



**The European Commission Mutual Learning Programme
for Public Employment Services**

DG Employment, Social Affairs and Inclusion

**SUBCONTRACTING IN PUBLIC
EMPLOYMENT SERVICES: THE DESIGN
AND DELIVERY OF 'OUTCOME BASED'
AND 'BLACK BOX' CONTRACTS**

Analytical paper

11th September, 2012

This publication is commissioned by the European Community Programme for Employment and Social Solidarity (2007-2013).

This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the EU2020 goals in these fields.

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In collaboration with ICF GHK and the Budapest Institute

Please cite this publication as: European Commission (2012), Subcontracting in Public Employment Services: the design and delivery of 'outcome based' and 'black box' contracts, Brussels, Author: Dan Finn

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EXECUTIVE SUMMARY

There has been growing interest in Europe in employment programmes that fund providers on the basis of how many people they successfully place in employment rather than simply on the number of people to whom they provide services.

This report reviews recent developments in such subcontracting practices with a particular focus on the impact of 'black box' contracting where private providers are given flexibility to use their skills to design and deliver services for jobseekers and where their income is largely dependent on securing sustained employment outcomes. This approach has been most developed in the UK and the report considers the design and procurement of the large scale British 'Work Programme' (WP) which has replaced a large number of categorical, fragmented and shorter term programmes. In June 2011 a network of 19 'prime providers' commenced delivery and it is anticipated they will assist in excess of three million people over the initial five year contract period.

This report explains how the WP is financed and how providers are paid for long term employment outcomes. It then reviews how WP providers have utilised the flexibilities given by black box subcontracting and considers the composition of the supply chains they have developed and the service delivery strategies that are being implemented.

Implementation of the WP has been impacted by higher than expected levels of unemployment and at a minimum it will take some time for the new delivery system to deliver the expenditure savings and increased employment outcomes anticipated. Nevertheless, development of the WP has involved a series of innovations in the design, procurement, management and delivery of subcontracted employment services that may be of relevance to other European countries. In particular the WP may have lessons for policy makers seeking to inject more flexibility in service delivery whilst reducing complexity and procurement and monitoring costs. The approach also gives subcontracted providers more freedom to decide how to help participants; allows them a longer period to provide help; and lets them intervene sooner. The Department for Work and Pensions also has negotiated innovative funding arrangements with the British Treasury which means that providers are partly paid from the additional benefit savings they help to realise when they support claimants into employment that is sustained for up to two years. In addition, there are differentiated payment rates for claimant groups to encourage providers to focus on the hardest to help as well as on those who are relatively easier to place.

The innovations in UK procurement, contract design and service delivery do, however, carry important risks. The report considers in particular how well WP design is likely to safeguard the Department and service users from the risks, and criticisms, of 'creaming', 'parking', 'gaming' and fraud, often associated with outcome based payment systems.

GLOSSARY

CPA	Contract Package Areas
DWP	Department of Work and Pensions
ERSA	Employment Related Services Association
ESA SG	Employment Support Allowance – Support Group
ESA WRAG	Employment Support Allowance – Work Related Activity Group
EZ	Employment Zone
EU	European Union
IA	Intensive Assistance
IB	Incapacity Benefit
ICT	Information and Communication Technologies
IS	Income Support
ITT	Invitation to Tender
JCP	Jobcentre Plus
JSA	Jobseekers Allowance
NAO	National Audit Office
NIR	Non-intervention Rate
OECD	Organisation for Economic Cooperation and Development
PES	Public Employment Service

1 INTRODUCTION

From the 1990s the governments of most European Union (EU) Member States have sought to reform and modernise their Public Employment Services (PES). One trend concerns changes in how ministries and PES have subcontracted the delivery of employment assistance and labour market programmes to external providers.

There are a number of reasons why ministries and the PES subcontract to external providers. They may do so to **complement existing PES services**, in particular by utilising the skills and capacities of specialist providers including, for example, organisations working with disabled people or those delivering specific skills training programmes. Public purchasers may also use subcontracting to quickly **increase capacity** to meet the needs of new client groups and/or respond to increased cyclical demand, as witnessed recently in much PES activity in response to higher levels of unemployment. Another reason to subcontract which has proven significant, is to increase **competition** either by requiring external providers of programmes to compete for contracts and/or by requiring the PES to compete for the delivery of case management and job search assistance services with external providers.

An earlier review undertaken for the European Commission, 'PES to PES Dialogue Programme', found that a number of European countries had modernised their procurement practices, and introduced competitive tendering for contracts, with some specifically testing the comparative performance of the PES and subcontracted providers (European Commission, 2011). These changes included **a movement away from simply paying grants or awarding cost-reimbursement or fixed-price contracts towards the introduction of 'payment by results' and performance-based subcontracting**. In these new contracts public purchasers placed greater emphasis on measuring and paying for the 'outputs' delivered, with a growing trend towards making a more or less **significant proportion of provider income dependent on the employment outcomes secured**.

The earlier report synthesised research findings, including those from impact evaluations, and found mixed results with subcontracting systems in flux as public authorities adapted their systems in response to operational experience, performance and as part of wider 'activation' and 'welfare to work' reforms. Despite varying strengths, weaknesses and performance impacts, the findings suggested, however, that private providers, over time and under certain contractual arrangements, could improve outcomes for particular client groups and affect more innovative service delivery. The competitive pressure of introducing private providers was found also to prompt improved PES performance.

One of the distinctive features of the more successful subcontracting systems was how they **combined increased financial risk for providers with greater flexibility in designing service delivery**. This approach increased provider incentives and allowed them to **innovate how they organised their services and operations**; thereby, it was anticipated, improving employment outcomes and reducing costs. This approach was first implemented in the Australian Job Network, Dutch

reintegration contracts and British Employment Zones and the impacts were considered in the earlier report.

The British approach to what has since been characterised as **'black box' contracting** has developed further and now is implemented through the large scale 'Work Programme' (WP) that began delivering services in June 2011. The core principle is relatively straightforward in that providers have been given flexibility to use their skills to design and deliver services for jobseekers, but their **income is now largely dependent on securing long term employment outcomes**. This is meant to ensure that the provider focuses on delivering job outcomes and that the public purchaser pays less for activities unlikely to produce a job outcome. This new approach to subcontracting has attracted interest from other countries¹ and the earlier report concluded that the design and delivery of such 'outcome based' and 'black box' contracts merited detailed assessment.

1.1 The report and the research

This report was commissioned to consider recent developments in outcome based subcontracting with a particular focus on the impact of 'black box' subcontracting on services to job seekers and the organisations delivering the British WP. The research builds on the findings from the earlier report and combines a review of recent research findings and WP contracts² with interviews of managers from four of the prime providers delivering employment services in the UK and in other countries. There were many significant developments in PES activity and delivery in the Netherlands and Germany, the comparator countries reviewed in detail in the earlier report; but as there were no significant changes in outcome based contracting, this report is focused on developments in the UK.

This report considers the design and procurement of the British WP, how it is financed and how providers are paid for long term employment outcomes. The report then reviews how WP providers have utilised the flexibilities given by black box subcontracting and considers the composition of the supply chains they have developed and the service delivery strategies being implemented.

Finally the report considers if the British approach to outcome based and black box procurement has relevance for subcontracting practices in other European countries.

¹ For example, the Department of Social Protection in the Republic of Ireland is examining the potential of contracting with the private sector and is considering the British WP as a model of how it might complement its own resources.

² All WP contracts are publicly available although sensitive commercial and personal information has been redacted, see

<http://www.contractsfinder.businesslink.gov.uk/Search%20Contracts/Search%20Contracts%20Results.aspx?site=1000&lang=en&sc=329fa651-8fba-45a2-9388-3fad6c67211e&osc=76429b54-01d4-4a07-b813-0beebafa8e52&rb=1>

2 OUTCOME BASED SUBCONTRACTING AND THE BRITISH WORK PROGRAMME

Outcome based subcontracting systems have been influenced by reforms introduced in the procurement of employment programmes in the USA and Australia and were first implemented in Europe by the UK and the Netherlands, with more recent models tested in Germany, France, Denmark and Sweden (European Commission, 2011). Whilst the subcontracting systems developed in these countries have varied in their detail, all have required providers to compete for contracts, and have typically combined commencement and service fees with a more or less significant proportion of provider income or other incentives (such as contract renewal, or performance bonuses) linked directly to the achievement of agreed outcomes and/or performance standards. The range of job outcome based funding varied from up to 40 % of contract value in Australia, to 10 % in much of the USA, to 100 % outcome based funding in a small number of US and Dutch ‘no cure, no pay’ contracts. Such outcome payments typically were paid for participants who were placed in jobs and retained employment for 13 and/or 26 weeks.

In each of the European countries the Ministry or PES has learned from the experience of comparator countries as they have tested different contract designs and sought to manage the risks associated with ‘creaming’, ‘parking’, ‘gaming’ and fraud using a variety of mechanisms.³ Such comparative learning has been a feature of the development of the British WP which is the product of a decade-long development process led by the Department of Work and Pensions (DWP)⁴ and in the UK this programme is at the forefront of widespread reforms in the delivery of other public services.

2.1 Payment by results and outcome based contracting

In the past decade successive British governments have emphasised the use of **payment by results contracts** in the delivery of a wide range of services, especially in local government, offender management and health and social services. One problem, however, is the possibility that providers may deliver the volumes of service required, in the manner agreed, at the right time, to high quality standards, but still not achieve the desired outcomes. **Outcome based contracting** shifts the emphasis

³ ‘Creaming’ occurs where subcontractors select or work with more job ready or more easily trained participants which enables the realisation of outcomes rather than working with those clients who might gain more in the longer term. ‘Parking’ occurs where subcontractors or their staff provide only minimal services to clients who are more difficult to place and instead focus resources on those clients already closer to employment.

⁴ DWP is responsible for the benefit system and employment programmes in England, Scotland and Wales. In Northern Ireland these services are delivered through the Department of Social Development and Department for Employment and Learning. The latter department has distinctive subcontracting arrangements, but has moved towards a prime contracting model and currently is consulting on ways in which it might introduce an equivalent of the British Work Programme – see <http://www.delni.gov.uk/index/consultation-zone/steps2success-ni-consultation.htm>

from what services a provider has delivered to the specific outcomes they have achieved. The contracted outcomes tend to refer to **measurable changes in the condition, behaviour and satisfaction of service recipients or programme participants.**⁵

Outcome based contracts seek to realise efficiency gains through transferring risk to providers, giving them greater flexibility in delivery, but paying fees only in return for successful performance. **Outcome based commissioning** refers to the overall process whereby a public sector agency identifies the service delivery outcomes to be secured, the procurement of such services, and the subsequent monitoring of their effective delivery (HMG, 2011; Sturgess et al., 2009; DWP, 2008).

The advantages of the approach are that:

- It makes the purchasing body focus on exactly what they want the provider to achieve and why.
- It encourages a knowledge driven approach to practice. Providers will invest in 'what works' and more quickly identify methods of practice that can achieve results.
- It ensures providers focus on the purpose of the service, both at a general level and for front line staff where overall outcomes can be linked into personal appraisal systems and individual or group targets.

The use of **outcome based commissioning and subcontracting in the UK is now most developed in the procurement of employment services.** This builds on experience accumulated in the past decade when DWP tested varying funding models in programmes targeted in particular at the long term unemployed and recipients of disability benefits. This developmental process attracted a new group of providers and culminated in the Department's 2008 'Commissioning Strategy' that outlined a radical new approach indicating that in future DWP would work primarily with a small number of prime providers (see Figure 1). These 'top tier' organisations would be given greater flexibility in designing services; be expected to manage their own supply chains; and would have their future income linked to the savings in benefit payments they generated from sustained employment outcomes. The approach was influenced in part by the prime contractor model implemented in New York City for the delivery of welfare to work services (see Annex A).

⁵ For information publications on the application of outcome based contracting in health and social services can be found at <http://www.qualitymk.nhs.uk/default.asp?ContentID=6239>

Figure 1: The origin of prime contracting

The 'prime contractor' approach was developed in the 1990s in the construction and defence industries. The approach is based on a prime contractor accepting responsibility for the management and delivery of a long term project using a system of incentives and collaborative working to integrate the activities of a 'supply chain' to achieve a project that is on time, within budget, in accordance with the specified outputs and is fit for purpose. Prime contracting seeks to replace short-term, contractually driven single project adversarial inter-company relationships with long-term, multiple project relationships based on trust and cooperation. These long-term, strategic supply chain alliances incorporate continuous improvement targets to reduce costs and enhance quality (Ndekugri and Corbett, 2004).

2.2 The DWP Commissioning Strategy and the Work Programme

Until 2007 Jobcentre Plus (JCP), the British PES, was largely responsible for the competitive procurement of a wide range of categorical employment programmes targeted at different groups, such as the young and long term unemployed, lone parents, and people on disability benefits. The content of such programmes was often specified in some detail and providers were paid according to a set of uniform national fees. As in many other European countries, subcontracted provision was delivered by an extensive and diverse network of non-profit, public and, less commonly in Europe, for-profit organisations (amounting to some 2 000 British providers in 2004).

JCP subsequently introduced 'prime providers' in an effort to reduce transaction costs and rationalise the provider network. This commenced with the re-contracted delivery of the 'New Deals' for the unemployed in 2006. The new contracts stressed price competition and job outcome payments with fewer organisations awarded contracts. In place of 1 000 individual contracts the New Deals were now delivered through 94 prime providers, of whom 53 were for-profit, 27 non-profit and 14 were public sector organisations (DWP, 2007). These prime contractors were given increased flexibility but were still expected to deliver a centrally determined and locally prescribed programme utilising subcontractors where necessary. Despite this rationalisation in 2009 DWP continued to work directly with 438 providers delivering 1 153 contracts with an estimated annual value of just under GBP 1 billion (EUR 1.3 billion); by contrast JCP operating costs in 2009-10 were just over GBP 3 billion (EUR 3.8 billion).

JCP and DWP also introduced an element of payment by results in their mainstream contracts including, from 2000, a large scale test of employment outcome contracts, based in part on the Australian model, in what were called Employment Zones (EZs) (European Commission (Finn), 2011).

More radical reform was subsequently proposed in a review which envisaged a transition from fragmented procurement to the organised management of a 'welfare market'. The 'Freud Report' (2007) suggested little change to the high volume standardised work first and benefit services delivered by JCP for the short term unemployed, but proposed radical change for the longer term unemployed and other 'harder to help' groups usually assisted by external providers.

The report concluded that existing subcontracting arrangements were inadequate. Contracts too often specified process rather than outcome and they included restrictions on recruitment and expenditure that prevented providers from expanding provision or being rewarded for increased achievement. As in much of Europe, contracts were commonly small scale, had a multiplicity of requirements and start and finish dates, and were too short, discouraging providers from making longer term investment in their service delivery capacity. The report proposed instead a very different performance based model, based in part on the lessons from EZs and from best practice in other countries.

There were three innovative elements to the proposed subcontracting model:

- **The outcome based funding model:** The payment system would reward long term employment retention with outcome payments based on sharing with providers the benefit savings accrued when a participant sustains long term employment. The payment system would be differentiated recognising that helping some specific groups was more costly than helping others. A prime contractor would need to arrange the finance and invest 'up front' and bear a greater share of the risk, but the proposed 'multi-billion pound' contracts would encourage organisations to borrow and invest in advance knowing they would have an income stream from continuing outcome fees. Funding from direct benefit savings would enable DWP to 'uncap' and extend programmes to cover many more workless people, especially those receiving disability benefits.
- **Prime providers and supply chains:** The system would be made attractive to larger scale, well capitalised prime providers who would be awarded long term and higher value contracts and would have responsibility for marshalling an appropriate blend of subcontractors to deliver services for a wide variety of participants.
- **Service standards and the black box:** The contracting regime would set a core standard for the treatment of all clients, but the provider would be responsible for intensive case management and would have flexibility to deliver individually tailored back to work support based on specific participant needs (with an appendix making the first official reference to the concept of 'black box' support: Freud, 2007, p. 118).

The report proposed that prime contractors would compete for contracts on both price and quality and that selected contractors would have to work with local public agencies and partnerships to ensure that provision was responsive to local conditions and objectives in each delivery area.

The then Labour Government accepted Freud's proposals and, after an extensive consultation process, DWP published its overall 'Commissioning Strategy' in 2008.

The Department implemented the new approach cautiously, procuring individual programmes through prime contractors and testing features of the proposed approach culminating in the partial procurement of the 'Flexible New Deal' to cater for all the long term unemployed. The programme was abandoned mid-way through implementation in favour of the more ambitious WP that the new Coalition Government committed to following the General Election in 2010.

2.3 Prime contractors, smaller providers and the 'Merlin Standard'

DWP envisaged that prime providers would be responsible for developing their own supply chains, but responded to concerns about the impact of the funding model on non-profit, specialist, community based and other 'third sector' providers. Such organisations are associated with a record of innovation and of working with the 'hardest to help' populations and localities; the Commissioning Strategy **committed the Department to playing a 'stewardship role'**, encouraging primes to maintain a diverse delivery network capable of meeting the needs of all disadvantaged jobseekers. The Department does not prescribe quotas or specify subcontracting arrangements for primes, but the Commissioning Strategy outlined a **'code of conduct' describing the principles that should guide behaviour between prime providers and their supply chains**. The values expressed in the code focus on best practice in supply chain management and equitable treatment for smaller providers. Subsequently the Department, in partnership with providers, developed a 'Merlin Standard' as the assessment and enforcement tool that now regulates compliance with the code of conduct (see Figure 2).

Figure 2: The Merlin Standard

The Merlin Standard is designed to ensure the fair treatment of subcontractors, adherence to DWP's 'code of conduct', and promote high performing supply chains (see internet: <http://www.merlinstandard.co.uk>). The standard is constructed on four integrated principles: supply chain design, commitment, conduct and review, and is assessed by independent evaluators.

All WP prime providers are contractually required to undergo a Merlin assessment and to maintain accreditation through bi-annual reassessment. During the assessments evaluators obtained feedback from a representative selection of supply chain partners on how the prime had met the core elements of the standard. The evaluators' reports assess strengths and weaknesses of the prime provider with each organisation placed in one of four categories, ranging from 'excellent' through to 'unsatisfactory'. The initial assessments were completed by June 2012 with all primes being awarded accreditation (see reports on individual assessments on the website listed above). In the event of a subsequent negative rating, the prime will be given time to improve its performance; but *should it fail to so improve, then it faces contractual penalties*, and if a prime is found to have subsequently and significantly failed to adhere to the code of conduct, it might have its accreditation revoked.

A separate Merlin Mediation Service can be accessed by subcontractors to arbitrate in cases where there is a dispute with the prime that has not been resolved through other dispute handling processes. Primes are bound by the outcome of this mediation and DWP will monitor and ensure agreed action is taken.

2.4 Work Programme design

In May 2010, the Coalition Government announced that it would establish a single subcontracted 'Work Programme' to replace over 20 existing employment programmes. Ministers suggest that the WP represents a 'revolution in back to work support' and it is estimated that 3.3 million participants could be assisted over the contract period at a cost of between GBP 3 billion and GBP 5 billion (EUR 3.8 billion and EUR 6.4 billion) respectively. Providers will receive referrals for up to five years, at the end of which there will be a further two year period for them to place and sustain participants in employment.

The British Government's expectations for the programme were contained in the DWP's 'business case' which was finalised in April 2011 and revealed in a report from the National Audit Office (NAO). The business case estimated that when implemented the annual cost of the programme would be GBP 651 million. The net direct financial cost to Government of moving participants into employment was estimated at GBP 0.95 for every GBP 1 spent with payments to providers offset by an estimated GBP 0.70 of benefit savings and GBP 0.25 in increased tax revenues. The business case estimated also that the WP would generate GBP 1.95 of 'social

benefits⁶ for every GBP 1 spent if providers achieved the ‘central performance assumption’ of 36 % of job outcomes (NAO, 2012a, para 1.12). The Department expected that the programme would secure increased job outcomes and exceed the performance of earlier interventions because of two sets of factors:

- The programme’s new features, such as providers having longer to work with participants and an outcome payment regime that rewards sustained employment; and
- Contractual incentives, such as the payment-by-results mechanism and the incentives and penalties that require providers to deliver significantly better results than in the previous ‘minimum performance levels’ (explained in 2.6 below).

The WP is targeted primarily at young and long term unemployed people receiving Jobseekers Allowance (JSA) and at those people with health problems or disabilities who receive the Employment Support Allowance (ESA) and are assessed as capable of work-related activity.⁷ Some people participate on a voluntary basis, but most are mandated to attend by JCP and must undertake the activities they agree with their WP provider. In any **case of non-compliance the provider refers the case to JCP who remain responsible for decision making in relation to benefit entitlement.** This division of responsibility is found in many countries because it is considered inappropriate for private entities to make quasi-legal decisions on entitlements. The division is, however, associated with practical delivery problems and the evidence requirements and delays associated with these administrative processes may limit the flexibility that providers can exercise.⁸

In keeping with black box procurement the WP ‘Invitation to Tender’ (ITT) made clear that there would be no detailed prescription of service provision from central government and that providers had the freedom to deliver in the ‘most efficient and innovative way possible’ (DWP ITT, 2010). Bidders were invited to indicate how they would support potential participants to obtain and sustain employment and in response the bidders gave detailed outlines of their varied service delivery strategies (see later). Prime contractors were also requested to specify the minimum service

⁶ Social benefits represent an estimate of how much society is better off in monetary terms owing to, for example, reduced crime, increased employment, improved health of participants, and income distributional effects.

⁷ Eligibility for ESA is determined through a ‘work capability assessment’ with applicants found capable of work and therefore not eligible; capable of some work and placed in a ‘work related activity group’; or not capable of work and placed in an unconditional ‘support group’. ESA was introduced for new claimants in 2008. DWP is currently in the process of reassessing some 1.5 million people who claimed the previous ‘Incapacity Benefit’ (IB). Those people reassessed as capable of work or of work related activity are immediately eligible for entry to the WP.

⁸ In Australia, New York City and earlier British programmes there have been many issues about how to deal with ‘failures’ to attend or comply, and the imposition of related sanctions on participants. This has included variations in how different types of providers handle and report non-compliance with job search and activity requirements and there have been problems also with the flow and sometimes accuracy of information and data exchanged between the respective agencies. These transactional problems were exacerbated in NYC and Australia by complex benefit regulations and activation requirements and the often limited knowledge that provider staff have of such rules.

standards they would offer to participants and required to provide a document to participants on entry to the programme setting out these service standards and the first steps an individual should take in making any complaints. This document is required to be 'in a form that is accessible and easy for participants to understand'.⁹

An important innovation is that providers now are **required to work with benefit claimants for up to two years and, for the most disadvantaged participants, are paid for up to two years if they sustain them in employment.**

2.5 Work Programme procurement and the Framework for Employment Related Services

Work Programme prime contractors were selected through a two stage process during which they had to show how they intended to subcontract any services and manage their supply chains.

The first phase of selection involved qualifying for entry into a 'framework agreement'.¹⁰ This is an umbrella agreement setting out the terms and conditions for subsequent contract competitions, but which places no obligations, in itself, on the contracting authority to purchase any services. The framework in itself is therefore not a contract; contracts are only formed when specific services, such as the WP, are then separately contracted for under the framework. This approach was chosen to create a more effective and responsive subcontracting tool for DWP with the potential to create administrative savings and allow it to respond to economic and policy conditions more swiftly. It simplifies and reduces the time and cost involved for contracting with the selected primes, for example by reducing the duplication of efforts previously created by full multiple, separate procurement competitions.

Potential prime providers were invited to bid for eleven 'lots' that corresponded with each region in Great Britain and for which DWP indicated it would select between three and eight prime providers. Applicant organisations had to demonstrate a track record of delivering large and complex contracts; capacity to deliver across the region(s) for which they had bid; and demonstrate the financial strength, including a minimal GBP 20 million (EUR 25.5 million) per annum turnover, to deliver primarily payment by results contracts. When selecting for the framework DWP made 20 % of the assessment dependent on the applicant organisation demonstrating their track record in delivering contract performance for either DWP or for other similar organisations.

⁹ There are other non-negotiable requirements for prime providers that concern compliance with legislation, e.g., on data confidentiality, health and safety and equalities legislation; with DWP 'codes and standards'; and with procedures to meet European Social Fund auditing and regulatory requirements. Providers also must ensure effective anti-fraud control mechanisms are in place for themselves and their subcontractors.

¹⁰ Formally the 'Preferred Suppliers for the Employment Related Support Services Framework', see <http://www.dwp.gov.uk/docs/erss-preferred-suppliers.pdf>

DWP selected 35 prime providers from the 91 organisations that applied. These prime providers now have the exclusive capacity to compete for future DWP contracts in the regions they were selected in for a four year period.¹¹ In effect this means that new suppliers can only enter the market either as prime subcontractors or by some other type of organisational merger or relationship with a selected prime, with the transfer of any contracts subject to DWP assent.¹²

The framework selection process was followed by 'mini-competitions' for WP delivery in 18 'contract package areas' (CPA), each covering large populations (e.g., the whole of Scotland or Wales, with London divided into two CPAs). Forty separate contracts were available to ensure two or three providers competed in each area (NAO, 2012a). The competition attracted 177 bids, with between 9 and 17 bids in each CPA. Thirty of the 35 framework providers bid, 11 were successful. DWP was concerned that the potential impact of supplier failure was too great with such a concentration and mitigated the risk by limiting bidders to one contract per CPA. As a result 18 prime contractors were appointed comprised of 15 private for-profit organisations, 1 from the public sector, with 2 from the 'third sector' (both of these have strategic relationships with for-profit companies). Figure 3 identifies the successful prime contractors and shows the estimated value of their respective contracts.

WP bids were assessed in terms of cost and quality, based on a scoring system that gave equal weight to both:

- **Quality:** A points based assessment of how the provider planned to assist all participants; the approach to supply chain management; the resources the organisation would deploy; and their implementation plans.
- **Cost:** This was determined by the amount of discount a bidder offered on the maximum price for the job outcome fee offered by the Department (see next section). One point was available for every percentage point discount offered up to 20 %, and then one point for every two percentage points of discount offered.

¹¹ The individual contracts awarded may last longer and, in the case of the WP, for up to seven years.

¹² It is worth noting that there has already been such organisational activity with several prime providers on the framework either being taken over by other organisations or merging with them.

Figure 3: Work Programme prime contractors and contract values

Prime contractor (number of contracts won)	Estimated total contract value (GBP m)
Ingeus (Deloitte) UK Ltd (seven)	727
A4e Ltd (five)	438
Working Links (three)	308
Avanta Enterprise (three)	267
Seetec (three)	221
Maximus Employment (two)	176
G4S (three)	184
Rehab Jobfit (two)	156
Serco Ltd (two)	115
Newcastle College Group (two)	101
Careers Development Group (one)	97
Pertemps People Development Group (one)	90
EOS (one)	90
ESG (one)	70
Reed in Partnership (one)	69
BEST Ltd (one)	65
JHP Group Ltd (one)	44
Prospects Services Ltd (one)	50

Source: NAO, 2012a, Appendix Three.

There was some controversy that none of the points awarded were to be based on proven performance, and only 10 % of the points were attributable to each bidder's information on how they would achieve the performance levels offered. The Department suggested that it had already assessed performance capacity at the

Framework stage and that to consider it for the WP competition would have effectively excluded new entrants. One by-product of the decision, which has also characterised major contracting changes in the Australian system, was disruption as several existing providers lost contracts and had to 'wind down' provision in some areas with some simultaneously opening provision in areas where they had won new contracts. The 'wind down' of provision had a negative impact on the quality of the services received by participants on the legacy programmes and there was much confusion about the employment status of the staff affected with some taken on by successful primes and others being made redundant.¹³

An NAO comparison of the bid scores for successful and unsuccessful WP bids suggested that neither quality nor price predominantly determined the outcome. There was concern, however, about the level of price discounts and high levels of performance commitment given by successful prime contractors. Providers maintain that their performance and cost targets are 'challenging but achievable', but the NAO has suggested that the post-contract deterioration in economic conditions has posed significant risks for WP service quality and may undermine prime provider viability (NAO, 2012a). If conditions do deteriorate or otherwise change significantly, WP contracts incorporate a specific 'change control' mechanism that allows DWP to vary contractual terms and conditions.

2.6 The Work Programme payment and pricing system and 'marketshare shifting'

The WP funding model is unique in the degree to which provider income soon will become wholly dependent on placing participants in sustained employment. The 'Invitation to Tender' set clear performance targets, in terms of the number of people getting jobs and keeping them, with a detailed payment system linking practically all the funding to long term employment outcomes. It is expected that these incentives will improve the job matching process, albeit long term unemployed JSA claimants must still accept any 'reasonable' job offer to satisfy their benefit conditions.¹⁴

The funding model also provides clear incentives to work with harder to place groups with a **differential pricing** model that **categorises participants into eight groups, based on the benefit they are claiming when they start with the provider**. The payment groups act as a proxy for the relative employment probability of participants and the significant differential payments are designed to reduce creaming and parking by incentivising prime contractors to support those furthest from the labour market (see Figure 4).

¹³There was some confusion on how 'TUPE' - Transfer of Undertakings (Protection of Employment) Regulations - applied to the Work Programme with DWP indicating that it was a decision for prime providers and their subcontractors. This led to varying interpretations with several primes deciding that staff from previous programmes did not have TUPE rights.

¹⁴ JSA claimants can reject jobs that do not match their previous skills and experience only in the first 13 weeks of unemployment. Thereafter they are required to seek and accept a wider range of jobs and can be sanctioned if they 'neglect to avail' themselves of a 'notified vacancy'.

The differential amounts for each group were determined by DWP, which set the maximum prices for each payment category by assessing the benefit savings of placing a claimant in sustained employment combined with their estimates of the cost to the provider of delivering an outcome (based on evidence from earlier programmes). In addition, for the largest group of expected participants - JSA claimants unemployed between 9 and 12 months - the Department reduced the maximum 'Job Outcome Payment' from year three of the contract as they wanted to secure a share of the benefits expected as providers learned 'what works and how to deliver efficiencies'.

Figure 4: Work Programme participant groups and payments

Eligibility Groups	Year 1 Attachment Fee	Job Outcome Fee (max)	Job Outcome Fee - Week paid	Sustainment Payment every 4 weeks	Max amount of 4 week payments	Incentive Payment
JSA Aged 18-24	£400	£1,200	26	£170	30	£1,200
JSA Aged 25 and over	£400	£1,200	26	£215	30	£1,200
JSA Early Access	£400	£1,200	13	£250	17	n/a
JSA ex-IB	£400	£1,200	13	£250	17	n/a
ESA WRAG - Mandatory	£600	£1,200	13	£235	17	n/a
Ex-IB ESA WRAG - Mandatory	£600	£3,500	13	£370	17	n/a
ESA Support Group - Volunteers	£600	£1,200	13	£235	17	n/a
ESA WRAG - Volunteers	£400	£1,000	13	£115	17	n/a

Source: DWP WP ITT, p. 10. JSA = Jobseekers Allowance; ESA = Employment Support Allowance; IB = Incapacity Benefit

The pricing model was influenced also by the Department's estimate of performance and of the 'non-intervention rate' - the percentage of participants that would have got work without the help of the WP (NAO, 2012a). It is not yet clear if the amounts set are adequate relative to the actual costs providers may incur in securing outcomes for the most disadvantaged groups. Nevertheless, comparative evidence suggests that whilst financial incentives can shape provider behaviour, active performance management will be essential to minimise inappropriate creaming and parking (discussed later).

There are four elements to the payments made to WP contractors:

- **An attachment payment for each individual participant:** This is paid when an individual referral to the WP provider results in a successful 'attachment', usually triggered in the first meeting with an **adviser**.¹⁵ **The attachment fee will diminish** and is intended to **reduce to nil** by the start of the fourth year of the contract when **the programme will be solely funded by outcome payments**.
- **A job outcome payment for each individual successfully placed in a job:** This is paid when a participant has been in work for either a continuous or cumulative period of employment, as defined by the payment category they are in. Job outcome payments for some claimant groups will be reduced in the later years of the contract and, **unlike subcontracting systems in some other countries, no payment is made for an initial 'job entry'**.
- **A sustainment payment for each individual successfully retained in employment:** This is paid every four weeks for keeping a claimant in employment after a job outcome payment has been made.
- **An incentive payment:** This flat rate fee will be paid only for jobs sustained by JSA participants above a given performance level, defined by DWP as 30 % above the **non-intervention rate (NIR) - the number of claimants who would have found employment without assistance from the WP**. Performance for this payment is measured by comparing in year job outcomes to in year referrals and it is expected that these incentive payments will increase in significance in the later years of the contract because an increased level of performance will be required to achieve the same level of total outcome payments as in the earlier years of the contract.

The NIR is linked to **another significant WP innovation – the 'minimum performance level'**. The contract specifies that prime contractors must achieve job entry rates at least 10 % above the non-intervention performance level for the three largest participant groups for whom accurate estimates could be made from an analysis of historical off-benefit and job entry rates. The non-intervention

¹⁵ All the prime providers and their main subcontractors deploy front line advisers as a key element of their provision. These advisers are categorised and referred to by a variety of job titles - 'personal advisers', 'recruitment consultants', 'case managers' and 'case workers' – although they undertake similar roles. For simplicity in this report they are referred to generically as advisers.

performance profiles have been set at a low level in the first year of the programme, but increase for the remainder of the contract (see Figure 5). When bidding providers were encouraged to offer a higher performance level many committed to do so. Prime contractors now must meet the minimal performance levels in each CPA or they will be subject to more detailed performance management and ultimately risk losing their contract, should results not improve. These specifications were **designed to ensure the programme produces net additional job outcomes.**

Figure 5: Work Programme non-intervention performance profiles

Jobs / Referrals	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
JSA aged 18 to 24, mostly unemployed at least nine months	5%	30%	40%	40%	40%	30%	10%
JSA 25 and over, mostly unemployed twelve months	5%	25%	30%	30%	30%	25%	5%
ESA Flow of new claimants	5%	15%	15%	15%	15%	10%	5%

Source: DWP ITT, 2010. JSA = Jobseekers Allowance; ESA = Employment Support Allowance; IB = Incapacity Benefit

The WP ‘Pricing Schedule Guidance’ issued with the ITT set out the **maximum prices DWP allocated to each payment group and for each year of the contract.** DWP reduced the maximum fees payable over the contract period to reflect the efficiency savings and improvements in effectiveness that were thought likely to occur. Bidders then were invited to further **compete on these prices by offering discounts** over the period of the contract. The maximum prices were set at a uniform national rate, but the discounting offered by primes was anticipated to reflect regional variations in costs, employment conditions and future inflation. DWP subsequently estimated that prime contractors offered discounts of GBP 250 million that would be realised if they secured the performance to which they also had committed (NAO, 2012a). In practice this means there is some variation in the actual individual job outcome and sustainment payments that different primes receive in contract areas.

A further innovation, adapted from the Australian model, and intended to intensify competition, is that of **‘market share shifting’**, where DWP plans to move some 5 % of new referrals *within* each CPA from low to high performers. The benchmark for a shift of market share is when a prime provider delivers a 3 % or greater difference in performance compared to the other prime contractors in that CPA. The first reallocation will take place in June 2013 and will be repeated annually.

3 INSIDE THE BLACK BOX: SUPPLY CHAINS AND SERVICE DELIVERY

The review of WP contracts and related interviews undertaken for this report found that prime contractors developed their service delivery and supply chain models by drawing on and combining their knowledge of 'best practice' with their previous operational experience within their British and, for many, their overseas programmes. Prime providers also utilised their experience in managing other more or less complex delivery systems and these insights shaped significant investments made in supply chain development and in a range of information and communication technologies (ICT) to support their delivery systems.

The development of the new subcontracting chains and service delivery systems was also supported through a wide range of networking, mutual learning events and best practice research sponsored by DWP, larger providers and their associations, and by other key intermediary organisations including, for example, the annual 'Welfare to Work' conventions organised by the Centre for Economic and Social Inclusion (see, for example, the content of the events listed at <http://www.cesi.org.uk/events/past>). These mutual learning activities continue to play an important role in enabling DWP and prime providers to implement new policies and further develop their delivery systems.

3.1 Work Programme prime contractor models and supply chains

Two different models of prime contractor delivery practice have developed. The first model comprises a **prime managing agent who provides no direct services** and delivers all WP activities through a supply chain of subcontractors. This is the model chosen by two of the largest for-profit primes, Serco and G4S, and by 'Rehab Jobfit', which DWP classifies as a non-profit organisation.¹⁶ The value of these organisations lies in their expertise in building and managing supply chains and in organising finance. They also are able to make connections between subcontractors and the job vacancies and work experience opportunities generated through their wider corporate resources.

The other model is that of a **prime delivery agent who combines direct delivery and subcontracting with a supply chain**. Variants of this model are used by the other 16 prime providers, most of whom directly deliver a wide range of employment programmes in both the UK and in other countries. There are variations in the level of services that are subcontracted by these primes, ranging from a low of some 15 %

¹⁶ 'Rehab Jobfit' is a joint venture between **TBG Learning Ltd.**, a wholly owned subsidiary of the non-profit rehab organisation that is based in the Republic of Ireland, and **Interserve**. Interserve is a for-profit company and one of the 'world's foremost support services and construction companies', operating in the public and private sectors in the UK and internationally, with an annual revenue in excess of GBP 2 billion and a worldwide workforce of 50 000 people. In May 2012 Interserve also acquired another WP prime contract through its takeover of the Yorkshire based BEST services.

through to a more typical 30 % to 40 % of provision. About half of these organisations also act as subcontractors in the supply chains of primes in other CPAs.¹⁷

Supply chains also comprise different tiers of subcontractors. **Tier 1 comprises subcontractors who deliver an ‘end to end’ service** where they are responsible for the participant from the point of JCP referral and ‘attachment’ through to a job outcome, and sometimes through to subsequent in-work and employment retention support. These subcontractors tend to have higher value and more certain contracts on which they can make relatively firm planning assumptions. The terms of their contracts with primes often involve the prime charging a management fee with the payment for employment outcomes mirroring the terms of the prime’s main contract with DWP.

Tier 2 subcontractors include specialist providers and those delivering targeted interventions. These organisations are likely to provide specific services via ‘service level agreements’ and ‘call-off’ or ‘spot purchase’ contracts. They provide services as and when required by the prime or its tier 1 subcontractors rather than entering contracts for a specific share of the prime’s provision. There are likely to be other suppliers beyond these tiers who may be used to deliver one off, unique interventions in response to a particular participant’s needs and circumstances.

Prime providers indicate that they have made significant ‘up front’ investments in their supply chains, especially in staff training and recruitment, ICT systems, and the acquisition and refurbishment of premises. They also have invested in performance management systems undertaking regular reviews with subcontractors, sharing best practice and intervening with performance improvement strategies where needed. Several primes, including the prime managing agents, use competition in their supply chains, for example, publishing monthly performance tables so that subcontractors are made aware of their relative position. Other primes stress a more collaborative working style, albeit within the context of meeting demanding performance targets. There also have been significant investments in developing and sustaining relationships with local and, for the larger primes, national employers.

The concern about the impact of prime contracting on non-profit, smaller and specialist providers means there is particular interest in the composition of WP supply chains. The most recent audit of subcontractors shows slight increases in the number of public and for-profit organisations, with a small decrease in those from the non-profit sector (see Figure 6). When the largely for-profit prime providers’ share of service delivery is factored in, then the proportions change markedly. When the contracts were agreed it was calculated that prime contractors would deliver just over 43 % of services, with 18.3 % subcontracted to non-profit organisations, 30 % to for-profit companies and 8.5 % to public sector organisations. DWP expect further changes as primes alter their supply chains in response to performance levels and

¹⁷ There are a variety of reasons for these prime to prime subcontracting arrangements. Some are the product of formal partnership arrangements. Others are legacy services in areas where primes had existing operations but chose not to bid or were unsuccessful in securing the main contract.

also adapt them in response to changing participant needs and labour market conditions.

Figure 6: Composition of WP supply chains

Sector	Number of organisations at 30 January 2012	Number of organisations at 12 August 2011
Private	306	295
Public	137	133
Voluntary or Community	412	420
Total	855	848

3.2 Work Programme service delivery models and minimum standards

The prime contractors deliver a wide range of services designed to enable them to engage with participants, reduce employment barriers and help place participants into jobs and sustain them in employment. There are variations, but all primes place employment-focused front line advisers, supported by more or less sophisticated IT-based case management systems, at the core of the different delivery models. Annex B gives greater details on the services delivered by three of the largest prime contractors.

Each prime typically has an initial ‘engagement phase’ that manages the transition from JCP referral to programme attachment. JCP randomly assigns all eligible participants to prime providers who then utilise a range of bespoke diagnostic and profiling tools to typically segment participants into three groups. This is followed by a ‘work first’ job broking and job placement stream for those more job ready; a barrier reduction phase for those requiring intermediate assistance before job placement; and longer term provision for those with major employment barriers, including the use of more specialised services. Finally, there are specialised in-work, employment retention and re-engagement services.

The range of services offered by prime providers may be divided into five categories:

- **Case Management:** This includes referral, intake and ‘attachment’ activities, the development of an individual activity plan, assessment of the need for services, case monitoring and tracking, and the initiation of sanctions for noncompliance with employment or work activity requirements. There is little data available yet on WP caseload sizes, although they are said to vary significantly with most primes having lower caseloads for harder to place participants. Only one prime provider committed publicly to an active caseload size of eighty for each of their advisers. An evaluation of the predecessor prime contractor delivered ‘Flexible New Deal’ found that caseloads ranged

from 60 customers per adviser at a small end-to-end subcontractor to 120 customers at a prime provider office (Vegeris et al., 2011, p.24).

- **Employment Services:** These include services that connect participants with employment opportunities, such as individual and group job search and placement assistance, as well as referrals and linkages to more intensive employment programmes, such as work experience and training. **Prime contractors operate strong ‘work first’ policies with a constant emphasis on job search and placement, balanced now by the need to retain people in employment.**
- **Support Services:** These often include temporary assistance with child care and transport, referrals to other services, and signposting to longer term services that may be accessed whilst in employment.
- **Specialised Services:** These include services such as mental health, physical rehabilitation, physiotherapy and substance abuse treatment, as well as referral to organisations that specialise in meeting the needs of particular groups, such as lone parents, ex-offenders, the homeless, refugees or minority ethnic groups.
- **In-work, Retention and Re-engagement Services:** This typically includes post-placement support from an adviser to help manage the transition into employment. This is followed by less intensive call centre follow up services to both confirm employment status for claiming outcome payments and to identify cases where job loss may be imminent, thereby triggering more intensive intervention. Primes also have shaped their placement services to promote swift employment re-engagement where participants leave or lose their jobs.

There are some important variations in how prime providers and ‘end to end’ subcontractors organise, train and pay their advisers. In some organisations advisers manage their caseloads from the point of attachment through to job placement and retention. Other organisations segment advisers allowing them to specialise in different phases of the customer journey.

Many providers expect all advisers to contact employers and/or they may employ specialist ‘employer engagement consultants’ or ‘reverse marketers’. The aim is for such advisers to find unadvertised job vacancies in the local economy and to persuade employers to consider WP participants for them. Primes can also reduce employer recruitment costs and offer smaller employers in particular, assistance with recruitment, bespoke training, and sometimes subsidies in return for recruiting their participants. Such services include offering continuing support to employers and their workers after recruitment and on-going engagement with WP providers makes it easier for employers to meet the demand for new recruits (CBI, 2012).

Primes utilise combinations of service contacts with participants including face to face, group, online, telephone, drop-in and self-servicing, with many investing in virtual 24 hour services that allow participants to, amongst other things, access online job search supports, vacancies and learning courses. Front line offices and

resource centres typically are open plan, house advisers, and offer a range of facilities such as interview and training rooms, open access IT suites and job search resource rooms. These premises usually are based in or close to major town centres and accessible by public transport. In rural areas primes may subcontract with local providers and/or combine outreach facilities with online and telephone based services.

The availability of all these services to participants is underpinned by the 'minimum service standards' specified in the primes' WP contract. There is, however, much variation in the commitments given and the level of detail. Some prime contractors have committed to meeting participants at set intervals and specified the services that may be available. Others have committed only to high-level statements of what participants may receive with minimal details on frequency of contact and of the actual services available. The NAO have criticised this approach as it makes it difficult for DWP to measure the comparative level and quality of WP provision. The minimum standards also provide only limited safeguards for participants who may receive few services or experience 'improper practice' (NAO, 2012a).

3.3 Black box subcontracting and DWP performance management and oversight

The 'black box' approach to the design of WP services does not apply to performance, programme delivery and post-contract supply chains where DWP continues to exercise oversight. Prime contractor performance is closely monitored and if the organisation wishes to make changes in service delivery or in their supply chains, they must justify them to DWP and significant alterations require formal contract variations. Prime contractors do, however, have much greater operational flexibility and the scrutiny of service delivery is comparatively 'light touch' in relation to earlier programmes. In particular, there is less detailed scrutiny of quality and participant experience, that in previous programmes had been undertaken by an independent inspectorate.¹⁸

DWP has developed its approach to performance and contract management over time and has sought to improve the skills of its own staff involved in such activities alongside the development of new ways of working with and managing prime providers. The Department organises its approach through the following teams of officials. Currently DWP has 124 people directly involved in performance, contract and account management with additional support provided by other staff employed in indirect support roles, such as those involved in processing payments to providers.

¹⁸ In August 2010 DWP published a 'notice to providers' announcing that 'Ofsted', the independent regulator for most education and training provision in England, would no longer undertake inspections of the Department's welfare to work programmes. Instead, the remit of provider assurance teams was extended to cover, 'in a light touch way', some of the quality issues that formed part of external inspections. As part of the change, DWP developed a new 'quality self assessment tool', described below, to replace Ofsted related self assessment requirements.

DWP **performance managers** are the main point of contact at CPA level and are based in five regional locations. They monitor administrative and performance data and undertake monthly reviews which can be face to face, by telephone or paper exercises. The intensity of the reviews is determined by a risk assessment. These managers use the Department's 'Performance Improvement Framework' which sets out a standard process for assessing a range of factors including whether providers are achieving contractual job outcomes. This includes reviewing results from the mandatory 'self assessment' that providers must complete and regularly update and the associated quality improvement plan that is developed with it. The DWP provider 'Self Assessment Tool' provides a measure of the quality of all provision that is delivered to the participant, the participants' experience and statutory requirements and the performance manager will cross reference the providers' own assessment with other feedback they receive, for example, from JCP, on participant experience and the delivery of minimum standards. In addition, performance managers also monitor whether (NAO, 2012b, para 4.6):

- Current delivery reflects the delivery model proposed in the original bid, considering any changes agreed since the WP 'went live'.
- Providers are meeting their minimum performance standards.
- Provider activity meets with both 'the terms and the spirit of the contract'.

Significant problems are tackled and monitored through Performance Improvement Plans agreed with the prime contractor.

DWP **account managers** are a senior team of qualified commercial specialists and take the national lead with key providers liaising at a more strategic level. They work with primes across the whole of their DWP provision to identify delivery issues, resolve or reduce risks, and improve supply chain management. This includes strategic review meetings and checking delivery of agreed improvement plans.

A separate 'Work Programme Partnership Forum' acts as an additional interface between DWP and prime providers at senior management level, which allows the experiences of delivery of the programme to be shared and for the discussion of any emerging changes in government policy which may impact on delivery.¹⁹

Compliance monitoring officers assess whether prime contractors are meeting European Social Fund requirements, especially in England where ESF is used as match funding. They follow a plan of visits and check a random sample of 25 participant records per month for each contract. These checks assess whether claimants are supported throughout their time on the programme 'in a way that is consistent with the provider guidance and the programme's delivery model as set out in the contract' (NAO, 2012b, para 4.11).

Prime contractors also must participate in '**Provider Engagement Meetings**' at CPA or district level with JCP and DWP and, where relevant, other strategic partners, such

¹⁹ The terms of reference and minutes of Partnership Forum meetings are publicly available at: <http://www.dwp.gov.uk/policy/welfare-reform/the-work-programme/the-work-programme-partnership/>

as local authorities. These meetings consider relationships with Jobcentres, performance, delivery and participant experience and seek to develop good local working relationships and provide an opportunity to address local operational delivery issues.

DWP has '**Provider Assurance Teams**' that review and test the effectiveness of a prime's internal control systems. The key areas they review include governance; financial procedures (and counter fraud) systems, including arrangements with subcontractors; and data security. They also review the provider's systems for starting, ending and moving participants through provision and generally 'ensure that DWP is getting the service it is paying for' (DWP Provider Guidance, Part 8, para 8.8).

Finally, a separate **Risk Assurance Division** provides an independent investigation and advice service for all DWP activities, including the investigation of complaints or evidence of fraud or other financial abuses committed by subcontracted employment services providers.

3.4 Service delivery and black box subcontracting

As yet there is no evaluation evidence on the quality of the services delivered through the WP.²⁰ There is, however, evidence on service delivery from evaluations of smaller scale European experiments and from the USA and Australia. These findings give some insight into the ways in which services may develop in the British WP.

In subcontracted British EZs, many of which were delivered by WP prime contractors, qualitative research found that participants preferred the more informal atmosphere of zone offices (in contrast to Jobcentres) and reported receiving more intensive and more individual support (Joyce & Pettigrew, 2002). A large scale survey of zone and matched JCP participants found that zone advisers were reported to have been more supportive, and zone advisers more frequently were thought to 'have influenced the outcome when a job had been obtained'. Zone participants also were more likely to suggest that the programme's content had been organised to suit their individual needs, 'rather than the programme having a 'menu' of activities to which they were being assigned' (Hales et al., 2003).

While both zones and JCP made use of personal advisers, there were significant differences in their backgrounds. The zone advisers who were new to the industry tended to be younger, with some recruited directly from university. They were better paid, including via performance related bonuses, than their public sector counterparts, but did not enjoy the same level of job security or occupational

²⁰ DWP have commissioned a consortium of research organisations to undertake an independent mixed-methods evaluation of the WP. Research commenced in 2011 and will conclude in 2014. The evaluation will begin reporting in November 2012, with reports published approximately every six months through to a final synthesis report in 2014-15.

pensions. Zone providers recruited from a diverse range of private-sector occupations in order to build teams with a breadth of experience. New advisers had previously often worked in the recruitment industry, with others coming from backgrounds in finance, sales and marketing, counselling, career advice, psychiatric nursing, and training. One advantage, according to some of them, was that unlike JCP staff 'they did not have any preconceptions' of how they should carry out their jobs (Joyce & Pettigrew, 2002, p. 9).

One evaluation reported that interviewed stakeholders suggested that the approaches developed in zones had been effective with a group of participants often previously failed by traditional programmes. The core strength of the approach, according to the evaluation, was the level of discretion available to contractors in local delivery which allowed them to reconfigure the support services available partly through organisational linkages with other programmes and through bringing together services from a range of sources to help participants get back into sustainable employment (Hirst et al., 2002, p. 55). There were, however, some significant differences in service delivery 'in the quality, intensity and customer orientation of [EZ] services, including the flexibility and continuity of adviser support into employment, the amount of practical assistance available, [and] the extent of employer engagement' (Griffiths and Durkin, 2007, p. 34).

The evidence from Australia suggests that the introduction of a more flexible service delivery model combined with outcomes-based funding allowed providers to tailor services to different participants, develop new practices to identify and tackle individual employment barriers, provide continuity of support through advisers, test methods for motivating jobseekers, and provide various post placement services (NESA and DEWRSB, 2001, DEWR, 2002; PC, 2002). Assessments of service delivery in 'high performing' delivery offices found they were characterised by local management cultures and employment advisers focused on delivering employment outcomes who were supported by a wide range of well-tailored work-focused interventions (DEWRSB, 2003; DEWR, 2006). The research also highlighted the importance of staff skills, continuity, size of case load and frequency of contact between advisers and participants.

Despite reported improvements in services and employment outcomes associated with both of these earlier subcontracting models, DWP evaluations of the prime provider delivered programmes that preceded and were subsumed in the WP, found mixed impacts on service quality.

Evaluators found little innovation in the 'Pathways' programme aimed at those on disability benefits both because of a relatively prescriptive delivery model and because the finances of providers had been undermined by the economic recession. One consequence of these circumstances was creaming whereby prime providers served those participants considered more likely to enter work, whilst referring less work-ready participants to other agencies (Hudson et al., 2010, p.3). Any service innovation that did take place was deemed to have been 'largely focused on reducing operational costs and achieving performance efficiencies'. A subsequent NAO report

on the programme concluded that it had been undermined by poor design, the impact of the recession, the speed with which ministers sought implementation, with the auditors critical of the emphasis that had been placed on price competition which had induced providers to 'bid low and promise high' (NAO, 2010).

In the short-lived Flexible New Deal, that more closely mirrored WP design, qualitative research with participants found that at least some considered they received a more personalised service, with access to a wider range of options, than they had been offered by JCP. Others reported no difference. Despite a range of delivery models, prime providers were delivering, or overseeing, a very similar range of services; for example, the use of diagnostic assessments of participant needs to support the tailoring of services, employability courses and mandatory work-related activity. All delivery models seemed to incorporate a participant-centred approach and service innovation appeared limited to the skills and training of front line advisers and to some of the innovative diagnostic and action tools being used to work with participants (Veager et al., 2010; 2011).

In both evaluations providers indicated that it would take time for service models to develop and mature and that resource constraints limited the scope for innovation. This latter constraint was exacerbated in the context of implementing an outcome based funding system in a much more challenging labour market environment than that which was envisaged when contracts had been signed. Despite these mixed results, the experience of both programmes informed the approach of DWP and prime providers as they subsequently developed the WP.

3.5 The risks associated with the Work Programme

The evidence on 'payment by results' programmes reviewed in the earlier report found critical assessments which suggested that despite some positive developments there are significant risks (European Commission, 2011). In Australia, for example, successive contracts have relied on provider behaviour being driven through differential payments and outcome incentives, but critical evaluation findings suggest providers 'crowd around' less costly job search assistance and 'cream' and 'park' participants (Considine, 2011; Fowkes, 2011). These findings are relevant to the WP where it is possible to envisage an outcome similar to that in Australia where providers concentrate intensive service provision on the initial stages and thereafter focus more on those considered closer to the labour market. DWP maintains that the WP design will militate against this because they will monitor the delivery of minimum standards; differential pricing targets the highest incentives at the more difficult to place groups; and providers get only a small element of 'up front' funding and will receive little income unless they place participants in sustained employment. Unfortunately these safeguards may have limited value when contrasted with commercial realities in a harsh economic environment and the House of Commons Work and Pensions Select Committee already has warned that 'parking' may occur

amongst the participants who are harder to assist within broad WP payment bands (WPSC, 2011).

Service user journeys across mixed public and private provision, as in the WP, can be complicated, especially for the most disadvantaged. In Australia, the Netherlands and the US problems have arisen with 'failures to attend', incorrect assessments, and the imposition of sanctions. Other problems may arise from poor interactions between health assessments and job search and programme activity requirements. Such risks may be heightened with the WP because of its duration, subcontractor delivery chains, and the requirement for participants to maintain regular contact with a private provider whilst continuing to report on and have their job search activities scrutinised by JCP.

Although WP prime contractors have specified the varied minimum services they intend to provide and are obliged to inform service users about the services they will make available, there are fewer safeguards to ensure the quality of service delivery. DWP will have only limited insight into the 'black box' of front line delivery and scrutiny bodies, such as the House of Commons Public Accounts, have already suggested that more robust systems be put in place to respond to complaints of unfair treatment and poor service delivery (PAC, 2012). They also suggest that DWP augment current safeguards with methods, such as surveys, that generate greater insight into the experience of participants, most of whom are compelled to participate.

Concerns have been expressed also about the role of third sector organisations and WP prime providers' management of their subcontractors and the contractual terms and risks they have passed on to smaller organisations. The evidence from the other countries suggests a mixed future with the growth of non-profits that deliver performance or provide valued niche services, alongside a reduction in the number of such organisations involved. In New York City in particular, the introduction of a prime contracting model from 2000 was associated with a 'shake out' of community based and smaller non-profits, and subcontractors have complained about their treatment (see Annex A). For some the loss of the 'less effective' smaller providers increased efficiency, thereby improving services for participants. Others have argued that participants with special needs may be less well served and that while the loss of many of these local organisations 'might not show up on a balance sheet', it undermines the already limited social capital of poor communities (Bryna Sanger, 2003).

In countries with more developed subcontracting systems there has also been debate about the role of large scale private providers who have emerged as a powerful interest group. In the USA in particular there has been controversy about their operation in certain states (with similar criticisms already made of some of the larger British providers). The US critics cite examples of corporate malpractice, including inadequate and poor provision of services, misappropriation of funds and other financial irregularities (Finn, 2007). In some US states the organisations involved lost contracts; in others they have taken remedial action and continue to deliver services. Large providers delivering the WP point to the small number of such

cases and suggest the infractions identified are marginal relative to their success in delivering many other contracts and the strength of the organisational, financial and management capacities they bring to the employment services delivery system.

Another particular risk concerns the potential for market failure, where providers either go out of business or seek to withdraw from unprofitable contracts and government has no choice but to intervene and either 'bail out' a failing provider or quickly find an alternative to continue the delivery of services. The earlier 'Pathways to Work' contracts were undermined both by poor design, the impact of the recession, and despite poor performance, DWP had to change funding rules to ensure provider viability. The NAO (2012a) suggests there is a risk that the speed of WP implementation and over-optimistic assumptions about labour market performance may reproduce such problems.

Ministers and DWP rebut many of these concerns and suggest that despite some early problems and tougher economic circumstances, the programme is now starting to deliver on the improvements anticipated.

4 CONCLUSION

4.1 The first year of the Work Programme

The most recent data on referrals and attachments shows that 565 000 people were referred to the WP between June 2011 and January 2012. This was 19 % above the indicative volumes published by DWP in its WP ITT in 2011, but in line with its revised forecasts published in January 2012. Of those referred to a WP provider, 92 % had gone on to start the programme, and DWP states that 96 % of referrals lead to an attachment within three months, 6 % above the Department's original assumption.²¹ This suggests that the vast majority of claimants are willing to accept support through the programme, but the figures do not demonstrate how successful the support might be in helping participants to find work.

As most participants on the programme must be in work for more than six months before a job outcome payment is made, the Government has not as yet published detailed performance data. Nevertheless, in May 2012 the Employment Related Services Association (ERSA), which represents many prime providers and subcontractors, published early data on job entries. The data - collected from the 'majority' of WP prime providers - indicated that nearly one in four of those on the programme for at least six months, had started employment, with job entry rates varying between 18 % and 26 % across different contract areas. Subsequently performance data released by DWP in June 2012 shows that 48 % of people who joined the WP at its launch in June 2011 had a break in benefit claims by the end of nine months and almost a quarter had stopped claiming benefits for at least three months. It is not yet clear how many of these job entries or off-benefit figures will convert into payable employment outcomes and official job outcome data will not be publically available until November 2012.

DWP and prime providers stress that early data should be interpreted with caution as they are just one year into a five year, outcome based programme, and they will be working with participants over a two year period. They also seek to remind commentators that by definition WP participants are the hardest to place into employment in what is a highly competitive labour market.

Ministers and DWP expect that performance will improve, but some unanticipated developments may see elements of the programme and the funding system being recalibrated through contract variations and even the 'change control' mechanism. There is no automatic connection between this mechanism and changes in economic indicators, but a combination of factors are likely to trigger some renegotiation. In particular, the economic and labour market projections on which the DWP funding model was based have proven optimistic, with unemployment higher and employment lower than anticipated. This context has posed greater challenges in placing participants into employment and has also changed the composition of WP entrants: with much higher numbers of long term unemployed JSA claimants being

²¹ (DWP) 2012) Official statistics on referrals and attachments to the Work Programme, <http://research.dwp.gov.uk/asd/index.php?page=wp>

referred. At the same time, the impact of the medical re-assessment process which determines ESA eligibility means that far fewer than anticipated 'higher value' claimants are entering the programme.²² These factors contributed to early and continuing pressures on the programme that have required prime contractors to rapidly increase service delivery capacity and make speedy adjustments to supply chains.

The relative progress of the programme also has been undermined by negative media coverage dominated by concerns with 'fraud' on the part of some providers, albeit the few cases so far identified concern payments made in earlier programmes where there was less rigorous checking of claimed job outcomes (NAO, 2012b). A more serious complaint has concerned the poor quality of services for some participants, with some providers and/or in some locations. The evidence so far is limited to anecdotal reports, mainly in the media, in complaints to Members of Parliament or on internet sites, of advisor caseloads being too high; poor service quality, with participants complaining about infrequent contact and/or a lack of resources, such as computers and other job search materials; and 'improper practices' with, for example, some participants being required to do unpaid work experience for providers or with poorly vetted subcontractors. Also, some non-profit subcontractors, cited in some of the tenders as providers of specialist services in support of the prime contractor, are receiving only limited participant referrals that, in some cases, do not require their specialist expertise. There are complaints also that 'harder to place' participants are being parked and that some WP providers are 'cost shunting' by referring participants to providers delivering services funded from other sources.

It is not yet clear if the early problems identified reflect difficulties in the transition to a new delivery system or are the first signs of the more systemic weaknesses associated with low unit costs and unrealistic bids that independent assessments have highlighted. It is important to note, however, that similar transitional problems have characterised the implementation of earlier outcome based subcontracted programmes in the UK and, as in Australia, it is likely to take time for any new delivery and funding system to deliver the anticipated expenditure savings and increase in employment outcomes. If sustained, however, the challenges arising from different caseload compositions and longer durations of unemployment may pose more systemic problems to the viability of individual prime contractors and the credibility of the programme.

4.2 Relevance for other European countries

In many European countries the Ministry, PES and other public authorities subcontract the delivery of at least some employment related services. Contracted activities typically include the delivery of traditional active labour market programmes,

²² Only 39 % of the expected number of ESA claimants had accessed the WP by January 2012, even though overall referral numbers were 19 % higher than those DWP had forecast.

from skills training to job search assistance, through to the targeting of more intensive forms of counselling and support focused on disadvantaged groups, including the long term unemployed and people with disabilities. The commissioning and contracting of such employment services often is complex, costly and, in many countries, small scale, involving different levels of government and a wide variety of procurement practices (European Commission, 2011). Contracts typically are short-term with durations often of one year or less and payment systems also vary from recurrent public funding, to grants, to staged payments or fees paid for services delivered.

In a context of public expenditure reductions, higher unemployment levels, and the ambition to improve employment service delivery, there has been growing interest in funding subcontracted providers on the basis of how many people they successfully place in employment rather than on the number of people to whom they provide services.

Although the British system has been shaped in the context of its distinctive governance arrangements, social security system and labour market challenges, it has sought to adapt best practice from other international models and the transition to the **WP has involved a series of innovations in the design, management and delivery of subcontracted employment services that may be of relevance to other European countries.**

The WP may have relevance for policy makers seeking to inject more flexibility in mainstream local PES delivery or, more directly, for those seeking to tackle some of the delivery problems characteristic of subcontracted employment programmes in other European countries. In particular, the WP has reduced departmental procurement and monitoring costs and complexity by replacing a multiplicity of individual programmes. The approach gives providers more freedom to decide how to help participants; allows them a longer period to provide help; and lets them intervene sooner. Providers are paid primarily for their results in supporting people into sustained employment, so what the provider earns is tied to how well they perform and how long the participant stays employed.

DWP also has negotiated innovative funding arrangements with the British Treasury which means that providers are partly paid from the additional benefit savings they help to realise when they support claimants into sustained employment. In addition, there are differentiated payment rates for different claimant groups to encourage providers to focus on the harder to help groups. A further innovation is that there is more potential for competition after providers have been appointed by shifting market shares. There are two or more prime contractors in every geographical area so work can be shifted between them depending on their relative performance and, in the event of provider failure, there is an alternative provider on the ground and other potential bidders pre-selected in the 'Framework'.

These innovations in WP delivery must be balanced by an appreciation of the risks to WP delivery considered at the end of section three and in more detail in the earlier report (European Commission, 2011). The following table summarises the findings

on the gains and risks associated with the British model by contrasting the advantages and disadvantages associated with outcome based black box contracting and with the prime provider model (see Figure 7).

Figure 7: Advantages and disadvantages of outcome based ‘black box’ contracting

	Potential Advantages	Potential Disadvantages
Outcome based and black box contracts	<ul style="list-style-type: none"> * Ensures focus is on securing sustained employment outcomes * Can quantify results and performance making under-performance and monitoring easier to manage * Should reduce expenditure on activity unlikely to produce an employment outcome * Greater flexibility allows providers to personalise provision and more quickly adopt best practice * Differentiated payments encourage providers to invest in services for the hardest to place participants * Only paying for job outcomes and sustained employment is likely to drive improvements in service delivery and greater job matching and retention 	<ul style="list-style-type: none"> * Risk of creaming and parking and reduced services for more difficult to place participants * Loss of purchaser insight into participant experience and ‘what works’ * Risk of fraud and of gaming the payment system * May need complex payment structures and auditing regimes to validate employment outcomes
Competition between prime providers and subcontractors	<ul style="list-style-type: none"> * Should improve effectiveness and reduce costs * Facilitates the exit of lowest performing providers * Supply chain management should stimulate innovation and quicker spread and adoption of best practice * Competition for job placements should improve services for employers 	<ul style="list-style-type: none"> * Competition that rewards unrealistic performance and price offers likely to lead to a reduction in service quality * Weaker cooperation between competing providers may reduce the spread of best practice * Competition for job placements may confuse and alienate employers
Longer and larger contracts	<ul style="list-style-type: none"> * Incentive for prime providers to invest in services, staff, technical capacity and partnership development 	<ul style="list-style-type: none"> * Reliant on a smaller pool of potential providers with capacity to deliver contracts

	<p>and reap economies of scale</p> <ul style="list-style-type: none"> * Potential for stronger relationships with purchasers allowing speedier identification of service delivery problems and spread of best practice * Reduction in transaction costs 	<ul style="list-style-type: none"> * Requires stronger performance management and skills that public services may not have * Less chance to remove poorly performing providers and incumbent providers have strong advantages
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ANNEX A: THE PRIME CONTRACTOR MODEL AND PAYMENT BY RESULTS IN NEW YORK CITY

New York City (NYC) is one of only a few US states and cities where for-profit providers have been used extensively, a prime contracting model was implemented and where contracts are largely paid on the basis of employment outcomes. The city also awards some of the highest value welfare to work contracts in the USA. The first three year prime contracts were estimated, for example, to have a value of 'nearly half a billion dollars' (Youdelman and Getsus, 2005, p.17).

In NYC the 'Human Resource Administration' (HRA) is responsible for delivering 'public assistance' cash payments and referring all eligible applicants to mandatory employment programmes via its network of local Job Centers. In Job Centers HRA public sector officials assess benefit eligibility and employability and all job ready applicants are referred to a job search provider before a benefit claim is processed. Public sector employees are wholly responsible for benefit payments and for the imposition of sanctions and any appeals that follow.

Since 2000 welfare to work employment services have been contracted out and delivered through a network of prime contractors (Savas, 2005). The new contracting model was chosen explicitly to reduce administrative costs and the high number of low value contracts that NYC previously awarded to multiple small non-profit organisations. The system has been administered through the 'Vendorstat' performance management system that allowed HRA to verify job placements and other milestones recorded by providers and release payments. Monitoring was reduced to the verification of placements and job retention by quarterly audits of a sample of prime contractor cases, with follow up work only where discrepancies occurred. In effect HRA allowed prime contractors to play 'the role of monitor' in the system (Bryna Sanger, 2003, p.40). One consequence was that HRA administrative savings had to be offset by 'higher paid staff with database and computer skills' (Ibid, p.41). The NYC auditor continues to monitor payment evidence trails and has, on several occasions, criticised HRA and prime contractors about a 'lack of consistent documentation on employment, work hours and wages' (OC CNY, 2008; 2007).

Until 2006 separate prime contractors delivered either an initial 'skills assessment and job placement' service for two weeks, or the longer term 'employment services and placement' provision that combined job search activities with mandatory work experience, usually with a city agency, for three days a week. 'SAP' and 'ESP' providers were paid different fees with most of their income derived from job placement and retention. The different prices for the two delivery models were designed to reflect the potential for creaming. The first tier of providers were paid about a third of what an 'ESP' provider received because they could 'cream the easy to place', leaving the 'higher payments for the participants needing longer term help' (Turner, 2001, p. 11). This segmented service delivery model is analogous to the tiered delivery strategies implemented through subcontractor chains by several WP prime contractors.

In 2006, there was a major change in NYC provision with the creation of a single 'Back to Work' programme delivered by eight prime contractors. Each public Job Center works now with only one prime who is expected to provide customised and flexible employment and work experience services and work with a service user 'from start to finish'. The contractor must develop a 'Job Retention and Career Plan' for each participant to document their efforts to 'advance' the individual through skill development and financial planning. Much of the provider's funding depends on job entry, retention and wage gain, with additional incentive payments targeted at participants who may have been sanctioned (see Figure 1). The 'Back to Work' programme is currently being renewed with new contracts to commence in January 2013. The total budget for these contracts is estimated at USD 174.6 million over 3 years for 11 delivery sites (NYC, 2012, p. 13).

There is a separate stream of provision for those with multiple employment barriers which was remodelled as 'WeCARE' in 2005. WeCARE caters for service users with multiple and complex barriers to employment, with the 3 year USD 200 million service delivered through two prime providers and their subcontractors.²³ The WeCARE contracts are hybrids. Two-thirds of the prime contractors' potential income is performance-based and milestone-driven; a third is paid for services claimed on a monthly basis. This payment system reflects the barriers faced by the client group, but remains performance-driven with significant payments for sustained employment outcomes (Kasdan and Youdelman, 2007).

There are mixed assessments of the design, implementation and results of the New York City delivery model, and the use of prime contractors. One detailed review, from an advocacy organisation, reported that in the first year of the Back to Work Programme less than 10 % of participants secured employment and fewer were able to retain jobs beyond several months (Kasdan and Youdelman, 2007, p.8). The data and conclusions of this report were refuted by HRA, but there are no independent performance evaluations available (Armstrong et al., 2009).

The NYC prime contracting model has attracted political criticism, been challenged through the courts, and subcontractors have complained about their treatment. Much of the criticism was experienced in the period of transition when many smaller providers lost contracts and in the first contract period where others were relegated to subcontractor status (Biberman, 2001). The criticisms of prime contractors echo some of the points made by non-profit providers in Britain. For example, there were complaints from non-profit subcontractors about having to undertake new assessments, late payments and overly complex requirements that were 'as excessive and costly as when they reported directly to the city' (Bryna Sanger, 2003, p.69). Other subcontractors complained that prime contractors 'skimmed off' the most work ready clients, had 'top sliced' an overhead charge, and had passed most risk to

²³ Arbor is owned by the large US provider ResCare, and FECS (Federation Employment and Guidance Service) is a large New York based non-profit organisation. The programme has about 24 000 participants at any given point.

them (Youdelman and Getsos, 2005). In contrast, other subcontractors have stressed that they had been able to access large contracts they could not bid for on their own. They also had benefited from the economies of scale, performance management systems and additional supports that prime contractors could deploy (Armstrong et al., 2009).

Figure 1: NYC HRA ‘back to work’ payment milestones

Employment Plans

- Completion of an Employment Plan (pre-employment)
- Completion of an Employment Plan (post-employment)

Unsubsidised Employment

- Placement into unsubsidised employment for 30 days (minimum 20 hours a week)
- Retention in unsubsidised employment for 90 days after initial placement
- Retention in unsubsidised employment for 90 days with case closing
- Retention in unsubsidised employment for 180 days after initial placement
- Retention in unsubsidised employment for 180 days with wage gain

Incentive/Disincentive Payments

- Incentive payment for a decline in the number of participants who have failed to comply with work requirements and whose cases are sanctioned
- Incentive payment for an increase in the rate of sanction removal
- Disincentive for an increase in the public assistance recidivism rate
- Disincentive for a decline in administrative indicators (e.g. Employment Plan completion and timely attendance notification)

Source: Youdelman and Getsos, 2005, Appendix A.

ANNEX B: EXAMPLES OF WORK PROGRAMME PRIME CONTRACTOR SERVICE DELIVERY MODELS

The service delivery strategies of the WP providers below cover a significant proportion of British provision. The providers have varied approaches to the delivery and subcontracting of services and on the ground are adapted to meet the varied needs of the different areas in which they operate. **Working Links** and **Ingeus** act as '**prime delivery agents**' who combine direct delivery of the majority of their provision with a smaller supply chain comprised of 'end to end' subcontractors and specialists. **G4S** acts as a '**prime managing agent**', and subcontracts all its delivery to a supply chain.

Working Links

Working Links (WL) was formed in 2000 as a Joint Venture Partnership between Manpower, the British Employment Service and 'Cap Gemini Ernst & Young' (a major consultancy company). The charity Mission Australia (one of the largest providers of employment services in Australia) acquired a third share of the company in 2006, making WL a unique blend of public, private and voluntary sector interests.

WL was formed originally to compete to deliver EZs and subsequently expanded to provide a wide range of British programmes.²⁴ It also has small scale operations in other countries. WL secured WP contracts in three delivery areas with the lifetime value of the contracts estimated at GBP 308 million.

WL's delivery model commences with an individual diagnostic assessment undertaken by WL or subcontractor advisers using a 'My Way Up' instrument designed in consultation with occupational psychologists and client groups. The results are used to segment participants according to distance from the labour market and feed into an individualised 'Into Work Plan', which is adapted as a participant progresses in the programme.

The WL service delivery model has several core elements – **engagement, pre-work support, entry into work** and **in-work support**. Each participant is allocated a named adviser who remains the key point of contact from start to employment and, where possible, this adviser is allocated other members of the participant's household if they too are referred.

Job ready participants have access to an in-house job search area with appropriate facilities and the emphasis is on intensive job search activity. Participants with intermediate employment barriers are offered 'tailored interventions' from a wide range of provision in their 'Support Catalogue', including access to online courses, with the experience underpinned by job search activities, regular contact, review and support from their adviser. If more significant barriers are identified they enter the

²⁴ WL was created to ensure that there was enough delivery capacity available as the then Labour Government developed its approach to outcome based subcontracting. Indeed, WL delivered eight of the first 15 EZ contracts. Whilst it was a joint venture, with management support from Manpower, the original front line staff and most managers were seconded from the PES. Most of these secondees now have become either full employees of the company or returned to other civil service employment.

provision for those deemed to be facing significant employment barriers. These participants may sample a range of social, voluntary and work related activities designed to reduce barriers and build clear job goals. There is fortnightly contact with the adviser in this pre-work support stage and, when ready, they move onto direct job search activities. Each participant has their 'Into Work Plan' reviewed and refreshed every six weeks or at other key stages. Those who enter a second year of the programme undergo a 'fundamental case review' designed to reassess barriers and refocus and reinvigorate their job search.

In addition to supported job search, 'entry into work' is facilitated through targeted vacancies brokered by WL's 'Employer Services Team'. There is also specialist support for those considering self-employment.

Upon entry into work, an in-work support team takes over responsibility for regular contact primarily through phone and/or online channels. All job entrants are offered an 'In-Work Support and Progression Plan'. The level and nature of the contact should be agreed with the participant with those considered at high risk of losing employment offered a more intensive service including, for some, the support of in-work mentors. Participants should be offered the opportunity to review and refresh their in-work plan every six months.

Where participants leave employment there is a 'Rapid Return' service connecting the participant with job search support and their original adviser. WL also has a specialist 'Flex Desk' team who caseload participants that enter temporary or flexible employment, and its role is to deliver pro-active support to secure continuity of employment.

Ingeus-Deloitte

Ingeus UK, formerly known as Work Directions, is part of the international Ingeus group of companies, delivering employment programmes in the UK, Germany, France, Sweden, Switzerland, and Poland. In 2008 it entered into a joint venture with Deloitte to increase its capacity in the British market and Ingeus UK Ltd is 50 % owned by both parent companies. Deloitte is a private limited UK registered company and the second largest professional services network in the world. Ingeus-Deloitte is the largest WP provider with contracts in seven areas with an estimated lifetime value of GBP 727 million.

Ingeus developed its 'Every Day Counts' service delivery model in a process drawing on its previous British and extensive international experience. The model comprises four stages – **Diagnostics**, **Intensive Support**, **Skills Plus** and **Breakthrough**. Upon entering employment participants graduate into a **Careers Academy**.

Upon entry to the programme participants are allocated an adviser and in the initial **Diagnostic** phase assisted to complete an online self-diagnosis assessment and, where necessary, a separate health assessment. The results are used to develop an Action Plan, which is reviewed and updated at least every eight weeks. The intensity of support and choice of interventions is tailored to the needs of each participant by

front line advisers. Job search activity commences from day one with job ready participants given a mock interview and matched with a vacancy. Levels of mandatory activity are targeted at key stages with the level of conditionality increasing during the programme.

Most participants enter Intensive Support and based on their Diagnostics results are channelled into a number of separate 12 week modules. **Boost** is a high intensity approach which includes job search, CV (résumé) updating, vacancy matching, mock interviews, and related training. **Enterprise** offers support for participants considering self-employment. **Engage** provides a range of specialist support for hardest to help participants including interventions based on psychosocial interventions such as Cognitive Behavioural Therapy as well as workshops on healthy lifestyles, all with a focus on securing employment. **Steps to Work** is targeted at participants with significant health barriers, with group and one-to-one support in aspects such as improving mobility, pain management, tackling the root causes of depression, and so on. One of the distinctive features of the Ingeus model is its in-house *Health and Well-Being* service staffed by para-professionals, such as occupational and CBT therapists.

The **Skills Plus** phase normally is entered after the first two stages and is designed to improve skills and work experience, although participants with low basic skills may be fast tracked into this provision. This stage involves an 18 week sector-specific vocational training course and/or a tailored work placement. The training is mostly at foundation level in courses such as food and drink, care, or business services.

A **Breakthrough** phase has been designed for those entering a second year of participation. Participants will be introduced to a group of peers who meet at least weekly with a facilitator. The aim is that the group members support each other in their job search. There is likely to be increased conditionality with a longer term mandatory work experience placement.

Participants entering employment become members of the **Careers Academy** which aims to provide in-work support and career development advice. During the first six months of employment a participant may be supported by the adviser who has already worked with them. The advisor initially helps with practical support and the development of an In-work Action Plan. At six months the participant is offered access to telephone based career development support from a specialist guidance service. Over the period participants also may be contacted by and access support through an Ingeus call centre and can access a range of online specialist services through Ingeus's closed 'customer support system' (Invisage).

G4S Welfare to Work

G4S is a major international security and business services company and a significant private sector employer in the UK. It is a relatively new entrant to the delivery of employment services, but in the competition for the Work Programme won contracts with an estimated lifetime value of GBP 184 million in three delivery areas.

G4S has a distinctive wholly subcontracted delivery model where it makes a clear distinction between job brokerage, additional specialist support and in-work support. In each delivery area they have contracted with a relatively small network of 'end to end' **job brokers** and these are supported by a range of specialist subcontractors who are included in a **Knowledge Bank**. It contracts also with specialist **in-work partners**.

G4S has worked with JCP staff in Jobcentres in an effort to secure 'warm handovers' where a participant is introduced to a subcontracted job broker adviser where a brief initial Action Plan and a date for a full interview is agreed within two weeks of the referral.

At the following interview the participant meets with their named adviser to agree a 'Realistic Job Goal' based on three key principles: it is a job the participant wants; it is a realistic option for them; and there are vacancies available in the local labour market. The goal is agreed in an **Action Plan** which specifies job search activities and other steps needed to address any employment barriers. Each participant is given a **Contact Plan** setting out the contact methods and regime to be followed. Both plans should be reviewed regularly. The same adviser should manage the participant's journey through the programme and into employment.

Advisers can refer participants to the specialist services available through the Knowledge Bank. This can include access to debt and housing advice, careers guidance, and support with basic skills needs. There are health related support services, including assistance with substance abuse and mental health issues. A participant agrees a **Referral Plan** with their advisor detailing the aims and expected outcomes.

When a participant is offered a job they should meet with their advisor for a 'pre-work engagement session' that supports them with applying for in-work tax credits or other supports for which they are eligible. The adviser is also expected to agree an In-Work Action/Contact Plan outlining mutual agreed activities. The in-work plan should be reviewed after the first week in employment and the original advisor is responsible for support in the first 13 or 26 weeks of employment (which triggers the first job outcome payment). Thereafter each participant is tracked by an in-work advisor employed by G4S's specialist provider Renovo's 'Workfriend' service²⁵, providing 24/7 telephone/online mentoring. Where a participant is at risk of losing their employment the in-work service alerts the job broker responsible who may be able to intervene in the situation or put in place a rapid return to intensive job searching.

G4S does not prescribe its own delivery model, but places great emphasis on the skills of the advisers employed by its job brokers and its own contract managers may intervene to ensure performance improvements and share best practice.

Each advisor should have a caseload of no more than 80 individuals and the advisors are expected to provide a range of support services including sourcing vacancies by reverse marketing and cold-calling employers. In addition G4S has its

²⁵ <http://renovo.uk.com/employability.html>

own employer liaison managers who provide access to local vacancies they may source or that may be sourced from the corporate partner vacancies that G4S can access nationally.

G4S sets clear job outcome and sustainment targets for its job brokers. These are reviewed weekly and comparative performance data shared between the brokers. In the case of underperformance G4S interventions escalate and may result in contract termination, should performance not improve.

G4S places great stress on its supply chain and performance management skills. This is driven by its own contract managers using the data generated through its 'Informatics System for Individual Support' (ISIS) that all job brokers use to case manage and track their participants. Another feature concerns the use of ISIS data to guide adjustments to the specialist provision available through the Knowledge Bank which apparently may be quickly adapted in response to changing participants' needs and employer demand.

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