

# LONDON ASSEMBLY

## Role of the third sector in employment and skills programme

Economy Committee

### 1. Introduction

The London Assembly Economy Committee is seeking information on the role of the third sector in employment and skills programmes in the capital, including:

- the specific initiatives, or barriers, in London which help or hinder the third sector's role in employment and skills programmes;
- how future developments, including possible devolution can be exploited to develop a more diverse supply chain, including the third sector, in employment and skills programmes in London; and
- how the Mayor, central and local government can ensure the third sector has a role in delivering employment and support programmes in the capital.

Mayoral strategies and initiatives on employment and skills are led by an objective *to ensure all Londoners have the opportunity to take part in London's economic success, access sustainable employment and progress in their careers.*<sup>1</sup>

Despite the decrease in unemployment overall, addressing long-term unemployment, high unemployment levels among certain groups, and in-work poverty continues to challenge policy-makers. While the number of young Londoners not in employment, education or training (NEETs) has declined, the unemployment rate for young Londoners remains the highest in Great Britain, and is even higher for BAME young people. Furthermore, as with other regions, both the absolute number

and proportion of Employment and Support Allowance (ESA) claimants continue to rise.<sup>2</sup>

Employment support programmes encompass training schemes, volunteering, work experience and jobs brokerage. There are concerns that employment programmes do not consistently develop the skills which are required by employers,<sup>3</sup> and that the needs of Londoners facing the most complex barriers, and/or furthest from support, remain unmet.

The 'third sector' collectively refers to a wide range of voluntary, community and social enterprise organisations. Third sector organisations are typically designed for public benefit and they include charities, voluntary or community groups, not-for-profit organisations, social enterprises, civil society organisations and others. In recent years, funding for third sector organisations has shifted from a high proportion of grant funding towards contracts for service delivery. Commissioning has also increasingly focused on outcomes-based payment models, including payment by results.

Devolution may assist greater integration of programmes and support supply chain diversity. The GLA, London Councils and the London Enterprise Panel (LEP) are coordinating their efforts to argue for devolution of employment programmes to London government. The Mayor and Chair of London Councils recently set out their vision for a London devolution settlement, including skills programmes.<sup>4</sup> The Assembly's Devolution Working Group is also examining this.

1. Introduction
2. Relevant funding streams and programmes
3. Barriers to third sector involvement
4. Actions to support third sector involvement
5. Key questions
6. How to contribute
7. About the Committee

# LONDON ASSEMBLY

## Role of the third sector in employment and skills programme

Economy Committee

### 2. Relevant funding streams and programmes

There are a number of funding streams and employment programmes where the intention is for the third sector to play a role in delivery.

#### *European Structural Investment Funds (ESIF)*

The LEP has been allocated € 791m (£678m) for the delivery of the ESIF strategy for London 2014-20. Match-funding is expected to take this total to over £1 billion over the seven year ESIF period. In line with the LEP's Jobs and Growth Plan, their 2014-2020 ESIF Strategy includes the priority to ensure that Londoners have the skills to gain sustainable jobs.<sup>5</sup>

The vast majority of ESF funding will be distributed via match-funding arrangements with the national organisations which hold the funds.<sup>6</sup> The GLA, London Councils and other organisations with significant match-funding can apply directly for these funds. Importantly, unlike the other funders, the Big Lottery will use a funding mechanism that includes elements of both grant funding and payment by results. The Big Lottery is undertaking a number of activities to help third sector organisations interested in bidding for contracts. Additionally, the London Voluntary Services Council (LVSC) plays a role supporting organisations to access European Funding.<sup>7</sup>

The GLA is leading negotiations with the funders to shape tendering and contracting arrangements. The GLA is pushing for a number of changes, which could increase third sector

involvement, for example minimum standards for sub-contractors. These negotiations are expected to conclude shortly.

#### *The Work Programme*

The Work Programme is the national payment by results welfare-to-work programme for long term unemployed people. The programme is intended to provide support, work experience and training for up to two years to help people find and stay in work. Operational delivery of the programme in London has been contracted to six prime providers - three in West London and three in East London.<sup>8</sup>

There has been an improvement in the overall performance of the Work Programme. However there is significant underperformance in the Employment and Support Allowance (ESA) claimant group who often face the most significant barriers to gaining work.<sup>9</sup> Furthermore, a number of third sector organisations operating in London have withdrawn from involvement in the scheme, citing a number of reasons including the high financial risks to their organisations.<sup>10</sup> The Department of Work and Pensions (DWP) recently accepted a number of recommendations aimed at improving the ability of the third sector to deliver services under the Work Programme.<sup>11</sup>

1. Introduction
2. Relevant funding streams and programmes
3. Barriers to third sector involvement
4. Actions to support third sector involvement
5. Key questions
6. How to contribute
7. About the Committee

# LONDON ASSEMBLY

## Role of the third sector in employment and skills programme

Economy Committee

### Locally-commissioned programmes

A number of initiatives are also being delivered, or developed, to better meet the needs of Londoners and build the case for further devolution of employment and skills programmes. There is a general expectation that third sector organisations would be involved in delivery of these programmes.

The Growth Deal<sup>12</sup> between London and central government includes:

- the *Working Capital* pilot, which is for Work Programme leavers on Employment Support Allowance (ESA) across the Central London Forward (CLF) sub-region.<sup>13</sup> This is wholly funded by the London Enterprise Panel's European Social Fund (ESF). Government has agreed that its success could see the approach rolled out further to different groups or areas across London;
- the West London Alliance's (WLA) *Mental Health and Employment Pilot*, which aims to help ESA and Jobseeker's Allowance claimants with common mental health problems into sustainable employment;<sup>14</sup> and
- a pilot being developed between London Boroughs and Jobcentre Plus to co-commission the Flexible Support Fund in London.

Examples of other programmes include:

- the *Central London Forward Into Work* programme, which provides pre-employment training to support out-of-work central London residents into employment. The City of London Corporation has funded the programme through its charitable foundation and the programme is being managed by the Cross River Partnership.
- LBs of Lambeth, Lewisham and Southwark's are jointly delivering a trial of the *Universal Support - delivered locally* pilot, for people moving onto Universal Credit.<sup>15</sup>
- the recently launched Trust for London and Walcott Foundation funding, aiming to support progression of low paid workers in Lambeth.<sup>16</sup>

### Mandatory and voluntary work placements

Both voluntary and mandatory work placements are routes by which job seekers can gain experience.

Mandatory work placements are required as a condition of receipt of Jobseeker's Allowance for some jobseekers. The scheme mandates a period of unpaid work at a host organisation. Claimants can lose benefits if they do not participate in this scheme. Some third sector organisations host, or have previously hosted mandatory work placements. The Government maintains that these placements support individuals to develop the skills required to return to work, gain a sense of job satisfaction, build confidence, self-esteem and ambition and maintain good physical and mental health.

1. Introduction
2. Relevant funding streams and programmes
3. Barriers to third sector involvement
4. Actions to support third sector involvement
5. Key questions
6. How to contribute
7. About the Committee

However, the sector has voiced concerns about charities hosting mandatory placements. These include that the placements are unpaid; a potential undermining of genuine volunteering; and whether such placements do improve outcomes for individuals. Following this campaign, many charities withdrew from hosting mandatory placements, opting to only host non-mandatory (voluntary) placements.

Programmes supported by the Mayor also include mandatory and volunteer work placements. The *Day One Support for Young People Trailblazer* pilot required young jobseekers to carry out 30 hours of work experience a week for a 13-week period. The Mayor recently stated that lessons would be learnt from the recent evaluation of this programme.<sup>17</sup> Another example is the Team London *HeadStart* project, which seeks to address the challenges of youth unemployment and social segregation. The programme offers 16-18 year olds the opportunity to develop employability skills, through volunteering and professional workshops, followed by interviews for entry level paid work with partner businesses.

### 3. Barriers to third sector involvement

Reported barriers to the third sector delivering employment programmes include:

- a mismatch between aspirations of a role for the third sector and actual implementation;
- variable and limited engagement of third sector organisations in procurement processes and service design;

- time-consuming processes for third sector organisations to express interest in, and bid for, sub-contracts and burdensome procurement and monitoring requirements;
- a reported focus on price over value;
- large contract sizes, lack of access to capital, limited financial capability and capacity to manage risk;
- frequent disconnect between commissioners and legal and procurement teams; and
- a tension between providing public services and organisations' values and mission.

### 4. Actions to support third sector involvement

Recent actions to support the sector to access public service delivery contracts include:

- The nation and local Compacts (which aim to foster strong, effective partnerships between public bodies and voluntary organisations) and the Merlin Standard (which aims to recognise and promote sustainable excellence within supply chains);
- The £100 million Transition Fund which aimed to assist charities to bid for public contracts; and
- Efforts to prioritise 'social value' as a key element of procurement criteria, including the Social Value Act 2012.

Recommendations for further action by policy-makers, commissioners and others to support the sector include:

1. Introduction
2. Relevant funding streams and programmes
3. Barriers to third sector involvement
4. Actions to support third sector involvement
5. Key questions
6. How to contribute
7. About the Committee

# LONDON ASSEMBLY

## Role of the third sector in employment and skills programme

Economy Committee

- Disaggregation of funding and contracts into smaller, local contracts or grants;
- A hybrid payment-by-results model which would include some upfront and progression payments as well as grants;
- Increased pre-procurement consultation with the sector;
- Further work embedding the Social Value Act and capacity-building among commissioners, legal and procurement teams; and
- Reviewing and amending the Merlin Standard.

### 5. Key questions

***Are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?***

- Is the third sector sufficiently linked in with the capital's employers?
- How well is the employment and skills potential of London's third sector assessed and understood?
- How can the third sector best offer work experience opportunities to jobseekers?

***How do central and local government's policies affect the third sector's involvement in employment and skills programmes?***

- What has been the impact of new commissioning models such as 'payment by results'?
- Does current commissioning practice encourage the third sector to address skills shortages and foster job creation?

- Does the current commissioning frame work allow providers to support people to progress in work, particularly low-paid workers?

***How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital, which includes the third sector?***

- Could funding, commissioning, procurement and contracting practices be improved?
- Are there examples of good practice which could be shared or adopted more widely in the capital?
- How could devolution of employment programmes help to address barriers?

### 6. How to contribute

We are inviting written views and information. Submissions should aim to address the questions outlined above, and any other issues you consider it important for the investigation to cover. Please note that the Committee will publish written submissions on our website unless they are marked as confidential or there is a legal reason for non-publication. We may be required to release a copy of your submission if a member of the public, or the media, request it under the Freedom of Information Act 2000, even if it has been marked as confidential.

Please submit written evidence by **Friday 3 July**.

1. Introduction
2. Relevant funding streams and programmes
3. Barriers to third sector involvement
4. Actions to support third sector involvement
5. Key questions
6. How to contribute
7. About the Committee

# LONDON ASSEMBLY

## Role of the third sector in employment and skills programme

Economy Committee

### General enquiries and submissions

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## 7. About the Committee

The [Economy Committee](#) investigates issues of concern to Londoners, and examines the strategies and policies of the Mayor of London and Functional Bodies in relation to economic development, culture and sport. Committee Members are:

- Fiona Twycross AM, Labour (Chair)
- Stephen Knight AM, Liberal Democrat (Deputy Chair)
- Tony Arbour AM, Conservative
- Jenny Jones AM, Green
- Kit Malthouse AM MP, Conservative
- Murad Qureshi AM, Labour
- Dr Onkar Sahota AM, Labour.

## Footnotes

<sup>1</sup> GLA, [Equal life chances for all](#), Revised June 2014

<sup>2</sup> ESA is claimed by people who are assessed to have limited capability for work due to illness or disability.

<sup>3</sup> Harvey McGrath, [Devolution Working Panel](#), 12 February 2015

<sup>4</sup> Boris Johnson and Jules Pipe, [Why London needs devolution](#), April 2015

<sup>5</sup> LEP Employment and Skills Working Group, [2014-20 European Structural and Investment Funds \(ESIF\) – European Social Fund \(ESF\) programme update](#), March 2015

<sup>6</sup> DWP, SFA, NOMS and the Big Lottery

<sup>7</sup> These are VCS Assist for the 2007-13 programme and *Getting London Ready* for the 2013-20 programme.

<sup>8</sup> The prime providers are Ingeus Deloitte, Reed and Maxmuis (West London) and CDG, Seetec and A4e (East London).

<sup>9</sup> NCVO, [Stepping Stones: The role of the voluntary sector in future welfare to work schemes](#), 2014

<sup>10</sup> This includes Eco-Actif, SHP, St Mungo's and Tomorrow's People.

<sup>11</sup> DWP, [Work Programme: Best Practice Report – DWP Response](#), December 2014

<sup>12</sup> HM Government, [London Growth Deal](#), July 2014

<sup>13</sup> [CLF launches Working Capital pilot](#)

<sup>14</sup> [Mental Health and Employment Pilot](#)

<sup>15</sup> [A new pathway to employment launched in south east London](#)

<sup>16</sup> [Step up: New funding programme to support work progression](#)

<sup>17</sup> [MQ 2015/0823](#)

1. Introduction
2. Relevant funding streams and programmes
3. Barriers to third sector involvement
4. Actions to support third sector involvement
5. Key questions
6. How to contribute
7. About the Committee