

## Devolution (Further Powers) Committee

### Devolution of Employment Programmes

#### Introduction

Following the meeting of 21 January, the Committee requested further information on the budget cuts to the Work Programme.

#### Functions being devolved

The Smith agreement stated:

"The Scottish Parliament will have all powers over support for unemployed people through the employment programmes **currently contracted** (emphasis added) by DWP (which are presently delivered mainly, but not exclusively, through the Work Programme and Work Choice) on expiry of the current commercial arrangements"

The Scotland Bill provides for the devolution of schemes for:

- assisting disabled people to select, obtain and retain employment
- assisting people claiming reserved benefits who are at risk of long term unemployment to select, obtain and retain employment, where the assistance is for at least a year.

The UK Government has argued that the Scotland Bill does meet the terms of Smith. In a letter to the Devolution (Further Powers) Committee the Secretary of State for Scotland explained the UK Government's approach to turning the Smith Commission recommendation into legislation:

Clause 26<sup>1</sup> **does not differentiate between contracted and non-contracted support. Instead it sets out the "space" in which the Scottish Government will be able to create new support** (emphasis added) and does this by giving statements around the functions that are discharged by the Secretary of State or by a party acting on behalf of the Secretary of State. I therefore believe that clause 26 delivers a substantial transfer of powers to the Scottish Parliament and delivers on the Smith Commission Agreement.

This clause creates clear lines of accountability between those claimants that Scottish Ministers are able to create employment programmes for and those claimants that will continue to be supported through Jobcentre Plus. In particular, it makes it clear that the Scottish Parliament can only provide employment support for claimants who are at risk of long-term unemployment where the assistance lasts at least a year, or for those with disabilities that are likely to need greater support. Help

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<sup>1</sup> on introduction to the Lords, this is now clause 29

for long-term unemployed and disabled people currently makes up 95% of DWP's budget for centrally contracted employment support delivered through providers. It therefore draws a line between such schemes and the core functions of Jobcentre Plus. This enables the smooth delivery of an integrated benefit system, and will result in a better service for claimants."

([David Mundell, letter dated 26 August 2015](#))

There has been debate about whether these clauses meet the terms of the Smith agreement. In particular, the Scottish Government has objected to the restriction to schemes that last for more than a year. This means that a number of short term schemes contracted by the DWP, such as Mandatory Work Activity and Help to Work will not be devolved. The Devolution Committee had concluded in its [interim report](#) that what were at the time draft clauses: "do not fully implement the Smith Commission recommendations." The Committee recommended that the restriction to programmes lasting more than a year should be removed. It also recommended that Access to Work Programme should be devolved.

### **Current contracts**

The estimated annual combined value in Scotland of the current contracts is in the region of £53m.

- Work Programme: in the region of £42m p.a
- Work Choice in the region of £9.8m p.a

(Scottish Government personal communication, January 2015. Figures are the annual values for 2012/13)

These contracts will stop taking referrals in April 2017. However, as people attend the programmes for up to two years, there will still be people in Scotland attending Work Programme and Work Choice provision after this date.

### **Future Contracts from 2017**

The [Autumn Statement](#) included the announcement that a new Work and Health Programme will replace the Work Programme and Work Choice in England and Wales from 2017. This was in the context of putting more emphasis on help earlier in the claim and focusing on disability and health barriers to employment. The Autumn Statement referred to:

doing more at the start of a JSA claim to stop people starting a life on benefits – requiring jobseekers to **attend the jobcentre weekly for the first 3 months and bringing forward the more intensive support element of the Help to Work programme** currently in place for the long-term unemployed

introducing a **new Work and Health Programme** after current Work Programme and Work Choice contracts end, to provide specialist support for claimants with health conditions or disabilities and those unemployed for over 2 years

The Autumn Statement did not itself set out a specific budget for this new combined provision.

DWP Employment Minister, Priti Patel has said that while overall funding for employment support would remain stable, the contracted-out element - the new Work and Health

Programme - would receive around £130 million per year for GB as a whole. This is around 20% of the level of funding for the Work Programme and Work Choice, which it will replace. ([Learning and Work Institute, 12 December 2015](#))

### **Funding Transferred to Scotland**

The actual funding transferred to the Scottish Government will be subject to the final decisions about the Fiscal Framework. However, the current assumption is that what is devolved is a straightforward proportion of the £130m programme funding.

Iain Duncan Smith has written to the Scottish Government giving the indicative programme funding of:

Year 1:	£7m
Year 2:	£10m
Year 2:	£11m
Year 4:	£13m

(Scottish Government personal communication, January 2016).

The cut from current estimated annual value of £53m to estimated allocation of £7m in 2017 is 87%. The cut in comparison to year 4 funding of £13m is 76%.

### **Change in focus of employment support**

Explaining the change in emphasis away from what is currently the 'work programme', the Minister, Priti Patel, said at the ESRA conference that:

The overall position following the [Spending Review](#) is that the funding for employment support will remain broadly stable.

However, within this, we have aimed to improve the effectiveness of our spending, reflecting our key priorities.

That means:

- continuing the roll-out of Universal Credit and extending the same support that Jobseeker's Allowance claimants get to around a million more people by 2020
- improving support for people with health conditions and disabilities through a real terms increase in funding
- and ensuring value for money, with interventions that we know work

This approach focuses on what our labour market most needs today whilst retaining flexibility for the future.

In relation to contracted provision in particular she said:

The decision on the level of central government funding to employment programmes in the recent Spending Review followed comprehensive consideration of our strategic direction against the current market; the economic climate and our manifesto commitments

Work has started on the design and structure of the new programme and draws heavily on all the best experience and consultation work we did over the summer.

Senior officials also met with many of our prime providers last week and held an open, constructive dialogue around how we can continue to work in the spirit of partnership to ensure the most effective delivery of the Spending Review announcements and the best possible support for claimants.

We will be working closely with providers both individually and collectively in the coming weeks and months

She concluded that:

Today's challenges are different to those of 2010.

We have largely overcome the issue of long-term unemployment.

Our focus now is on the nearly 3 million people who are on 'inactive' benefits.

[\(Priti Patel, speech to ERSA annual conference, 8 December 2015\)](#)

### **UK Government 'Work and Health Programme'**

In regards to details of the new contracted programme, to date no further information about the new scheme has been released. The Government has stated that white paper on the programme will be published later this year.

On the 22 January 2016, in response to a [parliamentary question asked by Andrew Gwynne MP](#) about what specialist support will be available for disabled people under the new Work and Health Programme, Priti Patel MP (Minister for Employment) replied:

“The Department is currently developing the design of the new Work and Health programme, and this includes consideration of what support disabled claimants might need to move into work, including specialist support, and how that support might best be delivered within the new programme. The Department will publish the details of this within the specification for the new programme later this year.”

Similarly, in response to an [FOI request](#) seeking details about the new programme, the DWP replied on the 13 January 2016 that:

“The Spending Review announced that a new 'Work and Health Programme' will replace Work Choice and the Work Programme when current contracts end, restructuring our current provision to providing the best possible support for claimants with disabilities or health conditions as well as those who are long term unemployed. The Department will work with stakeholders on the design, including the structure and how people will be referred to the programme ... The Government will publish a White Paper this year that will set out reforms to improve support for people with health conditions and disabilities and further reduce the disability employment gap.”

However, it does appear that conditionality will be a feature of the new programme. In [Oral Questions](#) on the 7 December Kate Hollern MP asked whether the Secretary of State had

any plans for benefit sanctions to be applicable to people referred to the new proposed work and health programme.

Priti Patel replied: “The Department is developing new provision to support people with health conditions and disabilities and those who are very long-term unemployed. We are currently developing the design of the programme, including the conditionality that will be a feature of it.”

In regards to Scotland specifically, [Margaret Ferrier asked on 13 January 2016](#):

To ask the Secretary of State for Scotland, pursuant to the Answer of 10 December 2015 to Question 18729 and the oral contribution of the Financial Secretary to the Treasury of 6 January 2016, Official Report, columns 274-5, whether he has discussed the introduction of the new Work and Health Programme in Scotland with the Secretary of State for Work and Pensions

David Mundell replied:

Further to my answer of 10 December 2015, UK and Scottish Government officials are discussing the introduction of the new Work and Health Programme and broader welfare reforms, including the implications for Scotland in the context of the devolution of welfare powers in the Scotland Bill. In due course, I would expect these issues to be discussed by the Joint Ministerial Welfare Group, which I co-chair with the Scottish Cabinet Secretary for Social Justice, Communities and Pensioners' Rights and is attended by DWP and HM Treasury Ministers.

### **Annex: Background on Work Programme and Work Choice**

The following is taken from a recent [SPICe briefing on employment support](#).

Further background information is available in briefings from the [House of Commons Library on employment schemes](#).

#### **Work Choice**

This is a voluntary scheme for disabled people who need extra help to find and sustain employment. There are three levels of help:

- Work Entry Support – advice and guidance for up to 6 months.
- In-work support – help to start and stay in work for up to 2 years
- Longer-term support – moving towards working without support. This is not time limited.

People are referred to Work Choice by a Jobcentre Plus Disability Employment Advisor who then works with contractors for the area.

Since it was introduced there have been over 12,000 referrals to Work Choice in Scotland, leading to 10,120 starts on the programme and 4,880 job outcomes (i.e moving into supported or un-supported employment). ([DWP, Work Choice official statistics, November 2015](#))

The main contractors in Scotland are Momentum Skills and Shaw Trust who in turn sub-contract to 19 suppliers.

Providers receive a service fee for each individual who starts Work Choice. They receive a further payment if that individual obtains a job and a final payment if that job is sustained unsupported for at least 6 months.

### **Work Programme**

This is the largest contracted employment support programme run by the DWP. Between June 2011 and September 2015 around 43,000 people in Scotland have been supported into work through the Work Programme out of nearly 174,000 referrals ([DWP, Work Programme statistics summary: data to 30 September 2015](#)).

The elements of support provided in the Work Programme vary, but typically include regular contact with an adviser, an assessment of the employment needs of the individual, help with searching for suitable jobs and preparing for interview, and IT support and training.

The Work Programme is delivered in Scotland by Ingeus and Working Links. These prime contractors sub-contract to 49 suppliers. The Work Programme is based on payment by results. The detail of provision is decided by the contractor, and they get paid for achieving certain outcomes.

In addition to the planned devolution in Scotland, the UK Government has committed to working with a number of areas through City Deals. For example, there is an agreement that Greater Manchester will co-commission the next iteration of the Work Programme with DWP.

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