

# Work Local

## Report to the Local Government Association on developing a modern, local, public employment and skills service

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*In January 2016, NIACE and the Centre for Economic and Social Inclusion  
merged to form the Learning and Work Institute*

**Learning and Work Institute**

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## EXECUTIVE SUMMARY

This is an independent report to the Local Government Association, setting out options for how modern, more integrated and localised public employment and skills services could be funded, designed and delivered. It draws on evidence from the UK and internationally, feedback from councils and new data analysis.

### DEVELOPING A MORE INTEGRATED AND LOCALISED MODEL

Successive governments have tried to make employment and skills provision more responsive to local needs. However, devolution has in practice been through '**earned autonomy**' – with areas granted limited flexibilities over single programmes or budgets for a limited time and after negotiation with central government.

This makes integrating interventions difficult. Critically, local government regards the system as fragmented and costly, and that public sector reform is urgently required for a more efficient and effective 'whole systems approach' which remedies the silo based model of funding separate institutions and programmes.

We propose a more radical approach, which seeks to fix rather than just respond to the underlying challenges set out above. This model would be built upon a network of **integrated One Stop Shops** that bring together employment, skills, apprenticeships, careers and business support. These would then be underpinned by comprehensive **Labour Market Agreements** between local areas and central government.

We set out options against five parameters for devolution:

1. **Service design and delivery** – what services are then delivered and how
2. **Budgets and financing** – where funding sits, and with what decision-making powers and / or conditions
3. **Determining policy** – what policies are pursued for whom
4. **Objective setting** – who determines priorities and accompanying targets
5. **Governance and partnerships** – how services are co-ordinated and led, including the roles of local partners, stakeholders and employers

This report recommends moving towards a new model of **political and fiscal devolution** – with broad devolution of funding and policy; significant autonomy over policy, service design and commissioning; clear accountability to central government around objective setting, measurement and performance within a national framework; underpinned by multi-year labour market agreements.

We propose that in the medium term, this is achieved through **differential devolution** - with those areas where local institutions are not yet established to achieve full devolution given co-commissioning and joint oversight of employment and skills provision; joint leadership in objective setting, service design and oversight; and increased alignment and integration of services.

There are international precedents for each of these options, which are set out through case studies of the systems in Canada, Denmark, Germany, the Netherlands and the United States.

# 1. INTRODUCTION

## PROJECT BACKGROUND

The Learning and Work Institute (L&W) was commissioned in December 2016 by the Local Government Association (LGA) to explore the options for how modern, more integrated and localised public employment and skills services could be funded, designed and delivered. This is an independent report from L&W to the LGA, setting out research findings, potential options and areas for further consultation and development.

The project has comprised five linked areas of work, as follows:

1. **An evidence review** looking at good and bad practices in delivering local employment and skills services – covering international approaches (in Canada, Denmark, Germany, The Netherlands and the USA) as well as current and historic initiatives in the UK;
2. **Consultation and engagement with councils** – in particular, through in-depth interviews and workshops with twelve areas<sup>1</sup>, three of which have provided more in-depth case studies (Lincolnshire, Liverpool and Solent);
3. **A survey of all councils** to seek their views on the extent to which services meet local needs and are joined up locally – with 59 councils responding<sup>2</sup>;
4. **New data analysis** to explore the extent to which future skills will meet future labour market needs, and the impacts on the economy of any imbalances; and
5. **Options development** – drawing together the above strands to develop potential models for how services could be reformed and improved.

This report sets out key findings and potential options for developing a more devolved and localised employment and skills system.

Alongside this report, the LGA are publishing a lead option for consultation on longer-term reform, as well as recommendations for how employment and skills services could be improved in the shorter term.

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<sup>1</sup> These areas are: Bradford, Cheshire West and Chester, Cornwall, Lincolnshire, Essex, Gateshead, Greater Manchester, Islington, Liverpool, Southampton, Staffordshire and Suffolk

<sup>2</sup> In total 353 councils were surveyed. 44 out of 152 Single/ Upper Tier councils responded, while 15 out of 201 Districts responded.

## GUIDING PRINCIPLES

This report is guided by six principles, set out below.

1. **This project should build directly on the Local Government Association's Realising Talents work**, and specifically the proposed framework for devolved employment and skills that was published in 2015<sup>3</sup>. This called for **Local Labour Market Agreements** between national and local government; the devolution of employment support for the most disadvantaged and of skills funding for adults; and a more locally integrated approach to jobs brokerage for the unemployed.
2. **We are seeking transformational change rather than more tinkering**. The narrow, 'earned autonomy' approach that has been followed in previous devolution agreements is primarily intended to fix problems created by failures in the mainstream employment and skills system. Addressing these root causes requires more fundamental and transformational change.
3. **The scope of this work – and any local employment and skills service – should include economic development, local growth, employment support and adult skills**. This must be more than just Jobcentre Plus (JCP), contracted employment programmes and the Adult Education Budget (AEB).
4. **There won't be a 'one size fits all' approach to devolution**. Local Labour Market Agreements will be different in different places. They will all set out how the employment and skills system will be tailored to meet local needs, and will all be within a common national framework.
5. **To achieve the benefits of devolution, services need to be *integrated* and not just *co-located***. So integrated hubs or One Stop Shops need to bring services together in the front and back office, rather than just share premises.
6. **Our proposals should be cost neutral**. This may require co-funding between central government and local government (e.g. business rates), revenue raising (e.g. from renting space or providing services) and private investment through the involvement of LEPs, recruitment agencies and other partners.

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<sup>3</sup> "Realising Talent: A new framework for devolved employment and skills, LGA, 2015

## THE INTERNATIONAL CASE STUDIES

This report draws on a number of case studies of other countries that have implemented policies to devolve at least some aspects of their employment and skills systems. The case studies draw in particular on recent work by Dan Finn (2015 and 2016), and is supplemented by other sources. It is important to note that while “*there is little specific evidence on the particular impact of devolution*”, there is strong circumstantial evidence that it has contributed to more successful programmes, better integration between services and a stronger focus on outcomes (Finn, 2015).

The countries covered are as follows:

- **Canada** – where provinces and territories (equivalent to regions) operate their own public employment services and have discretion in how these are designed and delivered, underpinned by ‘Labour Market Development Agreements’ which also set out results-based indicators for provincial services.
- **Denmark** – characterised by strong national direction and accountability through the employment ministry and its agency, with local government then accountable for delivery through integrated jobcentres.
- **Germany** – where those on means-tested benefits are served through municipal Jobcentres, usually managed and governed by federal and local government but with federal government setting common service delivery requirements.
- **The Netherlands** – which also operates localised, block grant-funded services for social assistance claimants, delivered through one-stop ‘Work Squares’.
- **The United States** – similarly characterised by ‘one stop shops’, with the approach governed by statutory federal/ state/ local partnerships and national eligibility and funding requirements.

## STRUCTURE OF REPORT

Chapter 2 discusses what a more devolved and integrated model could look like. It begins by describing the story so far on devolution, before proposing a framework and five themes for thinking about how responsibilities, services and funding could be better organised.

In Chapters 3 to 7 we then take each of the five themes in turn, discussing their scope, the lessons that can be learnt from other models and potential options.

Chapter 8 sets out key conclusions. Finally, we set out in an Annex more detail on key lessons from the devolution of employment and skills in the UK and overseas.



## 2. A FRAMEWORK FOR DEVOLUTION

### A NEW VISION FOR LOCALLY RESPONSIVE AND INTEGRATED EMPLOYMENT AND SKILLS

There is a continuum of approaches that could be taken to devolution of employment and skills from full autonomy along the lines of the education and skills systems in devolved nations; through to improved integration of the management and delivery of services locally. However we identify two broad options for future reform – **political and fiscal devolution**, and **managerial decentralisation**.

Both options would be radically different to now. Both would be underpinned by a much more radical approach to service integration locally (and not just co-location) – with managerial control locally to develop networks of **One Stop Shops (OSS)** that bring together employment, skills, apprenticeships, careers and business support in a single place. In more rural areas, these would operate as ‘hubs’ and ‘spokes’, drawing on council, and wider public sector and community resources.

All areas would have comprehensive, multi-year **Labour Market Agreements** between local areas and central government – setting out priorities, funding, accountabilities and what each partner would do.

However underneath this, the two potential models would offer different approaches to delivering locally integrated services.

The first model – **political and fiscal devolution** – would see broad devolution of employment and skills funding and policy responsibility; with significant autonomy over policy choices, service design and commissioning; and clear accountability of local areas to central government around objective setting, measurement and performance, all within a national framework and overseen by local Boards. This is our preferred approach.

In order to achieve the potential benefits of devolution – around service integration, economies of scale and meeting local need – devolution would likely need to be at the level of groups of authorities, and aligned with other boundaries (such as combined authorities, LEPs and Growth Hubs). However while many of these areas have statutory powers and executive functions, many also do not. So we propose that in the medium term, this would be achieved through **differential devolution** with those areas where local institutions are not yet established for full devolution given co-commissioning and joint oversight of employment and skills provision; joint leadership in objective setting, service design and oversight; and increasing the alignment and integration of services.

The second model, **decentralisation and service integration**, would have similar formal accountabilities to now – with funding and broad policy held nationally. However, service design, commissioning, implementation and management would be aligned and integrated locally – with decentralised management, overseen by joint Boards between central government and local partners.

## A FRAMEWORK FOR DEVOLVING EMPLOYMENT AND SKILLS

The following chapters set out the evidence and options for devolution of employment and skills, against five parameters:

1. **Service design and delivery** – what services are delivered and how
2. **Budgets and financing** – where funding sits, and with what decision-making powers and/ or conditions
3. **Determining policy** – what policies are pursued for whom
4. **Objective setting** – who determines priorities and accompanying targets
5. **Governance and partnerships** – how services are co-ordinated and led, including the roles of local partners, stakeholders and employers.

These are summarised in Figure 3.1 below. In addition the Annex sets out more detail on devolved approaches taken in the UK and overseas, against these five themes. The discussion seeks to recognise and build on the criteria used by DCLG in their consultation on Business Rate Retention, which suggested that devolution of responsibilities should:

- Build on the strengths of local government
- Support the drive for economic growth
- Support improved outcomes for service users or local people; and
- Take account of the medium-term financial impact on local government.

Figure 3.1 – A framework for devolving employment and skills



## 3. SERVICE DESIGN AND DELIVERY

### SCOPE

This describes how policies are implemented and services designed locally. This includes:

- **How services are organised** – in particular how the proposed ‘One Stop Shops’ that bring together employment, skills and wider support could be implemented;
- **The design and implementation of services** – so the detailed design of services is consistent with the policy parameters set out in chapter 5, for example, what should be common and what can be at local discretion; and how services are then commissioned and managed.

This chapter looks separately at One Stop Shops and service integration; and at tailoring support for specific groups and local priorities.

### KEY LESSONS

#### One Stop Shops and service integration

One Stop Shops are a common feature of a number of international models.

- In the **Netherlands**, the ‘Employee Insurance Implementing Body’ (UWV) and municipalities co-locate and co-ordinate service delivery through a national network of ‘**Work Squares**’. These are co-managed by local UWV and Social Services Directors and include a range of agencies which could include other municipal services, welfare organisations, reintegration companies, private employment agencies and temporary work agencies.
- In the **United States**, a national network of ‘One Stop Centers’ bring together employment, training and careers support for individuals and employers. There are around 2,500 centres nationwide, operating at state, regional and local level. This has also led to greater co-ordination and integration, in particular with welfare and related services. States make use of contracts, Memoranda of Understanding and service-level agreements to coordinate between welfare and workforce development. This has included co-location; blending of funding streams; and integrated case management, assessment and information sharing.
- In **Germany**, federal and municipal government deliver integrated one-stop services for uninsured claimants in most parts of the country – which combine benefit administration, employment support, and access to training and other local services. These ‘joint agencies’ incorporate employment and benefit delivery as well as wider social services (e.g. debt advice, drug and psychological counselling and childcare provision).

In the UK, Jobcentre Plus has at times fulfilled a similar 'one stop' role, although this has been less common in recent years. However the **MyGo service in Ipswich** integrates JCP support within a locally-led, one stop employment, skills and careers service for young people. As well as integrating JCP and new contracted employment support, this also co-locates careers, skills, apprenticeships and other local public and voluntary services. So it is feasible within the current system to develop locally led, one-stop models that incorporate Jobcentre Plus.

The '**Universal Support delivered locally**' trials from 2014-15 tested approaches to integrating and aligning support between councils, DWP and local partners for those likely to be less able to manage under Universal Credit. This pointed to key critical success factors around setting clear and common success measures; putting the right governance in place; working in partnership; co-locating and where possible integrating support; and having clear processes to underpin joint delivery.

### **Tailoring support for specific groups and local priorities**

Most international models include varying degrees of local discretion and control over the detailed design of what is delivered for whom.

In the UK, the default position in both employment and skills is for this to be *centrally commissioned and managed*, with very little if any local input into design and implementation. The exceptions to this are usually only through specific devolution agreements, developed in partnership between local stakeholders and central government. However this 'earned autonomy' requires special agreement, and is not part of the design and delivery of mainstream employment and skills provision. For example:

- The **Youth Employment Gateway** in Liverpool City Region. This was designed and delivered across six local authorities, funded from underspends from the Coalition Government's Youth Contract. The programme provides access to a dedicated adviser, with flexible funding of up to £500 per individual available to help pay for goods or services that would improve job prospects. Phase 2, from October 2015 to December 2017, uses a personalised budget in which responsibility for purchasing decisions is assumed by the young person.
- The **Solent Jobs Programme**, part of the City Deal between Portsmouth and Southampton Councils and central government with funding from the European Social Fund and locally matched funding. This aims to support 1,200 long term unemployed adults with health conditions, through intensive case management, Cognitive Behavioural Therapy and health support, a subsidised job and post-employment support. It is taking a locally rooted, multi-agency approach, aiming to integrate and harness the resources of a range of agencies in the area.

## POTENTIAL OPTIONS

### Developing 'One Stop Shops' and integrating services

The proposed 'One Stop Shops' would build on the good evidence from overseas to combine employment services, careers advice and guidance, skills training and employer support. The evidence suggests that these models work better where responsibilities for these services are devolved.

In our preferred approach – **political and fiscal devolution** – the forthcoming devolution of the Adult Education Budget would be accompanied by devolution of responsibility for the Jobcentre Plus network, and the National Careers Service and related funding. Initially this would be on a differential basis, to those areas with the capacity and capability to implement locally designed and accountable One Stop Shops, but moving over time to this operating on a national basis.

The One Stops could operate out of JCP offices, colleges or council premises and would bring together the full range of local employment and skills services in a locally tailored offer, which would also link to local support including LEP Growth Hubs. As with the international examples, these would likely be underpinned by core expectations around what services are delivered for whom, and would be underpinned by the proposed Local Labour Market Agreements.

Central to this approach would be the extent of any devolution of Jobcentre Plus. International models that expect or require areas to operate One Stop Shops usually devolve funding and administration of employment services but maintain joint oversight; although there are also examples where the service is not devolved but is nonetheless integrated.

The benefit of devolving JCP would be that it would simplify local reporting, governance and management; and will lead to more responsive local services. This is our preferred approach, and in effect happens in Northern Ireland. However this may also make the nature of any deal with central government more complicated, as it may require tighter conditions and/or a financial deal on welfare benefits.

The alternative approach – **decentralisation and service integration** – would maintain responsibilities and funding broadly as they are now, but require services to integrate and work much closer together through One Stop Shops. For example, this could be specified in how services are contracted or grant funded; and in JCP it could be implemented in a similar way to the MyGo model (with JCP services integrated but still accountable to central government). While this may lead to a simpler 'deal' between local and national government, it would likely lead to less effective local integration. The MyGo model in particular demonstrates that integrating JCP requires active buy-in and strong leadership locally and within services.

## Tailoring support for specific groups and local priorities

There is significant scope for devolution in how employment and skills services are designed, commissioned and managed.

Under the **political and fiscal devolution** model, areas would design, commission and manage their employment and skills services to reflect specific local groups and priorities. This would be similar to the powers extended to Manchester and London for Work and Health Programme, and in the future to a number of areas for the Adult Education Budget. Central government and local government would need to agree ground rules, for example, around eligibility, the nature of support, outcomes and oversight.

In the alternative, **decentralisation and service integration model**, areas would have a formal role in the design, commissioning and oversight of employment and skills provision, as has been trialled by DWP in some areas for the Work and Health Programme – allowing providers to input into the specification and to have a role in the assessment of bids. Ideally, a full co-design approach would go beyond this, with areas jointly leading the commissioning and having local flexibility to set priorities and modify design, within common national features. However, making this work across myriad employment and skills funding streams would be complicated and would require, as a minimum, that commissioning boundaries are aligned and there is a common approach to governance and oversight. This is covered in more depth in chapter 7.

## 4. CONTROLLING BUDGETS AND FINANCE

### SCOPE

This covers where the funding of employment and skills sits, and with what decision-making powers and/ or conditions. This includes the extent of any autonomy to shift funding between different programmes, different years, and potentially to direct funding to non-employment or skills priorities.

Spending on (some) welfare benefits could also be in scope. While working-age benefit expenditure is driven by a range of factors (and in particular the economy), some elements like Jobseeker's Allowance and Universal Credit can also be impacted by the effectiveness of employment and skills support. So full devolution could also mean sharing some of the risks and rewards on welfare spending.

### KEY LESSONS

Internationally it has been increasingly common for the funding of employment and skills to be devolved from central to local government.

- In **Canada**, the funding of support for those eligible for Employment Insurance (EI) has been gradually devolved to provinces and territories since the 1990s, alongside the transfer of federal staff and assets. This is tied to Labour Market Development Agreements, set out in more detail in chapter 7.
- In **the Netherlands** municipal employment services are funded by block grants, with recent reforms combining this with budgets for adult education, integration, youth and social care as a single 'participation budget'. The Dutch model also includes *devolution of benefit expenditure* for social assistance claimants. Benefit eligibility is centrally regulated, with areas permitted to keep under-payments (and liable for overpayments) of the grant – creating strong incentives to increase employment and/ or enforce eligibility rules. While these reforms have had challenges, research suggests that they have been broadly successful.
- The **United States** model is similar. Employment and skills funding is devolved to states and municipalities through block grants; as is welfare funding (to states), with incentives that in practice have often led to restrictions in eligibility or tougher enforcement of conditions.
- In **Denmark**, the funding and delivery of employment services was fully devolved to municipalities in 2009, with over 2,000 employees transferring to local and regional government. Municipalities are also responsible for paying means-tested benefits, and refunded a proportion of this by central government.



- Even the least devolved system examined – in **Germany** – operated a mixed model with federal employment services for the insured unemployed, municipality-funded services for those on means-tested benefits (often operated jointly with the federal service) and local ‘joint agencies’ determining how funding for labour market programmes is used.

In England, funding devolution has epitomised the ‘earned autonomy’ model – of local areas negotiating special deals with central government for devolution of funding linked to discrete programmes or objectives, often with conditions attached.

- In the **Work and Health Programme**, only two areas – Greater Manchester and London – were able to secure funding devolution. While this is a significant achievement, there are conditions attached – with both areas doubling the funding by aligning locally-held European money; and both expected to ensure that provision was broadly aligned with that being commissioned by DWP.
- On skills, a number of Devolution Deal areas have secured devolution of the **Adult Education Budget** from 2018/19. This could be up to ten times larger than Work and Health Programme funding, but concerns were raised by areas interviewed for this study around the extent of local discretion.

## POTENTIAL OPTIONS

There are two specific areas for consideration – the devolution of employment and skills funding, and the devolution of associated welfare benefits.

The proposals here will need to take account of future decisions on Business Rate Retention (BRR), which the previous Conservative government has consulted on and where decisions will need to be made in the new Parliament. Around half of devolved business rates will need to cover current grants that will also be devolved as part of the deal. Our starting point for the remaining half of funding is in line with that set out by the LGA previously – that the absolute first priority should be to cover existing council services that are not funded, and if resource remains after that, employment and skills would be considered. Given that the sum total of employment and skills funding would significantly exceed the amount available through BRR, further funding devolution would likely be necessary.

## Devolution of employment and skills funding

On **employment and skills funding**, we would consider that the funding that should be in scope for devolution should comprise:

### **Employment support funding:**

- Jobcentre Plus employment services
- Flexible Support Fund
- Work and Health Programme, and other employment funding (e.g. Youth Obligation, Access to Work)

### **Education and skills funding:**

- Post 16 funding
- Adult Education Budget
- Apprenticeships funding
- National Citizen Service

### **Careers advice and guidance:**

- National Careers Service
- Careers and Enterprise Company

Research published by the LGA suggests that these budgets have a combined value of up to £10 billion, which is currently held across at least seventeen funding streams and programmes<sup>4</sup>. Devolution would bring with it significant opportunities to better prioritise, target and integrate that funding according to local circumstances and to support national economic and social objectives.

In our proposed **political and fiscal devolution model**, in line with many international approaches, funding would be allocated to areas through a formula based on need (e.g. employment, economic development, benefit caseloads, skill levels, demographics) and areas would then receive a block grant through which services and support would be commissioned. This would go hand in hand with the approach to service design and delivery set out in chapter 3, and with governance arrangements proposed in chapter 7. Again, we would propose that this happens on a differential basis initially – only devolving funding to those areas and groups of authorities ready to take this forward.

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<sup>4</sup> Shared Intelligence (2016) *Is the grass greener...? Fragmented Funding for Growth 2016/17 – An independent report for the LGA*, Local Government Association, May 2016

In the **decentralisation and service integration** model, funding would continue to sit across multiple streams held between national and central government. For this to deliver significant improvements on the current system, there would need to be: alignment of timescales and boundaries in the commissioning of services; greater dialogue to ensure that funding streams and commissioning approaches are complementary; and enhanced 'co-commissioning' powers for local areas (set out in chapter 3).

Alongside this, as noted a number of countries also devolve some elements of **welfare benefits** to local government, with local areas liable for overspends but able to keep underspends. In England, this has happened at the margins of the benefits system since 2010 – with the devolution of Council Tax Support, Social Fund and the Independent Living Fund. However it has not happened in relation to the main out-of-work benefits, which are now being integrated into Universal Credit.

There would be broadly two options for doing this in the future:

1. **Block grant devolution of Universal Credit** – with benefits administered more locally, and local areas taking the risks and rewards of over/under spending. This could be relatively high risk for local areas and would likely come with significant strings attached, and may be administratively complicated given the national design of UC. However it would also open up real opportunities for developing 'invest to save' models.
2. **A 'welfare earnback' model** – where benefits continue to be funded and administered centrally, but with an underlying agreement between local and national government around scope to reinvest savings where interventions reduce benefit expenditure. This was developed for the Work Programme but with mixed results and could be technically complex – but could lend itself in particular to ESA.

## 5. DETERMINING POLICY

### SCOPE

This element of the framework captures the extent to which there is local autonomy over *what* policies are pursued and *for whom*. In scope should be policy for: employment support; post 16 education and skills; adult skills; vocational and work-based training; employer support; and careers information, advice and guidance.

Also in scope would be the choices around which groups are prioritised for support and the nature of any requirements to participate in support.

### KEY LESSONS

The **UK devolved nations** are arguably the best case study of full policy devolution. In Scotland, Wales and Northern Ireland skills policy is fully devolved – with no ring-fenced funding and no requirements from Westminster on policy around education, adult skills, vocational and technical training and so on. Scotland now also has devolved policy responsibility for two specific aspects of employment support: for disabled people, and for those on benefits and at risk of long-term unemployment.

Internationally there are relatively few examples where determining policy is significantly devolved. In most cases, there is a national framework within which local areas have discretion in setting priorities, target groups and operational design and delivery.

For example in **Canada**, Labour Market Development Agreements devolve funding and responsibility for programme design and delivery, with legislation specifying the types of programmes that can be financed and for whom.

### POTENTIAL OPTIONS

We would not at the current time propose a full '**devolved nation**' approach, which at its most devolved would see all policy responsibility transferred to local areas – including responsibility for curriculum, qualifications, vocational routeways (including whether there should be apprenticeships and a levy), work related conditionality, the design of the benefits system and so on. There are clear and accepted advantages to having national systems for some of these.

However, in our **political and fiscal devolution** model we would devolve responsibility along equivalent lines to the devolved nations for employment support for disadvantaged groups (as happens in Scotland) and for careers guidance (as happens in all nations). Across the rest of the employment and skills system, we would propose outcomes-based devolution within a national framework – with policy responsibility held locally, but alongside agreement on the outcomes that will be achieved for different groups, and ground rules on the national framework.

The agreed outcomes and ground rules would be incorporated into the Labour Market Agreement and could include rules around the structure of education, skills, training and the benefits regime but permit as much autonomy as possible in determining which groups are supported and how. In practice this would likely mean maximum autonomy on the design of adult skills, careers and employment support, but likely relatively less autonomy on 16-19 education policy and apprenticeships policy. This could also be accompanied by statutory duties to provide services or support for specific groups.

## 6. SETTING OBJECTIVES

### SCOPE

This describes how priorities are determined locally – for example around particular groups of residents, employers or sectors of priority; the balance between different economic, political or social priorities; and how these objectives are translated into targets or agreements.

As noted in Chapter 2, our starting point is that areas will agree Local Labour Market Agreements between local partners and central government – so this element of the framework describes broadly how those are agreed and what they include.

### KEY LESSONS

A number of systems include formal arrangements for determining objectives locally, setting targets and articulating these in single- or multi-year plans.

- In **Denmark**, municipalities are required to develop an annual employment plan, which analyses local needs but reflects national goals set by the Ministry (with some limited flexibility to adapt these). Areas are required to consult with local stakeholders and the Ministry.
- In the **United States**, each State submits five-year workforce development plans to the Department of Labor. These typically assess skills and economic development needs, set targets and outline the strategy and programmes for meeting objectives. At a local level, 'Workforce Investment Boards' produce plans which must include performance targets negotiated between the local board and the state governor.
- In **Canada**, Labour Market Development Agreements (LMDAs) underpin the transfer of funding and responsibilities from federal to provincial/ territorial government. These include annual targets for participants served, employment outcomes and benefit savings. LMDAs require provinces/ territories to promote co-operation and partnership; feature local decision-making; and eliminate unnecessary overlap and duplication.

Within England, City Deals and now Devolution Deals have created a framework within which areas could agree with central government their local priorities around growth, employment, skills and inclusion. However, this has generally not fed through into transferring control over funding or provision (particularly of the mainstream employment and skills systems) to enable areas to address these.

## POTENTIAL OPTIONS

We propose that **Local Labour Market Agreements** set the employment and skills ambition and strategy for all ages in every place, and form the basis for establishing a deal between local areas and central government on what is needed. Agreements would be based on agreed roles, responsibilities and funding, and a set of capability and capacity conditions jointly agreed by central and local government. These would be overseen by local Boards (see chapter 7 below), with the agreements covering:

1. **Employment** – including employment levels, progress for specific target groups and measures around job security, progression and quality
2. **Worklessness** – reductions in numbers of residents out of work, including specific groups, and potentially with measures related to benefit receipt
3. **Skills** – including raising basic skills, improving technical/ vocational skills, meeting skills needs/gaps, and progress for specific groups
4. **Value for money** – improving the outcomes and cost-effectiveness of services, reducing duplication and overlaps, and improving efficiency
5. **Customer service** – including satisfaction of residents, service users and employers

Under our proposed model, **political and fiscal devolution**, Local Labour Market Agreements would be determined by partners locally, within the above (national) framework. There would be common measures between areas to ensure consistent reporting of progress, but objectives and targets would be set locally rather than centrally. The agreement would then be formally signed off and agreed between central and local government.

In the alternative model – **decentralisation and service integration** – Agreements would be more standardised around core common objectives and priorities, which would then be flexed for local circumstances or priorities. Central government would sign off the Agreement as part of the wider devolution deal. This would be more similar to some European models, for example Denmark and Germany.

There are two further areas for consideration – on the breadth of Agreements, and on how targets are set.

On the **breadth of Agreements**, one approach would be for Agreements to operate as a ‘pick and mix’ within and between the above five domains. They could, for example, all be required to have value for money and customer service objectives, but be able to choose whether to set objectives on employment, worklessness and skills and what to set within each of these. This would be similar to the approach taken in City Deals and Devolution Deals, of having different frameworks in each area, and may be more suited to piecemeal or partial devolution of funding and

service design. An alternative approach would be for something more standardised across areas, with each expected to have objectives in each of the five areas and likely some standardisation to allow for common reporting between areas. This might lend itself to fuller devolution, particularly where this was accompanied by common ground rules for specific services or funding streams.

Following on from this is then **how targets are set**. Here the decisions are around the extent to which targets are derived from national priorities or indicators, with local areas able to then vary these for local circumstances; or that the broad objective areas are set but then the target groups and measures are largely or wholly set locally. Internationally the former approach is more common than the latter – and as noted in chapter 4 it tends to be the case that the greater the devolution of budgets and finance, the greater too the alignment of underpinning objectives and targets locally.



## 7. GOVERNANCE AND PARTNERSHIPS

### SCOPE

This final section describes the arrangements for ensuring that local government, national government and other partners have appropriate oversight of and input into the design and delivery of local public employment and skills services.

This includes: the nature of any joint board and/or advisory groups between tiers of government, services, stakeholders and employers; what arrangements are put in place between services to support joint working and delivery; and the role of employers as partners.

### KEY LESSONS

#### Governance and oversight

- In **Denmark**, the objectives and accountability framework for the system are set nationally and include minimum measures for service delivery alongside three or four high-level targets for the system. As noted above, municipalities are then required to develop annual employment plans which reflect these goals and local consultation. These are then overseen by the federal and municipal government.
- In **Germany**, federal government sets national targets and budgets which are then negotiated, implemented and co-financed with state governments, municipalities and the public employment service. The employment service and municipal partners are equally represented in governance of local 'joint agencies' with both sides required to engage in ongoing coordination and negotiation.

Joint governance is less common in the UK. However in the **Universal Support delivered locally trials**, each of the thirteen areas were underpinned by a board jointly overseen by Jobcentre Plus and local government, and involving wider partners. The most effective models were those where there was strong local leadership, where leaders were personally committed to working together, and where operational staff were then empowered to take this forward.

#### Working in partnership

A number of international models have local partnership hard-wired into their design. Most notably, the **United States** model is characterised by partnership between federal, state and local government, with responsibility for delivery placed at the local level. Around 600 Workforce Investment Boards oversee investment and delivery locally, chaired by business leaders with majority employer membership alongside local government, economic development partners and unions.

## POTENTIAL OPTIONS

### Governance and oversight

Our starting point is that in a more locally integrated and responsive system, there would need to be clear local governance that brings together policies and services that are currently the responsibilities of central and local government, as well as key local partners. This governance should have oversight of all of the funding and delivery streams set out in chapter 4. However the key areas for consideration are around the extent and nature of accountability that is placed on these Boards; how they are constituted; and how much autonomy they have from national institutions.

In the **political and fiscal devolution** model, these boards would: be led by local government, have a high degree of autonomy in setting priorities and targets and have powers to direct other government partners. There may only be minimal ground rules set around those policy areas where there is a clear 'national' interest – like education, apprenticeships and the read-across to the benefits system.

In the **decentralisation and service integration** model, the boards would: be jointly led between local and central government, set priorities and targets within a clear national framework; have oversight of implementation locally (perhaps underpinned by a duty on those services to co-operate) but would influence rather than direct locally delivery. The ground rules here would be largely established by central government, similar to models in Denmark, Germany, the US and Canada.

### Working in partnership

Finally on partnership working, we would anticipate that in any model there would need to be a significant emphasis on improving how organisations work together and with a range of local partners. This should include three tiers:

- Operational management boards and steering groups – so creating the space for (and potentially a duty on) managers to co-operate, share information and work together to achieve the measures set out in the Local Labour Market Agreement
- Engagement with key local stakeholders – for example through a reference group or stakeholder forum, with underpinning Memoranda of Understanding between agencies/ commissioned services and local partners
- Employer engagement and involvement – this would likely be best achieved through LEPs, with a key decision being the extent to which LEPs decide on, or input into, investment decisions

## 8. CONCLUSIONS

This report sets out the options for the integration and devolution of the employment and skills systems. While there has been piecemeal progress on devolution, approaches overseas show that there are opportunities to do things differently – showing the potential for more fully devolved systems that transfer greater accountability and control over how services are designed, organised and funded.

### SUMMARY OF PROPOSED MODEL

Our proposed approach would transform employment and skills delivery, accountability and outcomes – by devolving political and fiscal control as part of a ‘something for something’ deal to make services more locally responsive, better value more effective and more accountable. This would be achieved initially through differential devolution – devolving responsibilities and funding now in those areas that have the capability and capacity to take it on; while building this capacity and capability in all other parts of the country.

An alternative approach would decentralise management and delivery but maintain broad funding and policy responsibilities as now. So this model would reform how services are integrated and aligned locally, bring partners together to influence local commissioning and objectives, and improve local oversight and engagement.

Both approaches are summarised in the table overleaf.

**Table 9.1 – Options for reformed local employment and skills systems**

	<b>Option 1 – Political and fiscal devolution</b>	<b>Option 2 – Decentralisation and service integration</b>
<b>Service delivery</b>	Delivery of all services including JCP devolved. Services designed, commissioned, managed locally.	Services integrated locally but with existing reporting lines to agencies/ govt. Services co-commissioned.
<b>Budgets and financing</b>	Block grant devolution of all relevant funding; may include some devolution of UC, or deal on over/ underspends.	Funding lines as now, but with alignment of commissioning timescales, boundaries and approaches.
<b>Determining policy</b>	National policy where that makes sense – e.g. education, skills, welfare. But clear outcomes-based framework within which areas can set local priorities.	Policy responsibilities as now.
<b>Objective setting</b>	Determined by partners locally, agreed with national government. Common measures between areas.	More standardised national framework within which local areas have some flexibility.
<b>Governance</b>	Locally led, significant autonomy, limited national ground rules.	Jointly led, influencing role over local services, within clear national framework.

## ANNEX – DEVOLUTION LESSONS FROM THE UK AND OVERSEAS

This Annex sets out more detail on the key lessons from devolution of employment and skills overseas and in the UK. It follows the structure of chapters 3 to 7 above. Key findings are then summarised at the start of each of those five chapters.

### SERVICE DESIGN AND DELIVERY

#### One Stop Shops

One Stop Shops are a common feature of a number of international employment and skills systems. For example in the **Netherlands**, the ‘Employee Insurance Implementing Body’ (UWV) and municipalities are required to co-locate and co-ordinate service delivery through a national network of one-stop ‘**Work Squares**’.

These integrated offices are co-managed by the local UWV and Social Services Directors and comprise the UWV and municipality alongside a range of agencies which could include other municipal services, welfare organisations, reintegration companies, private employment agencies and temporary work agencies. This is underpinned by a common IT system called Suwi-net. It is important to note however that in recent years, funding cuts have led to many services being moved online, with in-person services largely restricted to 35 centres primarily focused on supporting disabled people.

Similarly in the **United States**, the 1998 Workforce Investment Act (WIA) established a national network of ‘One Stop Centers’ to bring together employment, training and careers support for individuals and employers, which operate at state, regional and local level (with currently around 2,500 centres across the country).

In **Germany**, federal and municipal government deliver integrated one-stop services for uninsured claimants in most parts of the country – which combine benefit administration, employment support, and access to training and other local services. These ‘joint agencies’ bring together federal and municipal government, and incorporate employment and benefit delivery as well as wider social services (e.g. debt advice, drug and psychological counselling and childcare provision). Federal resources for employment services and labour market programmes can be used flexibly by joint agencies, which are also allowed to transfer funds between their programme and administrative budgets.

The German model was informed in part by the design of Jobcentre Plus in the early 2000s. So in practice JCP has at times in its past fulfilled a similar ‘one stop’ role, although in recent years it has increasingly retreated to solely delivering benefits administration and claimant-only employment support. However there are some exceptions to this.

Most notably, in the **MyGo service in Ipswich** – which was negotiated as part of a City Deal under the Coalition Government – JCP is integrated within a locally-led, one stop employment, skills and careers service for young people. All young people are able to access and use the facilities at MyGo, which as well as bringing together JCP and new contracted employment support also co-locate careers, skills, apprenticeships and other local public and voluntary services. Jobcentre Plus services are delivered within the MyGo umbrella – so while claimants receive the same conditionality and support as they would within JCP, their work coaches are part of a joint team with MyGo branding, with the service overseen by the council.

This shows that it is entirely feasible – even within the current system – to develop locally led, one-stop models that incorporate Jobcentre Plus.

### Service integration

Alongside these examples of ‘one stop’ approaches, there are also good examples where organisations have sought to better align and where possible integrate employment, skills and other local provision.

In the **United States**, a key factor in the success of devolving employment and skills funding has been that it has led to greater co-ordination and integration by authorities. So WIA support is often aligned locally with wider welfare support (Temporary Assistance for Needy Families) and related services. Many states have made full use of the flexibilities available, including acquiring additional waivers from federal requirements. Research also suggests that local actors may have been more able to mobilise local resources, modify requirements and target services to meet resident and employer needs.

States have also made use of a variety of contracts, financial agreements, MoUs and other service-level agreements to coordinate activities between state welfare and workforce development agencies. Such coordination typically includes:

- Co-location of or electronic linkages between welfare and workforce development services in one-stops;
- Blending of separate funding streams; and
- Development of more seamless service delivery through improved training, integrated case management, common assessment processes and shared information.

In the UK, the ‘**Universal Support delivered locally**’ trials from 2014-15 tested approaches to bringing together councils, DWP and local partners to design and deliver support for those likely to be less able to manage under Universal Credit. The evaluation (DWP, 2016) found that they:

*“successfully demonstrated how Local Authorities, Jobcentre Plus and wider networks of local partners can work together to identify, engage, assess, refer and support claimants to address digital, personal budgeting and often wider support needs.”*

In particular, it pointed to a number of critical success factors in joint working which are relevant across public services, around:

- Having clear and common success measures;
- Having the right governance, partnerships and management to oversee these locally;
- Ensuring that those eligible for support are identified, engaged and screened through different channels;
- Exploring and harnessing the benefits of co-location and integration; and
- Putting in place the right systems and processes to enable effective delivery of support – in particular around data sharing, local service mapping and case management.

Improved service alignment and integration has also been a focus of many local areas and in particular ‘Devolution Deal’ areas. This has often been made easier where boundaries for local government, Jobcentre Plus and other services are coterminous – and more difficult where they are not. So in Liverpool City Region for example, boundaries have aligned for that last five years – helping to foster and support the development of a positive relationship with the local JCP.

*“because we’ve got coterminous district with us ... we’ve got a long standing, very helpful, professional relationship with Job Centre Plus district.”*

### **Tailoring support for specific groups and local priorities**

Often, local devolution has been focused on designing and delivering more tailored or different support for specific groups. Most international models include varying degrees of local discretion and control over the detailed design of what is delivered for whom. In the UK however, the default position in both employment and skills provision is for this to be *centrally commissioned and managed*, with very little if any local input into design and implementation.

Nonetheless there have been notable exceptions, particularly through previous devolution agreements. Two examples are set out below.

### **Liverpool City Region – the Youth Employment Gateway**

The Youth Employment Gateway (YEG) is an employment programme aimed at reducing youth unemployment in the Liverpool City Region. It is designed and delivered collaboratively across all six local authorities in the City Region, and was funded from underspends from the Coalition Government's Youth Contract. In four authorities YEG is delivered by the council, and in two by contracted providers.

Young people are eligible for YEG if they are aged between 18 and 24 and have been claiming Jobseeker's Allowance or Universal Credit for between eight weeks and nine months. The programme provides access to a personal adviser, who delivers support to help participants move closer to, and into, the labour market. A unique feature of YEG is the availability of a flexible funding pot (of up to £500 per individual) to help pay for goods or services that would improve job prospects.

Two approaches to the management of this fund are being tested in the programme. Phase 1, from September 2014 to September 2016, utilised an individualised budget in which the young person's adviser plays the lead role in determining spending decisions. Phase 2, from October 2015 to December 2017, uses a personalised budget in which responsibility for purchasing decisions is assumed by the young person.

### **Portsmouth and Southampton – the Solent Jobs Programme**

The Solent Jobs Programme is part of the City Deal agreement between Portsmouth and Southampton Councils and central government. It aims to provide support to at least 1,200 long term unemployed adults with health conditions across the Solent Local Enterprise Partnership area. The programme comprises intensive case management, Cognitive Behavioural Therapy and health support, a subsidised job and post-employment support.

The programme is tackling long term unemployment linked to poor health, using a bio-psycho-social model to deal with deep rooted and complex problems. The programme will work across many agencies to help individuals with substantive barriers to work including housing, debt, mental and physical health problems, substance misuse, learning difficulties and low skills. The programme is focused on increasing employment entry and sustainment, but with a range of potential benefits including financial inclusion, wellbeing, health and reduced demands on services.

The programme aims to do things differently – developing locally rooted solutions to long standing social issues around worklessness, and moving towards a model of integration and harnessing the resources of a range of agencies in the area.

Programme funding is approximately £3.5-4.0 million, from the European Social Fund and City Deal/ locally-matched funds.



Both the Youth Employment Gateway and Solent Jobs are examples of services that have been developed in partnership between local stakeholders and central government, to address specific local needs in ways that are tailored to – and make the most of – local circumstances and resources.

However as with many similar initiatives, the funding for these is one-off – making use of under-spends or European money – and were the product of a wider negotiation with government. In the current system, neither of these could have been developed locally as part of the delivery of mainstream employment and skills provision.

## BUDGETS AND FINANCING

In a number of other countries, funding for employment and for skills is transferred as block grant(s) from central to local government. For example in **Denmark** municipal jobcentres are funded by the national Ministry but are run locally; while in the **US** training and employment funding is apportioned to states and then to municipalities.

The direction of travel in many countries over the last two decades has been towards **greater devolution of funding**. So for example in **Canada**, funding of employment and training services for those eligible for Employment Insurance (EI) has been gradually devolved to provinces and territories since the 1990s. These reforms were designed to increase the availability of employment services and to ensure that claimants enter employment swiftly. EI itself is administered through Service Canada, a national network of in-person services, which is now predominantly online but also includes outreach sites and some larger one-stop centres. However the funding of employment programmes and support has been passed to provinces through a block grant. This is linked to the Labour Market Development Agreement model (set out in more detail on pages 36-37). Importantly, LMDAs provide not only for a transfer of funding but also of federal staff and assets to provincial and territorial governments.

In **Denmark**, the funding and delivery of the employment service was fully devolved to municipalities in 2009, with over 2,000 employees transferring to local and regional government.

Of those countries studied, even the least devolved system – **Germany** – operated a mixed model with the federal government funding and operating the local employment service for the insured unemployed, municipalities funding local jobcentres for those on means-tested benefits (often operated jointly with the federal service) and local ‘joint agencies’ determining how federal funding for labour market programmes is used.

A number of countries have gone beyond the devolution of programme and administrative budgets, and also devolved benefit expenditure for those out of work.

The best example of this is the Netherlands, which has also introduced further reforms in recent years to integrate funding locally.

### Devolution and funding integration – the Netherlands model

The Netherlands has undergone significant reform in recent decades across its employment and skills services. This has been focused on improving flexibility, targeting the most disadvantaged for support, and devolving control to municipalities.

For those covered by *social insurance*, employment services and benefit administration were integrated in 2009 into the 'Employee Insurance Implementing Body' (UWV). This is operated nationally. Local government then has responsibility for the delivery of employment services for *social assistance* claimants, who make up the majority of those out of work and on benefits.

Municipal welfare to work programmes are funded by block grants, with the Work and Income Act (2003) requiring areas to provide social assistance but giving significant freedom in service design and delivery. Since 2009, municipal budgets for 'reintegration services' have been combined with separate budgets for adult education and civic integration, in a single 'participation budget'. This was further extended in 2015, with the 'Participation Act' devolving youth and social care budgets.

Importantly, the Netherlands model includes grant funding from central to municipal government for the expected benefit expenditure on social assistance claimants. Areas are then expected to use their powers to reduce expenditure locally, with economic incentives and disincentives for doing so: areas are liable for any over-payment but also permitted to keep under-payments. Since benefit eligibility is centrally regulated, they can only affect their financial outcomes by providing better employment services, stricter enforcement of eligibility requirements, or both. Importantly, municipalities have broad freedom in how they use their budgets (Mosley, 2011).

Research suggests that despite some problems, the Dutch funding formula for employment and welfare – combined with a strong cultural commitment to equal access – has struck a good balance between decentralising services and achieving broadly consistent service standards.

There are similar approaches taken in some other countries too. In the **United States**, welfare funding (in particular Temporary Assistance for Needy Families – TANF) is allocated to states based on a funding formula with states incentivised to reduce funding – although in practice this has often led to restrictions in eligibility or tougher enforcement of conditions – while in **Denmark** municipalities are responsible for paying means-tested benefits but are refunded a proportion of any expenditure by central government.

In England, funding devolution in recent years has epitomised the ‘earned autonomy’ model – of local areas negotiating special deals with central government for devolution of funding linked to discrete programmes or objectives, often with conditions attached.

A good example of this has been the funding for the **Work and Health Programme**, which will be the main national employment programme for those out of work. DWP is leading the funding and commissioning of this, but local areas negotiating ‘devolution deals’ were invited to bid for greater local control. Two areas – Greater Manchester and London – were able to secure funding devolution. While this has been a very significant step forward, there are nonetheless conditions attached – with both areas essentially doubling the programme funding by aligning locally-held European money; and both expected to ensure that provision was broadly aligned with that being commissioned by DWP.

On skills, looking ahead a number of devolution deal areas have secured devolution of the **Adult Education Budget** from 2018/19. This could be up to ten times larger than Work and Health Programme funding, but concerns were raised by areas interviewed for this study around the extent to which areas will have discretion over how that funding is prioritised and whether it would enable areas to influence the wider employment and skills system.

*“So there’s a range of things there that we need to change, and what we’re hoping to ... do more strategic commissioning, as a combined authority, but we’ll still only be working with limited pots of money, unless we can get some more devolution out of government and maybe more alignment with ESF.”*

## DETERMINING POLICY

There are relatively few examples where setting policy is significantly devolved to local areas, although it is more common for there to be discretion for areas to set priorities and particular target groups locally.

So for example in **Canada**, while the LMDA process devolves funding and gives areas responsibility for programme design and delivery, legislation specifies the types of programmes that can be financed (ranging from jobsearch support to skills training). The local discretion is much more around how these policies are then designed, and the blend of services.

The picture is similar in the Netherlands, United States, Denmark and Germany – with broadly similar provision available in different areas, but potentially with different priority groups and/ or differences in the detailed design of support.

Probably the best example of full policy devolution within a single country is the UK government’s relationship with the **devolved nations** on skills policy and funding. In Scotland, Wales and Northern Ireland skills policy is fully devolved – there is no ring-

fenced funding, and no requirements placed by Westminster on how it is determined. So the devolved nations operate different systems for education, adult skills, vocational and technical training (including apprenticeships) and so on.

The 2016 Scotland Act in effect extended this policy devolution to two specific aspects of employment support – giving the Scottish Government autonomy over employment support for disabled people, and for those on benefit and at risk of long-term unemployment. Alongside this, Scotland’s ‘share’ of the Work and Health Programme was also devolved.

Where policy development in employment and skills has otherwise been devolved in England (for example in City Deals and Devolution Deals), it has generally been within a clear national framework and giving areas more influence at the margins in how provision is designed and targeted.

## OBJECTIVE SETTING

A number of international systems include formal arrangements for determining objectives locally, setting targets and articulating these in single- or multi-year plans. However in general, these examples tend to be within clear national frameworks – which may for example set boundaries around how local objectives can be set; or limit the range of targets that can be selected from.

In **Denmark** for example, a network of 94 integrated jobcentres are funded by the national government but managed by municipalities. These municipalities are *required* to develop an annual employment plan, which analyses local challenges and circumstances but reflects national goals set by the Ministry (with some limited flexibility to adapt these). The municipality may also supplement national standards with their own priorities and targets.

In the **United States** there are similar features, but generally a longer planning window. States are block funded by the Department of Labor, and in return submit and agree five-year workforce development plans. State plans will typically assess the skills and economic development needs of an area, set targets and outline the strategy and programmes for meeting objectives. At a more local level, ‘Workforce Investment Boards’ produce local plans – which must include a description of the activities that the Board will pursue and performance targets negotiated between the local board and the state governor. A state that fails to meet its agreed level of performance for one year is given remedial support and technical assistance. After two years of failure, it may be subject to a 5% reduction in its grant. If a state meets or exceeds its performance targets, it is eligible for ‘high performance grants’.

In **Canada**, all provinces and territories have had in place **Labour Market Development Agreements** (LMDAs) since 2010, which give those governments responsibility for the design and delivery of employment and skills support. These cover arrangements for supporting those eligible for Employment Insurance (EI).

Each agreement contains annual targets for participants served, employment outcomes and benefit savings. Each province and territory has its own separate governance arrangements, but LMDAs require provinces and territories to:

- Promote co-operation and partnership with labour market partners, such as employers and community-based organisations;
- Feature local decision-making;
- Eliminate unnecessary overlap and duplication;
- Encourage individuals to take personal responsibility for finding employment; and
- Include an evaluation of their impact and outcomes.

LMDAs include only limited discretion for provinces to independently set their objectives and targets: the federal government sets results-based indicators, with each agreement containing annual numerical targets for participants served, employment outcomes and benefit savings. Although some of the performance parameters are negotiated, they are mostly determined by federal government.

In 2007 the federal government introduced a six-year federal-provincial partnership – **Labour Market Agreement (LMA)** – designed to ‘supplement’ existing services for the uninsured and for low-skilled workers. LMAs were also structured as performance agreements, providing regular reports on outcomes and subject evaluation.

Evaluations of the various federal Labour Market Agreements show that they have acted as the catalyst for provinces and territories to integrate the delivery of employment and training provision, with evaluations finding the creation of a more “*seamless service for clients*” (Finn, 2016). However, studies of LMDAs exposed some short-term and enduring implementation problems requiring adjustments in partnerships, work processes and accountability structures.

Looking at approaches taken in the England, City Deals and now Devolution Deals have created a framework within which local areas could set out, and agree with central government, their local priorities around growth, employment, skills and inclusion. Often this has been under the auspices of Local Enterprise Partnership (LEP) priorities. For example in **Liverpool City Region**, the three main priorities for the LEP are supporting people with English and Maths; supporting people to achieving higher level skills; and reducing the number of people claiming Employment and Support Allowance. However, this has not fed through into transferring to local areas any significant control over funding or over provision to enable them to address their local priorities.

There was strong appetite among case study areas for a greater focus on outcomes, with an agreement on objectives and success measures with devolution of funding and greater autonomy in design and delivery. As one put it:

*“That ... suggests that the question the government ought to be posing is one about outcomes, not necessarily one about output. Give us £25 million and agree to do this, this and this over a period of time in which this, this and this can genuinely be achieved.”*

So there is a critical dependency between how objectives are set within areas and the devolution of funding, policy design and delivery (chapters 3 to 5).

## GOVERNANCE AND PARTNERSHIPS

### Governance and oversight

Every international example studied for this project had well developed arrangements for local governance, oversight and/ or co-ordination of employment and skills services. However there were often differing extents to which local or national government were ‘in the lead’, and to which national government was active in direct oversight rather than in setting the rules or parameters.

The Danish and German systems are perhaps the most developed approaches. In **Denmark**, the employment system comprises three tiers: the national Ministry, an intermediate regional tier and the Jobcentre network. The system is designed to support strong national direction and accountability whilst allowing local flexibility in service design and delivery.

At national level, the Danish Minister for Employment has overall responsibility for employment policy. National legislation and regulations set the objectives and accountability framework for the system and include minimum measures for service delivery, overseen by a ‘Danish Agency for Labour Market and Recruitment’. Each year the Minister then sets three or four high-level targets for the system.

At the regional level, the Ministry is supported by administrative regional units which supervise Jobcentres, negotiate local targets and priorities with municipalities and subsequently monitor performance. As set out on page 36, municipalities are then required to develop an annual employment plan which reflects these national goals – which they are required to consult on with local stakeholders, a local employment council and the regional office of the Ministry.

In **Germany**, the federal government sets national targets and budgets which are then negotiated, implemented and co-financed with state governments, municipalities and the public employment service. The ‘joint agencies’ that deliver support for those on means-tested benefits have their own management and governing board, in which the employment service and municipal partners are

equally represented. The formal agreement obliges both sides to engage in an ongoing process of coordination and negotiation. In addition, local offices are monitored by 'tripartite committees' which provide insight into the needs of local employers and employees.

However while the German model brings significant integration at the local level, in practice it has not been without challenges. Finn (2015) highlights significant friction between the national and local tiers, with a strong drive from federal government towards tighter and more consistent performance management along with standardisation of service delivery. Local areas have reported difficulties in adapting these national approaches and programmes to meeting the needs of local residents.

Local areas interviewed for this research also emphasised the importance of getting local governance right – with this potentially unlocking some of the perceived barriers to devolution

*“What I am trying to articulate is the very strong governance and leadership role within local government which isn’t just about saying to national government give us some money and we will do everything locally because we know best ... but actually, say local government and central government are working together on properly defined spaces, we will achieve some much stronger outcomes.”*

As noted on page 30, the **Universal Support delivered locally trials** are a good recent example of effective governance and partnership between local government, central government and other partners. In each of the thirteen areas, trials were formally constituted as a joint effort between Jobcentre Plus and local government, underpinned by a board or steering group including both parties and other key stakeholders.

The evaluation found that the most effective models were those where there was strong local leadership, where leaders were personally committed to working together, and where operational staff were then empowered to take this forward.

### **Working in partnership**

There are a range of examples of effective local partnership working in the UK and internationally. A number of international models have local partnership – and in particular employer and sectoral involvement – hard-wired into their design. Most notably in the **United States**, the 1998 Workforce Investment Act (WIA) created a structured model for decentralised delivery and coordination of employment and training. Federal funding is provided through a block grant that gives states power to shape their own welfare to work systems. This is characterised by partnership between three levels of government – federal, state and local. Key goals of the WIA were to streamline services, create greater accountability, and give state and local government more flexibility in commissioning employment and training services.

The decentralised system places most of the responsibility for delivery of training and employment support services at the local level. The legislation required each state governor to appoint local Workforce Investment Boards (WIB), of which there are 600 across the country. Each board has majority employer membership and is chaired by a business leader. They are expected to include leaders from relevant organisations including local government, economic development and unions.

This legislation was updated in 2014 Workforce Investment and Opportunity Act (WIOA) so as to improve co-ordination and reduce overlap and duplication. This allows WIBs to be smaller, gives them a more strategic focus and allows them a greater role in fostering partnerships between workforce development, education and economic development. The legislation also integrated a number of separate federal skills and employment programmes and standardised performance accountability with the creation of six common core measures for adult programmes and a related set of measures for young people.



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