

Committee for Work and Pensions

Devolution of employment support: Call for evidence

Response from the Heseltine Institute for Public Policy, Practice and Place, University of Liverpool

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Summary and key recommendations

- Devolution of employment support, separate from the administration of benefits, presents an opportunity to contribute to the transformational change needed in areas like Liverpool City Region where the link between poor health, employment and low productivity is a longstanding challenge. Devolution will introduce more flexibility in services and enable a better integration of work and health outcomes tailored to the needs of the locality.
- Currently, employment support provision is commissioned and delivered at different administrative tiers, in different settings (welfare, workplace, healthcare) and across different geographies, with different funder requirements, and with overlapping timescales and target groups. This complexity can have negative effects on consistency and quality of scheme delivery which greater devolution of employment support would address.
- Combined authorities and local authorities are closer to, and have a better understanding of, distinct local labour market challenges and opportunities which a nationally driven one-size fits all employment support approach is unable to offer. They can draw together a coherent place-based framework for devolution and convene employment programmes at a strategic level to ensure effective delivery, duplication is avoided, and issues like multiple referrals and confusion is minimised. This approach to local decision-making has already proved successful for the devolution of the Adult Education Budget in England.
- Under a more devolved system DWP could play a valuable role in collecting and publishing consistent data on employment support provision, perhaps using the Work and Health Programme model. Alongside the service provided by the DWP Employment Data Lab, this would assist local programmes in monitoring and evaluation, including benchmarking against other programmes, which in turn would help to maintain consistency across the devolved system. There is also scope to learn from best practice in the health sector.
- Devolution of employment support should be based on identified need in an area and government must provide long-term funding stability and commitment once deals are agreed. Additionally, there should be scope to incorporate greater local flexibility in national employment and skills programmes generally to reflect the priorities of local and combined authorities, including greater co-commissioning responsibilities for city regions.
- Boundaries for devolved areas should ideally have some basis in functional economic areas and reflect the reality of economic life for residents and businesses in the area. Considerations should include housing market areas; transport patterns; local health and social care provision; and the labour market.
- Co-production has become a prominent and positive element of employment policy development, design, and delivery. However, the focus for co-production has largely been from the perspective of job seekers and employment practitioners with the voice of employers often being underrepresented. Integrating stronger employer and provider voices into the devolved employment support governance arrangements will ensure provision meets the needs of all relevant actors in the local labour market.
- Our Heseltine Institute evaluations of the devolved Liverpool City Region Households into Work programme suggest that linking support across households to wider social

infrastructure (community activity, welfare advice, wellbeing services), as well as better integration with health services, improves both health and employment outcomes. Being locally designed this programme has been tailored to local issues such as comparatively high levels of ill health, while making the most of local knowledge, expertise, networks, and other opportunities. The agility with which the programme has been able to continually adapt and refine its operation, including during the Covid-19 pandemic, is a strength which has enhanced the quality of scheme delivery.

- Internationally there are examples of more locally devolved employment provision to learn from, such as the Danish system for employment support which is designed with a high degree of devolution to local government.

About the Heseltine Institute for Public Policy, Practice and Place

The Heseltine Institute is an interdisciplinary public policy research institute which brings together academic expertise from across the University of Liverpool with policymakers and practitioners to support the development of sustainable and inclusive cities and city regions. Our research and policy engagement is focused on the future of cities and city regions, regional inequalities, and public service reform, underpinned by an acute understanding of place. The Heseltine Institute leadership and wider team reflects the positioning of the Institute at the nexus between research, policy and practice, with extensive experience across academia and devolved and local government.

This submission is based on work undertaken by the Heseltine Institute over several years with strategic partners, including Liverpool City Region Combined Authority, to develop an understanding of national employment, skills, and public policy in a devolved context. Our evaluation of the locally-designed Liverpool City Region [Households into Work](#) labour market activation programme provided valuable insights for policymakers and practitioners on service design, partnership working and strategies for supporting people back into employment. The current [Households into Work Phase 2](#) evaluation is tracking how the programme has evolved in response to various contextual changes, and informing current and potential future phases. Our [Policy Briefing](#) with the University of Birmingham explored how collaborative working across different tiers of government, and between the public, private and voluntary sectors, can deliver locally sensitive solutions to worklessness. In 2022 we were commissioned by the Local Government Association to explore the linkages between adults, 'place', jobs and skills and our report on [Place-based Adult Skills and Training](#) included recommendations on the importance of 'place' in reflecting specific challenges and opportunities open to local areas. We are currently undertaking a series of rapid evidence reviews of health-promoting employment support programmes in Liverpool City Region for the Health Foundation funded [Economies for Healthier Lives](#) programme.

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Opportunities and Challenges

What is behind the UK's decline in physical and mental health, and how does it vary region to region? What opportunities and challenges might further devolving employment support provide for addressing this?

In 2022, the Marmot team (Marmot et al., 2022) published a report on health equity and the social determinants of health in Cheshire and Merseyside (the six Liverpool City Region boroughs plus three in Cheshire) which highlighted the link between poor health, employment and low productivity. Similarly, the Liverpool City Region Plan for Prosperity (Liverpool City Region Combined Authority, 2022) has described how a crisis of poor health and wellbeing amongst residents is constraining access to economic opportunity and undermining quality of life.

The Marmot report notes that 'over a third of the Cheshire and Merseyside population live in the most deprived 20% of neighbourhoods in England, with significant negative implications for health' and that local authorities within the area have been particularly hard hit by austerity and funding cuts: between 2010 and 2018, Liverpool had the largest per-capita cuts of any city in England with a population over 250,000, while Knowsley had even higher spending cuts at £725 per head of population. Where there have been post-pandemic increases in Government funding for the area, e.g. Levelling Up funds, Public Health Grant, the report suggests impact will be minimal due to the extent of previous cuts, the cessation of EU funding and the effects of inflation.

At the Liverpool City Region scale, the combined employment and health challenges are even greater. Research on 'wealth and wellbeing' in Liverpool City Region (Higgins and Ashton, 2020) has found that:

- 1 in 4 people of working age have a limiting health condition
- Life expectancy is 2.5 years less than the national average
- GVA per head is £6,000 less than the national average
- Wages are 6% lower than the national average
- 33% of the productivity gap is due to ill health.

Within these figures are pockets of yet deeper health deprivation. Knowsley and Liverpool are the second and third most health-deprived local authority areas in England, after Blackpool. In July 2023, Liverpool City Council passed a motion expressing concern over the significant health inequalities faced by residents across the city and commissioned a report into the 'State of Health in Liverpool' (Ashton, 2024). The report finds that Liverpool residents are living longer than previously, but in the last decade that progress has stalled, compounded by the impact of Covid-19. Also, within Liverpool, people living in the poorest areas live an average of 15 years less than people in the more affluent areas and live 18 years longer with poor health.

Currently, one in three of Liverpool's economically inactive residents are on long-term sick leave compared to one in four in England (one-tenth of the total working age population compared to one-twentieth in England). Looking forward, the report forecasts that the overall number of long-term health conditions (some people will have multiple conditions) will rise by 86% in the most deprived GP practice areas and 46% in the least deprived GP practice areas. Over the next two decades, mental health and obesity are predicted to be key health issues facing children and young people in the city, compounding existing poor outcomes for childhood oral health and unhealthy weight.

The report concludes with asks of Government, including a model of devolved authority on health and care that works for Liverpool and the wider Liverpool City Region, and a new model of funding that is multi-year, to support long-term planning, and recognises the need for greater

investment in prevention (Ashton and de Sousa, 2024). Devolution of employment support offers the opportunity to contribute to the transformational change that is required in areas like Liverpool and the Liverpool City Region by offering a better integration of work and health outcomes tailored to the needs of the local area. This includes in assisting local partners to take a whole-system approach to linked health and employment challenges.

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

The devolution of employment support and funding, separate from the administration of benefits, presents an opportunity to both enhance the local delivery of national programmes and to facilitate an integrated, cross-sector, multi-service and personalised approach to employability based on a local understanding of need which a nationally driven one-size fits all approach is unable to do.

A Heseltine Institute 'what works' review of employment innovation pilots in five mayoral combined authorities (Jarvis, 2020) noted how combined authorities are closer to, and have a better understanding of, local labour market challenges and opportunities and have encouraged collaboration to design and deliver programmes with a flexibility that make sense for the communities they serve. For example, in Greater Manchester the Working Well programme meets an individual's employment needs by drawing on the resources across Greater Manchester's support ecosystem (such as skills providers, community health specialists) to offer an integrated approach across sectors which delivers a distinctive person-centred approach.

Elsewhere the successful devolution of the Adult Education Budget (AEB) has delivered significant benefit to combined authorities by enabling a focus on local innovation and flexibilities to support what the economy needs rather than what the system will easily fund. For example, in Liverpool City Region devolved AEB flexibilities have supported a programme of Test and Learn Pilots focused on new delivery approaches to address local market failures in adult skills provision, such as qualifications structures, funding rules or funding limitations (Shand et al., 2022). This has enabled more flexible tailored programmes of learning to be available to build confidence aligned to local skills priorities, such as helping refugees learn English through football.

What might be some of the unintended consequences of devolving employment support?

Over the last decade, a series of reforms to sub-national economic development structures in England have created a patchwork of governance arrangements across the nation. The spatial focus of reform has fluctuated between localist, regional and national approaches with different systems operating in different places. One unforeseen consequence of this approach has been that policy decisions taken at a national level can sometimes hold back the development potential of programme interventions at a more local level. However, the combined authority model and elected mayor model is now firmly established as a governance model for English devolution and provides the accountability and visibility for local leaders. Ensuring any future devolved settlements for employment support are built into this existing governance architecture will be crucial to mitigating any unintended policy consequences. Alongside this more consideration is needed on how relations between local, sub-national and central government could be improved. The Heseltine Institute has previously proposed that an English Intergovernmental Forum should be established, including leaders and mayors of the combined

authorities, representatives from the sub-national transport bodies, and UK government ministers (Jarvis and Arnold, 2021).

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?

We have noted elsewhere that employment support provision is commissioned and delivered at different administrative tiers, in different settings (welfare, workplace, healthcare) and across different geographies, with different funder requirements, and with overlapping timescales and target groups. This complexity may have negative effects on consistency and quality of scheme delivery. For example, there is some evidence to suggest that individuals are not always referred to the programme that is most suitable for them which can have an adverse impact on the client journey (Hayes and Jarvis, 2024). With further devolution, a simpler structure could be developed compared to this current cluttered and fragmented nature of employment provision, with clearer pathways for participants. Here there is a role for combined authorities in drawing together a coherent place-based framework for devolution and in convening employment programmes at a strategic level to ensure effective delivery, duplication is avoided and issues like multiple referrals and confusion is minimised.

Data sharing between services remains a significant challenge and is a barrier to better service integration. We have noted that DWP could play a valuable role in collecting and publishing more consistent data on employment support provision, perhaps using the Work and Health Programme model. Alongside the service provided by the DWP [Employment Data Lab](#), this would assist local programmes in monitoring and evaluation, including benchmarking against other programmes, which in turn would help to maintain consistency across the devolved system. There is scope to learn from best practice in other sectors, including health. For example the University of Liverpool's [Civic Health Innovation Labs](#) houses an NHS secure data facility where the Integrated Care Board and provider organisations can generate and implement data insights supported by academic partners with training and research, fuelling innovations for health, social and economic advancement.

Structure

Upon what basis should funding be allocated and why?

It will be important that government demonstrates flexibility in negotiating the devolution of employment support based on identified need and provides funding stability and commitment once deals are agreed to support long-term solutions. Over the years, many employment support policies have been characterised by limited timespans, so posing challenges for continuity and learning. Subsequent interventions have built to varying degree on previous investments. Therefore, the introduction of multi-year funding settlements with discretion over how spending is directed and delivered will bring meaningful decision-making closer to those it impacts through a more strategic approach tailored to meet local priorities.

Additionally, there should be scope to incorporate greater local flexibility in national employment and skills programmes generally to reflect the priorities of local and combined authorities, including greater co-commissioning responsibilities for city regions. Post pandemic analysis of labour market data by the Institute of Employment Studies (Local Government Association, 2022) indicates that local labour markets in England have distinctive characteristics which are shaped by the wider local economies of the area. For example, areas with low participation in

the labour market but high vacancies are most common in major cities outside of London including Birmingham, Bristol, Manchester, and Liverpool. Those areas with higher participation and vacancies are predominately in more affluent parts of the country. In practise this means that the needs of job seekers and employers can vary significantly across English regions, making it difficult for nationally designed programmes to maximise the potential of the investment. Similarly, the distribution of adult skills varies significantly across the country and is a factor of the sector profile and historical demand by employers within a labour market (Shand et al., 2022). Devolution of employment support could therefore increase the responsiveness of the system to changing employer demand by offering a tailored and more responsive offer cognisant of labour market needs.

How should the boundaries of devolved areas be delineated?

Boundaries for devolved areas should ideally have some basis in functional economic areas and reflect the reality of economic life for residents and businesses in the area. Considerations should include housing market areas; transport patterns; local health and social care provision; and the labour market. In Liverpool City Region the combined authority geography aligns to the Jobcentre Plus footprint and we have seen collaborative working evolve over the years on areas of mutual benefit. The broader economic development role of a combined authority also means that it is uniquely placed to understand the current and future skills requirements of employers.

Jobs and Providers

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

Co-production has become a prominent element of employment policy development, design and service delivery within locally designed programmes and our evaluations of the Households into Work programme have demonstrated the value of using co-production. However, the focus of this approach has largely been from the perspective of job seekers and employment practitioners, with the voice of employers often being underrepresented in discussions on policy design and implementation. Recent research suggests that both employers and wider stakeholders believed that employers should play a much greater role in the development of employability policy. Many employers viewed policy as something designed by government which they were expected to respond to rather than being partners in its ongoing development and implementation (Jones and Carson, 2023).

In Liverpool City Region there has been a consistent priority to see more involvement and engagement of employers in articulating current and future skills needs to be met by colleges and training providers. Local skills for growth action plans have been developed to support and challenge curriculum planning to respond to employer demand. Integrating stronger employer voices via the Employment and Skills Board and individual Sector Boards architecture will help maximise the impact of devolved employment support. This partnership could be responsible for co-designing new and repurposing existing provision, so that it fully meets the needs of the local labour market.

Lessons Learned

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

Households into Work (HiW) is an employment support programme operating across Liverpool City Region, delivered by Liverpool City Region Combined Authority (LCRCA) as part of its devolution deal. It began in 2018 as a two-year DWP pilot, following which it has continued with funding from LCRCA and, until 2023, the European Social Fund.

Programme participants are offered one-to-one bespoke support for up to 12 months, aimed at helping them identify and overcome the issues that are preventing them from seeking, finding, or sustaining employment, education or training. Participants are generally distant from the labour market, often long-term unemployed, and face complex and varied issues including debt, finances, housing, mental health, domestic violence, addiction, and isolation. The programme takes a whole-household approach in recognition that people can be adversely affected by the issues of other household members, and so working with them in isolation is less likely to achieve a long-lasting solution to their problems.

The pilot programme (2018–2020) and Phase 2 (2020–2023) have been subject to evaluation (AMION Consulting, 2020; Tyrrell, 2020; Hayes and Jarvis, 2024) reporting an overwhelming positive effect on those supported. The programme has been successful in meeting all its employment targets – ‘destination outcomes’ – to date. It has also begun to measure ‘journey outcomes’, to show changes in participants’ lives during their 12 months on the programme that may not immediately lead to a job but represent steps towards that goal.

Being designed and delivered at local (city region) level, rather than being part of a nationally defined and regulated programme, has enabled the agile way in which HiW has been able to continually adapt and refine its operation to enhance the quality of scheme delivery. Local decision-making has enabled the programme to evolve in response to contextual changes such as the Covid-19 pandemic, subsequent developments in the labour market and relevant policy, as well as to lessons learnt during and since the pilot phase. This includes significant changes in working practices, such as key workers (known as Employment Advocates) moving from being office-based to a fully mobile way of working. Evolution was shaped by participant needs, leading to the introduction of group activities in some locations to help build social networks, and the redefining of the household focus to be more inclusive of different types of households while retaining the holistic consideration of each participant’s situation.

The Phase 2 evaluation identified three key features of the programme: locally designed, community-based and person-centred. Being locally designed has meant that HiW has been tailored to local issues such as comparatively high levels of ill health, while making the most of local knowledge, expertise, networks and other opportunities. It has also enabled the move away from fixed office locations to Employment Advocates being embedded in communities, offering participants the option to meet where they are most comfortable, which might be in a café, community centre, library, or park – in other words places not traditionally reached by organisations delivering national programmes. And, it has allowed ongoing development of the Employment Advocate role, for example a reduction in caseload from Phase 2 onwards, in recognition that the duration, intensity and personalised nature of support provided is central to the success of the programme.

The introduction of an online Customer Relationship Management system, bespoke to the programme, has facilitated the collection and collation of accurate participant data at local authority and city region level. Data collection has been designed and further developed to help meet local information needs. Anonymised programme data have been used not only for

programme performance management and evaluation but also to inform wider policy (for example, LCRCA work on digital inclusion) and research (for example, the Economies for Healthier Lives project). Programme monitoring and evaluation would be enhanced by the ability to benchmark the programme against other employment support provision, and the availability of more longitudinal data to track destination outcomes beyond participants' 12 months on the programme. The launch of the DWP Employment Data Lab as an option for benchmarking is welcomed, and the Work and Health programme perhaps offers a model for DWP involvement in providing longitudinal data, with quarterly Official Statistics recording employment outcomes at 6, 12 and 24 months.

Pilot and Phase 2 evaluations have noted that Households into Work operates within a complex structure of employment support provision, commissioned and delivered at different administrative tiers, in different settings (welfare, workplace, healthcare) and across different geographies, with different funder requirements, and with overlapping timescales and target groups. There is some evidence to suggest that individuals are not always referred to the programme that is most suitable for them, and that this complexity may be a cause. Other unintended consequences might include duplication of provision, lack of consistent and comparable performance measurement and failure to recognise an individual's specific support needs, all of which have implications for the efficient use of resources. Devolution of employment support would offer an opportunity for rationalisation.

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

Internationally there are examples of more locally devolved employment provision to learn from. For example, the Danish system for employment support is designed with a high degree of devolution to local government (Campbell et al., 2023). Though the national priorities are set by the Ministry of Employment, there is a framework in place which provides municipalities with the freedom to design and implement active local labour policy. Additionally, the management of local jobcentre provision is delegated to these municipalities allowing them to provide locally support which is responsive to client and employer needs.

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