP’s role in a partially devolved system. The department would need to develop thoughtful and clear guidelines, involving SRPs and CAs in the process, around the data collected for evaluation and data would need to be processed and analysed regularly as well as being readily available to providers, authorities and other relevant stakeholders.

Data collection and sharing practices should be as closely aligned as possible, both for those areas with devolved powers and funding as well as those areas that rely on JCPs and nationally-commissioned providers. One of the biggest potential benefits of greater devolution is that of innovation, with local areas empowered to test out what works and what doesn’t. Strong, consistent practices in the collection, sharing and analysis of data is crucial to ensure that a

65 (South Yorkshire Mayoral Combined Authority)

partially devolved system is able to reap the benefits of innovation and disperse them throughout the system. The DWP’s data hub is a good tool that could be better utilised to act as the fulcrum of a data-based oversight role for the DWP.

The DWP can also provide value in supporting local partnerships to improve how they collect and analyse data locally. Data should be returned to the DWP for central analysis, but CAs and SRPs can also be supported by the DWP to improve the use of data within their areas to continually analyse and improve outcomes at a local level.

Recommendation 5

A new oversight and data-oriented based role for the DWP:

As the country transitions to a mixed system with both national provision and substantial devolved provision, the DWP’s role should shift accordingly towards facilitating sharing of consistent data, monitoring performance at a national level and evaluating programmes to identify what works and to share that best practice, underpinned by a relentless focus on outcomes.

More generally, the digitalisation of employment support is currently behind that of other public services. Clear standards for evaluation is only one solution to improve efficiency in the employment support system. An example that was cited during interviews is the current insufficient focus on modern digital design and delivery; giving better access for job seekers to digital services and improving local digital infrastructure would help to simplify self-service and triaging<sup>66</sup>.

Devolution or delegation?

A question that arose during our interviews with experts in the field was whether the ‘devolution’ of employment support provision simply amounted to ‘delegation’ of commissioning responsibility – and whether this weakened the case for greater devolution of control over employment support schemes. It is true that much of the extant devolution in the system is characterised simply by responsibility for determining who delivers support being moved from central government to local government, but this is due to the fact that, in some cases, this is what has been offered by central government to devolved administrations. The ideal situation for CAs and SRPs is that they are given outcomes to achieve along with the resources to achieve them and then given the freedom to design and commission programmes that meet those outcomes, using DWP commissioning guidelines that transfer commissioning expertise over to devolved authorities.

66 (HoC Committee of Public Accounts)

Where there are doubts about local managerial capacity, however, it is salient to consider that devolving employment support may not result in increased integration or involvement of employers and would simply result in a delegating of commissioning responsibility to an authority that has no better capacity to make good commissioning decisions than central government and who can not commission provision at a scale that allows for cost efficiency advantages.

This brings us back to a vital point: SRPs and CAs must be ensured of sufficient funding alongside further devolved powers. There can not be gaps in resources for managerial capacity that negatively impact front line services.

**In summary**

For a partially devolved system to be successful, there are certain necessary conditions. It is a non-starter for devolved powers to be increased without requisite funding; the DWP must take the lead in ensuring programmes across the country can be measured by similar outcomes-focused metrics and that data and analysis is accessible; duplication must be avoided and minimum standards ensured through DWP leadership, commissioning guidance and clear communication; and providers and devolved authorities must work together to improve outcomes, whatever the level of devolution in a particular area.

# Conclusion

Devolution is a reality of the current and future landscape of the employment support system. For the UK to solve its labour market problems and for the economy to achieve sustained growth, innovation and improvements in labour market interventions are critical. Devolution can provide this, but only if done properly. A lack of adequate funding, gaps in communication, chaotic evaluation practices and siloed services all present threats to success in a partially devolved system. These threats must be navigated with one goal in mind: to improve outcomes for people and places.

An active DWP that works with combined authorities to ensure that devolved administrations are getting the help they need in designing and commissioning employment support will provide the foundation of a successful devolved system. It is then incumbent on combined authorities to enlist the expertise of the local authorities within its boundaries and to work with prime providers to localise services as well as promoting service integration and co-location. Labour Market Partnerships can drive this coworking for their area and can involve other important stakeholders including employers and skills providers.

And it is incumbent on the DWP to use data to oversee a partially devolved system, allowing both local and national commissioners to innovate between contracts and within flexible contracts.

These conditions, together with a focus from all commissioning authorities and providers on localising delivery and integrating services whenever possible, will give people who are out of work the best chance of finding sustainable, fulfilling employment that will in turn drive growth in the UK economy by unlocking the full potential of our labour force.

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