

**Economy Committee – 18 June 2015: Transcript of Item 9
The Role of the Third Sector in Employment and Skills Programmes
Session Two**

Fiona Twycross AM (Chair): I would like to welcome our guests for the second session, who are Roy O'Shaughnessy, Chief Executive Officer for Shaw Trust - welcome and thank you - and Kirsty McHugh, who is Chief Executive of the Employment Related Services Association. Thank you very much for coming along to help us with our investigation.

Could you just comment on what the value is of having both large and small private and third-sector organisations involved in delivering employment programmes? Roy, could you start the comments? Thank you.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): I will just say it is a privilege to be here and to participate in this process.

There is incredible value to having a mix of services. Shaw Trust is a prime [contractor] in the Work Programme and has 13 primes on Work Choice. We are also subcontractors in other primes across the country and we participate at various levels. My view is that with the complexity of the job market and some of the issues that have just been discussed in the previous session, you have to have a breadth of experience.

What I would challenge, though, is that I believe there could be far more organisations like ours on contracts that are intended for people with social disadvantage and paid for by the taxpayer because every penny of what comes to us goes back to the community. We have five volunteers for every staff member as an aspiration, but a volunteer cannot take away a staff member's job. If we get funding from the local community, 100% of that goes directly to the cause. There is no cost for raising it. Therefore, we do need this cross-section of organisations, but I would just strongly put forward that the day has come for more organisations like Shaw Trust and working with the third sector to build that capacity and to get that scale on both ends from the small to the large.

Kirsty McHugh (Chief Executive, Employment Related Services Association): We have a very diverse sector at the moment. If I look at my organisation's membership of about 200 organisations, about two-thirds are not-for-profit. We have housing associations, local authorities, large charities, small charities, private-sector entities, multinationals through to small training organisations. It is actually very diverse.

What I see across that is that obviously they are all marvellous deliverers, but no one sector or type of organisation is always better than other. There is a real diversity of performance. We have some large organisations in the membership who will say, "In terms of our supply chains, we have a local authority at the top of the supply chain and another local authority at the bottom". With charities, similarly, you get some that are extremely good and others that may be less good. There is a lot of diversity out there, both in terms of type of organisation and also performance.

For me, I am very glad, Chair, that you mentioned size because size is more of an issue than sector, often. When you see the issues that might make it more difficult for a voluntary community organisation to get

involved, some of those are because they are third sector but often it is because they are smaller. You see the same issues coming through and affecting SMEs as well who are in this space.

Fiona Twycross AM (Chair): Welcome as well to Dr Thurlby-Campbell. We are just starting off with a broad question on what the value is of having both large and small and private and third-sector organisations involved in delivering employment programmes. I wonder if you could also add your comments on that.

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Certainly. There is tremendous value in it. Instinctively, Ingeus as an organisation values a competitive and diverse market. The benefits of that are keeping thinking fresh and keeping thinking innovative. London now is a very dynamic place. It continuously moves. The more diverse your marketplace, the more likely you are to see the kind of new thinking that you need to keep responding to changing conditions and also to keep driving innovation and performance where that is needed. The colleagues who went before us in the first session spoke a little bit about where things work well. Where they do not, we need to see development. A really diverse market supports that.

Fiona Twycross AM (Chair): Within this, how well is the social enterprise sector represented in the supply chain and is there room for the sector as well to grow?

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Defining 'social enterprise' is slightly touchy. I worked on a few contracts for services for the National Offender Management Service (NOMS) prior to being with Ingeus. I worked on the National Consortium of Social Enterprises, which is a NOMS-funded initiative to build up the number of social enterprises represented in public services supply chains, particularly in the justice sector. There is no hard-and-fast definition for what social enterprise is. I do not know if my colleagues at Social Enterprise UK would entirely agree with me.

What I could talk about more is where the third sector specifically is represented in our supply chain. For Ingeus, 50% of our subcontractors on the Work Programme are from the third sector, two-thirds of our subcontracted London Work Programme provision is in the third sector and 100% of our Work Choice delivery subcontracts are in the third sector. We have seen really positive engagement with the third sector.

Fiona Twycross AM (Chair): Kirsty, did you want to come in on social enterprise?

Kirsty McHugh (Chief Executive, Employment Related Services Association): There is certainly scope for far more social enterprise to be involved. There are two things. Social enterprise can often play a very good, important role in relation to supported employment. In your intermediate labour market model, there are some people who are going to struggle to get into work and they need work placements, support, etc. Social enterprise has a long and proud history in investing in that sort of model.

There is a particular issue around how many social enterprises get to scale. I have some in the membership that are pretty large. Organisations such as the Wise Group, which operates in Scotland and the northeast of England and which is a pretty good example of an organisation that has operated as a prime contractor and to scale. However, the majority are smaller and therefore there are issues with cash flow, etc, in the same way that I know you have been exploring over the last hour.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): The only thing I would add to that is that, in essence, Shaw Trust could be defined as a social enterprise. We are a self-sustaining charity and we also invest about £10 million from our more commercial ventures into social enterprises. We grew out of the Borough of

Wandsworth. It actually started in the Borough of Wandsworth Careers Development Group (CDG). There are very good models. There just are not enough of them and we have not joined them up in the right way. However, there are more than enough real case studies out there for a joined-up approach in the third sector to build on this going forward.

Dr Onkar Sahota AM: This is a question to Roy and to Ian. How many active third-sector subcontractors are there delivering the Work Programme in London at the moment?

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): I do not know in total. Ingeus uses two subcontractors in London, one of which is third sector, I believe, and it makes up two-thirds of the total subcontracted volume. In terms of nationally, 50% of our subcontractors are third sector and that comes to over 20.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): It is a really important question because, as we talk about more third-sector organisations getting involved in the Work Programme or whatever replaces the Work Programme, there are actually a very limited number of opportunities. Shaw Trust has east London and we have 12 organisations that are our subcontractors and 50% of those are third-sector organisations. You could not actually add more because of the economies of scale for the third-sector organisation participating. As you heard this morning about many of the organisations with ten or fewer staff, they might only be able to help 30 people during the five-year contract at that kind of size. It is getting this breadth and getting it right. Even if the Work Programme was divvied up in London, you are probably going to end up with only 50 additional charities working at a scale that would make a difference to them and sustain them in the long term.

Kirsty McHugh (Chief Executive, Employment Related Services Association): You mentioned the Work Programme in particular. The number of referrals for the Work Programme has dropped dramatically and therefore the amount of business available for any organisation, prime or sub, is becoming smaller and smaller. Actually, we are going to have a shrinking in the number of subcontractors, regardless of sector, in the Work Programme between now and the end.

The other thing to bear in mind is that relying on any one sort of contract as a third-sector organisation is probably unwise. You need a diversity of contracts. Therefore, the ESF commissioning, which we have just started to kick off in London and elsewhere, is going to be really important in terms of getting new business into those organisations to sustain them over that next period.

Dr Onkar Sahota AM: You have answered my next question, which was: how has this changed during the lifetime of the Work Programme. Is there a continuous programme going on where you are recruiting more subcontractors, some are leaving, some are coming on and new ideas are developing? Is there a constant process of recruiting these subcontractors going on?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): It has been surprisingly resilient for us, but of course we participated two years before the Work Programme with the Association of Chief Executives of Voluntary Organisations with like-minded charities that wanted to become involved. We have lost only two third-sector organisations since we started the process and we have worked very closely with their boards and their senior staff. We have not seen a lot of churn at all in that and that is one of the advantages of very good initial selection and the third-sector groups that you are participating with really helping them. There were two organisations and we actually had to go to them and say their budgets were unrealistic for this and help rework that. We even provided advance funding for two of the organisations to even participate in the beginning.

Dr Onkar Sahota AM: You grew the market?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): We grew the market.

Dr Onkar Sahota AM: The other thing is that the more providers you have, the more difficult it may be to give seamless care to your clients. Is that what you are experiencing? Do you find that the more providers you have or the fewer providers you have has an impact on the service you can give to your clients?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Without a doubt, you have to have stability in the market and you have your subcontractor focused on what we are all here to do, which is to transform the lives of individuals who may not have had a similar opportunity that we have to overcome their barriers. You cannot do that if you are worrying that you have your contract wrong, you are worrying that you do not have enough staff to do it properly and you are afraid that you are contravening your mission against the practical demands of the DWP contract. Getting that right in the first place and getting absolute clarity between the organisations that you are participating with and, more importantly, with the individuals who will be face-to-face with the customers who are coming into the centres is absolutely critical. The less churn the better, really, providing you have it right.

However, what most of us have done - and we have learned incredibly over the last three years - is that in the tier beyond that, the speciality providers that you might use only once or twice a year for specific challenges, you must have a depth and breadth. That is where you might be using 300 or 400 on your list and just calling them as required.

Dr Onkar Sahota AM: How can the third sector effectively compete among the small number of large providers dominating the system? Is there any capacity for third-sector organisations to join forces and to compete with the larger providers?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes. I can probably speak to that as we are the only charity in the UK that is competing with the large providers at the moment and we have generally been able to win as much as we have the financial resource to win. If you are looking at it from a large-scale point of view, there is absolutely no bias against a charity winning prime contracts. If anything, we have an added advantage because our work only begins when you have delivered the basic value of the commercial contract: the reinvestment of the funds back into the community.

For example, on the Work Programme we have two community hubs that are self-funding in Hackney and Lewisham. We have put £500,000 into those. Those ones are absolutely designed for the hardest-to-reach individuals who are not getting into the work market and all the statistics are showing that. If we can turn that on its head, can we do it a different way? If you go in there, there are psychologists, there are doctors, there are nurses, there is yoga and there are no set places for staff or clients. The client going in there for the first time in this environment feels as valued as the staff member and they do not see it as a forced programme.

To be absolutely clear, there is no restriction whatsoever on a charity competing if it has the scale. Building a market that allows other charities to work together to compete in this market is the challenge.

Since 2008, we have made massive progress on this. When I was chairing the Association of Chief Executives of Voluntary Organisations on this working group in 2008, 2009 and 2010, it was almost impossible to get charities to come together to create effective consortia, to win these contracts and to understand the scale

that was required. My view is that now we have probably moved beyond that and we are much closer to that, but the market is now shifting and may move to smaller contracts. That will then take a re-engagement to figure out the most appropriate way forward based upon that.

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Prior to being with Ingeus, I was the Head of Business Development for Third Sector Consortium (3SC), which is a social enterprise set up by ten charities and social enterprises and entirely owned by them with the purpose of allowing charities and social enterprises to get a greater market share in the public services space. The model was effectively to provide a framework for management of charities working together as consortia and partnerships. The approach was to facilitate opportunities for them to each bring their best to the table, the different skills, different specialisms and different geographies that they each cover and bring those together as a coherent offering. That was a very interesting piece of work. There is - and I agree with Roy - no bias particularly against charities and social enterprises bidding at all and, in some cases, there is an advantage. 3SC worked with Interserve during the Transforming Rehabilitation procurement and is doing the managing agent work for its supply chain. There is lots of scope, potentially.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Could I comment as well in terms of charities? Actually at a bigger scale, at the prime contractor's scale, it absolutely depends on a number of variables: the size of the contract, the payment mechanisms, the risk-reward ratio, etc. All those things are about risk.

You were specifically asking about consortia, special purpose vehicles, joint ventures (JVs), etc. We are in an interesting space at the moment. I have quite a significant number of my midsize charities who are talking to each other now about getting into bed together to able to play at a different scale.

If you think back to the DWP programmes, the Flexible New Deal commissioned by Labour, then you are strapped. The Work Programme commissioning was very rapid, which meant it was very difficult with the timescales given for proper consortia or JVs really to come together. 3SC was pretty much the only example. It did not get to that scale but has actually been growing over this last period.

It is interesting now - particularly in relation to the disability employment space - that there are quite a few charities talking to each other to get themselves ready to bid as entities. That said, there are some issues in terms of the procurement side and how consortia are judged in terms of getting through the procurement loops. There could be issues around parent-company guarantees and things along those lines which make it more difficult. However, we are in a better space now than we were a few years ago.

Jenny Jones AM: Thinking about the different types of jobseekers, I know there are instances where people are nominated as jobseekers who will never be able to hold down a job however hard the programmes encourage them. Do you think there is a danger in the way people are judged to be fit and the whole one-size-fits-all philosophy about this?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): There is definitely a danger of that, without a doubt. Some of our own analysis has shown that about 30% of the people who are assigned to our centres do not understand why they have been put in the category that they are in. Whether or not that is a correct perception or not, it is the individual's perception.

Firstly, we have to recognise there is a very significant percentage of those individuals who will never hold down permanent long-term work *per se*. We created an Expert Volunteer Initiative where our volunteers will

work with those individuals for as long as they like to see if there are other areas where they would find meaning in their lives if they are not going into employment. Our view is that every person who comes in is a distinct human being, irrespective of what the paperwork says. The first requirement is to see whether or not they are able to get a job and, if so, how quickly that individual can be placed in a job that they will feel is meaningful to them as much as a requirement, and then work with them while they are in that job to move on. For those individuals who are not successful in finding employment or are further from the job market, it is probably where the added value of charities like ours being involved becomes much greater.

Consider that most of our private competitors are planning on at least a 5% net return and all of that money every year is going directly back into community projects and causes to try to tackle these very issues that you are talking about. For example, yesterday I was with the Managing Director of Whizz-Kidz and 90% of young people aged 16 to 24 in wheelchairs never get into employment. We will be launching an initiative with them that works on that. It is not just those who are hardest to place because of language or education challenges. There is this whole disability challenge.

Jenny Jones AM: Preconceptions about what people are capable of?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Exactly.

Stephen Knight AM (Deputy Chair): My question really is directed at Roy because it is about Shaw Trust's experiences of being the only prime supplier from the third sector. Some of this has already been covered and so add what you would like. You had a merger in 2012 with CDG, another large organisation. Was it that merger that really enabled you to be of the scale to take on being a prime provider?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): It is twofold. I was the Chief Executive of CDG. At that time we were about £26 million a year. We had the majority of the New Deal contracts, which were just before the Flexible New Deal ones. The reason I say that is that even back then charities were given the advantage if they could deliver and they could get the scale to submit the tenders.

What we concluded was that when the Flexible New Deal was cancelled and the Work Programme was introduced, many of the risks and issues that our colleagues were talking about earlier could only be solved by scale. CDG's whole purpose of existence was to reduce long-term unemployment. Shaw Trust's mandate was disability employment and other things. We made a commitment to ourselves as CDG that if we won the Work Programme we would immediately seek a like-minded organisation to get greater scale. When we won, we immediately started talks with Shaw Trust. That gave us the scale to keep at a reasonable size with the Welfare to Work divisions of Serco, G4S and others. There is a commercial reality to all of this in the sense of what it will take to do that.

I also want to be clear that our trustees had agreed that if we did not win as a prime we were going to close the charity because its purpose had come to an end. That is a crucial part of this ongoing debate: making absolutely certain that you are keeping to your mission and your values. If there is a logical ending of that, then let us be grownup enough to recognise it and move on.

Stephen Knight AM (Deputy Chair): It really was make-or-break for continuing your work?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes, it was.

Stephen Knight AM (Deputy Chair): Good. Presumably you think, if other third sector organisations are going to take on a similar role, then they need that scale as well to be able to do it?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes. This is my 35th year in charities. I have worked from the smallest to the largest. I have an absolutely fundamental belief that with austerity in the UK and Europe and the continuing pressure on services, there has never been a greater opportunity for charities. We will need the breadth. The market will favour large charities and small speciality charities. The ones in the middle are really going to get squeezed.

Stephen Knight AM (Deputy Chair): In terms of your supply chain, as a third-sector prime provider, do you have a different sort of supply chain than you would see amongst the big private-sector prime providers?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): There has been a massive positive shift since 2008. In fact, the former Managing Director of Ingeus has now joined us on our staff. The fact that we are attracting socially-minded for-profit organisations, staff and all, to join us on this adventure is there. Most of the primes have been adjusting, not only for altruistic reasons but for survival reasons, to incorporate more added value for our supply chain.

The thing that is absolutely unique that an organisation like ours can provide that no other organisation would was that we went to all the primes and said, "Let us create these two community hubs. The Work Programme is getting all this criticism. They are saying we are leaving out certain people from the programme and all of that. Join us". They all said, "Great idea", but when it came down to actually funding it, no one put up the money. Shaw Trust put it in entirely and underwrote those hubs. It was the same with the volunteers. We challenged the sector to raise 50,000 volunteers to work on specific tasks. To date, Shaw Trust is the only one that has funded that initiative and taken it forward. The results are showing that.

In the same way with our subcontractors - and we would not publicise this - there is not one of our supply chain that is a charity that has not been able to come to us when it has been in trouble and we have immediately worked out a plan. The two that I mentioned came to the point where they said, "Actually, this is not for us", for different reasons. We did not hold them to the one-year contract rules. We did not hold them to any penalties. I personally met with their boards and chief executives and we figured out a way from it.

This is not about the term of this five-year contract. This is the next 20 years of social value in our communities as to how we do this. There are no easy answers. We work in Hackney, which is the most deprived borough in the UK, and we work in Hampshire, the most positive fully-funded borough in the country. There are no easy answers to this. Yes, we believe that every penny of taxpayer money should go back into this. There is an incredible advantage to those who work with us because that is our sole motivation.

Stephen Knight AM (Deputy Chair): It sounds like it has much more in relation to a partnership than a commercial one.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Let me come in there. Obviously, Roy is a very good member, as is Ingeus. You look at the prime contractors. You are specifically talking about the Work Programme here, are you not?

Stephen Knight AM (Deputy Chair): Yes.

Kirsty McHugh (Chief Executive, Employment Related Services Association): It is very diverse, as are the supply chain mechanics. Some, like G4S and Serco, contract out the whole lot and so they are managing agents. The feedback from a lot of the subcontractors there was very positive. They like the way G4S and Serco do it. They get a lot of support from those organisations. They do not feel they are in competition with those organisations because they not delivering themselves. That has quite a lot to recommend it.

There are other organisations that have a long, proud history of delivering themselves and are very good at it and then have a supply chain alongside. That model can also be very good.

I do not think you are going to get uniformity of 'charity, good' - and we love charity - or 'private sector, bad' in terms of the feedback from the subcontractors. It is their experience that counts most in relation to this.

Stephen Knight AM (Deputy Chair): That is interesting and helpful. Roy, you talked with great passion about work with the further from the employment market groups and how Shaw Trust has a history of working with people with disabilities, etc. Does the current payment model help or hinder that kind of work?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): We are within two payment systems at the moment. Work Choice is actually very well-funded and upfront. The Work Programme is on the other extreme of that. I am absolutely certain the two will diverge in whatever follows.

I will speak to the payment-by-results funding model. We are actually quite comfortable with payment by results providing the resourcing upfront stays consistent. If anyone had based their tenders on the actual referral numbers that were predicted and not what has actually turned out, they would be in a whole lot of trouble. Payment by results then makes that more challenging.

If I am speaking for charities that are not necessarily as well-resourced as we are, payment by results needs an improvement. It should not be thrown out. The direction of travel is fantastic because it demands performance and results for the end user. We need to fine tune that.

I will use a personal example from Shaw Trust/CDG. In 2010 we could not get any major bank to underwrite what we needed once we had won the contract. We were very fortunate that Future Builders gave us £5 million as security. I am very proud to say we never used it and we are one of the few organisations that paid it back with interest. Having the resource to compete in payment by results is important if you win the contract.

I was at a dinner with people from Royal Bank of Scotland the other night. It has now accepted that organisations like ours will be the future and it is actually now trying to move beyond social finance to actually say, "How can we come back into this?" Actually, its interest rates will be lower than a lot of the social financing.

Jenny Jones AM: I wanted to ask about mandatory work placements. I was wondering how you manage the contractual obligations against the needs of the individuals.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Some of my members deliver mandatory programmes, including Mandatory Work Activity and the Community Work Placement elements. Some of them choose not to. There is a diversity of opinion across the sector about whether this is a good or bad thing.

It seems to work well if somebody is mandated to your programme when they are given a choice of placements. That gets better results. It seems to be with a jobseeker when you give them the ability to take control of their own journey – horrible, hackneyed language – you get the elements of self-control and voluntariness, even when it is a mandatory programme overall.

I have quite a lot of charities and housing associations in our membership that are delivering mandatory programmes and are out and proud about it. I have met people on those programmes who say, “Actually, our lives have been changed. We did a fantastic work placement at XYZ”. We had a few case studies recently of orchestras and theatres.

However, some of my charities in membership do not want to be in that space. It is a divisive issue across the sector.

Jenny Jones AM: I am sure you know all the facts and figures that are coming out at the moment. The DWP did an evaluation of the Mayor’s Day One Support for Young People Trailblazer. What they found was that the young people said that they did not have time to look for work. After 30 hours compulsory work, they did not have time. I would imagine that is a fairly general finding. I am guessing but I bet it is. In London, for example, 9,000 disabled jobseekers were sanctioned last year. It strikes me that there is a big problem out there and it is perhaps time mandatory work placements were stopped. Would you agree?

Kirsty McHugh (Chief Executive, Employment Related Services Association): It is a very political issue and it depends on what side of the fence you are.

Jenny Jones AM: Yes.

Kirsty McHugh (Chief Executive, Employment Related Services Association): We have a real problem in our communication system that leads to sanctioning. At the moment if somebody has been for a Work Capability Assessment (WCA), the findings of that WCA are not routinely shared with providers, the Work Programme or whoever they may be. If somebody has a mental health difficulty in particular and say, for instance, they have been referred to the Work Programme and they just do not turn up, there is no engagement and no ability for the provider to work out what is going on and they have not had the WCA. The chances are they feel they have to refer that back to Jobcentre Plus. On too many occasions that then leads to a sanction. There is also an issue around fluctuating conditions around this as well.

We have looked long and hard at this as part of the Work and Pensions Select Committee inquiry. There is something going wrong in the system regarding communication. Also, there is the definition of ‘vulnerability’. If somebody is vulnerable, they should not be eligible for a sanction. That is sometimes going wrong as well.

Jenny Jones AM: Let us go back to the DWP evaluation of the Mayor’s scheme. It found that young people who completed the scheme were half as likely to be in paid employment compared to those who did not complete it. We are saying it is not even working. You say it is political. I am talking about practical facts and figures here that show it does not work.

Roy O’Shaughnessy (Chief Executive Officer, Shaw Trust): I will focus on the human aspect of it. Shaw Trust was one of the Trailblazer organisations that worked on this. We feel it is very important for us to get involved in some of these controversial programmes because it is the only way we can learn to improve for the next step. We have no motivation – it is not financial for us or anything like that – other than what is best for

the people in our communities and how we can best assist them. We felt it was very important to be involved in this. We learned several things.

Just to be absolutely clear, 2,169 people were referred to the programme. All of them started and 539 of these went on with a placement with 344 completing, which was 63.8%, and 231 achieved a job outcome, which was 42.8%. Having said that, we found several major issues with this that we think need to be improved on first. Obviously, you have to have an ethical basis for this. It has to be a real community placement. Part of the challenge was that most of the individuals had to be placed within 24 hours, which is unrealistic. Secondly, as you mentioned earlier, if you are working 30 hours a week and you are meant to then find a job with the other time, there is a major, major clash with that.

We absolutely believe that we learned great things out of this programme that will improve what will be there next. There has also been, for those that did find employment, massive changes in their lives. We have one individual who actually worked for us until about two weeks ago. He has just started as a probation officer. That came directly out of this.

What we would plead for - as I know is your focus - is an absolute focus on the individual in finding the right placement that has value and will genuinely assist that individual to transform. It all comes down to the interaction with the staff person. It is the very first thing, when the individual actually believes that they are there not because they are forced to be there but because they want to be there because there is a positive chance of change. Most of the individuals come in worried that the person really does not believe in them and are just paid to force them into employment. That has to change around. I have to say that in our hubs in Hackney and Lewisham - and this is being monitored by the Work Foundation independently - we are seeing results there that we think will start shaping this debate once the hubs have been open for 12 years and we can have good results on this.

Jenny Jones AM: It is good to hear your individual story but, unfortunately, that is not carried through in the statistics. Let us be clear. It was very lucky for that young person but unfortunately all the others are not so lucky.

Kirsty, you say it is political. Actually, this is just practical. Either it works or it does not work. I take your point, Roy, about improving it. That is great because obviously we do not want the scheme to carry on without improvement. At the same time, if it is not working, are you feeding that back?

Kirsty McHugh (Chief Executive, Employment Related Services Association): The evidence base around compulsion is weak. I will be completely open about it. Not enough is understood nationally about when it does work, when it does not work and the types of jobseekers it works for.

Generally the feedback from my members is they do not want all compulsion to be thrown out the window. They think sometimes there is a case for a bit of tough love. However, we know that employment support works best when there is a positive relationship between the individual and the organisation supporting them. If you are starting from a mandated compulsion point of view, you have to automatically get over that to actually get somebody in a positive place to take them forward. I will be very open about that.

Jenny Jones AM: If you feel the case is weak, have you fed that back?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Yes. I have also given evidence to the Work and Pensions Select Committee inquiry. I have been very open about it and have had a lot of national publicity as well.

Jenny Jones AM: Do you feel that there is a receptive atmosphere and that changes are going to be made?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): There is a listening ear. We actually do some placements in our retail shops because we found that is one of the most successful areas to help individuals move beyond. In our retail shops everybody gets paid a Living Wage. We are encouraging people coming into the placements to see it as a stepping stone to the next step in their journey. These have to be very time-limited. They have to be very specific on what the outcome is meant to be. You have to be able to show what is going to happen beyond that for the individual. Otherwise, they lose help.

There is a lot of listening going on at the moment. As to how that translates under the pressures of the financial realities, generally that is when the good innovations get dropped. When we have these real-life case studies, it is very hard to argue against them. We are trying to work in partnership with DWP and all other stakeholders that are interested to create something that really is going to change it for the person.

Jenny Jones AM: I am glad you mentioned the Living Wage because, of course, this is not a stipulation. That is not a mandatory level of payment.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): No.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Indeed.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): We just do it as a charity because we think it is the right thing to do.

Jenny Jones AM: Great. Personally, I am appalled at mandatory work programmes and I have stopped giving money to the charities that do it like the Salvation Army. I refuse to give them a penny if they employ slave labour. You do not have to put that in the minutes!

Kirsty McHugh (Chief Executive, Employment Related Services Association): Indeed. I do have very well-known charities that say that if these people are going to go on placements, they would much rather be the organisation delivering those placements and making sure they are quality placements and that they get a good experience out of it. That is quite a powerful argument as well.

Jenny Jones AM: Yes. I would say the facts and figures do not support that. Thank you.

Fiona Twycross AM (Chair): Given that the programme is likely to continue, what changes would you suggest that this Committee could recommend? There is likely to continue to be mandatory work placements for the foreseeable future. Given that is potentially going to continue, what do you think we should be recommending? You mentioned, for example, giving people a bit of choice and you mentioned some positive examples as well. Are they the sorts of positive things we could recommend?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): What we have fed in is - and literally this is the language - that such placement schemes should help address barriers to work, be time-limited, be well managed and ensure they do not replace a paid-for job. Obviously, there is a lot of detail behind that which

we will be submitting as our evidence. If that was followed under an ethical framework, you would find a lot more people embracing these rather than withdrawing from them.

Tony Arbour AM: I am interested in the devolving of the mandatory contract. I am right in thinking, am I not, that these are contracts that come from the DWP?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes.

Tony Arbour AM: Supposing they were to be devolved, for example, to here or to boroughs. Do you think that would be an improvement?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): That enhances democracy. The more that citizens are involved in decision-making, the better. The more joined-up it is, the better. How that actually occurs is important in the sense of the process.

The only thing I would also mention is that in addition to the Work Programme in London there are at least 24 or 30 other funding streams. We call it a 'spaghetti junction' where there is no significant joining-up of those other funding streams. The Work Programme is the one that gets the attention, but actually the combined value of those 24 or 30 other funding streams in the spaghetti junction needs to be untangled. If one of the results of it coming to the London Assembly is that learning, skills, apprenticeships and all of that funding base was linked in a different way, it would be a fantastic outcome.

Kirsty McHugh (Chief Executive, Employment Related Services Association): It is important to think about a space, not about programmes. I am having this conversation with the Scottish Government as well in terms of the devolution arguments up there.

You should not think about the Work Programme or Work Choice or Mandatory Work Activity and whether you want those devolved. What is the space that needs filling in terms of support for school-to-work transition, young people not in education, employment or training, long-term unemployment, etc? The majority of the current round of DWP contracts come to an end in April 2017, if not before in some cases. We are actively thinking, "What is our space? Who are the commissioners? What gets commissioned? What is the policy framework around that?" Be careful about thinking about individual programmes.

Devolution is not a magic bullet. We are talking to Greater Manchester around this. Do not think that if it were to come to London it would automatically be better or easier. London is a coherent economic unit of a scale where you could argue probably very effectively that it could be devolved. I have to say that is not the case elsewhere in the country. Then I look at the capacity that exists at DWP. I have not always been polite about officials at the DWP, but actually there is a huge amount of expertise. The effort that goes into setting up and running these contracts, again, should not be underestimated. It would have major implications in terms of the GLA or local authorities and that needs to be taken into account.

There are two other things which at the moment are missing. One is the entrenched worklessness issue and the people who move on and off benefits and who, because they do not have that consecutive amount of time unemployed, never get referred to specialist employment support. That must be wrong. That is an area where the London Assembly could do something.

There are also a huge number of people who are hidden workers. They are not on benefits and under those circumstances, again, they are not referred to any employment support. The worry is too many of those

hidden workers are from minority communities and they are young. If we do not get to them earlier in terms of their skills development and get them into paid employment, in some of those cultures that could go on for generations. Again, there is space there that at the moment nobody is occupying.

Tony Arbour AM: Do you have a view?

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Yes. For us, irrespective of whether an individual programme is devolved, the local area has a tremendous role to play. There are big opportunities around integration of local services. As Kirsty has pointed to, the more we can have local services integrated so that you have really strong interactions between the different opportunities and resources within the space, the better. Whether something is commissioned centrally or whether it is commissioned locally, it is the key to look at how local integration can be done better. It is about bringing the stakeholders together and working out what programmes look like when resources come together, when people communicate and when opportunities are aligned.

It is not just what any individual programme does. As Kirsty has alluded to, it is what the endpoint is and whether there is then a transition onwards to something else and then to something else again. It is the coherence of the entire place that is really the key here.

Tony Arbour AM: One of the problems with the DWP dishing out these contracts is that it only dealt with big suppliers. I take your point about the magic bullet but if the thing were to be devolved to smaller units of government, the contracts probably would be smaller, which would mean that there would be an opportunity for a greater diversity of supplier.

Kirsty McHugh (Chief Executive, Employment Related Services Association): I have had this argument with the Scottish Government as well. Obviously I love the Scottish National Party; we all do! However, they start from the wrong place. The wrong place is who the supplier is. The right place to start is what the services our jobseeker needs are, what is going to get them into work and therefore who is best placed to provide that. For us, if we forget the jobseeker at any point, we are lost. None of us should be in this particular game.

If there were smaller contracts, there would be pros and cons. There would be some things that work better and there would be other things that would not work so well. Let us go back to who the cohorts of jobseekers are and what are they going to need around them. One of the things - picking up on Ian's point - that we need to be cognisant of is if we have a payment-by-results regime that sits alongside a grant funded regime and, if somebody is getting paid for outcomes which somebody else has contributed to but maybe they are not getting paid for, then we have a whole host of tensions in the system. It does not matter whether it is the London government commissioning or the DWP. Those tensions would still be there.

Tony Arbour AM: Do you think that is right, Roy?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Essentially, yes. We need to understand the complexity of these issues and how best to do it. I do not think enough work is being done currently on what the optimal size of these contracts is to get the best result for the jobseeker. If you take, for example, that we have 12 organisations in east London plus ourselves and if you wanted to just extrapolate on this, it would mean you could have 13 contracts of a value of £2 million each. To actually deliver the kind of quality of services that are required and get results for the individual, plus provide the capacity-building and all that is required, my personal view is that there is an optimal size for these contracts. Once you get below £12 million

or £15 million, it is very hard to put the construct around to provide the variety of services that are required. Something that the third sector needs to really take the lead on is putting much more research behind this.

I do not think the magic answer is just smaller contracts, although I would be entirely in favour of that if it had better results. It is getting the very best specialist providers in the country working together. One thing that is a disappointment to me is that we are only just linking up with Whizz-Kidz now, an organisation that specialises in every young person in the country in a wheelchair who wants to work. That cannot be right. It is a challenge to organisations like my own to not get sloppy on making absolutely certain we are working with the very best in the community who can get the results that are required.

Tony Arbour AM: It is to do with critical mass, then? In effect, you are saying unless you are of a given size you cannot actually handle a contract to provide the best service to the jobseekers. In effect, you are saying it needs to be something the size of your organisation.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): I hope I did not say that but I can understand --

Jenny Jones AM: You did not mean to.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): -- why you would draw that conclusion and so I apologise. My first priority is to the end user. I completely accept the combined wisdom of my colleagues earlier that there are small charities that feel they could do a better job at this. We have 50 years of history now. We have gone in different cycles with small organisations doing it, large organisations and all of that. My view is that now we have to blend this in a different way. We are probably 70% of the way there. It is much more about joint working and linking up services.

Just as an example, there are 400 charities just dealing with people who are deaf. Is the optimal size 25 charities? Who knows? As long as you have this incredibly complex group of organisations in our civic society competing for every pound that is available to deliver the social services, you are constantly going to have these debates. My view is that we are well along the way to solving this. It will come out of strategic alliances - as we have with Ingeus and as we have with many organisations around the country - to sort this.

I do not think the picture is bleak. It is far more about whether we can get the 40% mark of long-term unemployed people into jobs to 43% and what would it take to do that. The answer is community hubs, Whizz-Kidz and the other organisations that my colleagues represent here this morning.

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Yes. There are a few things to take into account here. I do not think we should hold too fast to the assumption that making contracts smaller is the best way to make the market diverse. It is one potential way.

For example, again in previous work, what you would find with a lot of the charities that we worked with is that they do not necessarily want to be prime providers. To be a prime provider, you have to have particular types of capability around quality assurance, contract management, legal compliance and all of these kinds of things. Some of these charities just want to focus on people. They do not want to develop the type of capabilities they need to be prime contractors. They want to work with prime contractors who will cover those bases and allow them to do what they do best. Those smaller contracts will mean that you have more small organisations becoming primes with those capabilities. It does not mean that some of the best charities that have the best

specialist provision will necessarily enter that space. What those charities may look for are people who can be primes. Primes do what primes do well. Charities do what charities do well.

There are different models of partnership that can be looked at and different ways of integrating services together. There is the consortia approach, conventional prime-subcontractor models and JVs. There are lots of different ways of doing it. There needs to be that breadth of thinking about how that is enabled.

Fiona Twycross AM (Chair): There is one form of commissioning we have not really touched on, which is co-commissioning. How would co-commissioning work between central and local government?

Kirsty McHugh (Chief Executive, Employment Related Services Association): That is a big question, is it not? I do not think anybody knows. The Government has seven different options that it has looked at in the past in terms of how national and local can live together. The recent experience of the ESF rounds in terms of the local enterprise panels (LEPs) has not been wholly happy. We have lessons to learn from that and how those strategic priorities of a LEP can then translate in good time to something that is essentially national commissioning.

Greater Manchester is probably going to get there first. That does not mean that others will not get there on a similar timescale. I would say to just look at the money. What you do not want to do is take on a lot of responsibility for something that is not maybe funded in the way that you want it to be. Of course, that is around combining income streams, etc.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Could I just throw in on that? Probably the best example where there is a model in place currently is between the Department for Education and the local authorities on academies. We have the Shaw Education Trust, which does special-needs education. Part of the dilemma is, when you have that commissioning relationship, the Department for Education thinks that it has funded X amount for special-needs education. However, when you look at it local authority by local authority around the country, the money that is actually going to the special-needs student varies greatly from about £4,000 up to £13,000 per student. If there is a consistency to how this is done and it is joined up and there is a way to get through that, then that is the challenge. As Kirsty has just said, we have to follow the money on this. What is going to get the best end result?

Fiona Twycross AM (Chair): Thank you. Do you have anything to add?

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): When you talk about co-commissioning, what you are really talking about is stakeholders coming together. When stakeholders come together, they are going to share knowledge, they are going to share understanding and you are going to get, of course, slightly different outcomes from each set of stakeholders.

We are very positive about people coming together to talk through what needs to be done. Stakeholders should come together. Providers should be talking to commissioners, should be talking to LEPs, should be talking to the national Government, should be talking to social financiers and should be talking to customers. The more communication and the more stakeholders come together and really engage in joint thinking, really looking through things properly and talking through things properly, the more opportunities you will have to deliver good services.

Fiona Twycross AM (Chair): Thank you very much. Thank you to the three of you and to our three guests from the previous session as well. Thank you.

