



Northern Ireland
Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Steps 2 Success: DEL Briefing

29 May 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Robin Swann (Chairperson)
Mr Jim Allister
Mr Sammy Douglas
Mr Fra McCann
Ms Bronwyn McGahan

Witnesses:

Mr Colum Boyle	Department for Employment and Learning
Mr Brendan McCann	Department for Employment and Learning
Mr Tony Montgomery	Department for Employment and Learning

The Chairperson: Our next briefing is from the Department for Employment and Learning (DEL) on Steps 2 Success. I welcome Colum Boyle, the director of employment services, Brendan McCann, the head of the new employment team, and Tony Montgomery from the employment service programme management and development branch. Over to you. We received your briefing material.

Mr Colum Boyle (Department for Employment and Learning): Thank you very much for inviting us to give you a walk-through of the final design proposals for Steps 2 Success, which Brendan will present. We can do that fairly quickly if you wish.

The Chairperson: I think that that would be helpful.

Mr C Boyle: We will pick out the highlights. I am conscious that we gave you an informal briefing a couple of weeks ago, so we will step through this at a bit of speed and give you time for questions.

The Chairperson: I appreciate that, Colum. Thank you.

Mr Brendan McCann (Department for Employment and Learning): As we discussed previously, Steps 2 Success is very much an employment programme that is designed to help benefit recipients to find and sustain employment, with incentives for those who sustain employment for long periods.

Five claimant groups are eligible for the programme. The group containing 18- to 24-year-olds will become eligible after nine months; jobseeker's allowance (JSA) claimants who are 25 years of age or older will be eligible after 12 months; those in the work-related activity group (WRAG) or those who have multiple barriers to employment and are on JSA can enter the programme after discussions with an employment service adviser; and those in the employment support allowance (ESA), incapacity benefit (IB) and income support (IS) categories will have voluntary access.

Tony will now talk about the provision and some of the design features.

Mr Tony Montgomery (Department for Employment and Learning): That really was quick.

We have mentioned the flexible grey-box approach previously, which is where we will set the minimum levels that are expected by providers. We will ask them to bring together a package of provision. There is a lot of good practice, and we expect the programme to build on existing methodologies in Steps to Work and other programmes to try to meet the needs of clients better, to repackage and to allow flexibility to providers. All organisations will have an opportunity to bring forward their own delivery model to prepare a detailed supply chain.

It is important that Steps 2 Success links into a number of ongoing initiatives. So, rather than having a range of separate stand-alone initiatives, First Start, Step Ahead 50+ and the Youth Employment Scheme should be tied in closely with the programme. Depending on funding, those programmes may be time-limited, so we have to ensure that they and any future initiatives mesh closely.

To take account of earlier concerns over the programme, we have brought in funding for qualifications. For participants who receive a recognised qualification while participating and who then enter employment, a funding stream will be available. Over and above that, we will have a service guarantee for participants that will outline the range of provision that must be available for all participants to meet employment targets, and there will be individually designed elements. That is a broad outline. Unlike previous provision, the Department will not prescribe the hours of participation. Those will be agreed with each participant to try to move him or her towards the aim of finding and keeping employment when it is available and appropriate in an area.

Procuring the programme is a major procurement exercise for the employment service. We will go through a two-stage process under the guidance of the Central Procurement Directorate. Stage 1 will involve getting partnerships and organisations to identify who they are and that they have the professional technical ability, previous experience and financial capability to deliver the programme.

After stage 1, which we hope to commence in July if all the approvals come through, we will move on to the organisations that are successful to ask them to bid against a detailed invitation to tender in a relatively standard process. Hopefully, that will be in October, and it will be to deliver in three contract areas. We will have one lead contractor per area with a detailed supply chain designed to meet the needs of all clients. The programme will run for four years. That is four years of referrals to clients. There will be a tail-off after that as the clients are in the system, with the option to extend for a further two years.

Under the agreement of the Central Procurement Directorate, we will work to ensure that there will be three separate lead contractors in the system. No organisation will be awarded more than one contract lot. For reassurance, although we are dividing it into areas, job opportunities will be sourced from whatever region is appropriate. We will not impose any restrictions.

Finally, as part of the delivery mechanism, and as a formal part of the contract, there will be a code of conduct between the lead contractors and subcontractors to ensure that certain standards are met as part of the delivery.

Mr B McCann: I want to talk about the funding model. We received some rich feedback from the consultation exercise, as a result of which we have changed a number of proposals. As we discussed previously, we will now have an attachment fee, a job entry fee and sustained employment payment, with additional funding paid for qualifications and job entry. Unlike the consultation proposals, there will be financial assistance towards childcare costs for certain groups, in line with the Steps to Work arrangements, and there will be higher funding levels for harder-to-help clients: that is, those who have multiple employment barriers. Hopefully, that will help to drive higher performance. The cost of the programme will be met out of the existing budget, which has been allocated as part of the next spending review.

Finally, following the Steps 2 Success process, participants who have not found work will receive 26 weeks of advice and guidance from an employment service adviser, after which they will return to the programme for another 12 months. That came out of the consultation. It was suggested that people with multiple barriers needed to be worked with for a longer period. We intend to keep individuals and clients on a continuous trail so that they do not drop and requalify, as they did with Steps to Work. Those are the key elements.

After this discussion, we will put a formal paper to the Minister for approval of the design. We will undertake a procurement exercise and have the formal gateway review required for large government projects. It will be a period of intense activity for the Department and some of my colleagues sitting behind me who are interested in bidding for the programme.

The Chairperson: Thanks, gentlemen. Some participants who commented on your entry criteria and eligibility said that early intervention would be preferable, but the Department has retained your original eligibility criteria. Why do you not see any need for change?

Mr B McCann: We will keep that under review as we progress. We want to land this in a way that will be successful and will get support to those who most need it. Given that, we want to make sure that the programme is not initially flooded by individuals who would, perhaps, have got work anyway. So, there is a dead weight issue that we need to recognise and balance in allowing entry. However, we will keep that under review as the programme beds in.

Mr C Boyle: There has been a change from Steps to Work: for example, only those aged over 25 and on jobseeker's allowance for 18 months went into Steps to Work. It is 12 months on the new programme. Young people will have immediate access to the Youth Employment Scheme. Hand in hand with that is the move that we have made to make sure that our front line has many more tools to use to provide a better service and help people to find a way back to work much earlier than was the case. I did not want the front line to continue to be simply a signpost to an organisation. I wanted it to add value directly.

The Chairperson: You said that participants facing multiple barriers will receive higher payments. Is there a sliding scale for those payments, how much will they be, and how will they be worked out?

Mr B McCann: The figures are in the business case. We looked at how the enhancement would work. The figures were subjected to internal scrutiny and have not been finalised. However, we are happy to share those figures with you on an "in confidence" basis.

The Chairperson: That is fine; I understand. Between June 2008 and June 2012, over 36,000 people left Steps to Work, and 22,250 went straight back onto benefits without taking up work or further training. Will that change with this programme?

Mr C Boyle: Will we see an immediate change of any massive scale? Probably not. The programme will take a wee bit of time to bed in. It would not have mattered what was going to happen with Steps to Work. Even if you had to re-contract afresh for Steps to Work with that programme design, perhaps new players coming in would have been a settling-down period.

The evaluation of Steps to Work by KPMG showed that it is a decent, solid programme. To get 30-odd per cent of people into work and to sustain 25% of those who participated may not sound great. However, compared with programmes not only here but elsewhere, that is a good, solid performance. To answer your question about whether I think that this will make an improvement: yes I do. That is because we will not constrain providers in the same way as we did with Steps to Work. We want them to put in place the business model and approaches that they believe will work and get people back to work faster.

The Chairperson: If every provider has its own approach, will there be a problem with inconsistency across areas?

Mr C Boyle: At present, different Steps to Work contractors have their own approach.

The Chairperson: So, that is not a concern.

Mr C Boyle: We are looking for three lead contractors, and I am not too worried about that. If you have three lead contractors, you are looking for much more consistency. You would also be looking for their supply chain to work very closely with them to deliver that consistent service.

Mr Douglas: I want to get back to the contract areas and the three regions. Initially, there was going to be one region covering the whole of Northern Ireland. Are you content that you have pitched this at

the right level in having three regions? They are massive regions, and there was a bit of disquiet at the last Committee meeting. Is that model fixed, or are you still looking at broadening it out?

Mr C Boyle: I will answer that question and bring Brendan in on it. I am content that a region the size of Northern Ireland will have three lead contractors, each backed by a solid supply chain that they have to bring to the table to win the contract. I am content that that will work.

We did not pull the three-region model out of a hat, nor did we just decide not to go with one region. We worked through a methodical process to arrive at our decision. Brendan can give you a feel for some of the other options that we looked at. We went through a stepped process of looking at the pros and cons — the advantages and disadvantages — of each option.

Mr B McCann: We had a range of options, from one single contract area, which is what we put out for consultation, with three suppliers, to the three contract areas, split broadly along the lines of our regional employment service structure, with one provider in each area.

We looked at having three areas with two or more suppliers in each area; eight contract areas with a single supplier; and 10 contract areas, which match the current Steps to Work areas. We also looked at the option of 35 contract areas linked to local jobs and benefits offices.

Given the Department's strategic direction and the fact that it has wanted to consolidate the number of contract areas over time, go for economies of scale, open up opportunities and make it easier for participants and employers to have points of contact, and having taken a lot of other things into account, we felt that, on balance, the three contract areas with one provider in each area was the best way for us to proceed at the moment.

Our proposals are still out of step with what is happening in GB because it has gone for much bigger contract areas. Northern Ireland as a whole would represent only around 60% of a contract package area in GB, and we are still dividing it into three areas. We think that we are getting some balance when it comes to economies of scale, increasing opportunities and making it easier for employers to engage with providers.

Mr C Boyle: We have previous experience of the three contract areas that we are talking about. Tony can give you a quick illustration.

Mr Montgomery: The Work Connect programme, which is a specialist disability programme, was introduced about 18 months ago. It operates across the regions, albeit slightly differently, based on the existing employment service structure that we are looking to equalise for the new contracts.

It is important to note that when we are procuring for this programme, we will ask the provider organisations to bring forward a supply chain that they can map against each of the local offices. It will not be on a large scale; it is for each of our areas, so that when a person is referred to the provider by our office, the provider will give us a detailed supply chain showing which organisations will deliver geographically and in a specialised way for the various groups. We are at least looking at matching the level that exists in a larger contract area.

Mr Douglas: My question goes back to the fact that, in the past, there have been contractors who have not worked out. The good thing is that they have been removed. I assume that a review process will look at not only how the scheme is going but how the contractors are performing on a regional basis.

Mr C Boyle: A very active regime will be put in place to look at that.

Mr F McCann: Thank you for the presentation, gentlemen. I had wanted to attend the presentation a couple of weeks ago, but I had to miss it because of other business. How likely is it that local providers will get the tender rather than multinationals from England that spend their lives applying for things such as this?

Mr C Boyle: Our providers are good at winning programmes in Northern Ireland, and they have secured a number of programmes from DEL. If you are asking whether we are setting in place a procurement that is fair and balanced and gives local players a really good chance of competing and winning, the answer is yes, I think that we have. I think that the three regions versus the one region

was also a much better move for local players. That has had a big equalising effect. They have great insights into Northern Ireland and the needs of the regions. In many ways, they have an insight that others from outside the Province would perhaps struggle to gain, so I think that they have a good shot at this.

Mr Montgomery: It is fair to say that, through the contracting process, the quality mark will be the major part of the procurement exercise. We will not do this on price. There may be a small pricing element, but it will be done on quality across the full delivery region to try to meet the needs.

Mr F McCann: If you go on the internet, lift a newspaper or watch television, you are aware of the major difficulties and problems in England, particularly regarding outcomes. Those who find it harder to get into employment are parked, and nothing happens. What built-in reviews do you have to ensure that that does not happen here?

Mr C Boyle: We have made sure that the design of the programme is quite different from the work programme in GB. To try to get this right, we first had a really robust consultation process. We took a fair bit of time out to make sure that we listened, right across the piece, to existing providers and anybody who had a particular view as to how they thought that the programme should work. We introduced the service guarantee, and I notice that the Work and Pensions Committee has picked up on that in its latest report on the work programme and recommending its use. There is payment for job entry, which England does not have; keeping the attachment fee for the full duration of the programme, which GB does not do; and we are not moving, therefore, to a fully output-related funded model. It is not just totally payment by results; there is an attachment fee that will work throughout that time.

I think that our model is simpler. It has fewer categories of clients and much simpler administrative processes. We will be able to link into employers more easily, and we are also keeping funding for qualifications. So, there are quite a few differences, which, added together, give us teeth when it comes to scrutinising the performance of potential providers. We have in place a contract management arrangement that has been very effective in Steps to Work. We have removed two underperformers over the past two years, and we are explicit about the issues that others have. We will be equally explicit with any new bidders in the new programme, irrespective of the client group being the hardest to help or the easier to help.

Mr F McCann: I have been looking at some of the reports, in particular at a briefing paper that the Committee got in March. All the questions that were asked a year ago were asked again six months ago and are still being asked now. I understand that you have done a lot of hard work in trying to shape that, and the presentation has ended up differently than it was initially, particularly at its launch in the Titanic Quarter. However, it still raises serious concerns. One of the questions was about the creaming off or top-slicing of money, which would decrease the amount that would be available to run the programme. There was some talk that a company could take 14% or 15% for administration. At one stage, the talk was that it could be as much as 23%.

Mr C Boyle: Is this for large companies coming and making a profit?

Mr F McCann: Yes.

Mr C Boyle: There is that potential, but any local organisation could do exactly the same thing.

Mr F McCann: Do you not think that that is wrong? Huge amounts of money have been made in England. Some figures show that, even when you get to the outcomes, the percentage of people whom they have placed in work is minimal, but a company is still in receipt of large amounts of money. Rather than being rewarded for inefficiency, providing a bad scheme or not placing people into employment, what action would you take against a company such as that to ensure that that does not happen?

Mr C Boyle: We are trying to put in place a balanced funding model so that funding is for what they actually do, but they are not being paid for their performance. We have that under Steps to Work, and we are bringing that same ethos and financial modelling to the new programme. I am clear in my view that that certainly will not be the case. We could not stand over paying for poor outcomes.

Mr F McCann: How often will you carry out a review? Is it a constant review?

Mr C Boyle: We do major reviews every year. We see it being much more dynamic under the new arrangement because of the grey-box approach. We will want to look at a different approach. Reviews will probably be undertaken at least once every six months, or it may even be quarterly. We want to put account managers in place who will work closely with bidders and providers. If issues emerge early, we can flag them and take remedial action, so that rather than waiting until the end of the year, issues are dealt with as they occur.

Mr B McCann: It is in all our interests to make sure that problems are identified early so that we can correct them in the live environment. As the programme is rolled out, we will work with providers and monitor what is going on, so it will be much more active than it has been with the inspection regime that is carried out with Steps to Work. I see that as a benefit for the Department, the participants and, indeed, the providers because they depend on the numbers coming through from our offices, so we need to make sure that everything that flows into the model works as it should do. We need to be on our toes and be able to react quickly, as necessary, to that. It will not be easy in the early days. I think that that is one of the lessons from the work programme. In the first six months, it was difficult to get the whole machinery to operate as it should.

Mr F McCann: I know that it is not easy in the present financial climate to design a scheme that will work effectively, but in all schemes — I have raised this point in relation to a number of schemes — how can you guarantee, especially when there is no employment and unemployment is rising, that there is quality training and people are being trained to meet the needs of new employment?

Mr C Boyle: We are conscious, for instance, of building our code of conduct into providers' contracts for what they actually do, the quality of what they provide and how they manage their supply chain. We can scrutinise that and check how well it is being done. That is what we have to do. Black box in GB may have been hands-off, but grey box in Northern Ireland will certainly not be hands-off. We will be hands-on, as much as, if not more than, we have been with Steps to Work. Brendan is right. The change in regime from an inspection to a more dynamic approach of ongoing close work with providers is a better way to do it. It will be a tough programme for providers. In the current environment, nobody need think that this is a cash cow; your point is well made. With the economic profile, providers will strive hard to get through it and make the profits that you describe. I do not think that that will happen.

Mr Montgomery: If you were a good provider, you would work with those employers because you would get increased funding. If there are employers, whatever they are, depending on the nature of the area, you would want to work as closely with them as they allow you to in order to try to meet their needs. In that way, more people will get into employment that meets the needs of clients. That is why I think that there are elements of this model that encourage providers to work more closely with employers than perhaps would previously have been the case. That means that, with small employers, providers can consider their needs. If providers are fortunate enough that larger employers come into their area, they can work with them. Part of the design of the programme is to encourage providers to work very closely with the employers without necessarily having to go through the employment service, which sometimes works and sometimes does not. Part of the model will hopefully help that.

Mr Allister: What are the benchmarks for success for a provider in getting people into work? What is the expectation?

Mr B McCann: The targets for the existing Steps to Work are around 23%. We are working on the basis that there will be an uplift. We hope that they will achieve at least 28%.

Mr Allister: So, 28% of clients who sign up end up in employment?

Mr B McCann: They will sustain work for at least six months.

Mr Allister: Six months, whereas we know that, under Steps to Work, 61% have been going straight back on to benefits. Mr Boyle hails that as a success. Is that really the approach to the matter?

Mr C Boyle: It is looking at the relative effect of employment programmes in other jurisdictions as well. Although you describe the statistic, to somebody who is looking at an employment programme —

Mr Allister: The statistics are people who are availing themselves of the scheme, and the end result for them is that they are back on benefits. Where is the success in that? What does that say about the providers?

Mr C Boyle: I think that the providers are doing as good a job as they possibly can in the circumstances.

Mr Allister: And you are quite happy that they cream off the extent of benefit that you have been telling us about for a success rate of 28% holding onto some sort of employment for six months? You think that that is success?

Mr C Boyle: It is, relative to what they are being asked to do in the current climate. When we have had the programme independently evaluated, it has been deemed to be successful.

Mr Allister: Maybe it is a cash cow. They do not have to meet a very high threshold, do they?

Mr C Boyle: If we said that 40% of people who go through Steps 2 Success are going to find sustainable employment at the end of it, people with expertise who have looked at it with us so far would say that there is no chance. They have said that that level of outcome will not be achieved; it is not doable.

Mr Allister: So how do you strike on 28%?

Mr B McCann: We looked at the previous performance of Steps to Work, the results that are being produced elsewhere and the expectations of the improved performance, given the freedoms and flexibilities that will be given to providers.

Mr Allister: Is there any component of that that invites the providers to stretch themselves a bit more?

Mr B McCann: Absolutely. They will be asked to do that as part of the procurement exercise as well.

Mr Allister: And if they do not?

Mr B McCann: If they do not, that is where we will have our contract management arrangements. You raised a —

Mr Allister: What does that mean? What is the kickback?

Mr B McCann: The kickback is that, if they are underperforming, they will not remain the contractor. We will put them on notice and go through a process of termination —

Mr Allister: How realistic is that, in that you have no one to replace them with?

Mr B McCann: You are assuming that we have no one and that we have no contingency. We will have a contingency.

Mr Allister: What will it be?

Mr B McCann: We will re-contract, as we have —

Mr Allister: Through a procurement process?

Mr B McCann: Yes.

Mr Allister: How long does that take?

Mr B McCann: We have done it very quickly in the past; eight to 10 weeks. It is a matter of making sure that there is continuing provision through the existing supply chain while that process is ongoing. It creates a little bit of discomfort for clients and supply chain members, but it is a manageable process. The Department has not shied away from it in the past.

Mr Allister: How often have you done it in the past?

Mr B McCann: We have done it twice.

Mr C Boyle: Twice in the past two years.

Mr B McCann: The contract management arrangements —

Mr Allister: And is that twice because you pulled the plug on the provider?

Mr B McCann: Yes.

Mr C Boyle: Pulling the plug does not come as a surprise. There is a managed process up to that. You can see the early signs of performance not being as good as it should be.

Mr Allister: Are there lots of opportunities to improve?

Mr C Boyle: We would normally work on a three strikes rule. You would get three bites.

Mr Allister: So, a provider could fail to meet expectations over a protracted period before the plug is pulled.

Mr C Boyle: It is reasonably constituted in the contract that it would be allowed that period of performance, the same as anyone would be.

Mr Allister: How many weeks or months does that work into?

Mr C Boyle: The performance is measured probably over the course of a year.

Mr Allister: So, there can be an underperforming provider that gets away with it for a year before there is any move to replace it.

Mr C Boyle: The move would be going on in the background. You are asking about contingency. If we saw the signs early on, we would move in, deal with the issue and look for the improvement. If the improvement was not starting to manifest itself by that stage, we would be into the situation —

Mr Allister: Yes, but you are going to give it in and around a year to improve.

Mr C Boyle: Under the contractual terms that we set for a programme of this scale, that is entirely fair.

The Chairperson: Gentlemen, thank you very much. There are a couple of issues that we need to clear up, and we will pick those up from Hansard and come back to you. Members, thank you for your forbearance. We will pick up on the issues that we need clarification on with the Department.