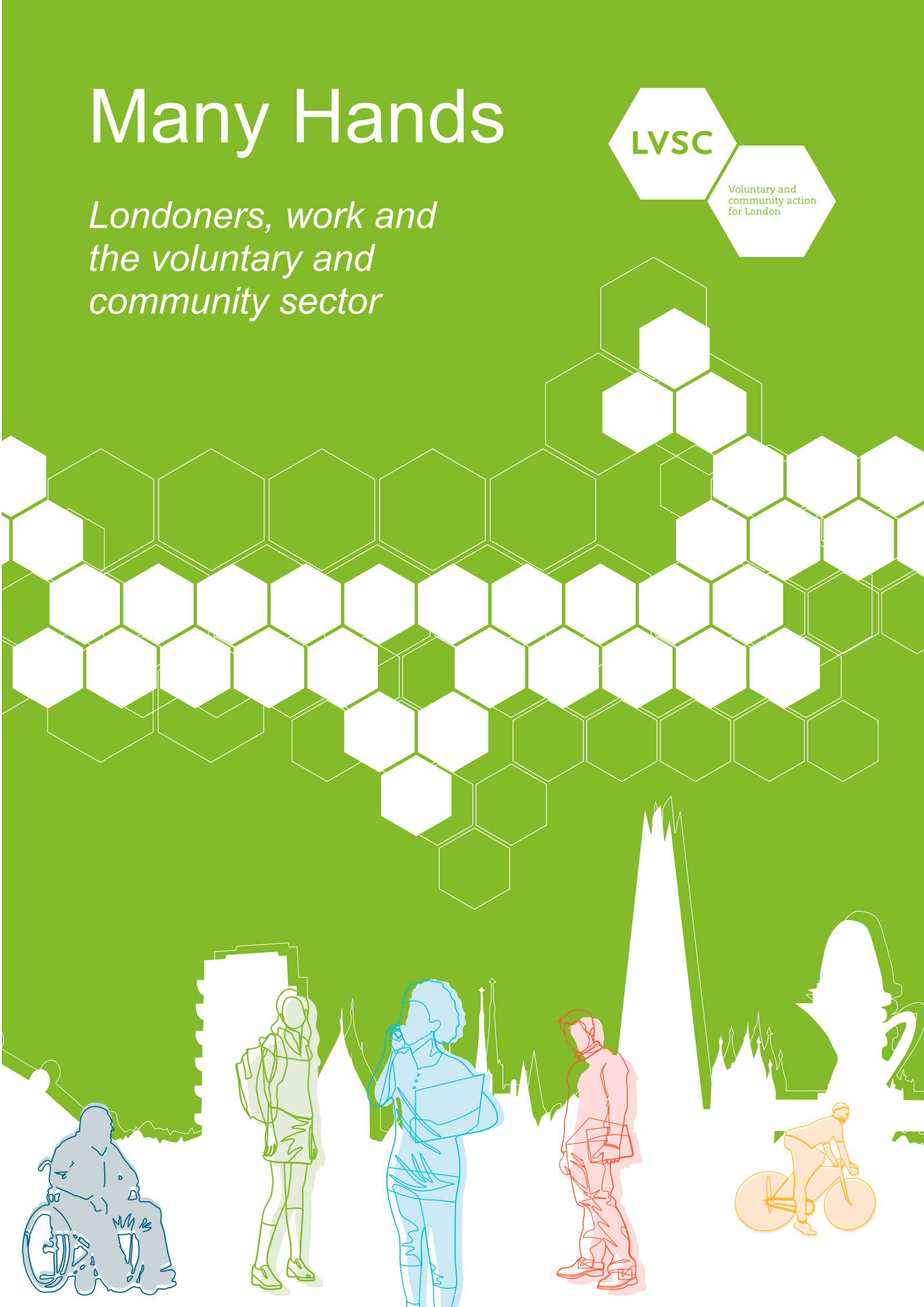
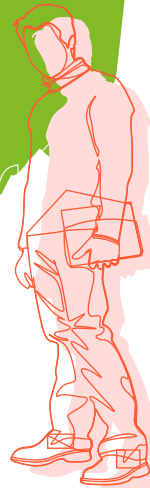
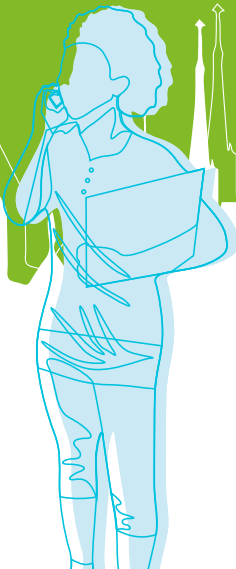
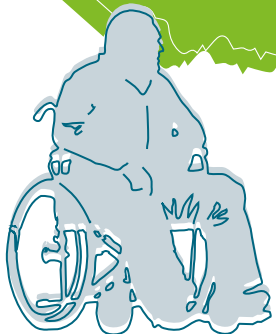


Many Hands

*Londoners, work and
the voluntary and
community sector*

LVSC

Voluntary and
community action
for London





London Voluntary Service Council is the collaborative leader of London's voluntary and community sector. We support London's 60,000 voluntary, community and social enterprise organisations to improve the lives of Londoners.



We would like to thank Trust for London whose support made this research possible.

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Executive Summary

Supporting Londoners into quality work is one of the great challenges facing our city today. This report presents the findings of a research project examining the employment and skills challenges facing individuals, existing employability support, and the voluntary, community and social enterprise (VCSE) organisations active in this area.

Employment and skills challenges facing Londoners

Despite improving employment levels, Londoners continue to face significant employment and skills challenges. In particular, the trend towards the hollowing out of the labour market makes it more difficult for many people to secure decently paid, secure and meaningful work. VCSE organisations continue to consider a lack of skills and experience to be the greatest employability challenge facing Londoners, but expect insecure and poorly paid work and health issues to become increasing issues in the next three years.

Designing employability programmes

A range of public bodies commission employment and skills programmes. These have had a mixed record, with the national Work Programme being most negatively received and the local borough commissioned programmes most positively received. In order to succeed, future programmes need to be appropriately targeted, accessible, holistic, long term, integrated into other services, and contain adequate specialist support.

VCSE organisations

The VCSE sector plays an important role in employability provision, delivering integrated, specialist services that providers in other sectors will not or cannot deliver. However, reduced funding and increased demand has led to a protracted period of significant instability for the sector. Many organisations have responded to these pressures proactively. However, there is a serious danger that the more VCSE organisations focus on revenue generation, the more they will lose the distinctive characteristics which make them effective providers. Most concerning of all is the evidence of VCSE organisations closing or scaling back services, leading to greater levels of unmet need.

Our recommendations

Londoners deserve well-designed employability support and the VCSE should be part of designing and delivering it. Our recommendations fall into four categories: tackling labour market challenges directly; leveraging further resource for programmes; developing effective programmes; and improving the accessibility of programmes for VCSE organisations.

Tackling labour market challenges directly

- All London boroughs should follow the example set by Brent and other councils in offering discounted business rates to those businesses who pay their staff the London Living Wage.
- All London government vacancies should be advertised on a flexible basis unless there is a business case not to.

Leveraging further resource for programmes

- London CCGs should provide more strategic input into the development of the Work and Health Programme, including committing resource to ensure that it can support more people.
- London voluntary sector support organisations should broker opportunities for businesses to become more involved in employability services run by VCSE organisations, providing the support that both businesses and VCSE organisations need to engage.
- Renewed dialogue between the Mayor, businesses and wealthy individuals on their role supporting the sector must also engage VCSE organisations.

Developing effective programmes

- London government must develop ways of engaging more strategically with the VCSE sector in London, including through co-producing a London VCSE strategy.
- London government should explore with VCSE organisations, the private sector and CCGs alternative models to commissioning which may be better suited to develop holistic and integrated employability programmes.
- London government and CCGs must ensure that user and VCSE voice is represented in strategic and programme discussions relating to employment and skills in London. This includes speaking to users directly, visiting projects and workplaces, and engaging throughout the process and not just at the design stage.
- When promoting the development and update of apprenticeships, the new Mayor must ensure that due regard is paid to ensuring that they are accessible to all groups, including women and those with multiple barriers to work.
- London government should facilitate the sharing of good practice around engagement across London boroughs, CCGs, JCPs and the VCS through an annual good practice seminar and collection of case studies.

Improving the accessibility of programmes for VCSE organisations

- Commissioners and London government should use a mix of payment models and contract sizes, including using medium sized grants and minimising the use of payment-by-results, to ensure that a diversity of providers are able to deliver employability programmes.
- Commissioners and London government should work with providers to minimise unnecessary levels of complexity in contracts. Where this complexity is the result of disproportionate UK or EU rules or practices, London government should campaign for greater simplicity.
- London government should ensure that commissioners are able to actively manage supply chains in future programmes, including through limiting the risk which can be passed down the supply chain and challenging practices such as bid candy.
- Providers and commissioners should explore together at the outset of a contract ways in which the contract can be managed most effectively, for instance by commissioners accepting evaluation data in a format which the organisation already produces for another funder.
- London civil support organisations should provide focused support to VCSE organisations on building partnerships, understanding payment models, identifying red flag terms in contracts with prime organisations, performance management, collecting evidence and managing flows of clients.
- London civil society organisations should provide more opportunities for VCSE organisations to network with the private sector, London government and each other.

Introduction

1.1 About this report

Quality employment is still the best route out of poverty and a crucial consideration if London is to become a fairer city. A number of government bodies commission programmes which seek to support people into work. These programmes are then delivered by a range of providers, including those in the public, private and voluntary, community and social enterprise (VCSE) sectors. The policy environment in relation to employment and skills is in a period of considerable flux, impacted for instance by devolution, the government's commitment to halve the disability unemployment rate and a new Mayor of London.

This report is concerned with the perspectives of VCSE providers who are on the frontline of delivering employment and skills support.¹ We wanted to know what they saw as the biggest employability challenges facing Londoners and how programmes could be best designed to address these challenges. We also wanted to investigate how VCSE organisations fit into the overall delivery of such programmes, including their distinctive strengths and the challenges they were facing as a sector. Most importantly, we aimed to set forward a vision of how the public, private and VCSE sectors could work better together to support Londoners.

1.2 About LVSC

LVSC is the collaborative leader of London's VCSE. Since we were founded in 1910, LVSC has championed the VCSE sector and sought to enable a co-ordinated voice to influence policy makers. LVSC's vision is of a vibrant and sustainable city where the lives of Londoners are enhanced through voluntary and community action.

We support London's 60,000 voluntary and community organisations who provide a range of services and support to London's diverse communities, and who empower Londoners. We do this through:

- Building: the capacity of London's VCSE sector to deliver enhanced social value
- Connecting: the VCSE sector and growing the information ecology
- Leading: sharing and influencing with a distinctive and definitive voice.

¹ The term "employment and skills" is used to discuss employability programmes which may have a skills element. Mainstream skills provision, for instance through further education colleges, is for the most part outside of the ambit of this report.

1.3 Methods

Survey of VCSE employment and skills providers in London

A survey aimed at VCSE employment and skills providers was developed using online SmartSurvey software and was open between 13 January and 12 February 2016. The link to the electronic survey was circulated through LVSC's e-bulletins and networks, as well as the networks of other organisations who kindly agreed to support our work.

Of the 61 responses received to the survey, two were not from VCSE organisations. These two responses were excluded from the quantitative survey analysis, although the narrative elements have been drawn on elsewhere. The survey respondents were diverse in nature, including in relation to the areas they worked, size, client groups worked with and support offered. Further information on the survey respondents is included in Appendix 1.

Unless otherwise stated, quotations in this report are from the VCSE survey respondents.

Mapping local employment and skills provision in London

In December 2015, requests under the Freedom of Information Act 2000 were sent to every London Clinical Commissioning Group (CCG), borough and the City of London asking for the following information:

- A list and short summary of the projects which aim to increase employability or skills which are funded or part funded by the body;
- The amount spent by that body on each of these employment and skills projects;
- The amount for each of these employment and skills projects which went to organisations within the voluntary and community sector.

The requested information was received from 91% of boroughs and 94% of CCGs. All projects which had not ended before April 2014 were then coded for geography, type of provision, client groups, overall spend and spend on voluntary sector according to the criteria set out in further detail in Appendix 2.

Interviews

A total of ten semi-structured interviews were undertaken with key stakeholders between January and April 2016. The interviewees included one or more representatives from the:

- VCSE sector;
- London government² (including commissioners);
- private prime organisations;
- private sub-contractors;
- and industry organisations.

² In this report, "London government" is used to refer to the Mayor of London and London Councils.

Sub-regional analysis

Some of the analysis in this report is carried out on a sub-regional basis. There are several different permutations of sub-regional groupings for different programmes. This report follows the sub-regions agreed for the European Social Fund contracts, which are broadly similar to the sub-regional groupings of Central London Forward, West London Alliance, South London Partnership, North East London Strategic Alliance .



1.4 Acknowledgements

We would like to thank Trust for London whose support made this research possible.



Thank you to all those who contributed to the research undertaken for this report, including the key stakeholders we interviewed, survey respondents and the local authorities and CCGs who responded to our request for information.

Finally a huge thanks to Nehal Bradley-Depani, our Employment and Skills Policy and Project Manager, for the time she spent piecing together this comprehensive report. And thanks to our LVSC volunteers who assisted with coding the local authority and CCG data and in developing the graphs: Yasmin Adib, Sangeetha Ilanko and Slavomir Sovik.

2. The labour market in London

Summary

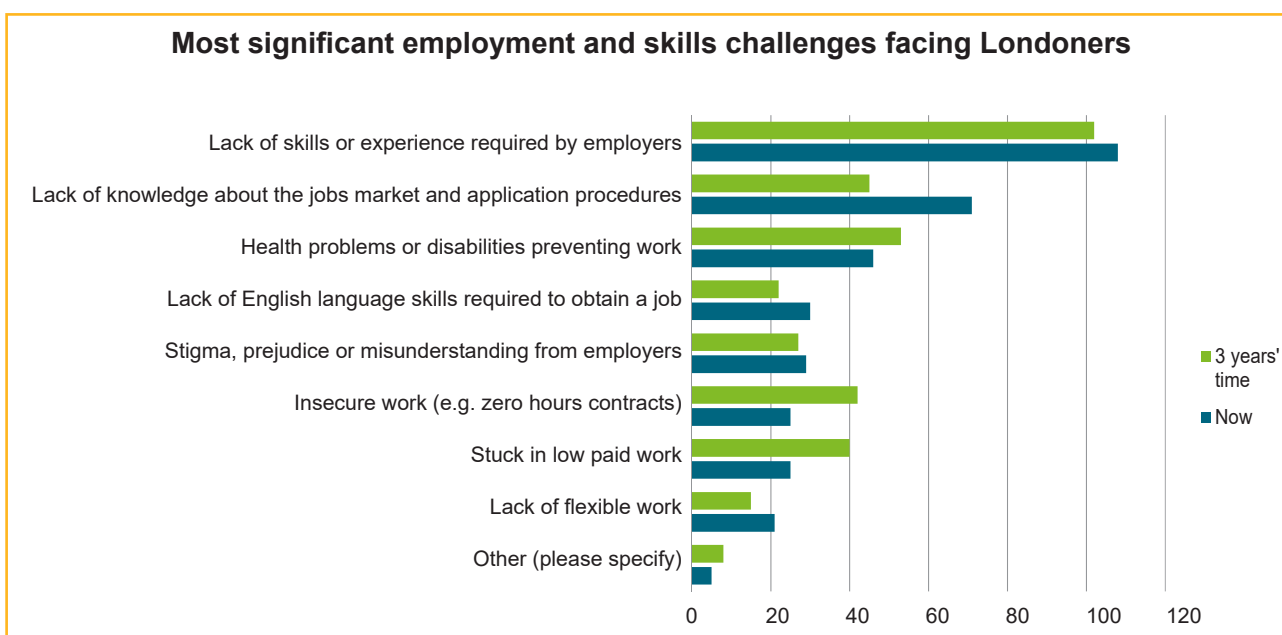
- Decreasing unemployment in London masks a number of concerning labour market trends. In particular, the “hollowing out” of the labour market means the capital is increasingly a tale of two cities, with well paid, secure and meaningful jobs at one end and low paid, insecure and low quality jobs at the other. Survey respondents expected that this trend would become more marked in the future.
- VCSE organisations were most concerned about the many Londoners who do not have the skills and experience needed to secure any or meaningful employment.
- Health problems and disabilities were cited as a significant and growing barrier to work. Survey respondents were also concerned about employer attitudes to this group, and to Black, Asian and minority ethnic (BAME) groups.

2.1 Introduction

Headline figures on London’s labour market tell a good news story. Unemployment, currently around 6%, is at an all time low, while the employment rate of 73% means that a higher proportion of the population is in employment than before the economic downturn.¹ Moreover, this is part of a longer term trend; the unemployed ratio in inner London has halved since the mid 1990s.²

However, these figures mask more concerning developments. A striking trend of the last few years has been the increase in the number of people in poverty who are in working families, going from around 700,000 to 1.2 million (or by 70%) in the three years to 2013/2014. Employment might still be the best route out of poverty, but significant challenges persist.³

We asked our survey respondents to rank the top three employment and skills challenges facing Londoners now and in three years’ time and to comment on labour market challenges. This was supplemented by interviews in which we asked the ten key stakeholders to discuss the issues which they believed were most significant to London’s labour market. The results are discussed below.



2.2 Lack of skills, experience or understanding of the labour market

Respondents to our survey identified a lack of skills or experience and knowledge of the jobs market as the most significant employment and skills challenge facing Londoners now and in three years' time. This was also reflected in the types of provision offered by VCS respondents to our survey, with the majority offering information, advice and guidance (84%), job search and application support (83%), basic numeracy, literacy and IT support (62%) or other skills support (71%).

Lack of soft skills and workplace experience were associated by respondents with low confidence and motivation which acted as additional barriers to the workplace. A number of the key stakeholders spoke about the need for more focused confidence building, including getting people accustomed to the unfamiliar workplace environment. Some of the stakeholders also discussed the need to challenge the popular narrative which saw people with such barriers as simply lazy.

A lack of specialist and long term support in the development of skills was identified as a particular issue. For instance, a key stakeholder noted that the practice of mainstreaming deaf people rather than providing them with specialist support meant that they were not afforded sufficient opportunities to develop the skills that they needed. A lack of such support is perhaps unsurprising given the scale of cuts to the adult skills budget, which was reduced by around a quarter in the last Parliament and will face further cuts in the current Parliament.⁴

The biggest issue is "...poor standards of literacy and numeracy. We run both on a rolling programme but putting this right is likely to take years rather than a 6 week course."

Another issue which was identified by many survey and interview respondents was the mismatch between employer requirements and individual skills. This echoes concerns which have been voiced elsewhere, including by business representatives such as the London Chamber of Commerce and Industry and Confederation of British Industry.⁵

A number of survey respondents identified the structural problem of the "hollowing out" of London's labour market as the key reason for this issue, with mid skilled jobs that allowed for progression becoming increasingly scarce. Again, this accords with previous research which has demonstrated a gap between the high level of skills needed by London's growth industries and the skills of some Londoners.⁶

For instance, in one borough we interviewed representatives from both the local council of voluntary services (CVS) and local authority. Both interviewees noted the difficulties in getting residents involved in the significant regeneration and construction projects across the borough due to a skills gap.

In relation to the heavy goods and construction industries "young people are not entering the industry, although there are various opportunities in this sector."

One area identified for improvement seemed to be the patchy coordination between skills and employment at a national, regional and local level. However, several interview respondents expressed hopes that the devolvement of the adult skills budget and co-commissioning of employment support would provide better integration.

2.3 Health problems or disability preventing work

Health problems and disability were the third most significant issue identified by our survey respondents and were also highlighted frequently by interview respondents. This is unsurprising given that the London disability employment rate is 12% compared to 6% for the general population.⁷ Moreover, around 34% of disabled people in London are low paid, a much higher proportion than the general population.⁸

Despite the government commitment to halve the disability unemployment rate, there was also an expectation among VCSE respondents that health and disability barriers to work would become more significant in the future.

■ *“Mental health issues are very prevalent, including anxiety related illness.”*

■ *“People with long term health conditions have not been prepared to join the labour market.”*

■ *“Increasingly we are working with people who also have added barriers of health difficulties.”*

Interview respondents argued that health and disability problems had come into prominence for a combination of reasons: people with less severe barriers finding work as the economy improved leaving a pool of people with more complex needs; the poor performance of the Work Programme in supporting this group; and welfare reforms creating a greater imperative for individuals in this group to find paid employment. The providers we spoke to had begun adjusting their practices to focus more on supporting people with health problems and disabilities into work, for instance through making better connections with specialist organisations.

One local authority representative also highlighted the large number of “economically inactive” people who were prevented from working due to health or disability barriers. As argued by the Resolution Foundation, engaging with this group (which dwarves the number of unemployed people) is essential. However in general the support offered to the economically inactive is much more limited than the unemployed.⁹

2.4 Lack of English language skills

34% of VCS organisations who responded to the survey said that they provided ESOL support. Unsurprisingly, organisations who worked with Black, Asian and minority ethnic groups were more likely to rank lack of English language skills as a barrier to work.

■ *“The first challenge is the lack of English. Most...workers do have experience and education but are stuck in low paid work.”*

A minority of interview respondents referred to English language skills as an important barrier to quality work, but this did include all of the local authority representatives interviewed. These stakeholders emphasised the diversity of their boroughs and the significant proportion of people for whom English was not their first language. Many survey respondents emphasised the particular English language difficulties facing certain groups, for instance lower income BAME mothers. This is supported by wider labour market statistics which show that 50% of Bangladeshi and Pakistani women nationally are economically inactive and English proficiency is also low among these groups.¹⁰

Two main factors were identified for hampering English language development. One was the lack of contact people within migrant communities sometimes had with the more general population.

“Many regardless of being in the country for many years still struggle with written and/or verbal communication skills as they are not integrated into the larger community and remain in some cases isolated.”

The lack or inflexibility of English for Speakers of Other Languages (ESOL) provision was also identified as preventing many individuals from developing the English language skills they needed to access quality employment. This is perhaps unsurprising given that half the country’s ESOL provision is delivered in London and these have been seriously affected by the reduction to the adult skills budget.¹¹ However, there was also some evidence that delivering ESOL provision more flexibly and in response to client needs would also improve access.

“Need to look at ‘ESOL structures’ e.g. having one entry period per year (Sept only) is not reasonable”.

2.5 Stigma, prejudice or misunderstanding from employers

Stigma, prejudice or misunderstanding from employers was considered to be a less significant issue by survey respondents and was mentioned by a minority of interviewees. However, those respondents and interviewees who did mention it highlighted it as a significant issue.

BAME people were emphasised as a group which was particularly likely to suffer from negative employer attitudes. This is supported by evidence elsewhere which shows that conscious or unconscious discrimination (by support services and other agencies as well as employers) is one of the reasons why BAME groups are least responsive to improving labour market conditions.¹² Some survey respondents emphasised a lack of knowledge rather than actively negative attitudes held by employers.

“The unemployment of refugees is not well known. Therefore few employers realise they are not engaging well with refugee applicants. Staff often reject refugees because the staff themselves require information on refugee employment rights, information and supervision on scoring refugee applications.”

A second group which was identified as suffering from employer misunderstanding was those with health problems and disabilities. One private delivery organisation identified employer attitudes as the most important barriers to work, and said that employers tended to hide behind health and safety as an excuse not to hire deaf and disabled people.

“No disability awareness on the side of the employers.”

Respondents who addressed this issue tended to emphasise that certain sub-groups faced particular disadvantages, for instance BAME women or young men with criminal convictions . Again, this tends to support the wider labour market work which demonstrates the compounding effect that possessing several characteristics associated with low employment activity can have.¹³

“We work with a predominantly older, female BAME backgrounds residents who have care responsibilities that require flexibility. Personal health issues are a major problem for this group and they have experienced discrimination.”

“Disadvantaged youth lack skills, work experience and employability skills. In addition the lack soft skills and barriers such as mental health, criminal convictions and being from an ethnic background increase their inability to get and sustain a job.”

2.6 Insecure and low paid work

London’s labour market has seen a long term trend in the increase of insecure, low paid jobs at one end of the labour market and high paid graduate jobs at the other. The recession appears to have exacerbated this as businesses made changes to the nature of jobs of offer and conditions under which people were employed in order to maintain employment levels.¹⁴ The number of temporary and involuntary temporary contracts was at a ten year high in 2014, with these contracts increasing more quickly in London than elsewhere in England.¹⁵ Moreover, the pay of typical Londoners is further below its pre-crisis levels than anywhere else in the UK, and in contrast to the rest of the country, hourly pay continued to fall in 2015.¹⁶ Currently some 23% of Londoners earn below the London Living Wage, rising to one in two for Londoners aged between 18-24.¹⁷

Respondents to our survey tended to rank insecure and inflexible work lower down than skills, experience, health and employer prejudice. However, a number of respondents thought that insecure and low paid work would be a greater issue in the future. Although not ranked in the top three challenges, it is clear that many respondents had deep concerns about growing insecure and low paid work.

“The job market is very difficult at the moment. Many of the jobs are insecure, and this also causes problems with people’s benefits.”

“Zero hour contracts make it extremely difficult for people with no other family income to plan and can lead to rent arrears due to fluctuation in housing benefits.”

Most of the key stakeholders interviewed also discussed the increasing proportion of low paid, insecure jobs in London as a significant and growing labour market issue. A number of respondents highlighted retail, hospitality and care as sectors in which low pay was a particular issue, and two also said that that there was room for many boroughs to improve payment terms to their own employees.

2.7 Lack of flexible work

Timewise Foundation has documented the lack of flexible, quality employment in London.

Compared to the full time jobs market, low paid jobs make up a high proportion of the flexible work labour market.¹⁸ Very few quality jobs are advertised on a flexible basis – the first Timewise Index shows that jobs advertised with flexible options account for only 6.2% of all jobs with a salary of over £20,000 (full time equivalent).¹⁹ Furthermore almost half of female professionals who take up part time employment on having children move into low skills jobs.²⁰

Of the named challenges, the lack of flexible work was least likely to be ranked in the top three challenges facing Londoners. Again, although usually not in the top three challenges, a number

of respondents to the survey emphasised lack of flexibility as an important barrier to work in their comments.

“Confidence and flexibility and time are all essential.”

“A challenge is the ‘lack of flexible work opportunities’ for mental health problems.”

Few of the stakeholders mentioned lack of flexible work as an issue in their answers. This may indicate the relatively low profile of the issue.

2.8 Wider socio-economic issues

London has high living costs: the Living Wage (which is calculated on living costs rather than average salaries) is £9.40 in London per hour compared to £7.85 in the rest of the UK. Many survey respondents and most stakeholders linked employment and skills issues to wider socio-economic factors created by these high costs.

Housing including rising costs in the private rental sector, insecurity of tenure and decades long waiting lists for social housing were mentioned particularly frequently. For instance, one local authority representative said that the best mitigation for the housing welfare reforms was to get people into employment, but the challenges meant that the borough was now facing a significant homelessness problem.

“Lack of affordable housing” means that “people are unable to move into employment.”

Some survey respondents also mentioned debt as an issue for people without work. Sometimes this was also linked to wider health and wellbeing issues.

“Mental health difficulties are very prevalent.... This is often linked to debt worries for people who have been unemployed for some time.”

The cost of childcare was only infrequently mentioned as a significant employment and skills challenge by both survey respondents and key stakeholders. The high cost of childcare – which is between a quarter and a third more than the national average for preschool age children, and more than half as much again for primary school children – has to be shown to often lock parents out of work.²¹ The infrequent mentions may be due to the fact that it affects one particular group rather than unemployed people in general (although parents with small children are a substantial proportion of the workforce).

3. Employment and skills support in London

Summary

- There are a range of government employment and skills programmes in London, including the national Work Programme, borough and clinical commissioning group (CCG) projects and regionally commissioned European Social Fund (ESF) programmes.
- The policy direction for employability support is towards greater devolution, reduced resourcing, and a greater emphasis on health and disability and apprenticeships.
- The key elements of an employment and skills programmes are:
 - Effective targeting
 - Ensuring a range of specialist support
 - Accessibility
 - Holistic, long term support
 - Integration into other services

3.1 Introduction

A complex web of employability support exists in London, with support commissioned or provided by several different parts of government, private sector organisations, and VCSE and independent funders. Drawing on the VCSE survey, analysis of local authority and CCG projects and the key stakeholder interviews, this section considers the employability programmes which exist at the moment, the policy direction, and the key attributes of a successful employability programme.

3.2 Department of Work and Pensions and JobCentre Plus employability programmes

The Work Programme

The Work Programme was the Coalition government's flagship welfare to work programme. Aimed at people who have been claiming Jobseekers Allowance (JSA) for twelve months or more into work, participation is mandatory. This means that once an individual is referred onto it, they must comply with the instructions of their provider and they may have their benefits stopped ("sanctioned") if they do not.²²

The Work Programme is commissioned by the Department of Work and Pensions (DWP). It is run on a prime contractor model whereby DWP contracts with one large organisation, which in turn contracts with a number of other organisations to deliver some or all of the provision. Organisations were required to have a minimum £20m to bid as a prime contractor, which meant the vast majority were private sector. The payment model is payment by results (PbR) which means that payment is largely dependent on achieving a job outcome.²³

The Work Programme produces similar levels of job outcomes for mainstream participants as previous programmes for a reduced cost.²⁴ However, as LVSC previously reported, it has been much less successful in supporting people with more complex needs into work and also put intense stress on many VCSE and smaller providers who were involved.²⁵

Work Choice

Work Choice is the government's voluntary programme for people with disabilities that prevent them from work. In recognition of the greater barriers to work that this group face, it has a more limited PbR element. Work Choice is also a much smaller programme than Work Programme, accounting for around £80 million in expenditure per year compared to £500-600 million for the Work Programme.²⁶

JobCentre Plus (JCP)

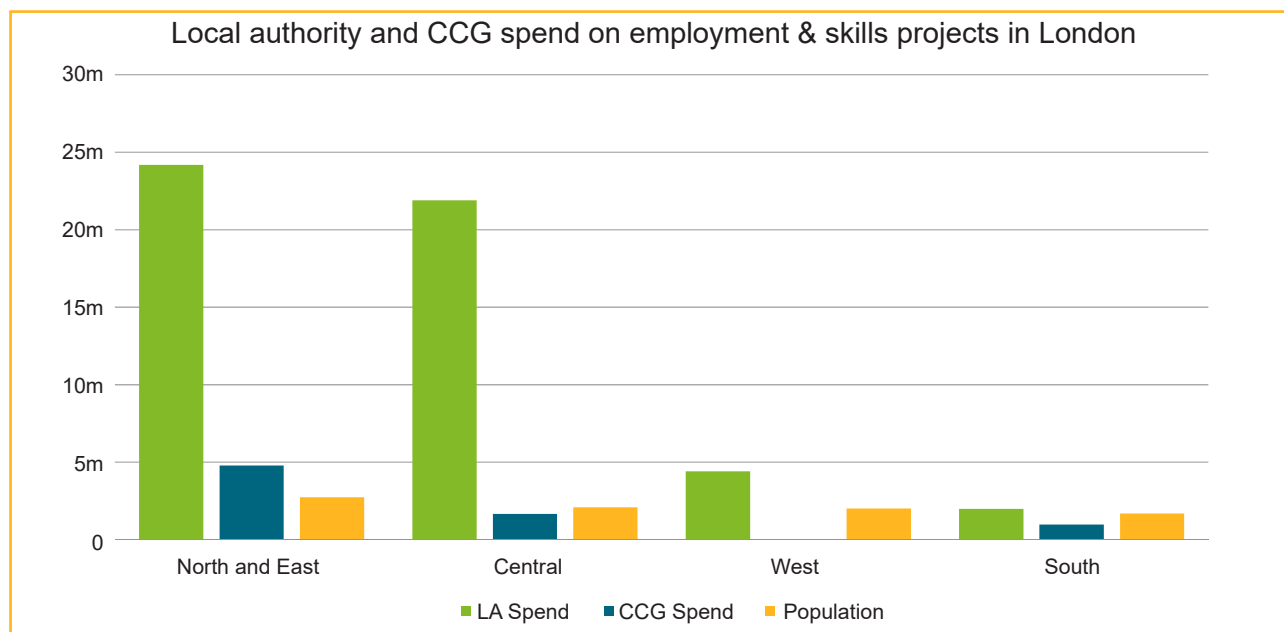
The Flexible Support Fund (FSF) replaced a number of different funds operated by JCP with the aim of allowing JCP Districts greater freedom to tailor back to work support towards individual and local need. This includes making grants to individuals and awarding funding to local partnerships to address barriers to work. A number of commentators have noted the lack of publicity around the FSF (which had an underspend of £64 million in 2014/15) and the lack of monitoring on its operation.²⁷

3.3 Local authority and CCG employability programmes

Local authorities and CCGs (groups of GPs responsible for commissioning health provision for the local population) also commission employment and skills programme. Patterns for local authority and CCG spend in London were analysed through the responses to LVSC's Freedom of Information requests in relation to these employment and skills programme.

How much do local authorities and CCGs spend on employment and skills programmes?

The graph shows sub-regional local authority and CCG spend on employment and skills programmes in London.



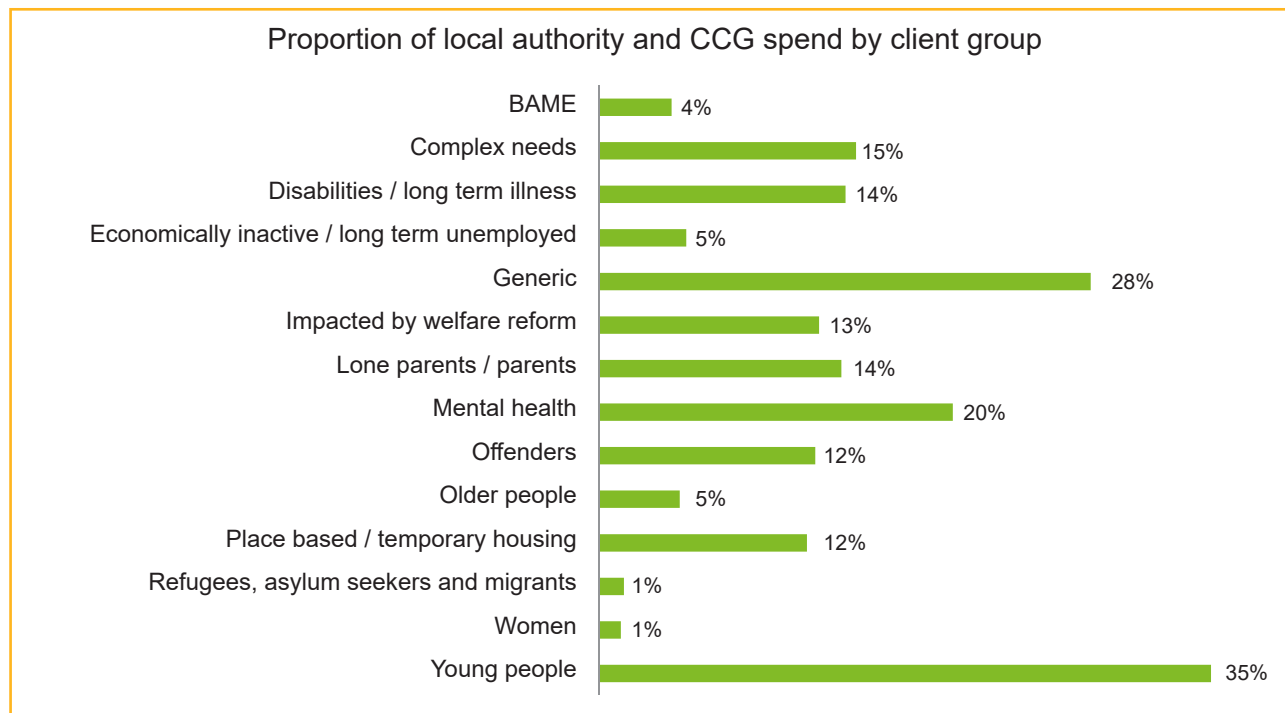
All the local authorities who responded had funded employment and skills projects since April 2014. By contrast, 15 of the 32 CCGs contacted said that they did not fund any programmes related to employability.

Spend by local authorities significantly exceeded spend by CCGs. This was to be expected since local authorities have a broader remit than CCGs, and have also been active commissioning employment and skills programmes for a much longer period of time.

Local authority and CCG spend was concentrated in north east and central London. In part this is a reflection of the higher proportion of projects from the west and south sub-regions which were excluded on the basis of incomplete information. It may also reflect a higher level of need or greater available budgets.

Which groups were targeted by local authority and CCG spend?

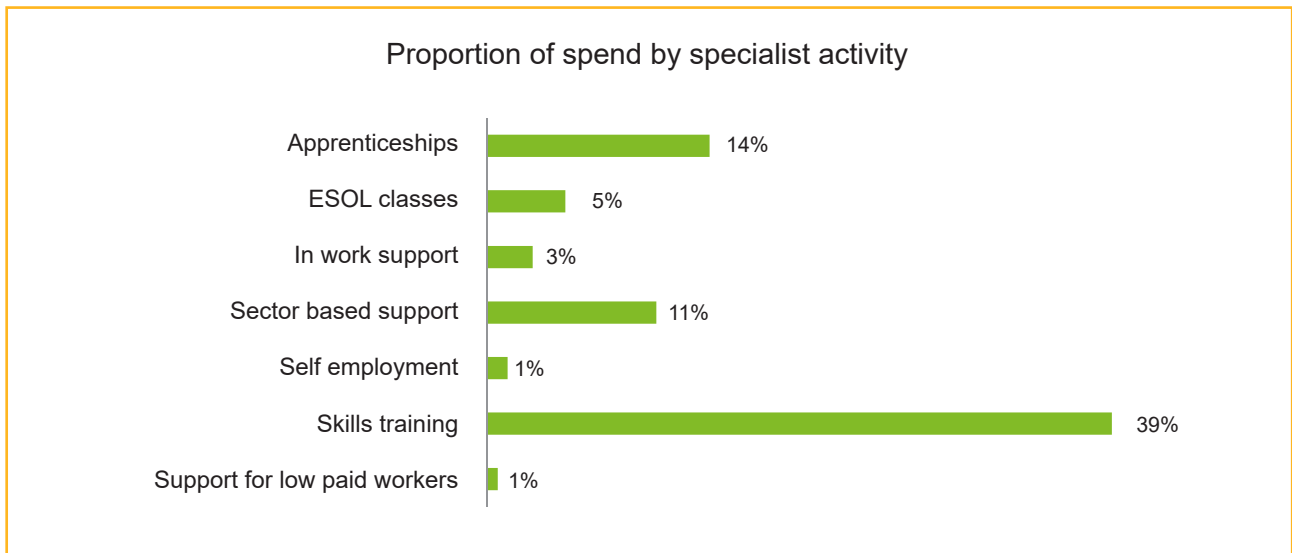
The graph below shows the proportion of spend aimed at different client groups, with most projects aimed at more than one client group.



As might be expected, the biggest spend went on young people (35%) and the “generic” group (28%). Mental health and disabilities groups accounted for 34% of spend overall. The low spend on projects for BAME groups and refugees, asylum seekers and refugees is particularly striking. Ethnic groups other than White British make up 55% of London’s population, and in September 2015, ethnic minorities had an unemployment rate of 9.3 compared to 4.8 for the white population.²⁸ Similarly, the low spend on women is surprising; although the unemployment rate for women is 6.6% compared to 6.3% men, the gender gap is much more pronounced among Pakistani and Bangladeshi women in particular.²⁹

What activities were supported by local authority and CCG spend?

The vast majority of the projects contained some combination of job search and application support, job brokerage and employer engagement or information, advice and guidance. The graph (p18) shows the percentage of projects by spend in which other ‘specialist’ elements were identified.



Skills training and apprenticeships constituted the biggest ‘specialist’ activities in the employment and skills programmes analysed. This reflects the finding from the VCSE survey that lack of skills and experience remains the biggest challenge for people accessing employment opportunities.

The above analysis tends to confirm the view of other commentators that the problem of low paid work remains an under addressed, with only 1% of projects supporting low paid workers.³⁰

Sub-regional programmes

As well as programmes commissioned at the borough level, a number of employment and skills projects have also been developed at the sub-regional level. These include the Central London Forward Working Capital pilot and the West London Alliance Mental Health Trailblazer.³¹ The local authority representatives we interviewed viewed sub-regional provision as a way of more efficiently making use of limited resources while ensuring support was still integrated into local services.

3.4 European Social Fund

The European Social Fund is a European Union programme aimed at supporting people into employment. It runs in seven year cycles, with the last programme covering 2007-2013, and the current programme covering 2014-2020. The funding provided by the EU must be matched by national funds. In the UK, this can be done by applicants providing their own match funding, or through “co-financing” or “opt-in” organisations that provide the match funding and commission the programme. For the first time in the current programme, Local Enterprise Partnerships (LEPs) determine the ESF funding strategy in their local area. The London LEP, the London Enterprise Panel, covers the Greater London area.

ESF is aimed at filling gaps in existing provision. The projects which have been out to tender so far in the current cycle in London are principally targeted at specific client groups (e.g. BAME women, people with disabilities, older people) with provision also expected on a sector and place based approach.³²

3.5 Looking ahead: employment and skills programmes in the future

This section sets out some key aspects of the current policy direction in employability programmes.

Focus on health and disability

The current government made a manifesto commitment to halve the disability employment gap.³³ The Work and Health Programme (which will succeed the Work Programme) will support this through focusing employment support on those who have health and disability barriers to work and the very long term unemployed, rather than those who have been out of work for twelve months.³⁴

Devolution

The 2015 Spending Review contained a commitment that in London, the Work and Health Programme will be co-commissioned and co-designed with London government. In addition, the Chancellor has committed to the further devolvement of powers to London to tailor skills provision to the needs of the capital.³⁵ Negotiations between London government are ongoing, and a skills area review is underway to understand provision across the capital.³⁶ As a result of devolution, London government (including in sub-regional partnerships) will have greater control over employment and skills programmes.

Funding

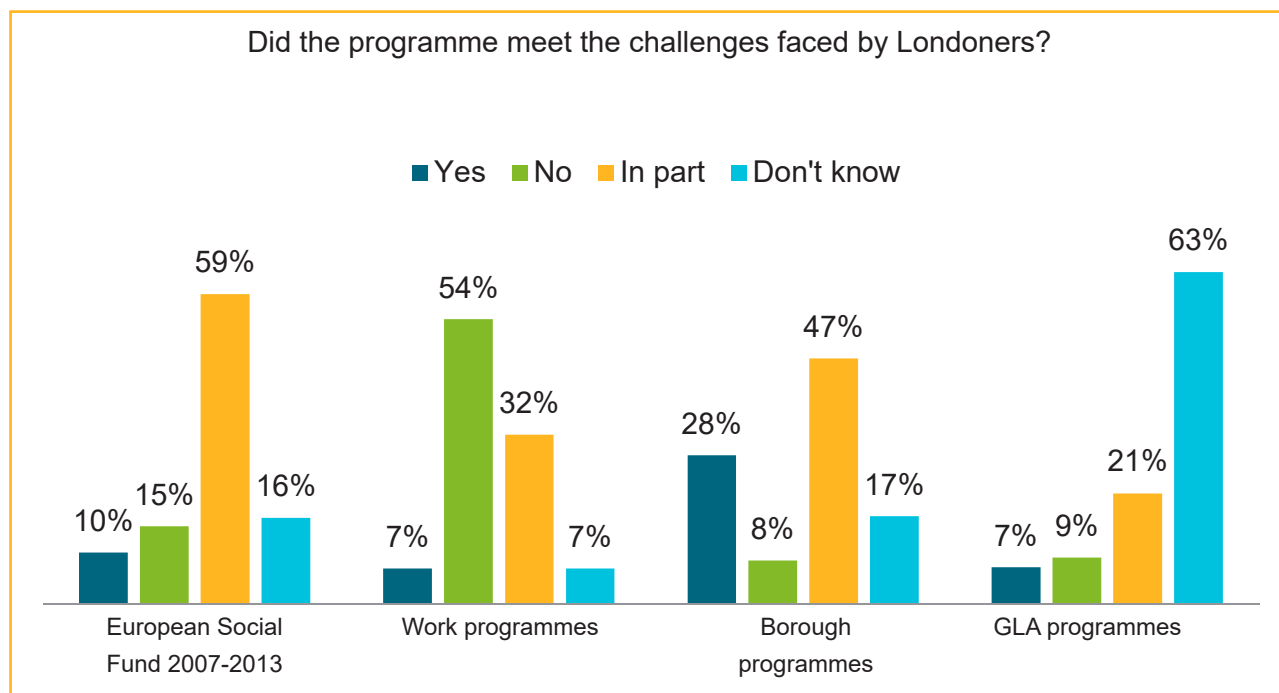
The amount of central government funding available for the Work and Health Programme is around 20% of what was available for the Work Programme; although it is possible that regional and local authorities will be able to leverage in further funding, this will not be enough to create a programme on the same scale as the Work Programme.³⁷ Moreover, the funding available for employment and skills at local authority level is much reduced. Between 2010 and 2015, London boroughs have seen a 44% reduction in core funding from government, while the 2015 Spending Review included an additional 30% cut in the period to 2020.³⁸ As the local authorities representatives we interviewed emphasised, the consequence is that boroughs are focusing on funding services that they are statutorily required to provide and cutting back on other programmes – including employment and skills.

Apprenticeships

The government's skills and employment agenda contains a particular emphasis on apprenticeships, including a pledge for three million apprenticeships in England by 2020.³⁹ A number of announcements have been made on the delivery of this plan, including an apprenticeship levy on bigger employers to support the programme and new industry standards for quality apprenticeships.⁴⁰ In London, the Mayor in particular plays a key role in engaging London businesses around apprenticeships.

3.6 Key elements of a successful employability programme

In our survey we asked respondents whether different programmes commissioned by government met the employment and skills challenges faced by Londoners. The results are set out below.



Of the employment and skills programmes that we asked respondents to comment on, the Work Programme received the most negativity, with only 7% of respondents saying that it met the challenges facing Londoners and 54% saying that it did not. Borough programmes got the most positive reaction, with 28% saying that they met the challenges, and only 8% saying that they did not. ESF received a mixed reaction, praised by a number of respondents. Whilst the majority of respondents 'did not know' either way in regard to the GLA.

In addition to the comments received from survey respondents, we also asked our key stakeholders to give their opinions on previous programmes and discuss what makes a successful employment and skills programme. The section below sets out the key themes that emerged.

Targeting the programme effectively

A number of interview and survey respondents believed that there was a gap between need and what the current employability programmes delivered. One of the most frequently cited criticisms of the Work Programme amongst survey respondents and key stakeholders was that it failed to support those who were furthest from the workplace. This echoes the concerns which have been well documented elsewhere.⁴¹ There was also some concern around whether payment models recognised prevailing labour market conditions.

People starting a job of "16 hours plus per week is rare where the job is relatively low skilled. We have worked very hard with clients only to find them offered a job that is under 16 hours and we cannot claim the payment!"

"Where we've piloted schemes funded through the Skills Funding Agency, via the borough, such as traineeships, we've found that the poor design of the programme means that it fails to meet the needs of those who we think we could help to progress."

Even among those programmes which were targeted at specific groups, there was concern that these did not accurately reflect the needs. For instance, one key stakeholder argued that in light of benefit changes and in particular the roll out of Universal Credit, more resource should have been put towards tackling low pay in the ESF 2014-2020 programme. The same stakeholder also expressed doubts over whether the ESF projects had been targeted at the right groups in the right area.

Provision of a range of specialist support

A large proportion of respondents to the survey argued that specialist support was crucial for employment and skills programmes. Barriers to work come in many different forms and it is clear that what works for one group may not for another. Programmes which contained targeted provision for particular groups, such as the Southwark Works Programme, were singled out for praise a number of respondents.

“Southwark Works Framework is one that should be adopted by other boroughs.”

“We think the programmes have to be targeted towards tailor made support to address the barriers.”

“Most of employment programmes ... are rigid and designed for the mainstream community.”

The lack of specialist support was a criticism which was most often discussed in relation to the Work Programme. For instance, one specialist Work Programme sub-contractor told us that they were concerned that they had seen a downward trend in referrals as the attachment fee had been reduced and removed, and that they were concerned that primes were no longer providing specialist support. All the organisations we spoke to recognised that more needed to be done to support those with more specific needs.

While the focus on health and disabilities in the new Work and Health Programme was generally encouraged, two important caveats emerged. First, most stakeholders expressed concerns about the reduced size of the programme, and a number believed this would reduce the scope for specialist services within the programme. Second, one stakeholder argued that the focus on people with health problems and disabilities may lead to less specialist support for the long term unemployed with other problems.

Accessibility of programmes

Closely linked was a clear concern around the accessibility of general employment and skills programmes to different groups. For instance, a number of respondents expressed the view that the focus on apprenticeships had been to the detriment of those who were not in the younger people groups.

“They should think about more than just apprenticeships and more than just under 24s. Retraining is as important as training...”

Most respondents welcomed apprenticeships, but many said that more needed to be done to support people with complex need to access them. For instance, one stakeholder noted that providers were often penalised for people dropping out of apprenticeships, which meant that they were reluctant to take on people with more serious barriers to work.

“Apprenticeships need to be easily accessible.”

“The emphasis on achieving Level 1 literacy and numeracy in order to do apprenticeships has prejudiced many of the young people with mild learning disabilities with whom we’ve worked.”

These comments chime with recent reviews into accessibility to apprenticeships. For instance, the Young Women’s Trust has found that occupational gender segregation means that young women are losing out at every level with apprenticeships, working in fewer sectors, receiving lower pay, receiving less training and being more likely to be out of work at the end of their apprenticeship.⁴²

Holistic, long term support

Interview and survey respondents agreed that holistic services were needed to support people into employment but that delivering this was very difficult in practice. In particular, it was noted that funding streams were very rarely set up in a way which supported such programmes. This was an issue for frontline providers, but also government bodies who had to leverage several sources of funding when designing a more holistic programme.

For instance, one commissioner we spoke to noted that the narrow ESF priorities meant that it was very difficult to have an ESF project which allowed providers to help people with skills, engage local boroughs, work with employers, support people who were out of work, in low paid work, or cycling in and out. Another issue was the funding allocated in a particular programme was often not enough to fund a holistic programme.

“We try to fit our holistic community-based approach into the funding frameworks that exist. Which is not ideal.”

“Projects often do not get enough funding to truly address the multiple barriers faced by the most disadvantaged e.g. covering childcare costs to enable participants to access provision is difficult due to limited funding.”

“Commissioners fail to understand the holistic nature of support [the] jobless require.”

A number of survey and interview respondents said that longer term projects tended to support individuals more effectively than short term projects. This was because it was considered unrealistic to be able to support people with serious barriers to work effectively with only a limited period to do so.

Real long term needs “do not go away, with time limited interventions that come and go”.

Integrated services

Employment and skills programmes were often not well integrated into local services. Again, this was a criticism which was raised most often by key stakeholders and survey respondents in relation to the Work Programme.

London government has sought to address through initiatives such as the Working Capital and Mental Health Trailblazer pilots, while integration of services is one of the major rationales behind the devolution of employment and skills programmes. However, interviews with the key stakeholders identified a number of areas in which local integration could be improved.

Engagement of boroughs

Stakeholder and survey respondent experiences around the engagement of boroughs varied significantly. As shown on page 20, borough programmes tended to receive the most positive reception among employability programmes from survey respondents. A number of key stakeholders, including a prime contractor and provider representative also reported good relations with local authorities in London.

“We mainly work with borough services and we believe they meet the principal challenges.”

“Only with borough specific programmes can you meet the specific needs of local people.”

However, a number of other interviewees, including representatives from the voluntary sector and a housing association said that it was difficult to engage with the local authorities. Some said that they found it difficult to find the right people within the local authority, while others said that local authorities were happy to discuss issues but were much less interested in pursuing practical joint working. It was acknowledged by many participants that the more limited resources available to local authorities seemed to impact on their ability to engage.

Engagement of CCGs

Only around 13% of the organisations who responded to our survey received funding from a CCG. However, engagement of CCGs was considered to be of key importance for employment and skills services by the local authority representatives we spoke to, linking into the current policy emphasis on health and disability issues as barriers to work.

Three of the interviewees said that they had not tried engaging with CCGs much but hoped to do more of this in the future. Of those stakeholders who had tried engaging with the CCG, only one said that they had managed to build a productive relationship. The others stressed that relationships with CCGs tended to be quite ad hoc in nature, or that a lack of transparency about how they worked made it difficult to engage with them. A number of respondents said that this was in part due to the relatively recent establishment of CCGs, and believed that engagement would improve as CCGs became more settled in.

Engagement of JCPs

We did not specifically ask about the engagement of JCPs in the interviews or survey, but a number of key stakeholders commented on JCPs spontaneously. These responses were generally negative. For instance, one local authority representative commented that JCPs were removed from the community and as a result tended to commission in an ad hoc and messy way. A housing association representative said that it had managed to build productive relationships with local JCPs to support tenants in areas where it owned properties out of London, but the norm in London was for the JCPs to ignore these potential partnerships.

However, as one stakeholder pointed out, it is likely that the co-location of JCP with other services will support greater integration of services.

4. VCSE employment and skills providers in London

Summary

- The distinctive strengths of VCSE organisations lie in their integration into communities, specialist expertise and whole person approaches. London's VCSE organisations provide vital, specialist services that providers in other sectors often cannot deliver sustainably or make a business out of.
- The VCSE sector is facing significant challenges around reduced and inaccessible funding, at the same time as needs of clients are becoming more complex. These challenges have resulted in a significant and protracted period of instability for the sector.
- The VCSE sector has responded to many of these challenges positively, including in ways which has increased its resilience and effectiveness. However, there is a danger that the more VCSE organisations focus on revenue generation, the more they will lose the distinctive characteristics which make them effective providers. Most concerning of all is the evidence of VCSE organisations closing or scaling back services, leading to greater levels of unmet need.

4.1 Introduction

This section examines in more detail VCSE employment and skills providers in London. First, consideration is given to where VCSE organisations fit into the general provider landscape, how they are funded and what the distinctive attributes of the sector are. Second, the challenges facing the sector are considered. Lastly, we look at how VCSE organisations have responded to these challenges and what the implications are for the long term sustainability of the sector.

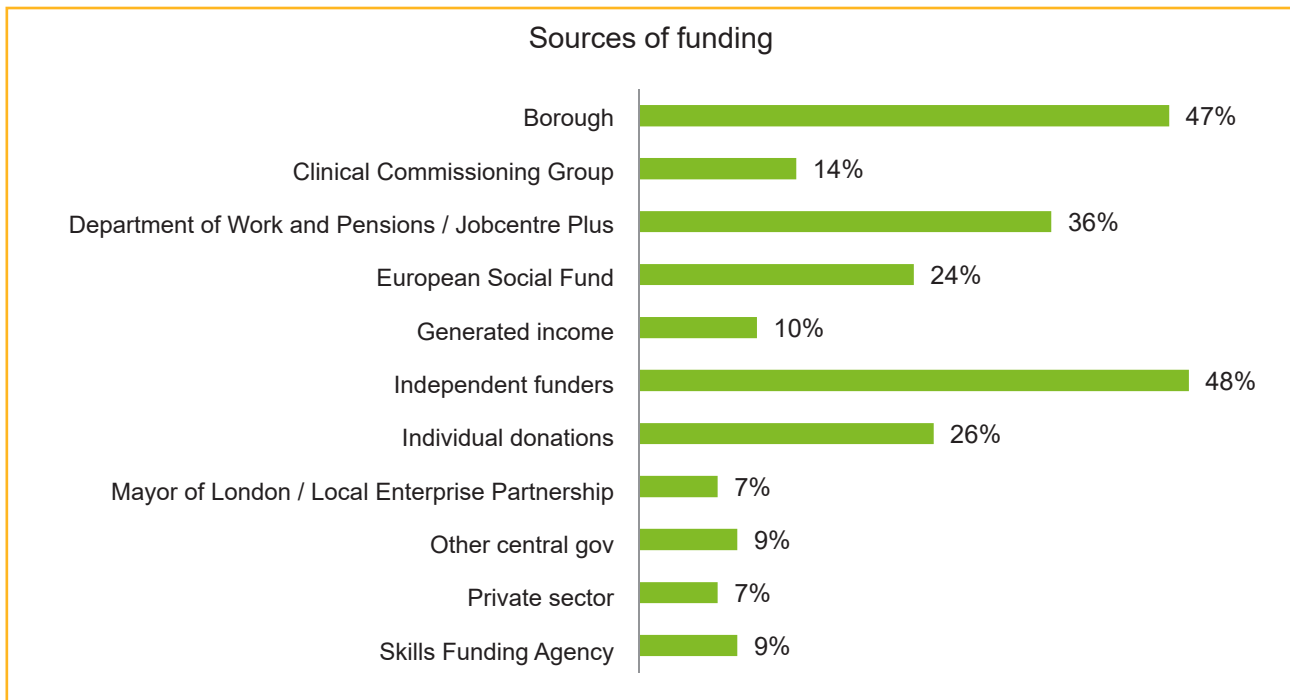
4.2 Employment and skills providers in London

A number of different organisations deliver employment and skills support. These include local authorities, who in some cases have in-house employment and skills teams, private organisations, housing associations and VCSE organisations.

The different motivations of these organisations to become involved in employability support impacts on how they fit into the market for services. For instance, one stakeholder emphasised that the primary motivation for housing associations was tenancy sustainment. As a result, many housing associations were reluctant to get involved with the Work Programme where they may have been required to support a customer groups mainly made up of non-tenants. For private organisations, profit is clearly an important motive, although most will also emphasise a social motivation.

4.3 Funding sources for VCSE employment and skills providers

58 VCSE organisations responded to our survey question asking where they got their funding from, with the results set out below.



Detailed examination of non-governmental sources of funding is beyond the scope of this report, but it is worth noting that 48% of respondents received funding from independent funders and 26% from individual donations.

The three most common sources of government or EU sources of funding were boroughs (47%), the Department of Work and Pensions (DWP) and JobCentre Plus (JCP) (36%) and ESF. 9% of respondents were also funded by the Skills Funding Agency (SFA), and another 9% from another government source. Only 7% of VCSE organisations received funding from the Mayor of London or the Local Enterprise Partnership. We do not know how much funding respondents received from each funder. However, research from NCVO shows that across England, government and individuals are the two key sources of funding for the sector.⁴³

4.4 Strengths of VCSE providers

VCSE organisations and communities

The majority of the key stakeholders said that a key strength of VCSE organisations was that they were embedded in the communities that they were delivering services to. For instance, one housing association representative noted that they engaged with VCSE organisations because they tended to be better attuned to the mood of the community and the needs of the residents. Another stakeholder said that local authorities were often viewed suspiciously by residents, while VCSE organisations who were established in the area commanded more trust and were therefore able to engage more productively.

The need to generate a profit means that private providers tend not to be embedded in communities in the same way. For instance, one stakeholder we interviewed described a prime organisation receiving extra customer numbers and deciding to set up a new office to directly

deliver rather than sub-contract to their existing VCSE delivery partners in the area. When the new office did not make a profit, they pulled out. While these decisions are justifiable from a commercial point of view they can have a detrimental impact on the community.

“We are here trying to help the community and we don’t pull out when we start losing the money”– VCSE key stakeholder interview

We do not claim (and given the diversity of the sector, would not expect), that all VCSE organisations are equally connected to the communities. Some organisations lack effective ways to hear from their communities or collect data on their needs.⁴⁴ VCSE organisations must therefore be careful not to take this connection for granted.

Providers of holistic services

The second theme which emerged from the interviews was that VCSE organisations tended to provide holistic services which addressed the needs of individuals in the round. Most of the stakeholders said that holistic assessment and support was an essential component of employability support, and many providers outside of the VCSE sector were starting to deliver such services. However, a number of stakeholders said that VCSE organisations were particularly good at this because it was part of their ethos and they were less focused on specific outcomes. This was also linked to the role of VCSE organisations supporting the most vulnerable and those furthest from the workplace.

For instance, a VCSE organisation we interviewed said that clients consistently gave positive feedback about the whole person service they provided. This approach had been sustained through recruiting volunteers to support clients on issues such as debt, childcare and housing, leaving the employment advisors to focus on work.

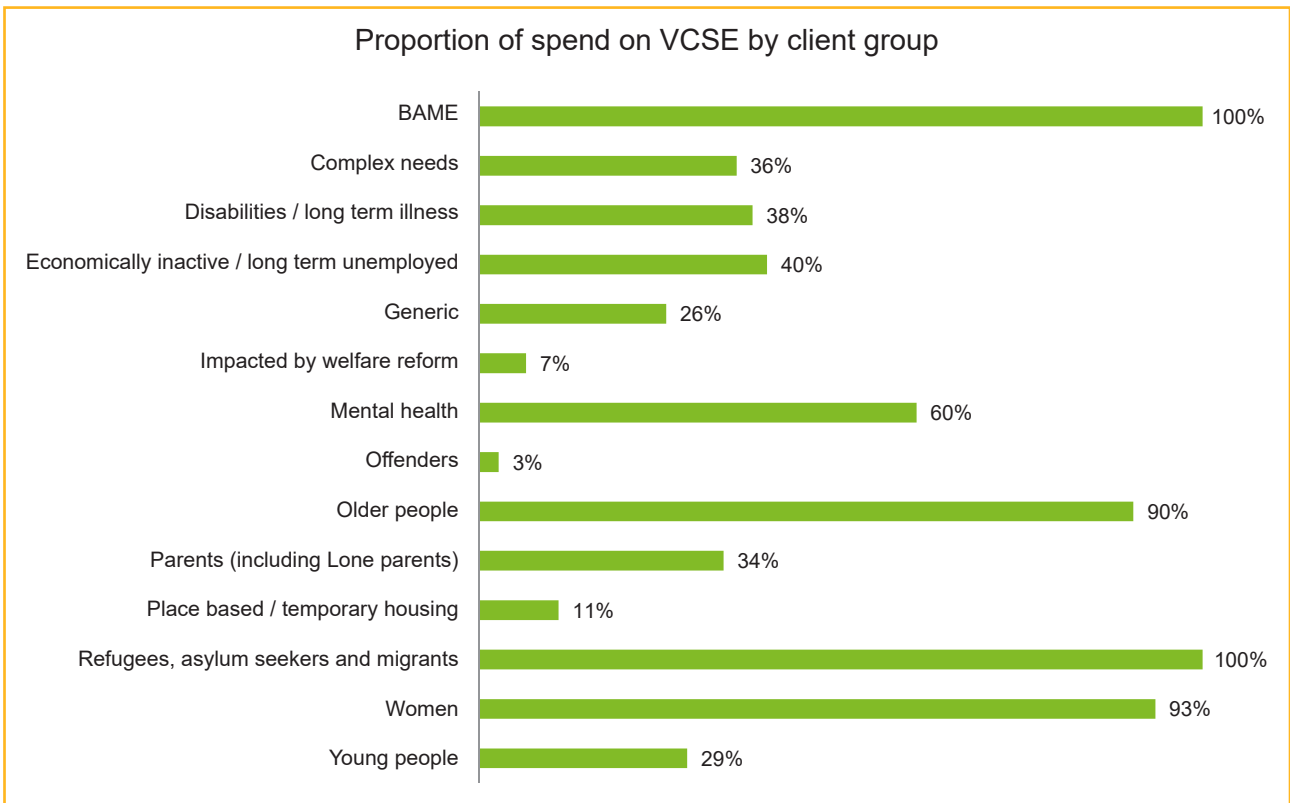
“It should be about the client getting the best service” - VCSE key stakeholder interview

Providers of specialist support

Another key strength of VCSE organisations which emerged from the stakeholder interviews was their ability to provide specialist support, and in particular, to those furthest from the workplace. For instance, one stakeholder noted that while local authorities have in-depth knowledge about labour market issues, their understanding of the particular needs of clients was typically much lower. Where a programme supporting specific groups was developed, the local authority would tend to look to VCSE providers where the core purpose was to support that group.

A generalist prime provider gave another reason why VCSE organisations tend to be relied on for specialist services; namely that other providers would struggle to make a business out of such niche services.

Our analysis of spending by local authorities and CCGs in London supports the view that VCSE organisations are relied upon to deliver employment and skills services. The graph on page 27 shows the proportion of spend for each client group which went to VCSE organisations.

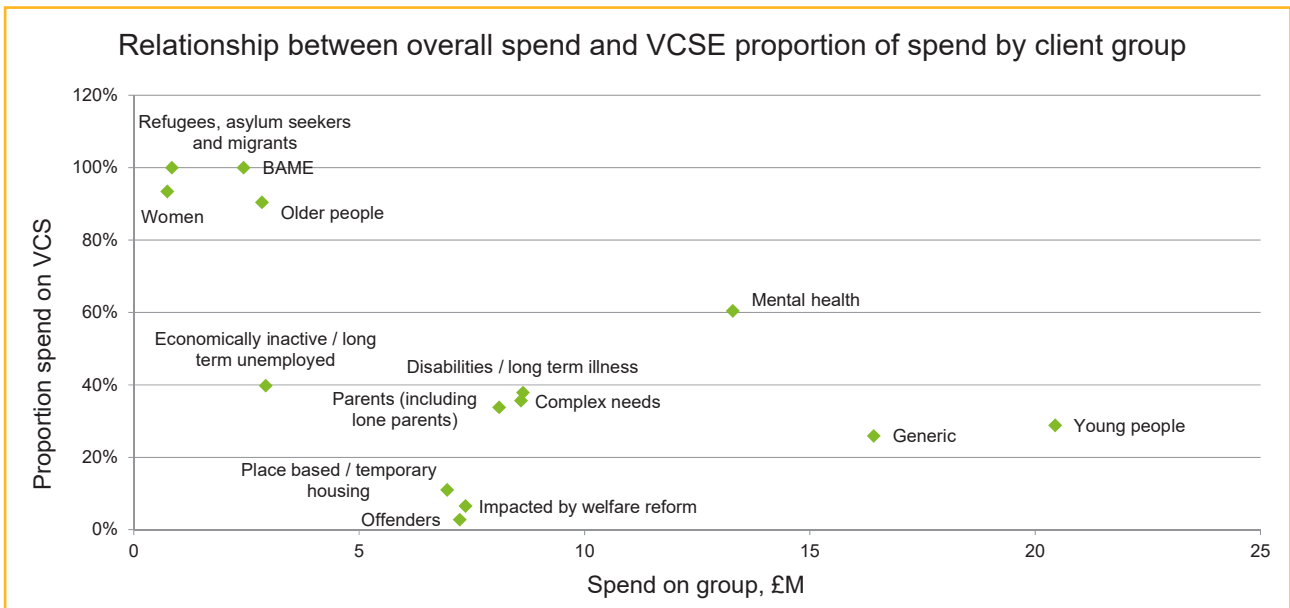


VCSE groups are particularly heavily relied upon in supporting BAME groups and refugees, asylum seekers and migrants. This is likely to reflect the fact that these groups require culturally or linguistically specific support which can be more effectively delivered by groups embedded in the local communities. A large majority of spend on older people and women also goes to VCSE organisations, which may well be the result of a robust VCSE sector specialising in this area.

VCSE groups tend to be less well represented in supporting the generic group (i.e. employment and skills programmes for residents generally, rather than specific groups) and young people. This is as expected given the existence of generalist employment and skills public sector teams in many boroughs, and the support that local authorities already offer young people through schools. Two areas which seemed to buck the trend are offender and complex needs groups, both client groups who would seem to require specialist support and where only a small proportion of the spend went on VCSE groups.

Spend on specialist services

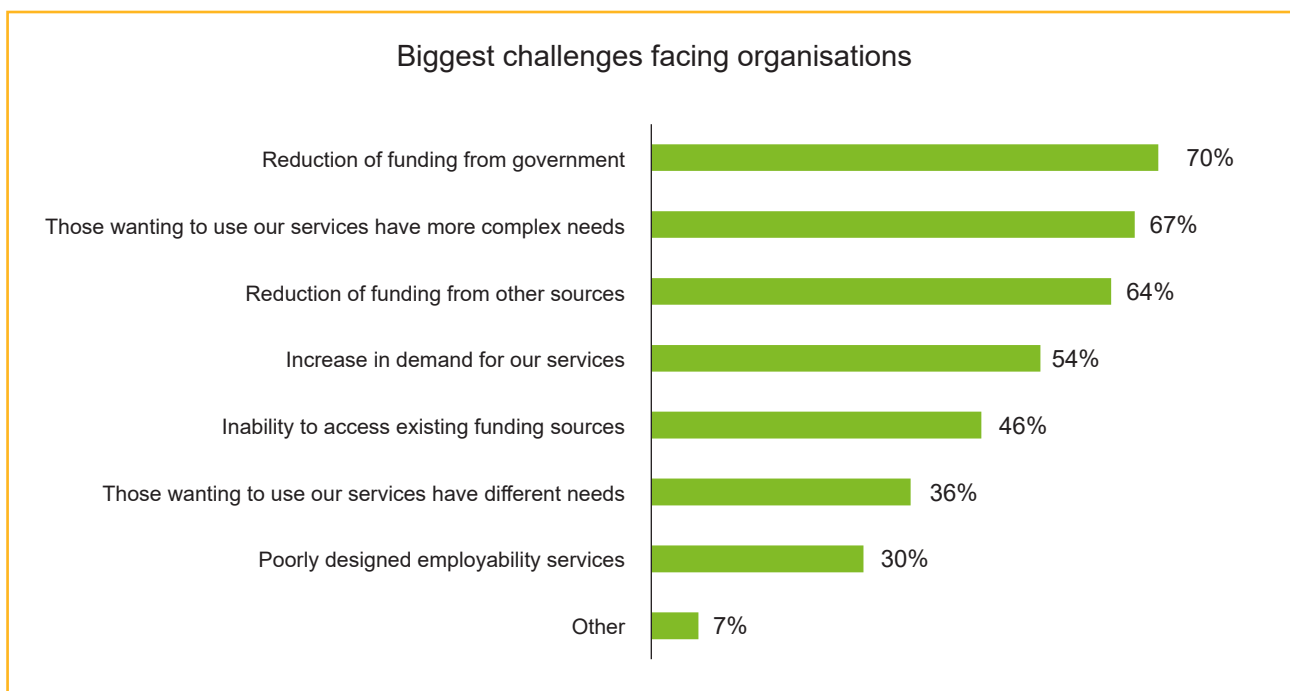
A noticeable trend was that the client groups which VCSE organisations tended to be involved in supporting were also those which received the least overall funding. This is demonstrated by the graph on page 28, with each of the data points representing a client group.



The four client groups which received the least specific funding (BAME, older people, refugees, asylum seekers and migrants, and women) were also the four areas in which the VCSE sector received the highest proportion funding. On the other end of the scale, generic and young people’s support had a much smaller proportion of spend on VCSE organisations, presumably because the contracts were bigger and therefore more attractive to a wider range of providers. This tends to lend support to the view that VCSE organisations deliver services other organisations cannot make a business out of.

4.5 What are the challenges facing the sector?

Survey respondents were asked about the biggest challenges facing their organisation, ticking all that applied. 58 VCSE organisations responded to this question, with their answers set out in the graph below. In general, the survey reflects what has been found elsewhere; that VCSE organisations are facing a double whammy of reduced funding and increased demand for services.⁴⁵



Reduced funding

70% of organisations named reduction of funding from the government as one of the biggest challenges facing their organisations, with 64% saying the same of reduction of funding from other sources. The concern around funding was generally echoed by the key stakeholders we interviewed. One noted that all sectors would struggle with the much reduced scope of the new Work and Health Programme.

One key stakeholder said that the reduction in local authority spending meant that VCSE organisations could no longer rely on their borough as they had previously. However two interviewees – one from a local authority, and another from a VCSE organisation – noted the considerable effort that had been made by some local authorities to protect spend on VCSE organisations.

A number of respondents argued that funding was often no longer sufficient to address employability barriers effectively, or that it had led to a shrinking of the market.

“Projects often do not get enough funding to truly address the multiple barriers faced by the most disadvantaged.”

“There is a “smaller pool of VCS providers in our borough due to funding cuts” leading to less “opportunity to work with new partners to expand provision and test new ideas.”

Some respondents said that competition from private organisations for a shrinking pool of funding had also led to reduced funding opportunities for VCSE organisations.

“We have a long track record of successful delivery--but can't access to regular, sustained funding to deliver badly needed services. Private sector prime contractors are pushing VCS groups out of the market or cutting VCS margins to the bone.”

Access to funding opportunities

It was clear from both the survey responses and the stakeholder interviews that it was not just the amount of funding available, but the way in which those funding opportunities were made available which created significant difficulties for VCSE organisations. This was reflected in the numbers of respondents who said that one of the biggest challenges facing their sector was an inability to access existing funding sources (46%) or poorly designed employability services (30%).

“Poor execution of commissioning - delays, muddles, lack of understanding about cashflow and working capital, short duration of contracts, short-term, half-cocked approaches. The cost of this to the voluntary sector is enormous, depleting social and economic value faster than you can say Lord Young.”

Some of the themes in the above response are explored in more detail below.

Payment models

Opinions on payment by results and the prime contractor model were divided. VCSE survey respondents who commented on PbR argued that it was ineffective at getting those with more complex needs into work because of the greater time and support that they needed. They also often said that VCSE organisations had been particularly affected by the use of PbR because the risk that it carried was not commensurate with the potential rewards. This was a view which was particularly emphasised by a representative from a VCSE organisation who had acted as both a

lead and delivery partner, and argued that the sector was taking on unrealistic payment contracts and carrying too much risk.

“Once the Work Programme and prime contracting came along, smaller organisation such as ours were squeezed out of the market – the financial risk was too great and there was no business case for continuing to offer services.”

Most of the non VCSE stakeholders agreed that the Work Programme had been too heavily weighted towards PbR and this had impacted negatively on providers. However, the commissioners and prime organisations we spoke to said that those who had managed to successfully deliver a PbR contract had become more efficient as a result. One VCSE organisation we spoke to who had been a sub-contractor on the Work Programme said that it had been an extremely stressful experience, but it had reinforced the entrepreneurial attitudes which the organisation had tried to nurture anyway and led to improvements in some of its systems.

Size of contracts and the prime contractor model

The size of the Work Programme and ESF programmes means that the majority of VCSE organisations are only able to participate as delivery partners. Some of the respondents argued that this had made participation financially unviable for their organisation. One VCSE representative we interviewed emphasised that the management fees taken by primes reduce the margins of VCSE delivery organisations to unmanageable levels.

“The funding model of working through prime contractors is unsustainable.”

The commissioners we spoke to noted that smaller organisations were often shut out of larger contracts because public sector due diligence requirements meant that commissioners could not award a contract over a certain percentage of the turnover.

However, a number of stakeholders also argued that the advantage of the prime contractor model was that programmes could be delivered at scale while maintaining an element of local delivery. One stakeholder noted that given the current funding constraints, it was difficult to conceive of an alternative structure which does both these things more effectively.

Supply chain management

Respondents to the VCSE survey and VCSE organisations we interviewed expressed concerns about the treatment of delivery organisations within supply chains, echoing our findings on previous reports on the Work Programme.⁴⁶ The prime contractors and commissioners we interviewed were generally aware of these concerns. The commissioners we spoke to agreed that they had seen instances of poor practice. However, their ability to act was often constrained by the fact that the sub-contractors had signed a contract with the prime containing unfair terms. Even in situations where they were able to intervene, this was prevented by reluctance on the part of the sub-contractor to put their complaint in writing.

There was general agreement among the key stakeholders that progress had been made to reduce poor supply chain practice by prime providers. For instance, the practice of prime organisations including delivery partners in bids and then not referring any work to them (“bid candy”) had been tackled by requiring permission from commissioners before the supply chain could be amended. However, it was acknowledged that this was not a total solution, because depending on the contract terms, the prime could just not refer any clients to the providers.

A prime organisation stated that the message around the tightening up of commissioning practice had not yet got through to providers.

Commissioner capacity

Some respondents to the survey argued that the cuts in government funding have had an impact on government ability to plan, commission and procure effectively. In particular, some pointed to the constant restructuring and downsizing in local authorities having an impact on local authority ability to understand the needs of their populations and build relationships with providers.

“Reduction of funding to local government too is significant as it has resulted in people refusing to listen, no flexibility, constantly changing LA staff so you just can’t build up any effective working relationships.”

However, a number of VCSE organisations we spoke to said that they continued to have good relations with their local authority.

Length of contracts

Some of the key stakeholders said that length of contracts was a significant issue for employment and skills providers. For instance, the ESF Skills Funding Agency projects are a maximum of two years, which amounts to around one year full delivery once ramping up and down is taken into account. One stakeholder noted this was not only bad for clients, who generally benefit from more sustained support, but also bad for the market as a whole because only those providers who already had projects up and running were likely to be able to apply. Another stakeholder we spoke to said that the short contracts also made it difficult for providers to plan ahead.

However, commissioners we spoke to said argued that while longer term contracts allowed for better relationship management with providers, they also posed a significant disadvantage to new entrants in the market.

Timing of opportunities

The timing of employment and skills opportunities was highlighted as a particular issue for employment and skills providers. On the one hand, delays in programmes could be very problematic. A number of survey and interview respondents mentioned in particular the gap between the previous and current ESF cycle, which had led to the shrinking of the sector and the loss of frontline expertise.

“The delay in ESF commissioning led to redundancies in our employment and skills team.”

Equally, putting out several opportunities at the same time was seen by some respondents as a barrier to accessing funding. In particular, it impacted disproportionately on smaller organisations without the bid-writing capacity to manage several applications at the same time – regardless of whether they were able to deliver the activity required.

Complex application and procurement rules

Complexity of funding applications was highlighted by survey respondents as a significant barrier preventing smaller organisations from bidding for contracts or delivering services effectively. Those respondents who commented on ESF tended to argue that the bureaucracy involved prevented smaller organisations from participating.

“Take out some of the complexity preventing smaller organisations from applying for funding.”

The commissioners we spoke to did not consider ESF much more bureaucratic than other programmes. However, they did note that ESF procurement requirements (which required everything to be open and transparent) were particularly onerous.

More complex needs

67% of survey respondents said that the people that they were supporting had more complex needs. In the comments, a number of respondents said that they were struggling to manage demand from these people, especially given the more limited funding which was available.

■ *“More and more patients presenting with mental health conditions.”*

■ *“We’re seeing more people with complex learning disabilities.”*

These comments accord with the findings (discussed in section 2) on the multiple barriers to work facing many Londoners. It is a finding of particular concern because increasing numbers of people with serious needs indicates that not enough is being done to prevent problems from becoming crises in the first place. A recent LVSC survey of criminal justice VCSE organisations in London highlighted the same worrying trend. In the context of ever reducing funding, it is not surprising that providers of public services deal with the most serious situations first. However the impact on preventative services – the most effective way of ensuring positive social change – is of serious concern.⁴⁷

4.6 How are VCSE organisations meeting the challenges?

59 VCSE survey respondents answered our question on what actions they had taken to meet the challenges they faced. The results are set out in the graph below.



The results from the survey were also compared against those for the Big Squeeze surveys⁴⁸ undertaken by LVSC in between 2009 and 2013 which looked at the impact that the economic and policy environment was having on VCSE organisations. The Big Squeeze surveys asked the same question about responses to challenge, although respondents were drawn from the whole VCSE sector in London rather than employment and skills providers specifically.

High degree of change

Has your organisation changed the way in works to cope with any changes this year?					
2009	2010	2011	2012	2013	2016
78%	93%	94%	90%	93%	98%

Actions taken to respond to user needs				
Action	2011	2012	2013	2016
Improved fundraising	15%	60%	50%	39%
Increased partnership work with other VCSE organisations	51%	95%	70%	51%
Made staff redundant	54%	39%	30%	46%
Taken on more volunteers	56%	52%	54%	41%
Merged with another organisation	0%	11%	10%	3%
Increased collaborative work with the private sector	1%	23%	24%	46%
Improved your use of technology	9%	36%	41%	36%
Redesigned services to better meet needs	16%	39%	49%	73%
Closed a service	51%	41%	27%	39%
Developed a new business model	8%	50%	29%	49%
Improved your work with funders or commissioners	2%	61%	31%	39%

There is significant evidence of VCSE organisations taking steps to adjust to the current environment of reduced funding and increased demand. The majority of VCSE organisations have been changing the way they work in some respect every year that this question has been asked. However, this is a trend which has become more marked; in our survey, 98% of respondents said they made some changes to the way they worked in the past year compared to 78% in 2009. Some of this change is clearly positive, for instance with 73% of VCSE organisations saying they have redesigned services to better meet needs compared to 16% in 2011. However, the level of change indicated by these surveys indicates a sector going through a protracted period of significant instability.

Partnership working

Partnership working featured prominently in the VCSE responses, with 51% saying that had increased partnership working with other VCSE organisations, 46% with private sector organisations and 39% with commissioners or funders. One of the most noticeable trends is the increase in the proportion of collaborative work with private sector organisations (although this may in part reflect the more natural fit between employment and skills providers and the private sector compared to VCSE organisations as a whole). However, partnership work between VCSE organisations seems to have decreased.

The general consensus among the key stakeholders was that partnerships were in principle a good thing because they allowed for integrated, holistic services addressing a range of barriers and in which a range of different organisations could be involved. One local authority representative said that partnerships were essential to stop smaller organisations from “dying a slow death” with others arguing that working in partnership came naturally to VCSE organisations anyway.

“We have always worked everything in partnership, recent success in linking up with faith sector.”

Many stakeholders also reported positive experiences of partnerships in practice. A number of interviewees said that the most important component of a successful partnership was a shared

ethos about what was being delivered. One argued that the absence of a profit lens in partnerships between VCSE organisations made building trusting relationships easier, although others noted that the existence of competitive tendering tested all kinds of collaborative relationships.

Commissioners we spoke to emphasised that partnerships were only as strong as their weakest link and that a clear understanding of what each partner was delivering was essential.

A number of respondents were wary about partnerships being seen as the perfect solution to commissioning issues. This was partly because putting together a functioning partnership of organisations was difficult and time consuming, and usually impossible to do within an application window. Some respondents also argued that commissioners were concerned about the risks in bigger or more complicated partnerships; one gave the example of a recent opportunity in which partnerships were encouraged in market warming activities, but an applicant was rejected on the basis of a partnership which was too large. However, the commissioners we spoke to said they welcomed consortia bids but very rarely received any.

Monitoring and evaluation

A number of stakeholders noted that one major weakness of VCSE organisations was collecting the requisite data required by primes and commissioners for evaluation. Some recent reports have also suggested that frontline and civil support organisations continue to struggle with measuring impact.⁴⁹ However, the responses from the survey were notable for often linking evaluation to responsiveness of services. This suggests that there is awareness in the sector of the need for robust evaluation.

“We are trying to create a service user model based on previous experiences. Feedback and evaluation will prove or disprove our methods over the next 2 years.”

The issues which VCSE organisations have in reporting impact was often related to the multiple requirements of funders. Another cause may be that much of the work carried out by VCSE organisations, such as moving people closer to work, is intrinsically hard to measure.

“Business like” approaches to responding to challenges

There was evidence that VCSE organisations were actively exploring different ways of generating income, with 49% developing a new business model and 39% improving fundraising.

“We are “trying to have activities with wide reach funded by participants, e.g. paying for training, selling CEO time as consultant.”

“We are trying to focus on a range of activities to increase our revenue.”

“We are in the process of developing a new social enterprise model.”

A number of the stakeholders we interviewed emphasised a need for VCSE organisations to be “more business minded” or “entrepreneurial”. In the current finding environment, the logic of an approach which focuses more on generating revenue is inescapable. However, a number of interviewees also stated those VCSE organisations that became too focused on funding risked losing their ethos or the distinctive attributes which made them good at delivering services in the first place. For instance, a representative from a private prime noted that organisations could fail to achieve their key objective of providing support to the community if they decided they could only support some people and not others.

Reducing or closing services

Most worryingly were the several responses which mentioned reduced funding resulting in the organisation being able to deliver fewer services. 46% of organisations said that they had made staff redundant and 39% that they had closed services.

- *“Overall? We just do less.”*
- *“It is not possible to meet the demands and needs from the population we aim to serve any longer. As we can’t help them, we do less to reach new people.”*
- *“The numbers worked with will be smaller and the offer will be limited.”*

Not all stakeholders regarded such closures as being an entirely negative development. For instance, a representative from a housing association said that the number of small VCSE organisations competing for the same pot of money can lead to expenses, such as those related to back office functions, being duplicated. However, in general the closure of specialist organisations or some of their services in the context of significant demand was considered to have a detrimental impact on Londoners.

Confidence about the future

We were struck by the low proportion of organisations who said that they were not confident about meeting demand for services in the coming year compared to past Big Squeeze Surveys.

Are you confident that you will be able to meet demand for your services in the coming year? “No” responses					
2009	2010	2011	2012	2013	2016
80%	75%	77%	50%	46%	16%

Many of the comments illustrated a sector which was determined to continue to provide services for the people who relied on them.

- *“We will not give up”.*
- *“We intend to give it our best shot.”*

However, the comments also showed that many respondents were confident that they were able to meet demand only within the scaled back and more limited provision which they were now offering or through short term emergency strategies.

- *“Yes, but only with the investment of significant levels of reserves.”*
- *“It’s not about demand for our services, as we no longer really have any services.”*

In view of such comments, we have treated the headline confidence of the sector with caution. It is clear that the sector is scaling back the support it offers, but demand has not decreased.

5. Conclusions and recommendations

5.1 Introduction

The evidence set out in this report supports the following conclusions:

Despite improving employment levels, Londoners continue to face significant employment and skills challenges. In particular, the trend towards the hollowing out of the labour market makes it more difficult for many to secure decently paid, secure and meaningful work.

To succeed in addressing these challenges, employment and skills programmes need to be appropriately targeted, accessible, holistic, long term, integrated into other services, and contain adequate specialist support.

The VCSE sector play an important role in delivering employability provision, but reduced funding and increased demand has led to a protracted period of significant instability. Many organisations have responded to these pressures proactively; but many have not been able to avoid scaling back services or closing altogether.

The recommendations we set out below are shaped by these conclusions. They were also developed in light of numerous other relevant reports, including The Way Ahead report on civil society support in London and those by the London Fairness Commission, the ACEVO Commission into Delivering Public Services, the Centre for London and the London Assembly Economy Committee.

5.2 Tackling labour market challenges directly

London government is a significant employer, has influence among businesses in the capital and has the power to set the research and policy agenda. By taking steps to improve its own employment practices and influence those of other employers, the councils and Mayor of London could drive up employment standards for workers across the capital.

All London boroughs should follow the example set by Brent and other councils in offering discounted business rates to those businesses who pay their staff the London Living Wage.

All London government vacancies should be advertised on a flexible basis unless there is a business case not to.

5.3 Leveraging further resource for employability programmes

The available government resource for future employability support is not adequate to meet the need. The funding for the Work and Health Programme is 20% of that which was available for the Work Programme, which means that it is only likely to support those closer to the workplace. London boroughs have managed real terms funding cuts of 44% partly by making savings to discretionary services such as employability programmes.⁵⁰

Rising employment is central to support household living standards and reducing inequality; this requires engaging more people in employability support (including the 'economically inactive'), not fewer.⁵² Moreover, employability programmes which display the characteristics our respondents think are essential – holistic, with specialist support, and over a reasonable time period – cannot be done on the cheap.

One potential route for mitigating this funding dilemma comes from the further integration into public services. 15 of the 32 CCGs we contacted said that they did not fund any employability or skills programmes and the general picture given by our stakeholders was that engagement of CCGs in employability programmes was ad hoc and patchy. This is despite the major emphasis in government policy is on the health barriers which prevent people from working.

Another way of leveraging extra resource into employability programmes is through better engagement with the private sector and wealthy individuals. We were heartened that almost half of our survey respondents said that they had increased collaborative work with the private sector in the last year, while calls for greater engagement with business have already been made by The Way Ahead.

London CCGs should provide more strategic input into the development of the Work and Health Programme, including committing resource to ensure that it can support more people.

London voluntary sector support organisations should broker opportunities for businesses to become more involved in employability services run by VCSE organisations, providing the support that both businesses and VCSE organisations need to engage.

Renewed dialogue between the Mayor, businesses and wealthy individuals on their role supporting the sector, as recommended by the Fairness Commission, must also engage VCSE organisations.

5.4 Developing effective programmes

Current commissioning structures are not fit to deliver the range of holistic and specialist employability services that Londoners need. A range of organisations – public sector as well as VCSE – told us of the inefficiencies created by having to patch together a number of different sources of funding, each with different requirements and approaches, to try and deliver a holistic programme. Commissioning also encourages delivery organisations to develop a bespoke service because this is what primes want to buy – leaving their valuable wrap around services underfunded.

We are concerned that employability support services are leaving key groups of individuals behind. For instance, apprenticeships – which the Mayor plays a key role in promoting – are not successful in engaging people from a variety of backgrounds.

When asked what would improve employment and skills programmes, a striking number of respondents expressed the view that government at all levels did not do enough to understand the needs of the individuals who would be affected by the services. The idea of involving user voice is not new, but the responses suggest that London government could still improve in this respect.

- *“Talk to those looking for work in more depth.”*
- *“Talk to unemployed and under employed Londoners and the local agencies that are supporting them about what is really happening.”*
- *“Section based surveys or service surveys to get them involved & get opinions of various sections.”*
- *“Ask them! Go out on the streets, into low paid workplaces, to training and employment providers, and ask! There is a current problem with those writing programmes being too far removed from those that they are aiming to support.”*

We do know that good practice around engagement exists in London. For instance Talent Match London is a partnership of organisations led by London Youth and funded by the Big Lottery Fund to test innovative youth led solutions to unemployment and sharing learning for social impact. Youth Match has been working with JCPs across London to support understanding between JCPs and young adults. Recent work includes a film devised by Talent Match participants in Hackney to highlight the challenges faced by young adults and their dreams and aspirations; the film has been shown to Senior Managers across DWP and used as a training tool.

We reiterate the call made in The Way Ahead report and LVSC 2016 Mayoral Manifesto for London government to develop ways of engaging more strategically with the VCSE sector in London, including through co-producing a London VCSE strategy.

As set out in the LVCS 2016 Mayoral Manifesto, London government should explore with VCSE organisations, the private sector and CCGs alternative models to commissioning which may be better suited to develop holistic and integrated employability programmes.

London government and CCGs must ensure that user and VCSE voice is represented in strategic and programme discussions relating to employment and skills in London. This includes speaking to users directly, visiting projects and workplaces, and engaging throughout the process and not just at the design stage.

When promoting the development and update of apprenticeships, the new Mayor must ensure that due regard is paid to ensuring that they are accessible to all groups, including women and those with multiple barriers to work.

London government should facilitate the sharing of good practice around engagement across London boroughs, CCGs, JCPs and the VCS through an annual good practice seminar and collection of case studies.

5.5 Improving the accessibility of current programmes for VCSE organisations

Given their strengths in relation to integration into communities, specialist and holistic provision, VCSE organisations should be involved in delivering employability services. However, their more limited capacity means that VCSE organisations are often disadvantaged by commissioning structures and processes. Moreover, in the current market of public services, VCSE strengths often translate into a weakness; VCSE organisations deliver those services that no one else can make a profit out of because they are driven by their ethos to support people. The consequent undermining of the sector's financial sustainability has led to many organisations scaling back and closing services.

There are ways in which commissioning could be improved in order to support VCSE participation. However, we recognise that there is also scope for the sector to develop those skills needed to participate in the current structures.

Commissioners and London government should use a mix of payment models and contract sizes, including using medium sized grants and minimising the use of payment-by-results, to ensure that a diversity of providers are able to deliver employability programmes.

Commissioners and London government should work with providers to minimise unnecessary levels of complexity in contracts. Where this complexity is the result of disproportionate UK or EU rules or practices, London government should campaign for greater simplicity.

London government should ensure that commissioners are able to actively manage supply chains in future programmes, including through limiting the risk which can be passed down the supply chain and challenging practices such as bid candy.

Providers and commissioners should explore together at the outset of a contract ways in which the contract can be managed most effectively, for instance by commissioners accepting evaluation data in a format which the organisation already produces for another funder.

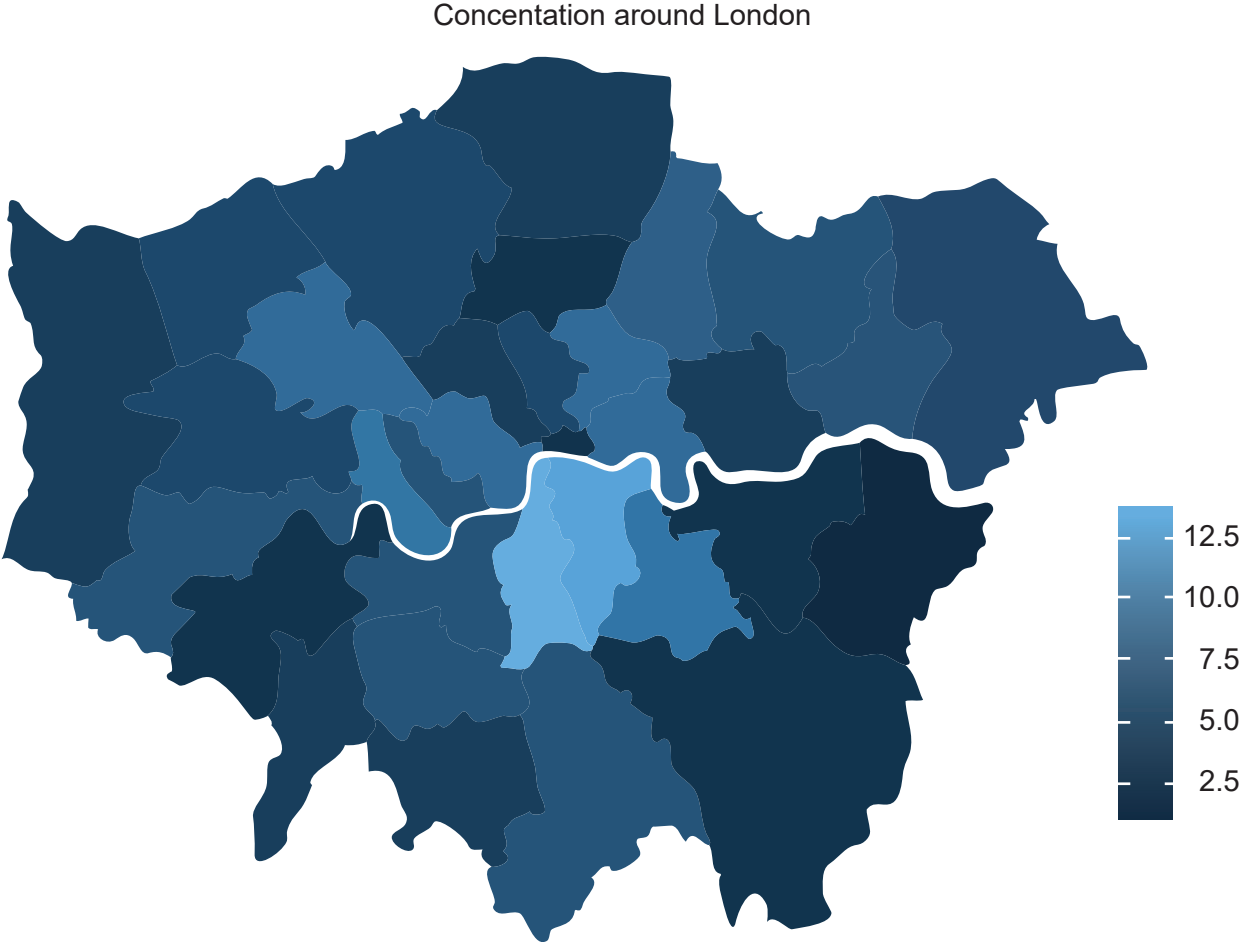
London civil support organisations should provide focused support to VCSE organisations on building partnerships, understanding payment models, identifying red flag terms in contracts with prime organisations, performance management, collecting evidence and managing flows of clients.

London civil society organisations should provide more opportunities for VCSE organisations to network with the private sector, London government and each other.

Appendix 1: Analysis of survey respondents

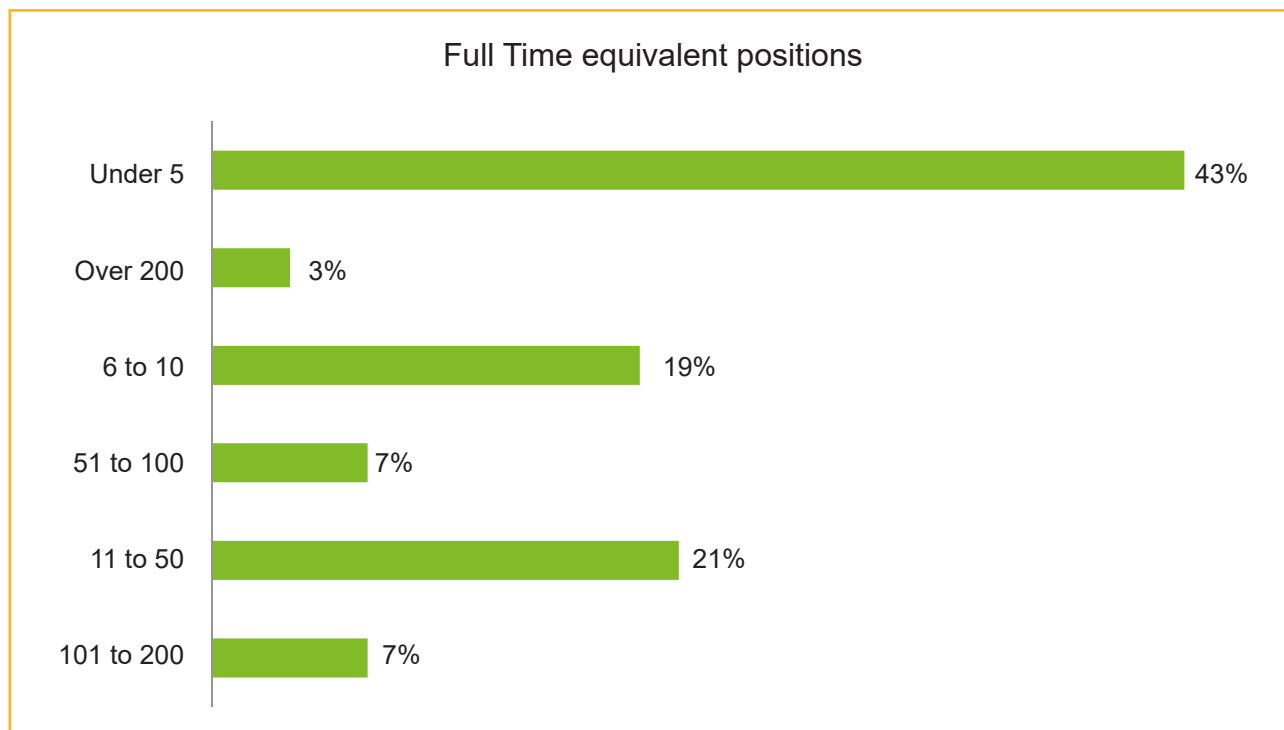
Where did the organisations work?

The respondents were asked where their organisations operated. Of the respondents, 10% worked nationally and 28% worked pan London. There was at least one respondent for every borough, with respondents concentrated in central London (41%). The visualisation below shows the coverage across the London boroughs.



How big were the organisations?

Income is the best indicator of organisation size, but experience from previous surveys shows that many organisations do not know the income of their organisation. As a proxy measure, therefore, respondents were asked how many full time equivalent positions there were within the organisation. 57 VCSE organisations and one anonymous organisation responded below.

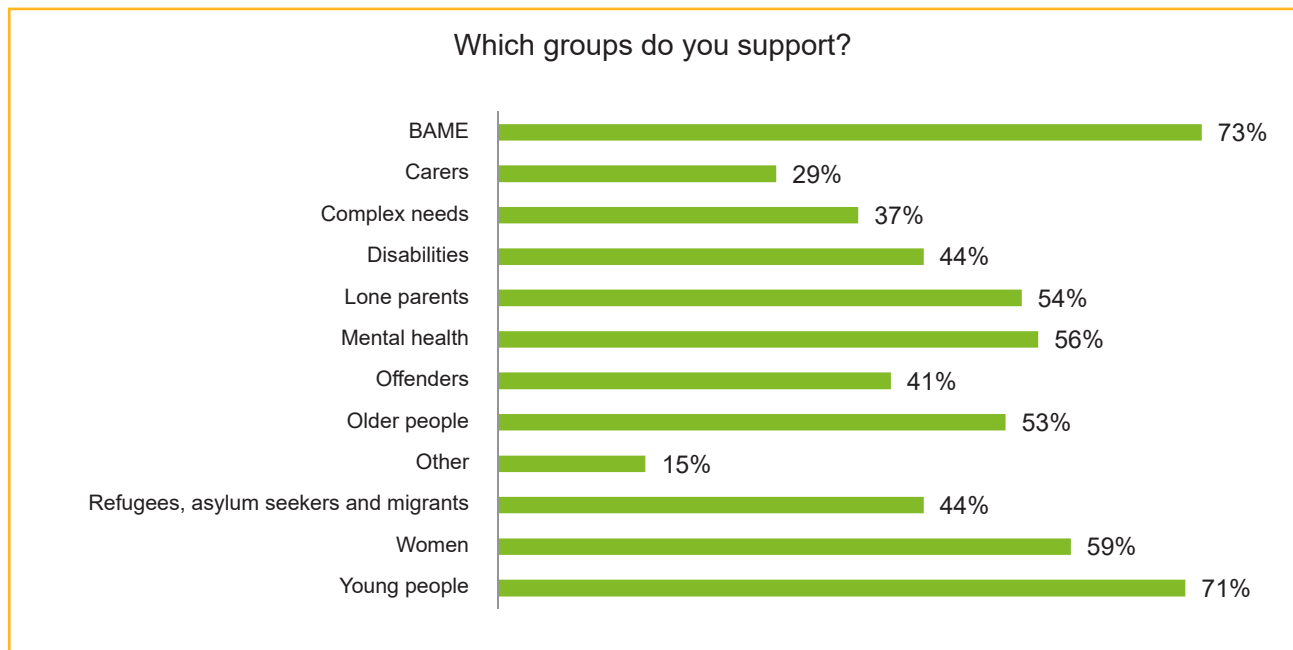


The vast majority of VCSE organisations are small. 50% of voluntary organisations analysed by NCVO have an income of less than £10,000 and a further 33% have an income of less than £100,000. By contrast, organisations with an income of more than £100,000 made up only 3.2% of the sector.⁵¹ In addition, as the Almanac only analyses those organisations that are registered with the Charity Commission, it does not include the large number of predominantly small community groups who fall outside this group.

The trend of respondents coming overwhelmingly from small or medium organisations therefore broadly reflects the shape of the sector. However, this trend does not appear to be as marked as would have been the case had the respondents been representative. The higher number of large organisations might be explained partly by London hosting the head offices of large charities (and therefore having a higher concentration of large organisations than elsewhere) and the fact that large organisations are more likely to be aware of and respond to the survey in the first place.

What groups did the organisations support?

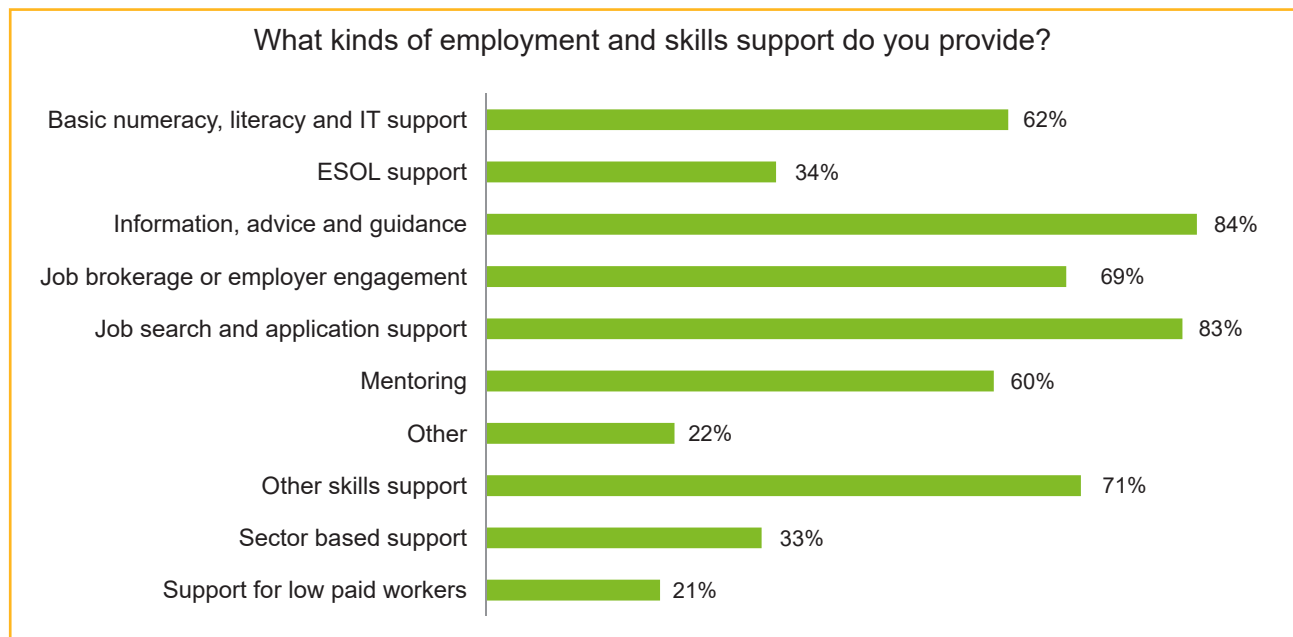
The respondents were asked which groups they supported, with 59 organisations responding.



Overall, there was a good spread of organisations over the different client groups within the sample. Most respondents said they supported several groups, with respondents saying that they supported 5.7 different groups on average. A number of respondents noted that their offer was open to all unemployed or underemployed people, or that different services were open to different groups.

What kinds of support did the organisations provide?

58 VCSE organisations responded to the question on the kinds of support which was offered.



Again, there was a good spread of different types of support offered. As would be expected, almost all the organisations provided information, advice and guidance and/or job search and application support. Eight of the 13 respondents who ticked the “other” category said that they provided enterprise, entrepreneurship or business support. A number of respondents also mentioned health and wellbeing and housing issues in relation to this question, demonstrating the extent to which providers deliver holistic services.

Appendix 2: Freedom of Information requests methodology

A Freedom of Information request was sent to every London CCG, borough and the City of London asking for:

- A list and short summary of the projects which aim to increase employability or skills which are funded or part funded by the body;
- The amount spent the body spent on each of these employment and skills projects;
- The amount for each of these employment and skills projects which went to organisations within the voluntary and community sector.

Of the 32 local authorities and City of London, one local authority refused compliance on the basis of section 12 of the Freedom of Information Act 2000 (cost of compliance). No responses were received from the London Boroughs of Hackney or Tower Hamlets. Overall, information was received from 91% of London boroughs.

Of the 32 CCGs contacted, Islington CCG and Wandsworth CCG did not respond, giving an overall response rate of 94%.

Projects were excluded from analysis if they:

- Ended before April 2014
- Were not partially funded by a local authority or CCG
- Totalled less than £20,000
- Did not contain data on spend or proportion of spend which went to the voluntary and community sector.

The remaining 160 projects were then coded for sub-region of provision, type of provision, client group, overall spend and spend on voluntary sector. The coding exercise was based on the information supplied by the local authorities and CCGs, supplemented where necessary and possible with publicly available information.

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London Voluntary Service Council (LVSC), 200a Pentonville Road, London N1 9JP

 020 7832 5830  info@lvsc.org.uk  www.lvsc.org.uk

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