

Mayoral Combined Authority Board

Tuesday, 10 September 2024

Pathways to Work Commission Report

Is the paper exempt from the press and public? No

Reason why exempt: Not applicable

Purpose of this report: Governance

Is this a Key Decision? Yes

Has it been included on the Forward Plan of Key Decisions? Yes

Portfolio: Education, Training & Skills

Portfolio Holder: Cllr Sir Steve Houghton CBE

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Executive Summary

This report presents the findings and recommendations of the Pathways to Work Commission, which ran for 1 year from July 2023 to July 2024. The focus of the Commission was how to enable all working-age residents, particularly those furthest from the labour market, access pathways to employment. Hosted in Barnsley with support from

the MCA and partners, the Commission heard and generated significant evidence summarised in a final report with recommendations at the national, regional and local level. The Secretary of State for Work and Pensions attended the report launch event and has expressed interest in working with South Yorkshire to further these ambitions.

This report summarises the Commission's work and recommends that the MCA Board endorse the report, its recommendations, and commit to working collaboratively to further develop and drive forward a pilot in the region.

What does this mean for businesses, people and places in South Yorkshire?

Endorsing this report and its recommendations is an important opportunity for South Yorkshire to lead the way in addressing the national challenge of declining labour market participation. This matters to businesses, people and places:

- For businesses, having a strong and suitable labour supply is critical to growth and prosperity. Given the recruitment challenges many employers face, identifying and understanding how to access an overlooked local talent pool of economically inactive people is critical.
- For people, this report marks a landmark investment in consulting and amplifying the voices of those out of work. The Commission undertook the largest telephone survey of economically inactive people in the UK and this shaped its findings and recommendations. Better pathways into work will fuel prosperity, pride in place, and inclusion for many who want to access employment.
- For places, a focus on endorsing and driving forward the recommendations of the Commission will lead to tangible economic and social benefits. It will strengthen the labour market, boost GVA, and drive more systemic integration for service providers and people seeking to access learning, work and the support they need.

Recommendations

That the Board:

1. Endorse the Pathways to Work Commission's report and its national recommendations in full.
2. Commit to the regional recommendations in the report.
3. Commit to work collaboratively across South Yorkshire to further develop the next phase of the proof-of-concept proposals and commit to work closely with central government to identify funding for a pilot.

1. Background

- 1.1 South Yorkshire is committed to Good Growth. Critical to that mission is understanding and strengthening our economic and social infrastructure. A feature of that infrastructural context both across the country and in South Yorkshire is the recent rise in economic inactivity rates (those out of work and not actively seeking work). This has become a more significant labour market challenge than the rates of unemployment (active job seekers).
- 1.2 South Yorkshire’s employment, unemployment and working-age economic inactivity rates for April 2023-March 2024 (ONS Labour Force Survey, NOMIS) are shown in the table. Across South Yorkshire, excluding students and retirees, 142,400 people are economically inactive due to ill-health, caring or “other”: almost two thirds of those who are economically inactive, and over 6 times more people than South Yorkshire’s unemployed residents.

<i>ONS Labour Force Survey April 2023-March 2024 Working Age</i>	Employment	Unemployment	Economic Inactivity
Barnsley	70.2% 113,600	2.8% 3,200	27.2% 42,800
Doncaster	75.8% 147,300	2.9% 4,500	23.1% 42,600
Rotherham	66.7% 110,100	3.6% 4,100	29.4% 46,600
Sheffield	72.5% 291,500	3.9% 11,800	25.4% 98,000

- 1.3 The Pathways to Work Commission was established in July 2023 as an independent commission with one key question: *How does Barnsley enable all of our working age population, particularly those currently outside the labour market, achieve pathways to employment?*
- 1.4 The Commission was jointly convened by Barnsley Metropolitan Borough Council and the South Yorkshire Mayoral Combined Authority, with support from partners in the private, public and voluntary & community sectors. The evidence from Barnsley was expected to identify lessons and recommendations which could be applied across South Yorkshire and nationally.
- 1.5 Chaired by the Rt Hon Alan Milburn, the Commission brought together twelve national experts, including the Mayor of South Yorkshire, who have met regularly over the past year to answer the key question. The Commission has engaged with almost 150 individuals and organisations through evidence sessions including a wide range of local and regional partners. There has also been a wide range of newly commissioned research including a telephone survey of 750 Barnsley and South Yorkshire residents who are economically inactive (non-students), and qualitative research with 57 Barnsley residents who are out of work or at risk of falling out of work.
- 1.6 The Mayor of South Yorkshire is one of the Commissioners. There has been regular involvement from SYMCA officers at Commission sessions, and officers from across other local authorities in the region have actively participated in the

“Design Week” sessions shaping the high-level system component proposals for a local Proof of Concept model.

1.7 The Commission report was published on 23 July 2024, just over a year after the Commission’s formation. There were two launch events:

- A report launch and roundtable with major employers in Barnsley on 23 July, with welcomes from the Leader of Barnsley Council and the Mayor of South Yorkshire before the Commission’s report was presented by Rt Hon Alan Milburn. This was followed by the Secretary of State for Work and Pensions’ first major policy speech, who praised the work of the Commission and set out her intent to act on many of the recommendations.
- A private event to launch the report to policymakers and government ministers in Westminster on 24 July, with opportunities for speeches from the Mayor and Barnsley’s Leader in addition to the Chair of the Commission.

2. Key Issues

2.1 *Commission findings*

- 2.1.1. The Commission’s report has set out its major findings including an overview of *who* is out of work, *who needs help* to work, and *what helps* people to work before setting out recommendations.
- 2.1.2. Strikingly, the survey of South Yorkshire’s economically inactive (non-student) population found that as many as 7 in 10 stated they would take a job that aligned to their skills, interests and circumstances. This evidenced the fact that many people want to work but lack the right pathways towards employment.
- 2.1.3. A large proportion of economically inactive residents have made a choice not to work based on their personal circumstances – but creating better pathways for those who *need* and *want* to work would clearly benefit individuals, businesses, communities and our economy. According to the Learning and Work Institute, if we could raise the labour market participation rate from 78% to 80% nationally, the result would be to boost the economy by £23 billion per year, the public finances by £8 billion, and household incomes by £830 per year on average.
- 2.1.4. Research conducted as part of the Commission’s evidence-gathering confirmed that health is the major barrier for people out of work, but most economically inactive people face multiple, overlapping barriers.
- 2.1.5. Overall, there are four key cohorts who would particularly benefit from help to work:
- Those currently economically inactive due to ill-health or disability
 - Those currently economically inactive due to caring responsibilities
 - Young adults with low qualifications at risk of not entering the labour market

- Young adults with poor health at risk of not entering the labour market

2.1.6. The research also confirmed that flows into economic inactivity are preventable in half of cases, and there are missed opportunities for early intervention. Workers managing health conditions and workers in their fifties should be particularly targeted with support to stay in employment.

2.1.7. The lack of systems leadership on this issue at the national level has contributed to serious fragmentation of the funding and commissioning of support for economically inactive people, which is driving poor outcomes and disengagement. Therefore, national responses to a weak labour market must account for the diversity and needs of the primary cohorts of people who are out of work.

2.1.8. Employers have a vital role to play in preventing flows out of the labour market through protecting the health of the workforce more effectively. However, the business case for employers to recruit people who have been out of work must be strengthened.

2.1.9. Addressing the wider systemic challenges of rising ill-health and educational attainment gaps are critical foundations for higher rates of labour market participation.

2.1.10. New data-sharing agreements between public sector partners will be critical to enable the targeting required for best return-on-investment, better personalised support and a seamless customer journey/experience.

2.2 Commission recommendations

2.2.1. The Commission has found that the ultimate enablers of transformational change sit at the national level. They have set out national enablers for raising labour market participation in six critical arenas, which are set out in the Commission report:

- National ambition and architecture
- Place-based ownership
- Engaging employers
- Aligning health services to support employment
- Ensuring the best start in life
- Changing incentives in the benefits system

2.2.2. The Commission has also made some specific recommendations to Barnsley and South Yorkshire based on Commissioners' findings in relation to the particular challenges facing the region and the powers available. Recommendations to Barnsley will focus on tackling educational achievement gaps and developing the nature and quality of work. Recommendations to South Yorkshire are that the Mayoral Combined Authority:

- Invest in transport access for areas with the highest transport-related social exclusion.
- Launch a Good Employer Charter with major employers.

2.2.3. Finally, the main recommendation to Barnsley and South Yorkshire jointly will be to further develop and implement a local “Proof of Concept” model to trial in Barnsley, with the opportunity to scale the model across South Yorkshire if successful. The funding for high-level development and costing of this model was provided by SYMCA in Spring 2024, enabling concurrent high-level design alongside the Commission’s report writing.

2.3 *Commission’s recommended elements for a Proof of Concept*

2.3.1. Barnsley Council and SYMCA, working alongside Price Waterhouse Cooper (PWC) and Forsyth Clement, to complete an initial high-level design of a Proof of Concept to raise labour market participation rates of those who are economically inactive to a significant degree. This drew on the Commission’s findings and international best practice and learning alongside a design week involving key partners from across SY held in Barnsley.

2.3.2. This Proof of Concept design work identified the six core components of a dynamic local system that prioritises employment and engages proactively with individuals and businesses to grow the local economy through reducing economic inactivity. These are:

- A **System Steward** to strengthen system-level accountability, set system-focussed outcomes and enable rapid decision-making, as well as set strategic direction at the MCA level by effectively utilising data and stewarding funds to deliver improved regional and local outcomes.
- A **System Service Manager** to improve overall efficacy of the system in each local authority area by managing providers, building capacity and aligning health and work system delivery and outcomes to ensure a seamless journey for participating individuals.
- **Intensive Case Management** offering personalised and sustained support for the economically inactive individual through a single case manager support worker helping them access the support they need to overcome barriers, build resilience and skills, and into work that is right for them.
- **Employment Activation** through working with local businesses and delivering real-world work-based provision to ensure that decent work is available for all who want to work and to help hold people in employment, also acting as a potential magnet for local investment.
- **Prevention** through allowing intervention before individuals become economically inactive through job retention and good work, along with a focus on youth, prioritising cross-system collaboration.
- It will be a system **underpinned by data**, with development of a local data & insight infrastructure linked to the participants’ journey. This will support assessing eligibility as an economically inactive resident, monitoring, evaluation and overall system improvement.

2.3.3. These components would operate system-wide to create an integrated support structure for those who are economically inactive to return to good work and for businesses to access a valuable work-ready labour supply. The focus is on building on

the strengths of existing provision and knitting together the system with a focus on raising participation in the labour market. It should recognise and celebrate good work already taking place to support this agenda.

2.3.4. This approach is distinguished from existing responses to inactivity by delivering through a model for system-wide reform rather than creating “another programme”. It distinctively targets the economically inactive cohort who receive limited or no support from the DWP to find employment. It also presents bespoke options to test out innovative practices with employers such as ‘work simulation’ centres which offer real-world immersive work environments to enable people to develop their work-readiness skills, capabilities and behaviours (based on the model from Alberta, Canada).

2.3.5. Initial work identifying the financial benefit of placing 2,200 economically inactive Barnsley residents into work through this approach found the benefits to be substantial. The individual gains through improved wellbeing and income from employment equate to £39.7 million per annum and the locality impact through reduced costs to the public purse and job creation equate to £28.8 million per annum. This represents a genuine invest-to-save opportunity.

2.3.6. Further development of the model will be required throughout the autumn to align it to the changes implemented by a new government and to do the detailed design required before mobilisation. This design work will cover a theory of change, logic model, assurance framework and economic and financial modelling at the South Yorkshire level. This will require leadership and involvement from Sheffield, Rotherham and Doncaster alongside Barnsley, with opportunities to map existing provision and resources across the whole region to ensure any new pilot elements complement existing best practice. This will provide opportunities to ensure the final model can be tailored to the unique needs, high-quality services, and specific cohorts in each area. It will also highlight the fragility of much of the current funding, including UK Shared Prosperity Fund, currently supporting those who are economically inactive.

3. Options Considered and Recommended Proposal

3.1 Option 1

The board should fully endorse the Pathways to Work Commission report and its national recommendations. It should also commit to taking forward the two specific regional recommendations in the report, focusing on inclusive transport access and a good work charter with employers. The board should also commit to work collaboratively across South Yorkshire to further develop the next phase of the proof-of-concept proposals with ecosystem and resource mapping across the other three local authority areas, and a theory of change, logic model and assurance framework at the South Yorkshire level. Finally, the board should commit to work closely with central government to identify funding for a pilot in advance of the autumn budget.

Whilst the Commission report sets out a recommendation for a Barnsley pilot which could subsequently be rolled out across South Yorkshire, we propose that the

board should choose to move faster than this by doing the further development work at a regional level and lobbying for government funding for a 3-4-year regional pilot from its inception.

3.2 Option 1 Risks and Mitigations

The primary risk associated with this option is that government funding for a proof-of-concept may not be made available. However, the further development work regionally will be part of the mitigation strategy by mapping the existing activity and programmes supporting people on a journey back into employment; should no new funding become available, this can be used to ensure all existing provision is reaching economically inactive residents where possible. The further development work must also map risks to existing provision.

3.3 Option 2

The alternative option is not to accept the Commission's report findings and recommendations. While there may be different responses to the report from each of the local authority areas and SYMCA, the report is a seminal piece of work addressing a significant national challenge. The expertise and wealth of experience of the Commissioners, the breadth and depth of evidence and stakeholder engagement conducted throughout 2023-24 to support the Commission, and the associated advocacy and PR programme to give it prominence, has ensured the Commission report is viewed as a key policy document by the new government as they develop their white paper to get Britain working. This option is not therefore recommended.

3.4 Option 2 Risks and Mitigations

This option risks missing a prime opportunity to lead the way on driving growth nationally and highlighting South Yorkshire's innovation through this work. The opportunity for South Yorkshire to partner with Central Government in collaboratively funding and trialling new approaches to a national labour market challenge would also be lost. There would be reputational impacts with Commissioners and government should the report not be endorsed following its high-profile launch which cannot be easily mitigated.

3.5 Recommended Option

Option 1.

4. Consultation on Proposal

4.1 The voice of residents has been central to the Pathways to Work Commission. The telephone survey of 750 economically inactive residents in Barnsley and South Yorkshire is the largest of its kind. Through 57 in-depth qualitative interviews and four focus groups, additional residents were invited to share their stories, experiences, aspirations, and their views on the kinds of support they would value.

4.2 Partners have also been widely consulted throughout the Commission. The evidence sessions provided a regular opportunity to profile local best practice, to host roundtable sessions with local businesses and local health practitioners and

with employment support services. In developing the initial Proof of Concept proposals, a week-long “Design Week” was held with 42 local partners attending throughout including representatives from other South Yorkshire authorities. Consultations have included SYMCA and local authority partners.

5. Timetable and Accountability for Implementing this Decision

5.1 The initial proposal for the Pathways to Work Commission came to the MCA Board on 5 June 2023, with the Commission first meeting the following month. Several months of evidence gathering followed this before the report was drafted and findings presented on 23 July 2024.

5.2 Timetables are subject to discussion and approval by SYMCA and LA partners, but we must progress at pace to capitalise on the momentum from the report launch and the interest from national government. With an autumn budget due on 30 October, the conversations with government about funding opportunities and the underpinning further development and economic analysis of the proof-of-concept proposals should happen at pace. This would allow for a pilot mobilisation in 2025.

6. Financial and Procurement Implications and Advice

6.1 The next stage of further development of the Proof of Concept model, involving the three other South Yorkshire local authorities, should be procured by the MCA, as the design of the model will cover the whole of South Yorkshire.

6.2 There is also a request for the MCA and its constituent local authorities to be part of conversations with HM Treasury about resourcing the local Proof of Concept, which will be presented back to the MCA fully costed once the next stage of development has been completed.

7. Legal Implications and Advice

7.1 Any future proposals will need to be considered from a vires perspective to ensure such proposals are lawful. Any procurement required to deliver future proposals will need to comply with procurement Regulations and the MCA’s contract procedure rules.

8. Human Resources Implications and Advice

8.1 There are no human resources implications at this stage.

9. Equality and Diversity Implications and Advice

9.1 The Commission’s EIA is available with this report. The entire focus of the Commission is on empowering all our residents to have equal access to good employment and supporting our businesses to employ a diverse workforce.

10. Climate Change Implications and Advice

10.1 The Commission's full sustainability wheel is available with this report.

11. **Information and Communication Technology Implications and Advice**

11.1 There are no ICT implications at this stage.

12. **Communications and Marketing Implications and Advice**

12.1 The launch of the Commission's report provided ample opportunity to focus political and media attention on South Yorkshire. Both the launch in Barnsley, which the Secretary of State for Work and Pensions attended along with dozens of key partners, and the launch in Westminster, which the Mayor spoke at, were hugely successful events, emphasising that South Yorkshire can lead the way in improving labour market outcomes.

12.2 The continued development of a Proof of Concept will provide further opportunities for communication with residents and businesses, and will further raise the profile of South Yorkshire in innovative responses to nationally rising rates of economic inactivity.

12.3 Consultation has taken place with the SYMCA communications team at key points throughout the project.

List of Appendices Included:

- A. Pathways to Work Commission Report
- B. Equalities Impact Assessment
- C. Sustainability wheel

Background Papers:

5 June 2023 MCA Board: Pathways to Work Commission report paper.