

# Devolution of Employment Support

## Central London Forward response to Work and Pensions Select Committee Call for Evidence

### Summary

- Local authorities already play a major role in delivering employment support in many areas. All 12 local authorities in central London have an employment service. Last year they invested £22.5m to support over 10,000 Londoners. Central London Forward has extensive experience of managing large-scale employment programmes. In the last two years we have helped 10,000 Londoners into work.
- The clear lesson from existing devolution of employment support is that devolution works. Local areas have shown themselves able to deliver high-quality and effective employment support.
- Devolving employment support to local areas offers the opportunity to improve services and outcomes, helping more people access decent work. Locally delivered services can be better adapted to local needs, more effectively integrated, and more efficient.
- At present, Jobcentre Plus is responsible both for providing employment support, and enforcing conditionality and sanctions. This is a major barrier to building the trusting relationships with jobseekers that are essential to helping people into work. Separating employment support from benefit administration – and devolving employment support – could improve relationships with jobseekers and the effectiveness of support.
- Employment support should be devolved to the lowest level practicable, consistent with local economic geographies. In London, employment support programmes should be devolved to the sub-regional partnerships of local authorities.
- Devolution offers the opportunity for a more constructive and mature relationship between DWP and local government. With local government taking increasing responsibility for local delivery, DWP would take on a more strategic role, focused on building capacity, establishing outcome agreements, providing data and intelligence, ensuring value for money, and managing the social security system.
- Devolving employment support could have a positive impact on employer engagement. Local authorities have a strong understanding of their local economy, and are well-placed to bring together supply-side measures such as employment-support and skills, with demand side interventions.
- Devolving employment support could help diversify the market for employment support providers, opening up opportunities for smaller, specialist and third sector providers.
- Local government has experienced significant cuts in funding in the last decade and a half. Government should ensure that any devolution of employment support goes alongside sufficient resourcing to reflect new responsibilities.

### Introduction

Central London Forward (CLF) is a partnership of the 12 central London local authorities<sup>1</sup>. We work together with our member authorities to support inclusive and sustainable growth in

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<sup>1</sup> Camden, City of London, Hackney, Haringey, Islington, Kensington and Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth and Westminster.

central London; so our economy thrives, and our residents benefit from the opportunities this creates.

Central London Forward has extensive experience of managing cross-borough employment programmes on behalf of the 12 central London boroughs. This includes the Work and Health Programme, Job Entry: Targeted Support, Pioneer Support and UK Shared Prosperity Fund. Over the last two years, our employment support programmes helped **10,580** Londoners into employment.

Every one of the 12 central London local authorities has a local employment service. Last year, these services invested **£22.5m** in these services, supporting **29,920** residents.<sup>2</sup>

## Opportunities and challenges

### What are the main opportunities and challenges associated with further devolution of employment support?

Devolving employment support to local areas offers the opportunity to improve services and outcomes, helping more people access decent work:

- Local services are better able to **adapt to local needs**. The nature of local economies and the needs of local jobseekers vary significantly from place to place. Locally designed services are better placed to understand these needs, and to adapt provision to reflect them;
- Local services are better able to **integrate services**. Supporting people into work – particularly those furthest from the labour market – often requires helping people overcome multiple barriers. Locally delivered services are better able to break down policy silos and deliver the holistic support that is most effective;
- Local services offer the opportunity to **increase efficiency**. More integrated and holistic services can be more efficient, as they can reduce duplication, and address the root causes of the challenges an individual is facing. Devolving employment support would allow for greater co-location, which could both improve access to services, and unlock savings from the public sector estate.
- Local services offer the best opportunity to **engage businesses and employers**. Local authorities have a good understanding of their local economy and the skills needs of businesses. They often have strong relationships with key local employers. Devolution of employment support would enable local authorities to integrate supply side interventions, such as employment support and skills, with demand-side interventions to improve job quality and boost productivity;

There are some potential challenges with devolution:

- Some areas may currently lack **sufficient local capacity** to manage employment services. This would be a particular challenge in areas with no existing devolution, and where there is limited or no existing local employment services. DWP could mitigate this risk by taking a variable approach to devolution, with the scale and pace of devolution, reflecting local readiness, capacity and appetite. This would allow DWP to proceed with further devolution in areas with a high level of readiness and capacity – such as London, Greater Manchester and West Midlands – while building capacity in

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<sup>2</sup> London Councils, 2024

other areas. DWP should also ensure that it builds capacity through devolving management and administration funding to local government.

**What impact could greater devolution of employment support have on the consistency and quality of scheme delivery? How could consistency be maintained across a more devolved system?**

DWP should focus on ensuring *consistently high-quality services* across local areas, rather than on enforcing consistency in terms of *uniformity in the way services are delivered*.

At present, Jobcentre Plus and DWP-commissioned employment services tend to be delivered in a uniform way across the country. However, this is a weakness of the current system, not a strength, as these services tend to be insufficiently tailored to local circumstances and needs.

Devolution offers the opportunity both to adapt employment support to the needs of local communities, local employers, and local labour markets, and to integrate support into wider local services. This may lead to less uniformity in terms of the approach to delivery nationally, but it would also offer the opportunity of more tailored, higher quality services, with better outcomes.

In order to ensure consistent quality of service, DWP should work with local areas to build capacity, and to establish outcome agreements. These could involve DWP and local areas agreeing the outcomes that are to be delivered, and a minimum level of service to be provided<sup>3</sup>. In order to unlock the benefits of devolution, DWP should avoid being too prescriptive in how services are to be delivered locally, and leave local areas flexibility to deliver in a way which best meets local needs.

**How might devolving employment support impact the relationship between jobseekers and DWP?**

Devolving employment support offers the opportunity significantly to improve the relationship between jobseekers and employment support providers.

At present relationships between jobseekers and DWP are often strained. This is in large part because Jobcentre Plus (JCP) is responsible both for providing employment support, and for enforcing conditionality and sanctions. The current approach to employment support relies heavily on conditionality, and on the excessive use of sanctions. Around 120,000 Universal Credit claimants are subject to a sanction at any one time, almost 7% of all those subject to conditionality<sup>4</sup>.

The role of JCP in both providing employment support and enforcing conditionality and sanctions, prevents the development of the sort of trusting relationships which are vital for high quality employment support. It leads to compliance, rather than to genuine engagement.<sup>5</sup> The role of JCP in enforcing conditionality also puts people off engaging with JCP unless they have to, including people who are in work but on low pay, and the increasing number who are economically inactive. This helps to explain the fact that the UK has the least well-used employment service in Europe<sup>6</sup>.

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<sup>3</sup> See for example [LGA, Work Local, 2022](#)

<sup>4</sup> [Webster, 2023](#)

<sup>5</sup> [NEF, 2023, Demos, 2019](#)

<sup>6</sup> [IES, 2023](#)

Devolving employment support to local government, and retaining benefit administration within DWP, could significantly improve the relationship between job-seekers and employment support providers. With benefit administration separated from employment support, local employment services would be able to build more trusting relationships with jobseekers, in an approach based on genuine engagement. This approach would be similar to that taken in many other countries, such as Denmark and Germany, and to the approach in the UK before the introduction of Jobcentre Plus.

In order to test this approach, DWP should trial the separation of employment support from benefit administration in local areas. This should involve trialling two approaches in local areas:

- benefit administration remaining with DWP, but employment support provision being devolved to local government. This approach could be taken in areas such as London where there is strong existing local employment support capacity;
- benefit administration remaining with DWP, but employment support provision being delivered by a separate part of DWP. This approach could be taken in areas where there is less existing employment support capacity.

## **Structure**

### **Upon what basis should funding be allocated and why?**

Local authorities have experienced a significant reduction in funding and growing budget pressures over the last decade and a half. Devolution of employment support would offer the opportunity to improve services, but it would represent an additional responsibility for local authorities. Given this, alongside the funding to deliver employment support, DWP should devolve funding for the management and administration of employment support services. This funding should go to the tier of local government that is administering employment support. This need not increase the cost of the system. Additional funding for local government to manage employment support could come from existing DWP budgets, given the organisation would need to do less management and administration of local provision.

Funding should include both a block grant, and an allocation based on the number of unemployed and economically inactive residents in a local area. This would be similar to the approach taken in Denmark. There should also be a small additional uplift in funding for London, reflecting the higher cost of service delivery in the capital.

DWP should also explore the potential for a 'gain-share' pilot. This would ensure that local areas are able to share some of the savings that result from supporting people into sustainable work, similar to the approach taken in Denmark.

### **How should the boundaries of devolved areas be delineated?**

Employment support should be devolved to the lowest level practicable, consistent with local economic geographies.

In London, employment support programmes have been devolved to sub-regional partnerships of local authorities.

Devolving services to this area would build on previous programmes and existing capacity, and it would enable local authorities to shape provision in their area.

**What role should DWP play under a more devolved system? For example, in terms of setting objectives, providing oversight, sharing data and establishing a framework for local areas?**

The devolution of employment support will require a new role for DWP, and it offers the opportunity to build a more constructive and mature relationship with local government.

As part of the devolution of employment support, DWP should move away from a focus on direct delivery and instead take on a new strategic leadership role for the national system.

Alongside overall responsibility for delivering on the Government's missions for the labour market, DWP's role should involve:

- **building capacity** within local government, particularly in areas with less existing experience and capacity;
- establishing **outcome agreements** with local areas and monitoring performance against these outcome agreements;
- providing **data and intelligence**, including evidence of what works, in order to support shared learning;
- ensuring **value for money** in the system;
- leading on **employer engagement** for large national employers (see below);
- managing the **social security** system.

Local government should take the lead for managing the effective delivery of employment support in their local area, working in partnership with DWP. The greater role for local government, and the more limited but more strategic role for central government, should be reflected by a rebalancing of resourcing between local and central government.

**What balance should be struck between national employment support schemes and locally delivered schemes?**

There has been some recent progress in devolution of employment support programmes for residents who are furthest from the labour market. This includes the Work and Health Programme (WHP) and Pioneer Support, JETS, and Pioneer Support, which have been devolved to sub-regional partnerships of local authorities in London, and to Greater Manchester.

Both London's sub-regional partnerships and Greater Manchester have demonstrated their ability to manage large-scale employment programmes. In central London, the Work and Health Programme and JETS, which are managed by CLF, have supported almost **19,000** residents into work. CLF's Pioneer Support programme is currently the highest performing of 11 contracts nationally in terms of both programme starts and job starts.

However, the model of devolution so far has allowed local areas relatively little flexibility in how they design and deliver these services.

Building on the success of these programmes, any successor programme(s), including Universal Support, should be devolved to local government. DWP should offer maximum flexibility in the design of successor programmes, so that local areas can ensure they are tailored to meet local needs, and integrated into wider local services.

DWP would need to continue to manage programmes in areas where devolution has not yet taken place.

In the medium term, rather than devolving individual, time-limited programmes to local areas, DWP should instead devolve budgets, and give local areas the flexibility to design the range of programmes which would best meet local needs.

## **Jobs and providers**

### **What impact might devolving employment support have on the success and quality of job matching? How might it affect jobseekers with additional needs, such as people with health conditions, disabilities, and hard to reach groups?**

Local services are also well-placed to support with effective job-matching. Central London Forward's Pioneer Support programme – which is based on the 'place and train' model, and focuses on job-matching - is currently the top performing of 11 contracts nationally.

Local services are well-placed to support residents with additional needs, including those with health conditions, disabilities and hard to reach groups.

The borough local employment services in central London have extensive experience of supporting these residents into work. We have managed the Work and Health Programme since 2018, which has focused on these groups.

Local services are better able to break down siloes and integrate employment support into other local services. This includes both other local authority services, such as social care, and adult and community learning, and wider local services, such as health and mental health support, and further education. This can enable the sort of holistic support that is particularly important in supporting people furthest from the labour market who face multiple barriers to employment.

### **What impact would devolving employment support have on employers and providers?**

Devolution of employment support offers the opportunity to improve **employer engagement** for most employers.

The vast majority of employers are small and medium-sized businesses, and are based in a single region. Local authorities tend to have a good understanding of their local economy and the skills needs and labour requirements of businesses. Many already have strong relationships with key local employers.

Devolution of employment support would allow local authorities to leverage these relationships, and to align supply side interventions (employment support and skills policy), with demand side interventions to improve job quality and boost productivity.

Devolution – if not managed effectively – could pose a challenge for larger, UK-wide employers. This could be mitigated through DWP retaining a strategic role for employer engagement for large, national employers. This would enable a single relationship between large employers and DWP, who could then broker contact with local employment services in the local areas that these businesses are looking to recruit.

Devolution of employment support also offers the opportunity to diversify and strengthen the market for **employment support providers**.

At present, DWP-funded employment support programmes are commissioned across large geographies, with significant contract values. These contracts have been dominated by a

small number of largely private employment support providers. Just **4 of the largest providers account 70% of the contracts for Restart and the Work and Health Programme**. The intention was that these prime providers would develop a diverse supply-chain of smaller, specialist, and local providers. In reality, this has been limited, with the vast majority of provision being delivered direct by the prime providers.

Devolving employment support to local areas would enable a more diverse and robust ecosystem of providers. This could include both more direct delivery by local authorities, and more local commissioning, based on smaller contract values. This would enable more providers to access the market, including smaller, specialist and third sector providers.

## Lessons learned

### What lessons can be learned from employment schemes already devolved to local government?

London has already seen significant devolution of employment support. The Work and Health Programme, Job Entry: Targeted Support (JETS), and Pioneer Support have all devolved to sub-regional partnerships within the capital, and to Greater Manchester.

We believe that the clear lesson from the current devolved employment programmes is that devolution works:

- Our **Work and Health Programme** – Central London Works – has supported almost **10,000** residents into work.
- The **JETS** programme in London performed in line with DWP-managed programmes, despite the greater impact of the pandemic on London's labour market. Central London Forward's JETS programme supported **9,000** residents into work;
- Our **Pioneer Support** programme has the highest start rate and the highest outcome rate of any of the 11 contracts nationally;

While devolution has been proven to work, there are some lessons that could be learned to improve the system:

- DWP should seek to **build capacity** before devolving employment support – There were some challenges with rolling-out the Work and Health Programme in devolved areas, due in part to the lack of experience of designing and managing large cross-borough employment support programmes. These areas have now built capacity, and are delivering the effectively. For areas which have not seen devolution previously, DWP should seek to build capacity and support readiness as part of the devolution process. DWP should also ensure that, where devolution does take place, it provides local areas with sufficient management and administration funding to reflect the new responsibilities;
- DWP should **embrace meaningful devolution** – Where DWP has devolved programmes previously, it has done so in a relatively prescriptive way, leaving local areas limited ability to adapt provision to local needs. In future, DWP should give local areas greater flexibility to design services, so that they better meet local needs.

Prior to devolving employment support, DWP should undertake a review of existing devolution. Working with the local areas that have seen partial devolution of employment support, this review should seek to learn lessons, and inform future devolution.

**Are there any international comparators the Committee should consider in our inquiry?**

**Denmark** piloted devolution of employment support from 2007, with full devolution from 2009.

The Danish Agency for Labour Market and Recruitment (STAR) sets a framework for local areas, with outcome targets to be delivered. Local areas are responsible for designing an employment plan. Local areas are funded based on the number of residents claiming unemployment benefits, but with an incentive mechanism to reward areas that support residents into work.

STAR is responsible for monitoring delivery, and for creating an evidence-base on best-practice. STAR also ensures minimum standards are met. If local areas fail to deliver on agreed targets, they have a recovery period with greater levels of intervention.

In **Germany**, many Jobcentres are run jointly by the national public employment service, and by local municipalities. These are based on formal agreements, with both the public employment service and municipalities being represented on governing boards.

The national public employment service is responsible for setting objectives and budgets, for managing benefit delivery, for the digital service delivery platform, and for functions such as IT. Local areas are required to assess their labour market, and publish an integration and labour market plan, setting out local strategies and targets.

Performance is monitored monthly, with Jobcentre performance published and benchmarked across comparable areas.<sup>7</sup>

**Central London Forward, April 2024**

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<sup>7</sup> Prof Dan Finn, Employment Services Devolution - lessons from other countries, 2024