

## **Support programmes for the unemployed – time for a radical re-think**

### ***An economic U-turn***

With such a significant change in the economic climate over the last few months, it is now vital that the development of FND is paused, reviewed and, ALP believes, radically revised. With the rapid increase in unemployment caused by the slowdown in the economy, the whole approach to getting non-employed people back into sustainable employment needs a fundamental review.

Flexible New Deal (FND) was designed as one of the key tools designed collectively to move large numbers of long term unemployed (LTU), including those on Incapacity Benefit (now Employment Support Allowance - ESA) back into the jobs being created by a strongly growing economy; an economy that could not find enough properly prepared and skilled people from the current available population. More of the non-employed had to be brought back into the economy, as imported labour/skills were being extensively used to fill skill and labour shortages.

This situation underpinned both the economic argument and the social justice argument, making it a priority to get the LTU and ESA claimants 'back to work'. That was the role for FND.

Sadly the rapid about turn in the economic climate now demands a complete re-appraisal and the FND strategy needs to be reviewed, revised and (certainly in terms of the procurement approach), put aside – immediately!

Whilst the social justice/inclusion argument of course remains with regard to getting LTU back to work, the economic argument must shift to ensure firstly that the casualties of the recession are prepared, re-trained, refreshed and kept motivated to move immediately back into the economy as it picks up to fuel the next period of economic growth.

This new revised priority must be therefore to focus on the needs of the more recently unemployed – especially those with only modest skill levels. This group was going to struggle to retain regular sustainable employment even before the recession hit home. As Lord Leitch had predicted, there would be a dramatic reduction in low skilled jobs over the next ten years (starting two years ago!).

Intensive re-training help must therefore be provided, available for all claimants as they reach six months unemployment (or even earlier?) and the existing 'waiting periods' must be lifted now.

Many recently unemployed who have managed to hold down low level jobs because of the recent insatiable demand from employers still need enhanced 'employability' skills of a higher order to tempt employers as the economy picks up. Generic skills (technology, communication skills, problem solving, self starting, etc) represent a package needed (in part at least) by almost all the unemployed.

Before moving on to other new proposals let us revisit the current commissioning strategy about to be enacted as a means of procuring FND. Whilst we had some reservations about elements of the strategy, the totally changed economic situation necessitates a complete revision of even those parts that may originally have been appropriate in the very different economic environment that existed when the strategy was devised.

### ***Initial reservations reinforced***

When Sir David Freud's initial recommendations were publicised ALP was happy to support much of the picture he presented, and indeed the aspirations that he, and indeed the Government, outlined. There were however several issues that even then ALP either opposed or at least expressed reservations about.

### **A monopoly of prime contractors**

Right from the outset ALP was very unhappy about the risks associated with developing a very small group of large prime contractors, whose principal objective appeared to be to 'manage' the whole delivery programme on behalf of DWP/JCP. The dangers of monopoly providers were always too large in our opinion. The potential of such large contracts attracted the substantial attention of major service management organisations, from both home and abroad. Some of these have little, even no, experience of delivering the kinds of complex and sophisticated support required by large numbers of often highly vulnerable, disadvantaged members of the community. Others are without the experience of delivering such a service within the social and political culture of the UK and its particular operation of its Welfare State.

Whilst Departmental officials continued to protest their desire for a 'mixed economy' of prime providers, the most recent thinking has moved strongly towards a monopolistic regime, with Sir David Freud himself suggesting there may eventually be as few as six contractors across the country. This thinking has been, in our view, over influenced by the effective lobbying of one or two major management service companies who are currently not DWP providers. The voice, opinion and experience of existing providers – of whom ALP represents seventy, including ten who are bidding to become prime contractors –

seems to have been sidelined in favour of a very few high profile potential players.

ALP pointed out the very high risk to the Government, and taxpayers' money, presented by entrusting such vast sums of money to a very few organisations; a move which also threatened the breadth of front line provision necessary to offer choice to the consumer – a key Government priority. Furthermore, it is not clear whether DWP/JCP has fully taken into account a major problem experienced by the LSC within the last twelve months. A new provider entered the field and through a series of acquisitions and aggressive sub-contract developments with other existing providers rapidly grew into easily the largest provider, wooing the LSC, civil servants and ministers with offers of unit price reductions, enhanced efficiencies and more effective outcomes. These promises were totally unsustainable in reality, and saw them move rapidly into liquidation, leaving behind disappointed trainees and employers and a damaged and weakened infrastructure compared with what previously existed (only months before).

This risk to existing provision has not been fully understood. The arrangements for sub-contracting from the prime contractors to the front line providers have been less than clear and have resulted in some existing top quality providers being unable, or unprepared, to agree to work with competitor providers. Furthermore, there is a possible hidden threat to the current infrastructure, where potential sub-contractors, including numerically significant ones, may well have offered their future capacity to competing prime contractors. Should more than one of these competitors win contracts it is clear that the sub-contractor will not be able to offer their full capacity to both!

The current plans seem certain to see some existing provision effectively removed – just at a time when, with unemployment rising, the demand for quality service providers is about to take off.

The need over the next few years is for a dramatic growth in provision and probably providers too. Current activity is seen as a major threat to the very infrastructure that must now expand rapidly and dramatically. An urgent change in direction is essential, together with a genuine working dialogue with providers and/or their representatives, to plan the revised provision that must now be devised.

This imminent expansion in demand has already seen DWP revisit prime contractor bids in preparation for a trebling of potential contract size. This level of expansion alone demands a revision of the monopolistic prime contractor strategy. Instead of planning to meet the new demand by trebling the potential size of already over large contracts the issue should be addressed by increasing the number of direct contractors, in so doing maintaining choice, retaining expert provision (currently under threat) and, critically, reducing the risk to the public purse.

## **Realistic output related funding (ORF)**

Again, right from the outset ALP, whilst confirming its agreement with the concept of ORF, was totally opposed to the kind of levels – up to 100% - being suggested. Our reservations have been (reluctantly) accepted by, first of all a proposal for 80% ORF, most recently reduced again to 60%. Whilst ALP is pleased to see the principle of reduced levels accepted, the current proposals are still totally unrealistic as we move into a new depressed economic cycle. Even before the current downturn successful providers were recording much lower levels of successful achievement of sustainable jobs. Successful Pathways to Work and Employment Zone (EZ) providers were doing well before the recession to achieve much more than 30% success rates. Just as important as re-visiting **realistic** outcome levels is the need to redefine (quickly) what outcomes will now be viewed as successful or positive, as sustainable employment will not be a viable likelihood for many in the short term.

There is a widely held suspicion across the provider network that many of the current bids under consideration are unrealistic, but nevertheless have been produced as a means of ‘staying in contention’ in the hope/expectation of realistic renegotiation after contract approval. This is no way to commission multi-billion pound Government services, and the new economic situation demands an immediate radical review of realistic output funding rates.

ALP’s original reservations were based on the total lack of linkage between Sir David Freud’s recommendations and the recently published Leitch review of skills. Even at that stage Leitch was already predicting the rapid decline in unskilled jobs throughout the economy – the ones most likely to offer the first opportunity for a return to the labour market of long term unemployed/ESA claimants. The current recession has simply brought forward the rate of reduction of available ‘first level’ job opportunities. This fact alone demands a review of output related funding and, as already pointed out, a definition of what an acceptable output might be. This reality has at last caused DWP/JCP to accept that its ‘jobs first’ strategy is no longer appropriate and cannot dictate the focus of its operations as it had done for decades. This welcome change in high level policy has however yet to be reflected in day to day behaviour in Jobcentre Plus and it is vital that the traditional focus and values of the Employment Service does not constrain the realistic objectives and approach of the revised provision that the current situation now demands – objectives that surely must now include qualifications (including units), frameworks and even HE outcomes.

## **Skill training the key to job sustainability**

This last point, linking JCP’s role and the future DWP focus to the nationally accepted Leitch demand for skills training, represented the third reservation ALP had to Sir David’s proposals. It is now vital that future provision is radically repositioned to recognise that the reduction in available jobs, in the short term because of the recession and in the longer term because of the ever rising skill demands of the UK economy, is reflected in the core design of a revised

strategy. In order to prepare long term unemployed and ESA claimants to move back into sustainable employment it is vital that much of the bespoke personal and social support individuals will require is linked more overtly with the skill development needs that virtually every client will need.

Whatever the individual and personal set of needs that each client will have, the common element as we move through the recession and back into long term economic growth will be the need to update, refresh and develop skill levels to ensure that they are attractive to and usable by employers. Whilst this will include specific vocational skills linked to particular jobs and sector needs, there remains across much of the working population, and especially the long term unemployed/ESA groups, a broadly based need to carry on developing the generic skills ever more demanded by employers (teamwork, communications, problem solving, etc). Such needs are ideal for systematic attention during periods of unemployment and should be routinely available to the whole non-employed cohort, linked in to their other specific needs.

The old division of providers who were focused primarily on vocational/skill training, and providers who were expert in employability 'training' and job finding, is now obsolete. This reality must drive the search for the most appropriate and potentially effective DWP contractors/deliverers for the new agenda. These ideal providers are likely to be those who have developed expertise and a track record on both sets of specialisms, and will typically be effective deliverers for both the LSC and JCP. Indeed a growing link between the LSC facing 'vocational skill' providers, and the JCP facing 'individual development needs' providers, in recent years has been their joint focus on delivering these same generic skills. There will be little room, if any, under future arrangements for providers who limit their activities to one or other of these two groupings.

### **Employer led opportunities/job creation**

Despite the reduction in available jobs because of the recession it will still be important to maximise the amount of employer involvement as we seek to prepare people to re-enter the workplace, with appropriate skill levels, when vacancies start to pick up again as they undoubtedly will. This however will be a difficult task, and very hard to arrange across the board for a growing mass market of unemployed people.

We need a radical proposal for effective use of Exchequer monies, better than simply paying benefits, and better too than simply arranging non-employer related training (though that will offer some value added). Our new proposal is to re-design a successful initiative utilised in a previous recession, update it and indeed improve and develop it to a significantly higher level of effectiveness. Our suggestion is to meld together elements embedded in the past, present and future.

The historical element is the Community Programme so successful in the early '80s – a product of that economically difficult period. The programme created tens (probably hundreds) of thousands of real jobs, predominantly in the voluntary sector, undertaking tasks of general community benefit. Typical projects involved extensive work for the National Trust and other 'environmental' bodies, the development of previously unusable sites and buildings, gardening and domestic security installations for older people, etc.

The present element, capable of being added to and enhancing the original Community Programme initiative, lies in the availability of high quality, employer designed Apprenticeship training frameworks, increasingly being accessed by adult workers as well as the younger teenagers traditionally involved. The opportunity to offer high quality, relevant vocational skills for unemployed adults, linked to programmes of general community benefit immediately 'doubles up' the potential value of such a programme and simultaneously upskills a large body of potential workers, ready for instant availability for employers when the economy picks up.

The element from the future encompasses the opportunity to incorporate high priority green and energy saving issues, which will not only bring immediate political and socially desirable benefits, but could also be positioned as a direct investment into future profitable 'green enterprises'. We therefore propose a real work programme built around Apprenticeship frameworks, focused – in part – on the investment in and development of long term environmentally friendly projects. These could open the door to positioning some or all of them directly in the private sector, as well as the third sector, using the benefit costs under a DEL/AME approach. This should be positioned as a short term investment/subsidy to train up the unemployed and pump prime new industries, preparing the private sector to take them forward as stand alone, self financing/profitable ventures post recession.

The alternatives are simply to pay out an increasing amount of 'deadweight' benefits to an ever more demoralised and growing army of unemployed, whilst trying to find them increasingly non-existent jobs until (or for the lower skilled, even when) the economy has turned around.

### ***Introduction of new flexibilities to create a living test bed for the future***

There is a particular set of circumstances surrounding providers in FND phase 2 – effective from autumn 2010. These providers should be immediately 'released' within their existing contract to develop their delivery over the next six months in a highly innovative, flexible way to reflect the new 'realities'. Sensible discussions about agreed 'positive outcomes' should be initiated immediately to enable them to use their particular expertise to develop new options which could form the basis of future programmes in the long term.

What will also be necessary is for JCP to deal with the problem of simply 'parking' the long term unemployed at present because they are understandably submerged in the deluge of new claimants and trying to capture and deal with the newly unemployed who remain favourites for re-employment because of their current immediate attractiveness to employers. This parking of the more difficult cases is understandable but cannot be supported in the new situation we now face. They must be referred urgently and systematically to current New Deal contractors, who should exercise the flexibilities ALP argues for to prevent them being actively delivered to the bottom of the pile at exactly the time when the economy and everything else will work against them. Indeed, the threats to the longer unemployed, produced by the economic downturn, means that the eligibility periods for 'extra help' under a revised set of programmes must be reduced to six months across the board.

### **Summary**

The change in national economic circumstances and the massive and rapid growth in the number of clients that need to be supported by DWP programmes demand a radical change in the way provision is both positioned and contracted.

Specifically:

- Eligibility for 're-training' support must be available for all at the six month stage – or earlier.
- The number of prime contractors (and possibly contracts) must be significantly increased to respond to the immediate rise in demand.
- The output related funding element must be revisited, redefined and lowered to reflect challenging but realistic expectations.
- Core contractors should be comprised firstly of providers with a successful track record in delivery of skill programmes for the LSC and employability/job finding programmes for JCP (aspiring contractors with expertise in only one of these specialisms must indicate how they are going to 'cover the new waterfront').
- Create a new, 21<sup>st</sup> century employment based programme using adult Apprenticeship frameworks focused on – but not exclusively limited to – the development of environmentally friendly industries of the future.
- The LTU should not be simply 'parked' whilst the newly unemployed are dealt with. All six months plus unemployed should be systematically referred to New Deal providers for immediate and ongoing action.

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