



The Opportunities and Challenges of the Work Programme

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Policy context

As part of their wider drive towards public service reform, cost-cutting, and localism the Coalition Government has introduced a range of new policy around reforming the welfare system and streamlining employment programmes. On the welfare reform side of things we are seeing a shift away from distinctive benefits such as Jobseekers Allowance, Incapacity Benefit, and Income Support which were allocated to claimants with differing needs; to a universal 'one-size-fits-all' credit. Employment programmes have gone a similar way, away from specific or neighbourhood focused programmes such as Pathways to Work, New Deal, and Working Neighbourhoods Fund to an all-encompassing single Work Programme. The changes have been implemented for a number of reasons:

First, benefit and particularly economic inactivity claims are one of the largest areas of public expenditure for HM Government. Last year, out of central government's total spend of £586billion, £137billion was spent by the Department for Work and Pensions. A significant £125billion of this was spent upon benefit payments of one type or another, whether it be state pensions or Incapacity Benefit. There is, alongside wider deficit reduction, a drive to reduce benefit claims and payments.

Second, the Government has ambitions of economic growth and increasing productivity through supply side intervention. To do this however and to fill the jobs the Government is aspiring the private sector to create, the demand side has to be activated. The Work Programme is therefore designed to undertake this very role; move people from benefit dependency to work.

Third, the changes form part of the Government's commitment to reducing bureaucracy of the policy choices and programmes of the previous administration. The welfare system has been notoriously complex for generations for both providers and service users alike, with the myriad of employment programmes described above believed to lead to inefficiency, duplication, and continued cycles of worklessness. The new system is designed to provide simplified support and programmes which demonstrate true value for money.

Implementation of the Work Programme

The Work Programme is an integral part of the Government's welfare reform programme, effectively marketising the delivery of employment intervention. Whilst still being delivered by a mixture of public, commercial and social organisations, the leadership drive and responsibility is being decentralised to large, often multinational private sector organisations. These organisations sit on regional or sub-regional frameworks with a remit to commission activities designed to support people into employment, with payment made by government on the basis of results and particularly outcomes related to individuals being in sustained employment for either 13 weeks (existing incapacity benefit claimants) or 26 weeks (existing jobseekers allowance claimants).

The framework providers or 'prime' contractors were announced in early April 2011 and include organisations such as A4e, Working Links and Serco. They are currently in the process of developing operational plans and formalising engagement with potential sub-contractors and voluntary and community sector consortia. The Work Programme is a massive undertaking, given the scale of the challenge. There are currently around 5.7 million claimants in receipt of out of work benefits (1,466,988 claimants of Jobseekers Allowance; 2,596,380 claimants of Incapacity Benefit or Employment and Support Allowance; 672,310 claimants of Income Support). This scale of worklessness inevitably means that there will be opportunities arising from the Work Programme and also significant challenges. The remainder of this rapid research explores these broad opportunities and challenges framed within the perspectives of prime contractors, sub-contractors, central government, local government, claimants, and places.

Opportunities of the Work Programme

Opportunity 1 – could the Work Programme generate efficiencies and effectiveness?

The employment programmes of the previous government have often been criticised for their myriad nature. There were lots of programmes going on meaning that claimants could effectively be engaged in multiple job brokerage activities, with associated implications of duplication. Additionally payment for previous employment programmes delivered by local authorities, private sector brokers, and the voluntary and community sector was upfront, meaning that there was not really an emphasis upon return on investment.

The Work Programme provides an opportunity to generate both efficiencies and effectiveness. In efficiency terms, the fact that it is a single programme reduces duplication of offer and support to claimants. Additionally, given that payment is made on the basis of results there is a potential reduction in public sector spend and therefore improved efficiency. In effectiveness terms, with payment by results, prime contractors and sub-contractors will have to develop quality products which are effective in moving people into sustained employment, with a lack of quality meaning no results and no payment.

Opportunity 2 – could the Work Programme be an opportunity to bring together commercial, public and social economies?

The Work Programme has been developed on the basis of leadership by prime contractors, predominantly in the commercial sector and delivery by commercial and voluntary and community sector organisations. This strategic and delivery relationship between the commercial and social economies is something that has not really happened before on this scale, and can therefore be viewed as an opportunity. It moves the relationship between the commercial and social economy away from narrow discussions around corporate social responsibility to more of a strategic footing.

As evidenced in recent research by CLES around place resilience, effectiveness cannot just be upon the basis of the relationship between the commercial and social economies. Instead multi-discipline is required between public, social and commercial economies. The Work Programme has a real opportunity to be an initiative framed by effective cross-sectoral working.

Opportunity 3 – Could the Work Programme be a new way of doing employer engagement?

In the past there has often been an awkwardness to the relationship between public authorities and employers in the commercial sector. This has largely been down to the fact that the commercial sector has often been stifled by the bureaucracy of the public sector. The Work Programme offers the opportunity for a new and potentially more productive relationship between private sector prime contractors and large private employers; a relationship which is about jobs growth and brokerage as opposed to targets and bureaucracy.

Opportunity 4 – Could the Work Programme develop the commercial skills of the voluntary and community sector?

Over the last ten years or so there has been a broad shift away from the voluntary and community sector being recipients of grants to one where they are deliverers against contracts or services. Whilst some voluntary and community sector organisations have adapted to the change others have not had the sufficient capacity or skills to do so. The Work Programme is largely based upon contract arrangements between prime contractors and sub-contractors meaning that voluntary and community sector organisations will need to develop commercial skills in order to compete for and deliver Work Programme activities.

The Work Programme has an additional emphasis upon voluntary and community sector organisations developing delivery consortia. This is important as it brings together organisations in collaboration and again avoids duplication of offer within place.

Challenges of the Work Programme

Challenge 1 – could the Work Programme lead to a mismatch between the geography of worklessness and provision?

The prime contractors are predominantly national organisations with some of the framework awards having been made to organisations which are not based in the allocated region nor having worked in that region previously. This provides a challenge in that there may not be the specific knowledge of how that local labour market functions, what the needs of claimants and neighbourhoods are within that region, and what the supply side or employment opportunities are within that region. This has implications for how prime contractors target interventions and engage with employers.

There is also a geographical challenge between that of prime contractors and clusters of worklessness. Worklessness can often be prevalent at neighbourhood or street levels. Whilst recognising that it will be the role of sub-contractors to deliver in neighbourhoods, the geographical scale of the Work Programme may inevitably lead to gaps in provision, gaps in employment brokers in certain neighbourhoods, or gaps in employment opportunities. It is also a challenge for claimants in travelling to potential support options.

Challenge 2 – could payment by results threaten the sustainability of organisations?

Payment for delivering the Work Programme by Government will be made largely on the basis of results. Whilst prime contractors will receive an attachment fee for each individual moving onto a programme of activities, the bulk of the payment comes once an individual has moved into employment for a period of 13 or 26 weeks dependent upon whether they are previous claimants of Jobseekers Allowance or Incapacity Benefit. This places significant risk on the part of the prime contractor in terms of providing up-front costs to deliver activities. It also does not seem to recognise the current uncertainty of the labour market in that there are very few fixed term employment opportunities out there, nor does it account for the inevitable churn that claimants move in and out of employment. What happens, for example, if someone falls out of a job after 25 weeks; do they have to go back to the very beginning of the 26 week period to enable the prime contractor to get paid.

Whilst inevitably risky for prime contractors, the challenge of payment by results is more prevalent for sub-contractors and suppliers of employment activities. It is doubtful given the current economic climate that voluntary and community sector providers will be able to up-front the costs of delivering Work Programme activities at the local level, nor will they be financially sustainable if they have to wait for payment for a minimum of 13 weeks. A discussion needs to be had with prime contractors as

to whether sub-contractors can access part of the attachment fee as part of the contract of activities. This will be down to the effectiveness of relationships with prime contractors and more information is required as to whether this will form part of contractual arrangement.

The third challenge with payment by results is that it might lead to prime contractors and sub-contractors just going for 'easy wins' when it comes to delivery. This is something that has characterised the employment programmes of the previous administration. By easy wins we mean claimants who are closest to the labour market and require the least support to access employment opportunities and become sustained in employment. This potentially further marginalises, for example, long term claimants of incapacity benefit, for whom it might take years to become job-ready. The challenge in this is that many of the payment scales have already been set for outcomes and they may not actually be attractive to prime contractors and sub-contractors.

Challenge 3 – could the Work Programme threaten the neighbourhood focus of the voluntary and community sector?

In recent years the voluntary and community sector have been commissioned through programmes such as the Neighbourhood Renewal Fund and the Working Neighbourhoods Fund to deliver employment programmes in particular neighbourhoods or for particular communities of interest such as BME and disabled groups. The Work Programme, and indeed Coalition Government policy is more generic than this. Work Programme sub-contractors and suppliers are likely to be required to deliver at larger geographic levels and offer support to a diverse claimant group.

This has implications and presents challenges for voluntary and community sector organisations on two counts. First, they may have to diversify their focus, therefore moving away from specific groups and their ethos. Second, and to respond to widening geographies they may have to integrate into consortia groups for Work Programme delivery. Whilst some localities have effectively set up consortia, predominantly in the major cities; the challenge is in areas where the voluntary and community sector is more fragmented.

Challenge 4 – do prime contractors have sufficient knowledge of local deliverers and are the timescales for engagement sufficient?

As outlined in challenge 1, some of the prime contractors have been allocated regions or sub-regions which they have not previously worked in. This is not only a challenge in terms of knowledge of the labour market but also in terms of knowledge of local providers of employment intervention. Prime contractors will need to quickly understand the offer and skills sets of potential sub-contractors on their patch. If they don't understand this offer it exacerbates the potential for gaps in delivery for particular geographies and demographics.

A lack of understanding of local providers may also just lead to primes engaging with 'tried and tested' providers who have delivered in the past. The evidence suggests that these providers and programmes have not necessarily worked in the past. There are also concerns around whether primes will simply 'poach' expertise from existing providers to fill gaps in their own organisations, particularly around issues such as mental health. There is an additional challenge here around timescales. Prime contractors will have to move quickly to engage with and contract activities with sub-contractors. Also sub-contractors will need to be proactive in demonstrating their capabilities.

Challenge 5 – what is the role of local government and Jobcentre Plus in the Work Programme?

The focus of the Work Programme to date has largely been upon: setting up the framework agreements with prime contractors; developing consortia within the voluntary and community sector; and beginning to develop operational plans for delivery. One key area which requires clarification in the future around the Work Programme is the role of local authorities and importantly Jobcentre Plus.

The strategic priorities of local government around tackling worklessness and developing skills should drive the activities of prime contractors and sub-contractors. Local government can also provide much of the local intelligence required for Work Programme delivery around priority neighbourhoods and groups. The challenge is creating an arena to enable this dialogue to happen. Partnership is also important for delivery of the Work Programme. If local government is to have a true role in the Work

Programme, it is probably one of coordination. The challenge here lies when prime contractors are not all involved in partnerships structures, leading to potential conflicts of interest. Local authorities need to be pro-active in engaging with prime contractors and embedding them with partnership structures. There is also a need to link up the employment activities of the Work Programme with the economic growth priorities of Local Enterprise Partnerships (LEPs).

Additionally, there has been very little guidance or dialogue around the role of Jobcentre Plus in the Work Programme and particularly their existing brokerage activities. Like local government, Jobcentre Plus potentially have both a strategic, referral and delivery role in the Work Programme. The challenge is clarifying this role with prime contractors.

Challenge 6 – could the Work Programme lead to duplication of employer engagement activity?

One of the key elements of the Work Programme which make it different from the employment programmes of the last ten years is the focus upon the supply side and employer engagement. Previous employment programmes have tended to focus on the demand side and providing claimants with the skills required to apply for jobs and enter employment. The Work Programme seeks to marry the two sides of supply and demand.

The challenge with employer engagement in relation to the Work Programme is however its competitive element. With two or three prime contractors in each sub-region there is a real danger that they will all be competing to engage with the same employers. Imagine a scenario whereby a major employer is looking to fill 100 posts. You may well have a situation where each of the prime contractors or sub-contractors are competing to broker their claimants into the opportunities. This potentially risks annoying the employer.

The notion of supply is also difficult given the current economic context of public sector redundancies and stagnant private sector growth. For employer engagement to work, jobs have to be available in the first place and the jobs need to be matched to the skills of claimants. Again the challenge here is the potential further marginalisation of those furthest away from the labour market as they do not have the skills to compete and contractors will be tempted to broker the 'quick wins'.

Challenge 7 – how will the impact of the Work Programme be measured?

The Work Programme appears to be a very outcome focused model with payment on moving people into a sustainable job. This differs from the focus of the previous programmes which were just about brokering a claimant into a job. The question remains as to how qualitative outcomes such as improved confidence and self-esteem can be measured. The challenge here is embedding the importance of qualitative outcomes into the mindsets of prime contractors and secondly developing a robust model which enables these outcomes to be collected and monitored.

Challenge 8 – could the Work Programme be a holistic approach to employment support?

Worklessness is very much linked to a host of other socio-economic issues around housing, education, family and place of residence. These services are often delivered by social services departments in local government and housing associations. With efficiency savings a key drive of contemporary policy, a key challenge for prime and sub-contractors is ensuring employment support takes a holistic approach. This requires knowledge of the multiple challenges facing individuals in entering the labour market and could lead to a significant increase in demand for services such as mental health support.

A holistic approach to delivering employment support will also be required to deliver effective in-work support, ensuring individualised support is provided to overcome barriers once work has been found. This could include support to overcome issues within the wider family which could prevent providers from receiving 'sustainability payments'.

Conclusion

At CLES, we are broadly supportive of any attempt to improve the operation of the welfare state and the support provided to those out of work, particularly those who have been unemployed for the longest period of time. We are particularly interested in the Work Programme and the new way that it involves a structured partnership between the public, private and social sectors.

In this research we have identified a number of key challenges and opportunities for the delivery of the Work Programme. As well as our own thinking, we have sought the opinion of prime contractors, local authorities and voluntary and community sector organisations to understand potential solutions to these challenges and the potential opportunities that are emerging.

We have identified four key considerations for the effective delivery of the Work Programme:

1. Ensure a broad range of suppliers are engaged in the Work Programme at a local level to ensure a holistic approach to employment support can be provided. There is a clear role for local authorities in informing this delivery offer.
2. Provision undertaken as part of the Work Programme needs to be continually reviewed. That way, provision can build on what works and respond to changing needs in terms of, for instance, an increase in the volume of claimants being referred to the Work Programme due to successful service delivery.
3. Local government needs to adopt a place stewardship role as a driver of the Work Programme. They need to lead an effective partnership between primes, sub-contractors, Jobcentre Plus and ensure employer engagement activity is robust. Additionally local government need to act as a conduit between the Work Programme and LEP's.
4. Capacity building needs to be provided in the voluntary and community sector to enable diversification beyond specific geographies and to enable delivery of a holistic model of employment support. Professionalism and consortia development will be key to voluntary and community sector delivery of the Work Programme.

Future research

CLES are particularly interested in undertaking longitudinal research with both prime and sub-contractors to understand how they are responding to the challenges and opportunities of the Work Programme. If you would like to take part, or have any thoughts on the opportunities or challenges presented within this research, please contact Matthew Jackson or Gareth Brown on 0161 236 7036.

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