

The Salvation Army's response to the Work and Pensions Committee



Plan for Jobs and employment support

Conclusions

- Economic inactivity is rising at a time when support for this cohort is falling. There is a significant funding gap between the closure of ESF and the full rollout of UKSPF, putting services at risk and leaving individuals drifting further from the labour market.
- UKSPF is not sufficiently targeted to areas of deprivation, reducing its impact and value for money. Levelling up cannot be achieved if pockets of deprivation are overlooked.
- UKSPF can be burdensome for local authorities with the least resource, capacity and relevant knowledge, allowing people to slip through the support net.
- A lack of ring-fencing of UKSPF for 'people and skills' could result in a vacuum of support for those furthest from the labour market - this cohort are not eligible for mainstream support from DWP.
- The negative, unintended consequences of reduced support services and the breakdown of holistic support - such as mental ill-health, homelessness, drug-use, or problem debt - are more costly than support services.
- Universal Credit does not work for the most marginalised engaging with it and does not reach the furthest from the labour market.
- Service Providers, such as Employment Plus, are a vital cog in employability support and in DWP's goal to influence behaviour, and offer greater value for money.
- DWP must learn lessons around treating claimants with compassion, taking a holistic approach to support, and maintaining claimants' dignity.

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About The Salvation Army

The Salvation Army is a worldwide Christian church and registered charity, which has tirelessly fought against social inequality to improve the lives of the most vulnerable and marginalised people in our society for over 150 years. The Salvation Army believes in putting faith into action and serving God by serving others; offering practical support to all who need, regardless of ethnicity, religion, gender, or sexual orientation.

Our presence in left behind communities has evolved to better support those we serve. Sadly, while for some living standards have improved, we continue to fight many of the same ills - homelessness, modern slavery, poverty, addiction, social exclusion and isolation, debt, unemployment, and the exploitation and abuse of vulnerable people. One such development was our Employment Plus service; a service to help people achieve key milestones, become work ready and re-engage with the labour market.

In this response we focus specifically on two questions which the Committee have identified: the effect on providers of the move from the European Social Fund (ESF) to the UK Shared Prosperity Fund (UKSPF); and the lessons that Department for Work and Pensions (DWP) can learn from third sector and other providers, in respect of delivering employment support. Our response draws on The Salvation Army's experience of delivering Employment Plus.

About Employment Plus

Employment Plus operates at the heart of communities in more than 650 locations across the United Kingdom. Employment Plus offers tailored support to help people become job ready. Through a compassionate and holistic approach, with wrap-around support, Employment Plus builds participant's confidence, soft skills, and wellbeing - empowering them to tackle some of the obstacles they face personally and professionally such as self-esteem, health issues, addictions, or debt.

Employment Plus delivers employability support contracts, working in partnership with local government, devolved powers, and DWP. We delivered Kickstart, and currently deliver the Work and Health programme and Job Entry Targeted Support (JETS) programme on behalf of the DWP and receive c£600,000 and c£2,000,000 of funding for each programme respectively. However, JETS will cease in April 2023.

Until recently, we also delivered employability support through funding streams of ESF. Between 2014 and 2020, we received ESF grants totalling c£6 million. Our average cost per participant for an ESF programme is £991, with our Employability Practitioners maintaining a low caseload, the biggest single driver of successful outcomes. We will tender bids for the UKSPF to support this service.

We also offer specialised employability support to adults with special education needs and disabilities at Strawberry Fields in Liverpool, Hadleigh Farm Training Centre in Essex and the George Steven Community Hub in Kilbirnie, Scotland.

Our Employability Practitioners thoroughly assess unemployed and economically inactive individuals that would like to find work, taking time to understand their

personality and experiences, helping participants identify their goals and ambitions, and become work ready. Employment Plus participants are among the most marginalised in our society, with multiple and complex barriers. Spending time understanding each participant's situation, and having empathy, is vital to providing effective employability support. Our services include:

- One-to-one and group support through our Employability Practitioners
- Effective signposting to health and mental health services
- Building soft skills such as self-esteem, confidence, communication, time-management, team-working, language proficiency, and problem solving
- Tailored training opportunities for hard skills from electrical safety testing to bike repairs
- Guidance for benefit queries
- Work placements and work experience
- Where appropriate, participants are offered opportunities to engage in our partners' programmes.

Our Response

What has been the impact on employment providers of winding down the European Social Fund? Is the UK Shared Prosperity Fund working well as a replacement?

The UKSPF provides an opportunity to support individuals furthest away from the labour market, many of whom face multiple and complex barriers to employment. These economically inactive individuals may have previously received support through services funded by ESF and other European Structural Investment Funds (ESIFs). Many of these individuals do not meet the eligibility criteria for mainstream job finding support from the DWP and are often only reached by third sector service providers, historically funded through schemes like ESF.

We have identified five major issues with the design, development and implementation of the UKSPF and with the transition between ESF-UKSPF, with the result likely to be a significant number of individuals potentially falling through the gaps, and further from the labour market. This could place a strain on other public services. These are outlined in detail below.

1. Economic inactivity is rising sharply, exacerbating a drop in funding

Following the 2007/08 financial crisis, economic inactivity rose sharply by 0.4 percentage points (ppts) or by 340,000 people, peaking at 23.6% in Q1 2010¹. ESIFs, such as ESF, were vital tools in bringing inactivity under control, fighting social and labour market exclusion and isolation. Between Q1 2014-Q4 2019², inactivity fell by 1.7 ppts to 20.5%.

Since Q1 2020, the 16-64 economic inactivity rate has risen to 21.4%, an increase by 1 ppt or 445,000 people in a shorter period than the post-financial crash rise.

¹ ONS - [Economic Inactivity Time Series \(seasonally adjusted\)](#)

² The funding period for ESF was 2014-2020, with funds needing to be spent by 2023. We stopped at Q4 2019 as Covid-19 and Brexit have caused significant structural shifts within the labour market and ESF's impact is diluted.

Research sponsored by The Salvation Army and Shaw Trust³ in 2019 identified a significant funding gap between the end of ESF in 2023 and full rollout of UKSPF in 2024/25. By now, this gap that has put many services at risk of shutting their doors permanently, while other services are turning people away as capacity and resources are spread so thinly.

The Government states⁴ *“Lead local authorities ... must note that the [UK Shared Prosperity] Fund will focus on communities and place and local business interventions in 2022-23 and 2023-24, alongside ... the Multiply adult numeracy programme. This complements residual employment and skills funding from the European Social Fund. UKSPF investment to support people and skills will follow from 2024-25, when the funding pot reaches its full extent.”*

Employment Plus is delivered from our Corps (Salvation Army churches), Lifehouses (Salvation Army supported accommodation), and partner sites - this allows us to integrate employability support with housing, debt, social, mental health and substance use support. The number of economic inactivity is rising, and we expect the demand for support through Employment Plus to increase. Our concern is that funding is winding down and we, and many other service providers, face a significant gap in funding. ‘Residual ESF’ will not bridge the gap between now and April 2024 and the loss of ESF streams could result in the segregation of these services. The breakdown of our holistic offer, that we have experienced transforming lives, will see individuals currently benefiting from support fall even further away from community-based services, Government support and fall further still from the labour market. This will have a domino effect by delaying their re-entry to the labour market, increasing costs through treatments and welfare payments (some of which could be long term), reducing tax revenue, choking productivity and economic output. This will likely also act as an additional restraint on economic growth and could stoke further cost-push and wage-push inflation (to a lesser degree), ultimately making people poorer.

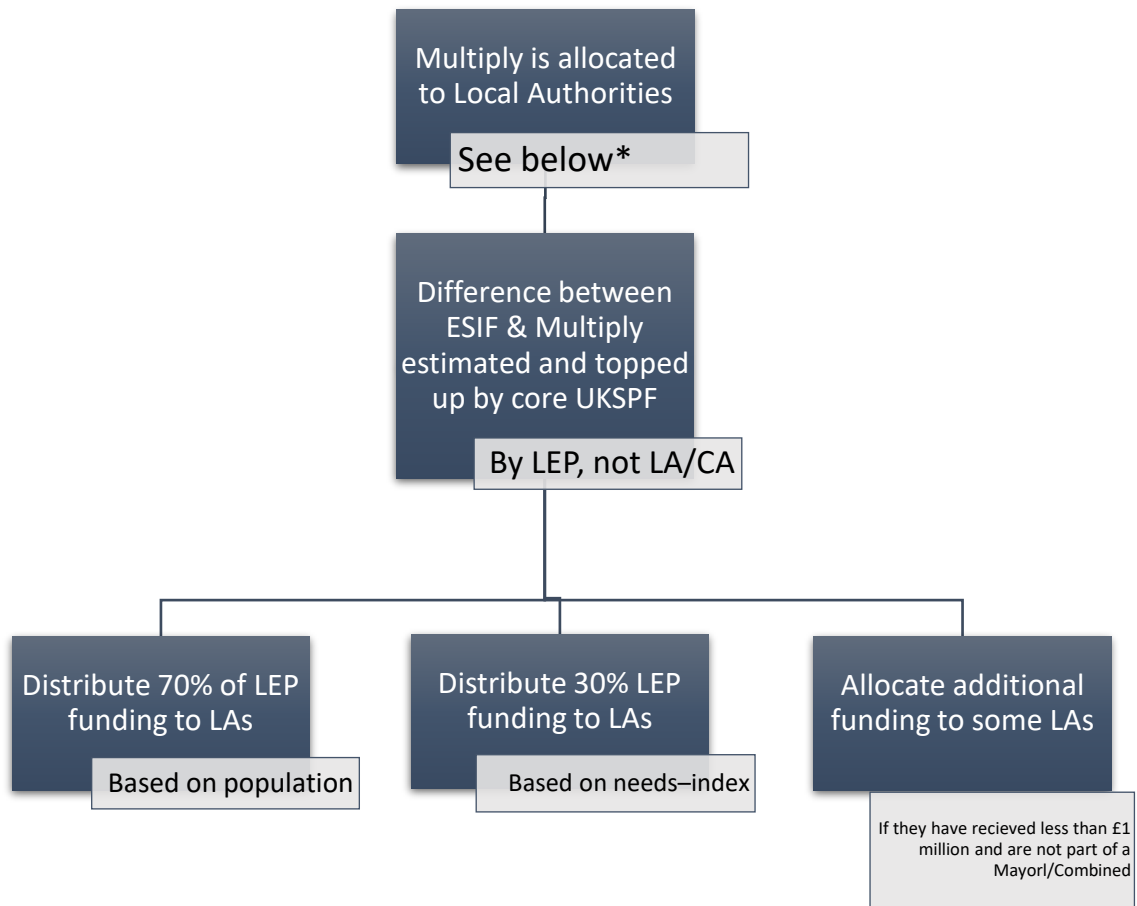
2. UKSPF is not sufficiently targeted to areas of deprivation

The UKSPF will be first be allocated to each nation in the UK, matching what they received in ESF and European Regional Development Fund (ERDF) between 2014-2020. This will then be distributed to local authorities through Local Enterprise Partnerships (see chart 1) rather than inviting competitive bids - however, local authorities will still have to create and submit investments plans. There are concerns that this effectively creates a competitive model; where plans are considered insufficient, funding will be withheld while the plans are improved.

³ Employment Related Services Association - [Sharing Prosperity \(2019\)](#)

⁴ Department for Levelling Up, Housing and Communities - [UKSPF Interventions List, April 2022](#)

Chart 1: Distribution of UKSPF (and multiply), England only



*Based on:

1. Local Authority (LA) population average skill level (proportion without a Level 3)
2. LA population sizes
3. Area Uplift (where it costs more to run training programmes)

The 30% of ‘needs-based’ funding will be calculated in the same way the CRF calculated the ‘prioritisation of places’⁵. The following indicators were used at a local authority level:

<i>Characteristic</i>	<i>Indicator</i>	<i>Source</i>	<i>Weight</i>
Productivity	GVA per hour worked	ONS 2018	30%
Household Income	GDHI per head of population at 2017 prices	ONS 2017	10%

⁵ DLUHC - [UK Community Renewal Fund: prioritisation of places methodology note, May 2021](#)

Skills	Proportion of 16-62 with no qualifications	ONS: Annual Population Survey Jan 2019-Dec 2019	20%
Unemployment	Unemployment rate	ONS: model based unemployed Jul 2019-June 2020	20%
Population Density	16-64 per squared km of land area	ONS 2019	20%

The Salvation Army and the Institute for Employment Studies (2021)⁶ published a report on the geographical distribution of poverty and deprivation, which identified the drivers at a micro local level. Using economic, labour market (additional weight given to economic inactivity), and social indicators at Middle-Layer Super Output Areas (MLSOA) level, the Salvation Army identified 116 areas most in need of investment in England (priority 1) - these were heavily concentrated in coastal regions and deindustrialised areas. In contrast, the Government split England into 315 areas, of which 93 were deemed a priority for funding. Our research broke the areas down into 345 areas and prioritised 116 areas as in most need of investment.

We found that areas of deprivation have higher levels of economic inactivity⁷ - a measure omitted by Department for Levelling Up Housing and Communities (DLUHC) - and as such they require investment in people, not just infrastructure. Those who are inactive are among the furthest from the labour market, with complex and multiple barriers restricting their entry. Targeting UKSPF to support this cohort, focussed but not concentrated to, MLSOA with inactivity above the UK average would offer greater value for money as it meets need, rather than places.

3. The distribution model: some local authorities may lack capacity, resource, and expertise

The UKSPF's allocation and distribution model are welcome attempts to decentralise decision making on how funding is allocated. However local authorities do not have the expertise or resources to engage with the various funding pots and to do so effectively.

We have seen this across the regions where our Employment Plus services operate. While the DLUHC offers support to local authorities, this has not been enough and is evident in the number of local authorities in the 100 most deprived areas failing in their bids (28), or not making a bid at all (34), for the Levelling Up Fund⁸. There are concerns that such administrative pressure will result in local authorities having to prioritise resource and capacity, allowing the economically inactive to drift further

⁶ TSA and IES - [Understanding People, Understanding places \(2021\)](#)

⁷ Author's analysis of Understanding People, Understanding Places priority areas against ONS - [H100 Regional labour market - Headline Labour Force Survey indicators for all regions](#)

⁸ BBC Panorama - [Freedom of Information \(FOI\) requests to the local authorities in the 100 most deprived areas concerning their Level Up Fund bidding](#)

from the labour market, resulting in greater pressure on local, public services such as the health services or addictions services.

The Community Renewal Fund⁹, worth £220 million between 2021-22, exposed similar issues around the capacity of local authorities. The fund was designed to “support local areas to pilot imaginative new approaches and programmes that unleash their potential, instil pride, and prepare them to take full advantage of the UK Shared Prosperity Fund when it launches in 2022”.

There were several issues with this fund; the initial period given to respond to the fund and make a bid was weeks rather than months - for this reason many local authorities did not or could not engage. Along with this, local authorities who were able to successfully bid have since had trouble spending said money due to the delay in the announcement of successful bids and the narrow time frame for spending. Lessons drawn from this experience, could, therefore, improve the distribution of UKSPF.

4. The lack of ringfencing of UKSPF for services aimed at those furthest from the labour market

The UKSPF can be used in three broad areas: ‘communities and place’; ‘support for local businesses’; and ‘people and skills’, with a proportion of UKSPF ringfenced for the numeracy skills programme Multiply¹⁰. As quoted in section 1, DLUHC have stated ‘people and skills’ should have the least focus due to ‘residual ESF’ in place until UKSPF is fully functioning. Alongside this, the ambiguity of intervention list¹¹ could see UKSPF spent in other areas or for plugging budget holes loosely linked to the three broad areas.

The fund is designed in such a way that local leaders have more flexibility over how it is spent. We agree that local leaders are best placed to make decisions on the needs of their area, but we remain concerned that hidden deprivation and inactivity could remain unnoticed. For example, a local leader in Wokingham - a relatively wealthy area - did not acknowledge homelessness as a problem in their area when speaking with an Employment Plus employee; that employee had to show them where individuals were sleeping rough. Our mapping of deprivation reveals that deprivation and inactivity exist within pockets across the South East, East of England and London (see graph 1¹²).

With a large proportion of Levelling Up funds focussed on infrastructural projects and town ‘face-lifts’, we are deeply concerned that the people, who make a place, will not be supported to ‘level up’ their lives and will not benefit from investments in cosmetics. Ultimately, without investment in people to be more active citizens and in providing them with opportunities, regional inequalities will grow and the regions and cities pulling away from the rest of the UK will continue to prosper.

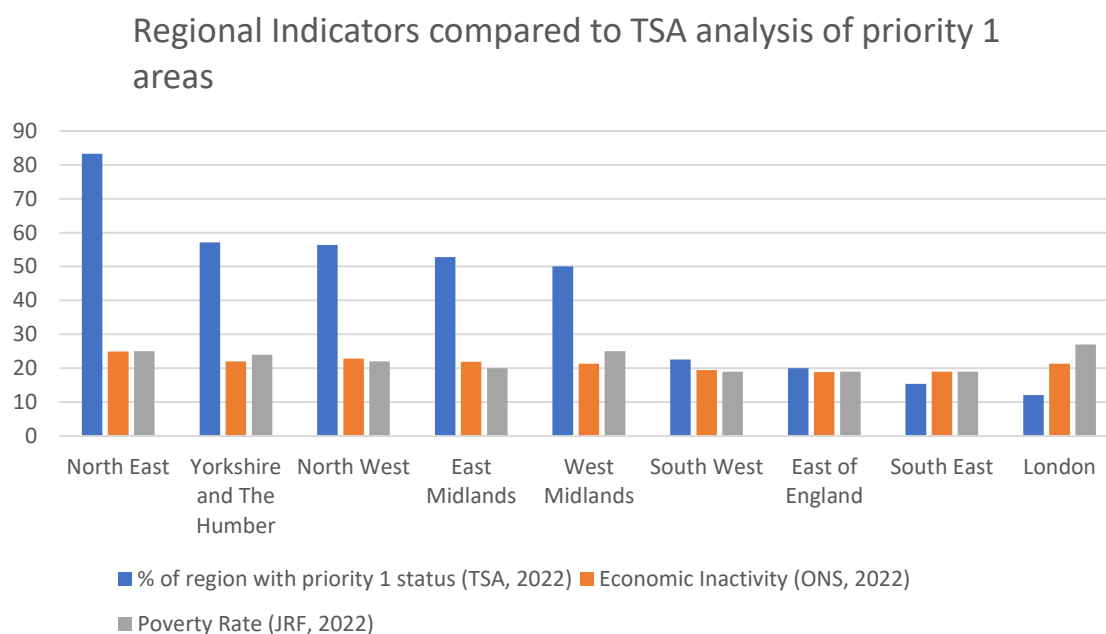
⁹ Department for Levelling Up, Housing and Communities - [Community Renewal Fund, 2021](#)

¹⁰ DLUHC - [UKSPF Interventions List, April 2022](#)

¹¹ DLUHC - [UKSPF Interventions List, April 2022](#)

¹² JRF - *The Poverty Report* (2022)

Graph 1: Regional comparison of statistical indicators



5. Negative externalities and unintended consequences

As a result of these issues, Employment Plus expects significant disruption to the delivery of its services, namely the integration of several services (such as housing, debt or substance/alcohol use) to provide a holistic, tailored support package. We would not be surprised to see the number of economically inactive increase further, at a greater cost to the taxpayer through more expensive intervention services.

Despite the highly elevated rate of economic inactivity, and the record low of this group 'wanting a job'¹³, inactivity remains an overlooked issue and the reasons why people are not engaging with the labour market are misunderstood. Unfortunately, the overwhelming majority of economically inactive individuals engaging with Employment Plus are not eligible for mainstream support from DWP and will not be captured within their safety net. This is concerning for individuals as their employability falls with the amount of time spent out of the labour market¹⁴ and the positive link between employment and wellbeing¹⁵.

Economic inactivity interventions through community-based service providers play a vital role in ensuring vulnerable and marginalised people do not slip further from the labour market. Holistic interventions, such as the support offered through Employment Plus, goes beyond employability support and provides early-

¹³ ONS - [Economic Inactivity by 'Wants are job'](#), those who are either looking for work or are available for work, but not both.

¹⁴ For example, a loss of motivation, self-esteem or confidence; soft and hard skills may deteriorate; contacts may be lost; more likely to experience poor mental health, loss of identity and feelings of isolation.

¹⁵ Jahoda, M. (1981). 'Work, employment, and unemployment: Values, theories, and approaches in social research'. *Am. Psych.* 36, pp. 184-191. doi: [10.1037/0003-065X.36.2.184](https://doi.org/10.1037/0003-065X.36.2.184)

intervention and prevention to much more costly barriers or challenges. Participants are offered the opportunity to provide feedback on our services, with many stating that their personal relationships, wellbeing and mental health had improved/they were able to access appropriate support with our guidance, or that their housing situation had got better, or they had managed to clear debts (see Appendix 1). It is likely some individuals would have fallen into more expensive services, such as homelessness or substance misuse services, increased contact with the NHS or the justice system.

We would caveat that with this final point those at risk of engaging with these services are a product of their current situation, complex needs, and more often than not, trauma. Providing holistic support, building trust and showing compassion drastically improves their chances of positive outcomes and becoming active citizens in our society.

6. Recommendations

DLUHC and His Majesty's Treasury (HMT) must understand the burden that will be placed on the DWP, should UKSPF not be used in the same way ESF and ESIFs were - namely, to support those furthest from the labour market. This in turn would impact productivity and growth and the standard of living for these individuals.

We are calling on Government to:

1. Mandate Local Enterprise Partnerships (LEPs) to set their own target for economic inactivity in their local area.
2. Mandate LEPs to ringfence a proportion of UKSPF funding to meet those targets.
3. People who are disproportionately impacted by economic inactivity, many of whom are not eligible for many - if any - DWP programmes, currently receive support from ESF funded provisions. This support must continue through existing and identified service providers, funded by UKSPF, to ensure no person is left behind.

At a local level, we call on LEPs and local leaders to:

1. Consult locally to set targets and publish a strategy for reducing economic inactivity in the immediate, intermediate, and long term.
2. Produce Key Performance Indicators, grounded in statistical indicators and key milestones, to track the implementation and success of the strategy. The strategy should be reviewed quarterly.
3. Ringfence funding from the UKSPF to fund their strategy to reduce economic inactivity.
4. Provide funding for existing and identified local services which support individuals back into the labour market.
5. Use the Salvation Army's deprivation map to ensure services are available in areas with the highest levels of deprivation.

What can DWP learn from the third sector, local government, and the private sector about how to best deliver employment support?

1. Universal Credit does not work for the most marginalised engaging with it and does not reach the furthest from the labour market.

The introduction of Universal Credit (UC) and phasing out of ‘legacy benefits’ sought to simplify the benefits system, make it more responsive to the economic climate and to make it easier for people to transition from unemployment to employment and/or to increase their working hours without being worse off. Specific measures were put in place in order to influence claimants’ behaviour, providing ‘incentive’ to find work, find more hours or better paid work:

- a conditionality component linked to work search behaviour based on a ‘commitment’.
- a flexibility component, linked to hours worked and employment contract types.
- a financial component, to ensure people, and parents, are not worse-off for being employed.

The broad aim of UC was to provide financial stability and model the working world, reduce dependency on the state, increase claimant’s agency and instil a sense of personal responsibility.

This behavioural shift is an important aspect of employability support, and the various regimes within UC intend to offer varying degrees of support and conditionality. In our experience, the support DWP offers can be beneficial for some and a good experience for a particular demographic - those who are relatively close to the labour market.

However, for the most deprived, the long-term unemployed, those with disabilities or long-term health conditions, those in need of mental health services, substance use services, those who have recently left the justice or care system or those who are survivors of domestic abuse and exploitation - this support is ineffective, and in some cases damaging to the claimant’s wellbeing and employment prospects¹⁶.

To conflate this issue, the benefits system only captures a minority of those with the complex needs and barriers mentioned above, leaving them feeling isolated. Many with these traumatic and challenging experiences are economically inactive, are not eligible for benefits or mainstream employability support from DWP. Until recently, ESF had funded service providers and localised projects to engage with this cohort, improve labour market inclusion and social exclusion. We have previously stated how important these services are in providing early-interventions and reducing the need for more costly interventions. We have supported over 13,000 people through Employment Plus, with 80% going on to achieve positive outcomes and moving closer to, or re-entering, the labour market.

¹⁶ Gateshead Council - [“It’s hitting people that can least afford it the hardest” the impact of the roll out of Universal Credit in two North East England localities: a qualitative study, 2018.](#)

2. Service Providers, such as Employment Plus, are a vital cog in employability support and in DWP's goal to influence behaviour, and offer greater value for money

The DWP work in partnership with service providers such as Employment Plus to deliver their own programmes aimed at this cohort, such as the Work and Health programme and JETS. As ESF provision comes to an end, service providers - including Employment Plus - are not able to plan investments and map needs. We have begun prioritising where our services will operate. This is due to the issues outlined in the previous section, particularly the funding cliff-edge and lack of ring-fencing.

Looking ahead, our Employment Plus service needs the confidence of assured funding to continue providing what is in-effect, a public service. Without such assurances we, and other service providers, are likely to diversify to access other funding pots, make redundancies (and lose crucial knowledge and experience) and withdraw service provision.

Across the sector, there may be issues with the quality of services that are able to continue, but the greatest impact will be on the number of people that can be supported. As a result, we are likely to see the number who are economically inactive creep up at the expense of public finances, through the negative externalities and latent functions mentioned in section five of the previous question.

The support offered by Employment Plus moves people closer to the labour market, naturally moving the inactive into unemployment, thereby making them eligible for mainstream support through DWP. In this sense, service providers are a vital cog in the DWP delivery supply chain, and the DWP may find themselves needing to expand programmes such as the Work and Health or Restart should concerns with the ESF-to-UKSPF transition remain unresolved. Without the knowledge of the local area, a deep understanding of its people and expertise in delivering intensive, tailored support, this is likely to be at a much greater cost to the public finances than if it was delivered by existing service providers. Evidence of good practice or performance within this delivery supply chain should be explored so that lessons can be learned and the evidence-base of 'what works' improved.

3. Employment Plus offer programmes that meets users with compassion, taking a holistic approach, tailored to their experiences, personality and goals.

The people that engage with The Salvation Army face multiple and complex barriers that have played out across their lives, leaving trauma in its wake. We work with participants to solve these issues builds soft skills along the way - such as communication, problem solving, time management, adaptability and teamwork (see Appendix 1).

We consistently receive feedback on our approach with clients - taking the time to understand someone's barriers, actively listening to their experiences and why they

are in the situation helps our practitioners map out a tailored journey for the participant, and results in more than 80% moving into positive outcomes¹⁷.

What we hear most from our participants is the importance of trust; 96% clients report that they are able to talk to our advisors about personal or sensitive issues. Feedback in the free text commentary features phrases and words such as ‘listened to me’ ‘believed in me’ ‘respect’, ‘dignity’ and ‘empathy’.

For individuals like these, the benefits system can seem hostile and invasive, for those who had engaged with the DWP previously, their trust had been broken by the refusal of benefits, the repeat assessments, the stopping of benefits and the roll out of UC. We hear from individuals in this group that the DWP must learn lessons, rebuild trust, show compassion, and maintain claimants’ dignity.

4. Recommendations

The DWP must build a more holistic system that allows their service provider, employer, and stakeholder network to be utilised and the diversity of needs across the unemployed, long-term unemployed and economically inactive cohorts, met.

1. DWP should continue to work with those closest to the labour market through the benefits system, while using existing service providers such as Employment Plus to meet the more complex needs of individuals furthest from the labour market.
2. DWP should map out service providers by location and employability support type, comparing this to a spatial analysis of unemployment and economic inactivity. This will ensure that everyone, no matter where they live or what stage of their journey they are at, will have the opportunity to engage in employability support services.
3. DWP should identify and analyse examples of best practice and performance in the delivery supply chain - for example, Employment Plus has particular expertise in engaging with the most marginalised and those with multiple and complex barriers.

¹⁷ Positive outcomes include: improving soft skills such as communication and confidence; learning new digital skills; completing ‘work-ready activities’ such as CV writing or interview practice; and progressing into volunteering, training, education, or mainstream job seeking services; finding a job or becoming self-employed.

Appendix 1 - Employment Plus Participant Survey: self-reported achievements

Self-reported achievements and results after being involved with Employment Plus (could choose multiple options)

An important caveat here is that this group of individuals are among the furthest from the labour market, with multiple and complex barriers captured in the statistics below. It also captures the importance of holistic support beyond employability support - helping people improve their relationships, clear debt and gained better accommodation creates the conditions for one to be able to grasp opportunities with both hands.

Graph 2: Positive outcomes, Employment Plus clients, July 2022

