
Stepping Stones

The role of the voluntary sector in future welfare to work schemes

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Future of public services

NCVO's 'Future of Public Services' series uses learning from our members to review the role of voluntary organisations in the delivery of public services. With the increasing use of new types of partnerships, contracts and payment models in public service design and delivery, how can we ensure local needs are met and the most disadvantaged not left behind? How can volunteers and voluntary organisations provide much needed engagement with local people? This series aims to tackle these questions and provides real examples of how services can be commissioned in a way that truly enables community-led delivery.

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Introduction

Getting the long term unemployed into work is one of the greatest political challenges facing this country. The British economy is growing,¹ and unemployment is decreasing.² However, there is a risk that only those closest to the labour market will benefit from these new opportunities. Big questions remain around how to help individuals with multiple or complex needs towards and into employment.

The government's flagship welfare to work scheme – the Work Programme – has been shown to fail to help many service users with multiple or complex needs.³ Given the Chancellor's pledge for 'full employment'⁴ and the recent high numbers of Employment and Support Allowance (ESA) referrals to the Work Programme,⁵ it is more important than ever to harness the potential of the voluntary sector in supporting those with multiple or complex barriers.⁶ Voluntary organisations, with their local knowledge and specialist expertise, are often well placed to help these individuals on their journey towards employment.

A significant shift is needed in the way welfare to work schemes are designed, commissioned, delivered and monitored in this changing environment, to ensure that they help those furthest from the labour market to play a fuller role in the workforce of the future.

In this report, we highlight challenges facing the current Work Programme and suggest new models for the design of future schemes. The report highlights the steps that can be taken at each stage of the commissioning cycle to bring in the expertise of voluntary organisations, to achieve a more diverse market of providers and improve the performance of future welfare to work schemes.

This report builds on our response to the Department of Work and Pensions (DWP) *Future Commissioning Strategy* consultation, previous reports on the Work Programme,⁷ our response to the Public Accounts Select Committee (PASC) consultation on Public Services and the Citizen, and ongoing dialogue with our Special Interest Group⁸ (SIG) of Work Programme voluntary sector subcontractors.

¹ Economic and Fiscal Outlook, Office for Budget Responsibility, March 2014 cdn.budgetresponsibility.org.uk/37839-OBR-Cm-8820-accessible-web-v2.pdf

² Labour Market Statistics, Office of National Statistics, January 2014 www.ons.gov.uk/ons/rel/lms/labour-market-statistics/january-2014/index.html

³ Can the Work Programme work for all user groups?, DWP Committee, May 2013 www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/162/162.pdf

Work Programme Official Statistics, DWP, March 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/300387/work-programme-statistical-release_mar14.pdf

Work Programme Statistics Briefing, Centre for Social Inclusion, March 2014 us5.campaign-archive2.com/?u=c32612be25d976fb2af6c77ed&rid=872ac1ff85&re=d062713c9a

⁴ George Osborne speech delivered 31 March 2014. Script can be found here: www.gov.uk/government/speeches/chancellor-speaks-on-tax-and-benefits

⁵ Work Programme Official Statistics, DWP, March 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/300387/work-programme-statistical-release_mar14.pdf

⁶ Ibid

⁷ The Work Programme – Initial Concerns from Civil Society Organisations, NCVO, 2011

www.ncvo.org.uk/images/documents/practical_support/public_services/work_programme_concerns.pdf

The Work Programme: Perceptions and Experiences of the Voluntary Sector, NCVO, 2012

www.ncvo.org.uk/images/documents/practical_support/public_services/SIG%20survey%202012%20report.pdf

⁸ NCVO Special Interest Group www.ncvo.org.uk/practical-support/public-services/work-programme-sub-contractors

Executive Summary

Since its launch in 2011, the Work Programme has performed relatively well overall, but has failed to help many individuals with multiple or complex needs.⁹ Meanwhile, the expertise of voluntary organisations in supporting these individuals has been underutilised. In this report we call for a new approach based on smaller contracts, different payment models and recognition of milestones towards employment. This would enable the expertise of specialist and local providers to be harnessed to help individuals with multiple or complex needs find work.

In the report we set out the issues with the current Work Programme and recommendations for future programmes. Our major recommendations follow the stages of the commissioning cycle and are summarised here.

1. Involving service users and voluntary organisations in design of future welfare to work programmes

Pre-procurement dialogue with voluntary organisations would enable them to advise on service users' needs and to contribute to service design. This would ensure that outcomes are developed with a better understanding of the barriers facing those with multiple and complex needs; it would also provide commissioners with insight into the structure and capacity of the voluntary sector provider market.

2. Opportunities for local and specialist providers

Future welfare to work programmes should enable local and specialist providers to play a greater role in supporting those furthest from the labour market. This could be achieved through disaggregation of the national contracts into smaller, local contracts (which more voluntary organisations would be in a position to bid for). Or alternatively, via a parallel funding stream. If the latter, Jobcentre Plus staff would need discretion to refer service users to either the main programme or to more specialist local provision, after thorough assessment of the needs of the individual.

In the short term, NCVO recommends piloting a parallel funding stream, given that the current Work Programme will be continuing until 2016. If pilots were established it would allow service users who are currently not being served well on the Work Programme to get the help they need, while also allowing DWP to build an evidence base for future programmes. European Social Funds could potentially be accessed to help meet the costs of such pilots and future programmes.

3. Different payment models to help those furthest from the labour market

Many voluntary organisations lack access to capital and financial capability to engage in payment-by-results contracts. They often cannot afford to deliver services and wait months or years for payment. It is also the case that, for some service users, a specialist organisation could help them progress towards work (for example, by providing literacy support or rehabilitation), but the current payment mechanisms only recognise the final outcome of sustained employment. This acts as a disincentive for prime providers to refer individuals for these specialist interventions.

Future welfare to work schemes should be designed so that voluntary organisations can play a greater role in helping those furthest from the labour market. A hybrid payment-by-results structure, whereby providers are paid

⁹ Can the Work Programme work for all user groups?, DWP Committee, May 2013 www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/162/162.pdf
Work Programme Official Statistics, DWP, June 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/321518/work-programme-statistical-release-june-2014.pdf

a greater proportion of their fee upfront followed by payments linked to performance, is one model worth exploring. This model has been used in the Work Choice programme, which is achieving better results for service users with multiple or complex needs.

NCVO recommends that in terms of performance measures, progression payments should also be used to recognise key steps in an individual's journey towards employment.

For providers offering niche services, grants or service fees may be the most appropriate type of funding. Often these organisations are very small, but effective. To provide their services to a small number of users, they need full payment upfront to ensure their sustainability.

4. Early and thorough assessment of an individual's needs

The Work Programme categorises service users into payment groups according to their benefit status. However, the benefits claimed by a service user may not fully reflect their needs or barriers to employment. At an early stage, Job Centre Plus (JCP) staff should assess and categorise service users' needs. It would also enable the payment level attached to each individual to better reflect the level and cost of support they require.

5. Make better use of genuine volunteering as a step towards employment

Volunteering can play a significant role in helping individuals towards and into employment. NCVO's Volunteering for Stronger Communities (VSC) scheme has shown that volunteering can have a major positive impact on individuals in their journey towards and into work.¹⁰ Future welfare to work schemes should include opportunities for genuine volunteering at an early stage in the journey towards work. Volunteering should not be mandated by the threat of sanctions and should not affect eligibility for benefits.

¹⁰ Final Evaluation of the Volunteering for Stronger Communities Programme, Sheffield Hallam University, 2013
www.ncvo.org.uk/images/documents/practical_support/volunteering/vsc_final_evaluation_report_dec_2013.pdf

1. Background: Performance of the current Work Programme

Introduction

The Work Programme is a mainstream welfare to work programme, open to all individuals claiming Jobseeker’s Allowance (JSA) and Employment Support Allowance (ESA) claimants in the Work Related Activity Group. It aims to assist the long term unemployed into employment. When it was launched, the government estimated it would cost between £3bn and £5bn. To date it has had over 1.5m referrals. Of these, around 1.28m receive JSA and around 260,000 receive ESA.¹¹

Assessing the performance of the Work Programme requires consideration of how well it is meeting the needs of individuals, as well as its value for money and whether alternative approaches would be likely to be more successful.

Findings from the current Work Programme

For those on Jobseeker’s Allowance benefit, the Work Programme is proving effective compared to predecessor programmes

The Work Programme has been effective for JSA claimants in comparison to previous mainstream welfare to work schemes. The Centre for Economic and Social Inclusion compared the Work Programme’s performance to previous programmes. They limited their comparison to the job outcomes for JSA claimants over the age of 25 as this group is the most similar in terms of eligibility across the programmes. Based on figures released in December 2013, they found the Work Programme is now ‘clearly out-performing’ Employment Zones, which ran from 2000 to 2003, and the Flexible New Deal that it replaced.¹²

Scheme	Job outcome rate – 25+ JSA claimants 28 months after launch of scheme
Employment Zones (2000–2003)	34.9%
Flexible New Deal (2009–2011)	38.9%
Work Programme (2011–present)	41.3%

Source: CESI¹³

However, the Work Programme is failing those with the greatest needs

Although results for many JSA claimants have improved over time, service users with complex or multiple barriers do not seem to be getting the tailored support they need. Much of the evidence highlights the need to rethink the service available to these individuals.

The latest DWP statistics show that Work Programme providers are now exceeding the contractual minimum performance levels (MPLs) for ESA claimants for the first time since its launch. However, the latest figures only include ‘New ESA’ claimants who have been assessed as being fit to work within three or six months.¹⁴ The measure against MPLs is not the most accurate as it is affected by both outcomes and referrals. Additionally, this

¹¹ Work Programme Official Statistics, DWP, June 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/321518/work-programme-statistical-release-june-2014.pdf p. 26

¹² Work Programme Briefing, CESI, December 2013 stats.cesi.org.uk/website_documents/WP_stats_briefing_Dec_2013_final.pdf p. 10

¹³ Ibid

¹⁴ Work Programme Official Statistics, DWP, June 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/321518/work-programme-statistical-release-june-2014.pdf p. 2

outcome measure is based on job outcomes per financial year, not taking into account how long a service user has been on the Work Programme. The deficiencies in this measure have been recognised by DWP.¹⁵

Looking at the statistics for job outcomes after 12 months and the cumulative impact of the Work Programme clearly shows that it is not working for those who are furthest from the labour market.

	Job outcome rate after 12 months on Work Programme	Cumulative job outcome rate on Work Programme up to March 2014
JSA (18–24 year olds)	20%	26.2%
JSA (over 25s)	16.6%	20.6%
ESA (three- and six-month prognosis)	9.1%	9.3%
ESA (12-month prognosis)	3.3%	2.3%
ESA (ex-IB claimants)	1.9%	1.9%

Source: DWP Work Programme Statistics.¹⁶

The outcome figures are also poor for JSA claimants from certain groups. For example, 27,000 of the JSA claimants referred to the Work Programme had previously received Incapacity Benefits (IB). A further 42,000 JSA claimants referred to the Work Programme are prison leavers. Of these referrals, just 11% of ex-IB claimants and 6.3% of prison leavers have managed to achieve job outcomes on the Work Programme.¹⁷

Given the costs of supporting the long term unemployed and the prevalence and costs of re-offending, the value for money of future welfare to work programmes could also be improved if it better served the needs of these groups.

Recommendations for future welfare to work programmes

Any future welfare to work programmes should be better designed to meet the needs of those furthest from the labour market – this will improve performance and value for money for the taxpayer.

The rest of this report identifies opportunities to improve the design of future welfare to work programmes, drawing on lessons learnt from the current Work Programme, as well as evidence of successful outcomes from the government's Work Choice programme and other initiatives.

¹⁵ Work Programme Official Statistics, DWP, June 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/321518/work-programme-statistical-release-june-2014.pdf p. 2

The accuracy of the MPL measure is further undermined by the latest statistics, which showed that two contractors achieved job outcome rates of over 100%: p. 35.

¹⁶ Work Programme Official Statistics, DWP, June 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/321518/work-programme-statistical-release-june-2014.pdf p8, p. 26-7

¹⁷ Ibid

2. Commissioning of future welfare to work programmes

Introduction

Improving the performance of future welfare to work programmes will depend on improving the design process. As ever, a good commissioning process involves thorough analysis of people's needs, analysis of the market, and service design that reflects this analysis.

Our assessment of the current Work Programme suggests that its failure to deliver for those furthest from the labour market directly stems from the way it was commissioned. Several factors combined to limit the involvement of voluntary sector providers: limited engagement in design process, large contract sizes and burdensome procurement processes. Learning from this, we recommend greater involvement of service users and voluntary organisations in the design of any future programmes.

Findings from the current Work Programme

The Work Programme was commissioned in a hurry, and service users and potential service providers were not adequately involved in the design process

Many of the challenges faced by voluntary organisations in the Work Programme stem from the speed with which it was designed and introduced. A National Audit Office report on the introduction of the scheme contrasted the 12 months DWP took to introduce it with the four years taken with previous schemes.¹⁸ The report also concluded that DWP did not fully harness the help that providers could have offered during the design stage. Providers could have helped to validate DWP's assumptions but the underlying detail was not shared with them.¹⁹

As described in [chapter 3](#) of this report, the needs of service users with multiple and complex barriers have not been sufficiently met. We believe that this risk could have been mitigated through greater involvement of service users and voluntary organisations in the design phase. In practice, there was very limited scope to do this. The speed of rollout prohibited meaningful consultation with organisations that have a successful track record of improving outcomes in this area. They did not have sufficient chance to influence design, including the overall structure or payment models for the Work Programme.

The speed of procurement itself further limited the opportunity for dialogue within supply chains and for providers to shape more creative or collaborative approaches to delivery. The invitation to tender was released to potential prime²⁰ contractors in late December 2010,²¹ with successful bidders announced in early April 2011. Clearly this did not give a lot of time for prime contractors to engage with local voluntary sector providers.

Large contracts meant the expertise of local and specialist providers was not fully harnessed

The increasing use of large scale prime contracts has posed a barrier for many local and specialist voluntary organisations wanting to deliver public services. There are potential advantages to this model, such as achieving greater scale and coordination of services – either thematically or geographically – and managing risk exposure.

¹⁸ The Introduction of the Work Programme, National Audit Office, January 2012 www.nao.org.uk/wp-content/uploads/2012/01/10121701es.pdf p. 5

¹⁹ Ibid, pp. 7–8

²⁰ Potential primes were chosen from successful applicants to the Employment Related Support Services (ERSS) Framework, one of whose specifications was the minimum turnover of £20m, which is explored further later in this report. The ERSS only asks potential primes to 'describe effective strategies to develop, maintain and grow the supply chain (including voluntary and specialist organisations).'

Framework for the Provision of Employment Related Support Services, DWP, August 2010 webarchive.nationalarchives.gov.uk/+http://dwp.gov.uk/docs/framework-specification.pdf

²¹ Work Programme: Providers and Contracting arrangements, DWP Committee, 2011 www.publications.parliament.uk/pa/cm201012/cmselect/cmworpen/718/718i.pdf

However, the majority of charities are unable to access these larger scale contracts, and many have found the subcontracting experience less than satisfactory.

The Work Programme has 18 Contract Package Areas across the country and DWP set a minimum requirement of a £20m turnover to allow organisations to bid for a prime contract. This favoured a small number of very large private sector providers and excluded the vast majority of charities from the possibility of becoming prime contractors. According to *The UK Civil Society Almanac 2014*, just 533 voluntary sector organisations have a turnover of over £10m. Of these, 264 have a turnover of over £20m – and many of these organisations will be in fields other than welfare to work (eg Cancer Research UK, the National Trust). Furthermore, as previously reported by NCVO, voluntary organisations that sought to engage in the Work Programme as subcontractors have faced a wide range of barriers (explored further below).

Ultimately, the scale of contracts has contributed to a diminution of local and specialist expertise. This matters because evidence from other initiatives such as the north London pledge scheme and in Derbyshire suggests that programmes can achieve better results for the most disadvantaged groups when commissioned on a smaller, ideally local, scale. This would also provide opportunities for specialist providers to play a greater role.

Case Study: A London Councils report highlights that locally delivered employment programmes outperform national schemes.²² The report points to the North London Pledge scheme, for example, that achieved 26% of referred service users into work for six months or longer, in comparison to the Work Programme, which in figures available at the time of the report in April 2013 was achieving only 3.6 % of a similar service user group into sustained employment. The London Councils report calls for a more localised approach to employment services.

Case Study: Working Chance helps women with criminal convictions find professional high quality jobs, in areas that they wish to work. By building the women's self-confidence and by working with employers to overcome preconceptions, the charity is able to place the women in a secure work environment. Working Chance has placed over 300 women in professional jobs ranging from customer service and admin roles to HR and finance, in organisations such as Virgin Management, Pret A Manger and Mitie. They have a reoffending rate of less than 3%, well below the national average of 45%.

Case Study: A Local Government Association report²³ highlighted one pilot in Derbyshire that provided employment services to disengaged young people. The project, called Raising Aspirations, moved 58% of service users into employment or training.²⁴

Burdensome and bureaucratic procurement processes caused problems, especially for subcontractors

With a limited window in which to join prime contractors' bids, voluntary organisations faced huge administrative burdens if they wished to participate in the Work Programme. Firstly, they had to identify potential prime contractors and submit bespoke expressions of interest to each. An Employment Related Services Association (ERSA) survey found that some prospective subcontractors had completed over 100 different expressions of interest.²⁵

Secondly, if they were fortunate enough to be part of a winning bid, voluntary organisations had a limited window in which to sign contracts with the prime providers. Some subcontractors had not signed formal contracts with

²² Getting London Working. London Councils, 2013 www.londoncouncils.gov.uk/policylobbying/economicdevelopment/increasingemployment/employmentreport.htm

²³ Hidden Talents II. Local Government Association, 2013 www.local.gov.uk/c/document_library/get_file?uuid=a571cac1-b8a4-4858-8039-b9bf5b0d2e9be2&groupId=10180

²⁴ Ibid, p. 27

²⁵ ERSA 'ERSA calls for measures to increase the transparency and effectiveness of future Government procurement', 2011 www.ersa.org.uk/downloads/Select_Committee_response_press_release-Xb8Fr3.pdf p. 1

their prime contractors by the time of the Work Programme's launch.²⁶ These contracts were new, complicated, bespoke payment-by-results contracts. NCVO has analysed a number of these contracts, in partnership with Bates Wells Braithwaite law firm, and identified a number of issues that should have been addressed at the start of the process.²⁷ In some cases, the sheer administrative burden appears to have been overwhelming for smaller organisations. One voluntary sector subcontractor on the Work Programme reported signing a contract that was 140 pages long.²⁸

There was a perception that price drove contract award decisions

According to DWP, Work Programme tenders were assessed according to their 'quality' and 'price', with both being given equal 50% weighting. Nevertheless, there is concern among some voluntary organisations that they may have been disadvantaged by the significant weighting on price, and that winning bids may have been significantly below DWP's maximum price.²⁹ If this was the case, such a focus on reducing price could have limited the ability of prime contractors to refer service users to their voluntary sector supply chain partners, and would bring into question the viability of some contracts.

Recommendations for future welfare to work programmes

1. Commissioners should involve service users and potential providers in design of future welfare to work programmes

Co-design of welfare to work programmes would draw upon the knowledge and experience of service providers across the sectors. Voluntary organisations are well placed to advise commissioners about the needs of their service users, and can also help to convene and facilitate co-design directly with service users.

Early engagement with voluntary organisations would also be mutually beneficial in building trust and promoting understanding of the financial constraints on either side.

Although timing pressures meant the current Work Programme was not developed in this way, we are aware of other barriers to co-design. Notably, misunderstanding among some policymakers and commissioners that they are not allowed to engage with the market in advance of procurement activity. It is helpful that the EU and UK government have further confirmed that early engagement with potential providers is not only permissible, but also desirable, as a key part of the commissioning process.³⁰

2. Future welfare to work programmes should include local delivery opportunities, in order to utilise the local and specialist expertise of voluntary organisations

Local delivery opportunities, in combination with co-design of services recommended above, will allow commissioners to better utilise the local and specialist expertise of voluntary organisations and other providers. Areas covered by welfare to work schemes should reflect the economic activity of an area to allow providers close contact with local employers. This recommendation could be achieved in a number of different ways.

Firstly, considerably smaller contract packages would see a greater range of providers able to compete for smaller prime contracts. This would increase diversity of provision and be likely to lead to more opportunities extended to local and specialist providers as part of the supply chain. To ensure that these opportunities were realised, co-

²⁶ Perceptions and Experiences, NCVO, 2012 www.ncvo.org.uk/images/documents/practical_support/public_services/The%20Work%20Programme%20-%20Perceptions%20and%20Experiences%20of%20the%20Voluntary%20Sector.pdf p. 10

²⁷ Payment by Results: A Legal Analysis, NCVO and BWB, 2013 www.ncvo.org.uk/pbr

²⁸ Initial Concerns, NCVO, 2011 www.ncvo.org.uk/images/documents/practical_support/public_services/work_programme_concerns.pdf p. 5

²⁹ Ibid, p. 4

³⁰ For example, Annex B of government procurement guidance confirms that pre-procurement dialogue is best practice. www.gov.uk/government/uploads/system/uploads/attachment_data/file/62097/PPN-Procurement-Supporting-Growth.pdf

design and other recommendations contained in this report would also need to be taken forward. In particular, adjusting payment terms and supporting the development of voluntary sector-led consortia.

Alternatively, a parallel funding stream could be established to support local and specialist provision by voluntary organisations that would supplement the mainstream provision. Jobcentres would need to have the option to refer service users into the main programme or to more specialist local services, depending on an informed assessment of their needs.

In the short term, we would recommend piloting the latter option. The current Work Programme is due to receive its final referrals in 2016. This means that, in advance of any new programme coming into effect, many thousands of people with multiple and complex needs risk being 'parked' or poorly served. Implementation of a parallel stream could happen much more quickly. Furthermore, it may be possible to compare results with those of the Work Programme, building a stronger evidence base for future programmes.

We also recommend that this provision could be financed with match-funding from the European Social Fund, as this fund is specifically aimed at supporting complementary activity for social inclusion and employability for those furthest from the labour market. Designing future welfare to work programmes in such a way that they can qualify for this match-funding would enable greater resources to be directed at service users with greater needs. It would also be cost-effective for the government to take advantage of this currently underutilised source of money.

NCVO welcome the recent announcement of more intensive support for ESA claimants as part of the Glasgow and the Clyde Valley City Deal. The announcement did not detail the structure of the scheme, nor what role the voluntary sector will play. We await the announcement of more details in August, but hope that the voluntary sector can play a crucial role in this pilot scheme. We hope that the Local Authorities take on board our recommendations in this paper to allow the voluntary sector to play a fuller role in helping ESA claimants towards and into employment. Meanwhile, we believe that similar schemes could be piloted in other areas to ensure that those claiming ESA can get the support they need towards employment.

The coalition government, with the introduction of the Localism Act, has already acknowledged the vital role that local knowledge should have when designing and delivering public services.³¹ The Labour Party has also indicated its preferred approach to future welfare to work programmes would be through local delivery arrangements.³² Reports by Lord Heseltine,³³ Policy Exchange,³⁴ IPPR³⁵ and Locality³⁶ have also called for more localised delivery arrangements.

3. Provide templates for expressions of interest and contract terms

With the input of potential service providers, DWP should develop a template for contract terms. These contract terms should not inhibit innovation or be too prescriptive but set out expectations surrounding risk transfer, data transparency and conflict resolution mechanisms. The Ministry of Justice (MoJ) has developed an Industry Standard Partnering Agreement (ISPA).³⁷ The aim of the ISPA is to set a standard for fair practices in subcontracting and to assist in the development of diversity and transparency within supply chains. A similar model should be explored within DWP.

³¹ A Plain English Guide to the Localism Act, DCLG, 2011 www.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf

³² Miliband and Balls letter to local government, 2014 press.labour.org.uk/post/82086288703/ed-miliband-and-ed-balls-letter-to-local-government

³³ No Stone Unturned in pursuit of growth, Lord Heseltine, 2013 www.bis.gov.uk/assets/biscore/corporate/docs/n/12-1213-no-stone-untuned-in-pursuit-of-growth

³⁴ Route2Work, Employment Support for the very hardest to help, 2013 www.policyexchange.org.uk/publications/category/item/route2work-employment-support-for-the-very-hardest-to-help

³⁵ Many to Many: how the relational state will transform public services, IPPR, 2014 www.ippr.org/assets/media/images/media/files/publication/2014/02/Many-to-many_Feb2014_11865.pdf

³⁶ Saving money by doing the right thing, Locality, 2014 locality.org.uk/wp-content/uploads/Locality-Report-Diseconomies-web-version.pdf

³⁷ Principles of Competition, Ministry of Justice, 2013 www.justice.gov.uk/downloads/rehab-prog/competition/moj-principles-of-competition.pdf

MoJ has also developed a Tier 2 and Tier 3 registration form. This allows potential subcontractors to complete a single form expressing their interest to prime contractors and outlining the services they provide. DWP should build upon the work the department has already done with the Merlin Advisory Board in developing an expression of interest form.³⁸

4. Take account of the Social Value Act during commissioning

DWP should fully utilise the Social Value Act, which came into force in January 2013. Utilising the Act is an opportunity for commissioners to consider the economic, social and environmental, and wider value a contract can bring.

It is already considered 'best practice' to consider social value in all contracts, but NCVO have encouraged DWP to enshrine this in the Commissioning Strategy as a requirement. Commissioners should then develop and publish the social value criteria that they will use to assess bids. This would ensure that all providers from across the sectors develop the social value within their bids, and allow commissioners to design services that capture added social value.

It is likely that in creating more local delivery opportunities, there would be greater scope to consider local needs and what steps could be taken to achieve greater social value from welfare to work contracts. For example, where service providers themselves may be able to create job opportunities, build sustainable supply chains or work more closely with the local community and volunteers.

Commissioners should also go further in ensuring that contracts are awarded – and are seen to have been awarded – on the basis of quality, price and social value. Only by taking account of all three dimensions can they maximise value for money. This step would ensure that assessment of bids from voluntary organisations would take into account the added social value their provisions may bring.

Where social value is fully accounted for it can provide significant benefits beyond the primary service, as highlighted in the case study below.

Case Study: Blue Sky Development delivers ground maintenance and recycling contracts for local authorities and other public bodies. The organisation only employs people who have recently come out of prison, enabling them to move directly into long term employment and reducing the likelihood of reoffending. Given that one prison place costs approximately £41,000 per year, the organisation is potentially saving millions of pounds for the public purse.³⁹

5. Develop the capacity of voluntary sector providers to play a fuller role

In the pre-procurement stage, we also recommend that the DWP or the local commissioner develops capacity of specialist voluntary sector providers so they are better skilled to assess and manage the risk and opportunities offered in contracts and subcontracts. This has been an approach taken by the Ministry of Justice in the Transforming Rehabilitation procurement.⁴⁰

We have seen in the Work Programme that many providers were exposed to inappropriate contract terms and were inexperienced in assessing and managing risk.⁴¹ For the voluntary sector, these skills are particularly important as they often lack the capital reserves to offset risk.

³⁸ emqc launch revised expression of interest on Merlin website, 2013 <http://www.merlinstandard.co.uk/news.php#27>

³⁹ Furthermore, 49% of Blue Sky's employees have gone on to further employment.

www.ncvo.org.uk/images/documents/policy_and_research/public_services/social_value_case_study_1_-_blue_sky_development_regeneration.pdf

⁴⁰ Transforming Rehabilitation: A Strategy for Reform, Ministry of Justice, 2014 www.justice.gov.uk/transforming-rehabilitation p. 17

⁴¹ PBR: A Legal Analysis, NCVO and BWB, 2013 www.ncvo.org.uk/pbr

Capacity building for the voluntary sector should also include a focus on developing consortia. Consortia arrangements enable the VCS to build scale and bring together the knowledge and expertise of a range of partners. With the right support, more consortia could flourish. For example, NCVO are working with the Social Investment Business Group to build the capacity of local organisations to set up consortia.⁴² An example is our work with Peterborough Council for Voluntary Service to support establishment of a local consortium ahead of a contract opportunity in September 2014.

⁴² This work is supported by a government grant funding programme. For more information, see www.sibgroup.org.uk/communityrights/

3. Incentives and referral routes in future welfare to work programmes

Introduction

This chapter is about who gets what – what services individuals with the greatest needs can access, and how different approaches to paying providers can influence this.

Our assessment of the current Work Programme indicates that its payment-by-results model has limited the local and specialist services available to those with the greatest needs. Many voluntary organisations simply could not afford to be part of the Work Programme. Furthermore, there is evidence the payment model has led to ‘creaming and parking’, whereby providers prioritised service users who would find it easiest to secure jobs and deprioritised those for whom lengthier interventions would be needed to prepare them for work.

For future programmes, improvements should be made to payment structures and levels, as well as the way in which individuals’ needs are assessed and they are referred to different services.

Findings from the current Work Programme

The payment-by-results model predominantly used in the Work Programme is not feasible for most voluntary organisations

Former DWP Secretary of State Chris Grayling has recognised that the Work Programme was quite possibly the largest rollout of payment-by-results contracts in the world.⁴³ Yet it was done in a rush, and these types of contracts were novel and have caused significant barriers to voluntary sector organisations participating in the Work Programme.

The prime contractors were required to hold a minimum of £20m capital that would be used upfront to pay for service delivery, before receiving payments based on the number of service users achieving and sustaining ‘job outcomes’. Initially, prime providers received an attachment fee for each service user, but this has been reducing over the course of the Programme, and by June 2014 there will be no attachment fee at all. The exact figures vary in accordance to which one of nine payment groups the service user has been placed in.

The primary barrier for voluntary organisations getting involved has been access to capital, given that most charities are small and have limited reserves. Very few were in a position to bid to become prime contractors; many others struggled even to take part as subcontractors. According to *The UK Civil Society Almanac 2014*, there are just 533 voluntary organisations with an income of above £10m. The vast majority of voluntary organisations have a turnover below £100k.⁴⁴ Whatever size of organisation, charities typically have limited reserves and access to finance, so are not well placed to take on considerable financial risks associated with payment-by-results contracts.

A recent analysis conducted by the law firm Bates Wells Braithwaite and NCVO highlighted serious concerns about the implementation of payment-by-results contracts⁴⁵. The report analysed a number of payment-by-results contracts – including ones being implemented on the Work Programme. The analysis showed that the financial requirements of payment by results, in terms of working capital and cash flow, have left voluntary sector

⁴³ Chris Grayling interview on tackling unemployment quoted in *The Work Programme Evaluation: Procurement, supply chains and implementation of the commissioning model*, DWP, 2013 www.gov.uk/government/uploads/system/uploads/attachment_data/file/197710/rrep832.pdf p. 5

⁴⁴ *The UK Civil Society Almanac 2014*, NCVO, 2014 data.ncvo.org.uk/a/almanac14/how-big-is-a-typical-voluntary-organisation-3/

⁴⁵ *Payment by results contracts: a legal analysis*, BWB and NCVO, 2013 www.ncvo.org.uk/pbr p. 8

providers subsidising their payment-by-results work with other income sources, limited in the other services they can deliver, and seeking loans to cover payment delays.⁴⁶

Several charities have withdrawn from the Work Programme due to the payment model and payment levels not being viable if the charity received limited referrals (see more below). In 2012, a small social enterprise, Eco-Activ Services, withdrew from the Work Programme because 'the figures did not add up'.⁴⁷ Soon after, they closed down, citing the Work Programme as one of major reason behind their collapse.⁴⁸ The Single Homeless Project also withdrew in 2012, saying that the scheme did not provide enough funding to run the service.⁴⁹ An NCVO survey of voluntary sector organisations' experience of the Work Programme found that 70% of respondents feared their contracts would not be viable for the full term, and nearly half of the respondents were subsidising their service delivery with their own reserves.⁵⁰

Payment levels have not been sufficient to ensure those with the greatest needs are referred to appropriate services

In addition to problems with the overall payment-by-results approach, there are specific problems that have arisen due to the payment levels.

DWP developed a differentiated payment model, whereby levels of 'job outcome' payments differed according to the benefit status of the individual service users. However, an evaluation commissioned by DWP found that 'there was little evidence that prime contractors had used differential pricing in live delivery to target different types of support to different payment groups'.⁵¹ In short, providers have not been sufficiently incentivised to provide extra help for those with the greatest needs. Instead, as a separate Third Sector Research Centre report concluded, providers have focused their efforts on service users closest to the job market, while 'parking' the hardest to help individuals. Their report was based on in-depth interviews with both prime contractors and subcontractors.⁵²

In our assessment, having a single trigger for payment – in this case, a sustained job outcome – fails to recognise the vital steps towards work that many service users have to make into employment. For Work Programme providers, having a single trigger for payment means there is additional risk to investing in more in-depth interventions, as expenditure occurs without a guarantee of return.⁵³ They are therefore less likely to put in the required resources and take the additional risks involved to help those furthest from the labour market.

This has limited the involvement of many voluntary organisations that could be well placed to provide support for those furthest from the labour market. Charities that are involved in the Work Programme as subcontractors have reported lower than anticipated rates of referral, and in some cases no referrals at all. Even some of the largest charities have encountered this problem: St Mungo's withdrew from the Work Programme in May 2012 because they had no referrals.⁵⁴ Tomorrow's People transferred their Work Programme contract in east London to the Careers Development Group in June 2013 because they concluded that the level of referrals meant the contract was not sustainable in the long term.⁵⁵ Consequently service users with complex or multiple barriers are not receiving the support they need to progress towards work – and some voluntary organisations are finding themselves in financial difficulty.

⁴⁶ Ibid

⁴⁷ 'Work Programme under fire as charities shut down', BBC website, October 2012 www.bbc.co.uk/news/uk-19822669

⁴⁸ Ibid

⁴⁹ 'Charity for homeless withdraws from Work Programme', Third Sector, March 2012 www.thirdsector.co.uk/news/1124803/Charity-homeless-withdraws-Work-Programme/ (subscription required)

⁵⁰ Perception and Experiences, NCVO, 2012 www.ncvo.org.uk/images/documents/practical_support/public_services/SIG%20survey%202012%20report.pdf pp. 10–11

⁵¹ Work Programme Evaluation: Procurement, Supply Chains, and the Implementation of the Commissioning Model, DWP, 2012

www.gov.uk/government/uploads/system/uploads/attachment_data/file/197710/rrep832.pdf p. 4

⁵² Does Sector Matter?, The Third Sector Research Centre, 2013 epapers.bham.ac.uk/1789/1/WP92_Does_sector_matter_-_Rees,_Taylor_and_Damm,_Feb_2013.pdf

⁵³ PBR: A Legal Analysis, NCVO and BWB, 2013 www.ncvo.org.uk/pbr pp. 8–10

⁵⁴ 'St Mungo's withdraws from Work Programme', Civil Society, May 2012

www.civilsociety.co.uk/finance/news/content/12395/st_mungos_withdraws_from_work_programme

⁵⁵ Tomorrow's People statement, 2013 www.tomorrows-people.org.uk/news/view/54/tomorrow-s-people-focus-for-supporting-the-long-term-unemployed-in-barking-and-dagenham

In July 2014, a National Audit Office (NAO) report on the Work Programme concluded that ‘there are signs that some people receive very little help’.⁵⁶ As a response to lower than expected profits,⁵⁷ prime contractors are taking cost-cutting measures. Worryingly for many voluntary sector subcontractors, the report found that actual spending on subcontracting was 24% lower than prime contractors had indicated in their original bids. Prime contractors are also spending less on New ESA claimants than they originally intended to. Data provided by prime contractors showed that they were now expecting to spend £630 on New ESA claimants. This was down from the average £1,360 indicated in their original bids.⁵⁸ This lower-than-anticipated spending with subcontractors and supporting ESA claimants reflects the failure of DWP’s differential payment model to incentivise help for those with multiple or complex barriers.

Evidence collected by NCVO⁵⁹ suggests that voluntary organisations are subsidising their Work Programme work with their own funds. In private conversations, many providers – some of them large charities – have told us that the payments they receive for their services on the Work Programme do not cover the cost of the provision. This will not be sustainable for their organisations, and ultimately it will reduce the capacity of voluntary organisations to get involved in future welfare to work programmes.

Service users have been simplistically categorised by their benefits status, rather than a detailed needs assessment

As outlined above, the current Work Programme categorises service users in terms of the benefits they receive, but this has not seen them receive appropriately targeted support.

The benefits an individual claims do not necessarily reflect the help and support they need. For example, a JSA claimant aged between 18 and 24, who has the lowest payment ‘attached’ to them on the Work Programme, may have substance abuse issues, have no qualifications, be homeless and only be eligible for the most basic employment-related benefit. An individual with such complex barriers is clearly at risk of being ‘parked’ under the current Work Programme.

There are likely to be a significant number of service users whose needs are not being met. An A4e survey of their service users found that 20% of their 25+ Job Seeker’s Allowance Payment Group have been assessed by their advisers as being some of the very hardest to help.⁶⁰ There have been over 630,000 JSA 25+ referrals to the Work Programme⁶¹ and, overall, this group has been relatively well served by it. However, if A4e’s findings are representative across CPAs, there would be tens of thousands of individuals with more complex needs categorised into the lower payment groups, such as the JSA payment group.

Meanwhile, 27,000 JSA claimants referred to the Work Programme had previously received Incapacity Benefits, and a further 42,000 JSA claimants referred to the Work Programme are prison leavers. Of these referrals, just 11% of ex-IB claimants and 6.3% of prison leavers have achieved job outcomes.⁶² This suggests the Work Programme is failing to provide adequate support for these individuals, despite having a higher payment attached to them.

⁵⁶ The Work Programme, NAO, 2014 www.nao.org.uk/wp-content/uploads/2014/07/The-work-programme.pdf p. 10

⁵⁷ Ibid, p. 38

⁵⁸ Ibid, p. 32

⁵⁹ Perceptions and Experiences, NCVO, 2012 www.ncvo.org.uk/images/documents/practical_support/public_services/SIG%20survey%202012%20report.pdf p. 13

PbR: A Legal Analysis, NCVO and BWB, 2013

www.ncvo.org.uk/images/documents/practical_support/public_services/payment_by_results_contracts_a_legal_analysis_of_terms_and_process_ncvo_and_bwb_30_oct_2013.pdf

⁶⁰ A4e: The future of the Work Programme, A4e, 2013 mya4e.com/content/uploads/2013/09/A4e-The-Future-of-the-Work-Programme.pdf p. 4

⁶¹ Work Programme Official Statistics, DWP, June 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/321518/work-programme-statistical-release-june-2014.pdf p. 26

⁶² www.gov.uk/government/uploads/system/uploads/attachment_data/file/321518/work-programme-statistical-release-june-2014.pdf p. 26 Note: While there is no minimum performance level (MPL) associated with prison leavers and ex-IB claimants, other MPLs are based on DWP’s non-intervention target (how many service users would have found employment without the Work Programme) plus 10%. This suggests that the results achieved for these cohorts are very low.

Work Choice is a different government programme (see case study below), open to claimants of both ESA and JSA who have long term health problems or disabilities. 66.5% of Work Choice referrals between 2013 and 2014 have been JSA recipients.⁶³ This is further evidence that the benefit an individual claims is too simplistic a gauge of their needs.

The DWP Select Committee has agreed with this assessment and it is clear that a more sensitive approach will need to be taken in future welfare to work programmes:

Current processes for establishing claimants' needs vary between Jobcentres and are prone to missing crucial information about complex barriers to employment. The initial interview between claimant and Jobcentre Adviser is focused largely on the requirements the claimant must fulfil in order to remain in receipt of benefit. This risks overlooking important issues with the work-readiness of the claimant and failure to address these can lead to a longer than necessary period of unemployment...⁶⁴

This resonates strongly with evidence provided by the voluntary sector. A report published by three major homelessness charities reported that many homeless service users were not being identified as such.⁶⁵ If this fundamental and major barrier to employment is not being identified, it is difficult to provide the services that these individuals would need to get closer to or into employment.

Volunteering has been underutilised as a way to build individuals' skills and confidence

A final observation on the design of the current Work Programme is that it has not enabled genuine volunteering to be recognised as a meaningful step towards employment.

Volunteering can play an important role in an individual's return to work, helping them to gain practical skills, confidence and experience for their CV. However, the current government's policies of mandated work placements, including at charities, cannot be considered volunteering. Furthermore, Jobcentre Plus have given contradictory advice to both service users and charities about volunteering. NCVO has been informed that some service users are being directed to 'volunteer' under threat of benefit sanctions and, conversely, that other claimants are being told they could be sanctioned if they continue to volunteer.⁶⁶ DWP has produced clear guidance surrounding volunteering and receiving benefits⁶⁷ but knowledge of these guidelines by front line staff is variable. DWP should ensure that front line staff are clear about the guidance and communicate this clearly to claimants.

Recommendations for future welfare to work programmes

1. Payment models need to be appropriate to the potential providers in the market

While NCVO supports the notion that impact should be rewarded, we strongly believe that payment by results should only be used when appropriate to the service and provider in question. Commissioners should carry out analysis of the potential market to understand the potential impact of payment by results on it.⁶⁸ This analysis should include an understanding of the capacity of the market to take on the financial risk involved with payment by results and how a payment-by-results model would affect the make-up of the market.⁶⁹

⁶³ Latest Work Choice Stats, British Association for Supported Employment, 2014 base-uk.org/members/news/latest-work-choice-stats

⁶⁴ Ibid

⁶⁵ The Programme's not working: Experiences of homeless people on the Work Programme, Crisis, Homeless Link and St Mungo's, 2013 www.crisis.org.uk/data/files/publications/TheProgrammesNotWorking%20final%202023-11-2012%20PDF.pdf

⁶⁶ Independent Review of Sanction – NCVO response, 2014

www.cpag.org.uk/sites/default/files/uploads/NCVO%20response%20to%20Independent%20Review%20of%20Sanctions.pdf

⁶⁷ Volunteering whilst on benefits, DWP, 2010 www.gov.uk/government/uploads/system/uploads/attachment_data/file/264508/dwp1023.pdf

⁶⁸ PbR and the Voluntary Sector, NCVO, 2014 www.ncvo.org.uk/images/documents/about_us/media-centre/payment-by-results-and-the-voluntary-sector-april-2014.pdf

pp. 10–19

⁶⁹ Ibid

To ensure a diversity of suppliers in future welfare to work schemes, the commissioner should consider alternative payment models, including hybrid payment-by-results models, and greater use of grants and regular pay-for-service contracts.⁷⁰

2. To increase the number of voluntary organisations able to act as prime contractors, use a hybrid payment by results model

A hybrid model, whereby providers are paid a certain percentage of their fee upfront, with the remaining payment being linked to pre-agreed results, would reduce the risk involved with entering a payment-by-results model. By guaranteeing a proportion of income upfront, commissioners would support providers to invest the necessary money into services. A hybrid model could also better incentivise innovation, as providers would not be risking the whole of their payment. An upfront service fee would allow providers to fund new approaches, while limiting the risk that they would see no return. A hybrid model would allow commissioners to retain a certain level of payment linked to result – ensuring that they only pay the full price if the agreed outcomes have been achieved.

This model has been used in DWP's Work Choice programme, a specialist employment programme for claimants with long term health issues. The provider receives a 70% service fee with a 30% outcomes based element.⁷¹ This ensures that the financial risk is not disproportionately passed down the supply chain. It ensures that contracts are sustainable for providers while also maintaining results-based payment mechanisms.

3. Utilise fee-for-service contracts or grant funding for specialist services

For smaller organisations, even a hybrid payment by results is unlikely to enable their fullest contribution. Regular contracts or grant funding should be considered, in order to take advantage of the specialist services these organisations can offer. There are differences between service fees and grant funding – in particular surrounding the level of prescribed actions within agreements. Nonetheless, the idea of a separate funding stream or different subcontracting arrangements for smaller organisations should be explored in future welfare to work schemes, as outlined in [chapter one](#).

There are already examples in the Work Programme. One prime contractor, A4e, told us that they pay Clarion Work Focus a service fee across all their Work Programme contracts. Clarion Work Focus's Communication Employment Consultants provide A4e staff and deaf service users with communication support and deliver employability support to tackle the additional barriers deaf job seekers face.

Meanwhile, the Ministry of Justice is encouraging prime contractors to grant fund 'Tier Three' specialist subcontractors, as part of its Transforming Rehabilitation programme.⁷² We would welcome DWP exploring this as an option for future welfare to work schemes.

4. Implement progression payments to incentivise support for those furthest from the labour market

Progression payments are payments made to providers once certain 'milestones' have been reached by an individual. The exact triggers for payment in a milestone payment model should be developed in the co-design stage, in consultation with service users and voluntary organisations. Milestones could include completing a recognised qualification, overcoming substance misuse issues or securing a stable address. These are examples of vital steps towards employment that are currently not recognised by the Work Programme payment model.

Progression payments would have multiple benefits. They would encourage providers to refer individuals to appropriate specialist services and to tailor services according to the user's needs. They would also make

⁷⁰ Ibid, pp. 27–32

⁷¹ Work Choice Guidance, DWP, 2014 www.dwp.gov.uk/docs/work-choice-section16.pdf

⁷² Tier II and III Registration Process: Transforming Rehabilitation Programme www.justice.gov.uk/downloads/rehab-prog/competition/tier-2-3-registration-process.pdf p. 1

involvement in future welfare to work programmes more financially viable for voluntary sector providers by lowering the financial risks involved for prime contractors and subcontractors alike.

5. Ensure payment levels are sufficient for providers

Commissioners should also ensure that payment levels are appropriate to fully fund the services being provided. The other recommendations in this paper – in particular flexibility of the payment model adopted and co-design – will largely mitigate the risk that payment levels in future schemes will not be sufficient.

Case Study: DWP already has an effective model to learn from – Work Choice

Work Choice is a separate DWP scheme that supports people who have disabilities and long term health issues (they may be receiving ESA or JSA benefits). It is outperforming the Work Programme for similar service users and has greater voluntary sector involvement, and therefore offers a potential model for future welfare to work programmes.

The payment structure is better suited to the involvement of voluntary organisations, giving providers 70% of their fee upfront, with a further 30% payment linked to outcomes.⁷³ Four voluntary sector organisations act as prime providers across 20 of the 28 Contract Package Areas,⁷⁴ and around 40% of all providers are from the voluntary sector.⁷⁵ Of referrals between October 2010 and February 2014, 34% achieved a job outcome – far outperforming the Work Programme for ESA claimants.⁷⁶

Work Choice is significantly smaller – initially only aiming to help 15,000 individuals and costing £450m over five years.⁷⁷ This is in comparison to the Work Programme, which aimed to cater for between 2.5 and 3.5 million service users, with an estimated cost of between £3bn and £5bn.

6. Service users' individual strengths and needs should be properly assessed by Jobcentre Plus staff

Early and detailed assessment of an individual's needs at Jobcentre Plus (JCP) could identify those who need more intensive help to prepare for work. A full assessment within JCP needs to occur *before* individuals are placed into a welfare to work programme.

The DWP Select Committee report on the future of JCP recently made the same recommendation:

[there should be a] more thorough and systematic face-to-face assessment of claimants' potential barriers to employment at an early stage of unemployment benefit claims.⁷⁸

Such a categorisation would mean the service user could be referred to the most appropriate programme, and that the payment attached to each service user would better reflect the level of support they need and incentivise providers to use the necessary resources, rather than 'park' individuals, as seems to be happening now.

Elements of needs assessment have already been introduced. Help to Work, the scheme for JSA Work Programme leavers, relies in part on JCP advisors assessing an individual's needs to decide which element of the scheme would best suit them.⁷⁹ We understand from discussions with DWP that there is a six week period over which JCP advisors assess individuals. We welcome this as a way forward to ensuring a more tailored approach. However, this must be done upfront, whereas individuals entering Help to Work have already been on the Work Programme unsuccessfully for two years.

⁷³ Work Choice Guidance, DWP, 2014 www.dwp.gov.uk/docs/work-choice-section16.pdf p. 2

⁷⁴ Work Choice Evaluation: Commissioning and Transition of Clients to the Programme, DWP, 2011 www.gov.uk/government/uploads/system/uploads/attachment_data/file/214360/ihr6.pdf p. 66–9

⁷⁵ Evaluation of the Work Choice Specialist Disability Employment Programme, DWP, 2013 www.gov.uk/government/uploads/system/uploads/attachment_data/file/210683/rrep846.pdf pp. 66–9

⁷⁶ Work Choice Official Statistics, DWP, 2014 www.gov.uk/government/uploads/system/uploads/attachment_data/file/277235/work-choice-statistics-feb-2014.pdf pp. 6–8

⁷⁷ Payment by Results and the design and delivery of the Work Programme, CESI, 2013 sticerd.lse.ac.uk/seminarpapers/wpa22052013.pdf

⁷⁸ The role of Jobcentre Plus in the reformed welfare system, DWP Committee, 2014 www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/479/479.pdf p. 5

⁷⁹ Help to Work Briefing, NCVO, 2014 blogs.ncvo.org.uk/wp-content/uploads/ramzi-suleiman/ncvo_help_to_work_information_briefing.pdf

JCP advisors will need appropriate training to conduct needs assessments and proper management oversight of this. It would be beneficial to involve voluntary organisations with specialist expertise in needs assessment and in providing such training for JCP staff. For example, to ensure that homelessness or mental health issues are appropriately considered.

7. More tailored and specialist services can be provided to individuals whose needs have been properly assessed

Once an individual's needs have been properly assessed, they should be referred to whichever is the most appropriate welfare to work programme or parallel support offer (as we have proposed in [chapter two](#)).

One model for the referral process that welfare to work advisers could look to is the use of 'social prescribing' or 'community referral' by GPs to improve mental health and wellbeing. Social prescribing is a 'mechanism for linking patients with non-medical sources of support within the community'.⁸⁰ GPs refer patients to a local specialist voluntary organisation, rather than prescribing medication. Social prescribing has been used quite widely for people with mild or moderate mental health issues. It has been shown to have positive outcomes, including emotional, cognitive and social benefits.⁸¹ Tackling mental health issues and employment in parallel is an effective model that could be used more widely if mental health issues were identified early in the service user's journey.

Many voluntary sector organisations have the skills and expertise to help those with multiple or complex needs. Crisis runs several employment services and has nine Skylight Centres across the country. By providing training, information, advice, guidance and coaching to homeless people, in one year Crisis has supported over 300 homeless individuals into work and 785 into employment-related training courses.⁸² These include three cafés located in London, Newcastle and Oxford that are run as social enterprises and offer individually structured training leading to recognised qualifications in food hygiene, customer care, and health and safety.⁸³

A needs-based categorisation system, in tandem with the progress payment model also recommended in this report, would help to ensure that the provision made available to service users is tailored to their needs.

8. Sanctions can be inappropriate for those furthest from the labour market and greater discretion should be used

Unlike the Help to Work scheme and the planned pilots for intensive help for new 18–21 JSA claimants,⁸⁴ we do not believe that those with the most complex needs should be automatically exposed to tough sanctions. As the recent DWP Select Committee report has concluded:

...many claimants have been referred for a sanction inappropriately or in circumstances in which common sense would suggest that discretion should have been applied by Jobcentre staff.⁸⁵

This is in line with the evidence collected by NCVO (see our response to the Independent Review of Sanctions⁸⁶). While there are still serious concerns about the utility of sanctions, if sanctions are to remain a part of welfare to work we recommend that greater discretion is available to JCP and welfare to work providers to enable them to take full consideration of an individual's circumstances before implementing the sanctions process.

⁸⁰ Social prescribing for mental health – a guide to commissioning and delivery, Care Services Improvement Partnership, 2012 www.centreforwelfarereform.org/uploads/attachment/339/social-prescribing-for-mental-health.pdf p. 10

⁸¹ Ibid

⁸² Dashed hopes, lives on hold: Single homeless people's experiences on the Work Programme, Crisis, 2013 www.crisis.org.uk/data/files/publications/WorkProgramme_FullReport_FINAL.pdf p. 6

⁸³ Case Studies: Skylight café, Crisis website www.crisis.org.uk/pages/crisis-skylight-caf.html

⁸⁴ Anyone aged 18 to 21 claiming benefits without basic English or Maths will be required to undertake training from day one or lose their entitlement. People unemployed for more than six months to be forced to start a traineeship, take work experience or do a community work placement or lose benefits. George Osborne delivering Autumn Statement, 2013 www.gov.uk/government/uploads/system/uploads/attachment_data/file/263942/35062_Autumn_Statement_2013.pdf

⁸⁵ Role of the Job Centre, DWP Committee, 2014 www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/479/479.pdf p. 28

⁸⁶ Independent Review of Sanction – NCVO response, 2014

www.cpag.org.uk/sites/default/files/uploads/NCVO%20response%20to%20Independent%20Review%20of%20Sanctions.pdf

9. Genuine volunteering opportunities should be built into future programmes

Genuine volunteering – entered into willingly by individuals – could play a more prominent role in future welfare to work schemes. Voluntary work – entered into without coercion or threat of sanction – can provide essential skills and experiences to help individuals progress towards employment, as well as benefiting the local community. We would like to see individuals supported to take part in volunteering, without putting their benefits in jeopardy.

The Volunteering for Stronger Communities Programme – a Big Lottery Fund funded project run by NCVO with 15 Volunteer Centres – was successful in supporting ‘hard to help’ individuals into employment. 78% of people who engaged with the programme met its definition of ‘disadvantaged in the labour market’ and 53% of participants had no GCSEs. 22% of participants found paid work since participating in the project.⁸⁷ The scheme also provided several ‘softer’ outcomes. 69% of those who had not managed to find a job said they were actively seeking employment, while 80% said that as a result of participating in the programme they were now confident about finding paid employment. The research also pointed to a positive impact on the overall health and wellbeing of participants.⁸⁸

Local JCPs should establish contracts with local Volunteer Centres to ensure a successful working relationship. NCVO would like to build on some of the good practice identified in our survey of Volunteer Centres on their relationships with JCP. Some of the good practice included co-location, joint jobs fairs and training for JCP staff delivered by local Volunteer Centres.⁸⁹

At a cost of £1.9m, and serving 4,500 participants, the Volunteering for Stronger Communities programme proved to be very good value for money, as well as providing extra social value to local communities.⁹⁰ Although representing good value for money, volunteering does require investment. Volunteer placements referred by JCP should be funded appropriately in a formal agreement between the JCP and the Volunteer Centre.

⁸⁷ Final Evaluation of the Volunteering for Stronger Communities Programme, Sheffield Hallam University, 2013
www.ncvo.org.uk/images/documents/practical_support/volunteering/vsc_final_evaluation_report_dec_2013.pdf

⁸⁸ Ibid

⁸⁹ Ibid

⁹⁰ Ibid

4. Monitoring implementation

Introduction

Ensuring the best possible performance of welfare to work programmes requires effective monitoring and evaluation. DWP and a wide range of other stakeholders need access to timely and relevant data to help them do this.

In the case of the current Work Programme, greater commitment to transparency upfront and throughout supply chains may have enabled issues such as 'creaming and parking' to be prevented or addressed more quickly. It would also have helped voluntary organisations to assess risks, plan ahead and help identify potential issues for the programme. We recommend stronger transparency and monitoring arrangements for future programmes.

Findings from the current Work Programme

The relationship between prime contractors and subcontractors has been opaque

The relationship between prime contractors and subcontractors is managed via the Merlin Standard – a set of principles designed to support good supply chain management. The Standard examines key areas of the relationship between prime contractors and subcontractors – supply chain design, commitment, conduct and review.

There have been concerns amongst voluntary organisations since the launch of the Work Programme about the effectiveness of the Merlin Standard.⁹¹ Concerns at the launch of the Work Programme included that many of the safeguards were open to interpretation, such as the one outlining 'equitable' risk transfer or 'fair and proportionate funding', and that – in part because of the speed at which the Work Programme was introduced – Merlin Standard accreditation was retrospective. Given the many issues that have arisen for subcontractors, it is clear that the Merlin Standard was not sufficient to ensure good practice under the current Work Programme.

There is no data available regarding referral rates within supply chains

In order to assess whether service users' needs are being met and whether the Work Programme is financially viable for providers, it is necessary to know about the rates of referrals to subcontractors. Unfortunately, under the current Work Programme, there is no data available on referrals down the supply chain.

This lack of referral data further prevents the government from holding prime contractors to account if evidence of 'creaming' and 'parking' emerges. The government and DWP expected prime contractors to use their supply chain to tailor the services according to the service users' needs by referring them to appropriate supply chain partners. The experience of voluntary organisations has suggested that this is not happening. A survey of the NCVO's Work Programme provider group showed that by September 2012 – over a year into the Work Programme – 50% of voluntary sector respondents had received fewer than 10 referrals.⁹² A lack of referrals continued to be one of the main challenges faced by subcontractors. Several subcontractors – including St Mungo's⁹³ and Tomorrow's People⁹⁴ – withdrew from the Work Programme, with both saying that the lack of referrals to them meant they had no choice other than to withdraw.

⁹¹ Initial Concerns, NCVO, 2011. www.ncvo.org.uk/images/documents/practical_support/public_services/work_programme_concerns.pdf p. 7

⁹² Perceptions and Experiences, NCVO, 2012 www.ncvo.org.uk/images/documents/practical_support/public_services/The%20Work%20Programme%20-%20Perceptions%20and%20Experiences%20of%20the%20Voluntary%20Sector.pdf p. 4

⁹³ 'St Mungo's Withdraws from Work Programme', Civil Society, 2012 www.civilsociety.co.uk/finance/news/content/12395/st_mungos_withdraws_from_work_programme

⁹⁴ 'Tomorrow's People transfers contract because of lack of referrals', Third Sector, 2013 www.thirdsector.co.uk/news/1185295/charity-transfers-work-programme-contract-lack-referrals/

Below prime referral and performance data also inhibits the sharing of best practice. At the moment there is no way of identifying which supply chain partners are successfully working with service users with multiple or complex needs. We understand that the DWP Best Practice Group has identified increased transparency as one of its own key recommendations for future welfare to work programmes.

Gagging clauses inhibit organisations' independence and their ability to propose solutions to issues that arise

In NCVO's report *The Work Programme: Perceptions and Experiences of The Voluntary Sector*, members raised serious concerns about the use of 'gagging clauses' in contracts. These clauses prevent service providers from doing anything that may 'attract adverse publicity' for DWP or publicising the contract without approval from the Department.⁹⁵ As pointed out at the time, this contradicts the government's public sector reform agenda and their commitment to transparency; it also undermines the principle of charity independence.⁹⁶ As a result, voluntary organisations with the closest experience of the Work Programme felt unable to contribute their expertise to discussions about the programme in public settings.

Recommendations for future welfare to work programmes

1. Better standards should govern and improve the relationships between prime contractors and subcontractors in future programmes

NCVO attends the Merlin Advisory Board, which is looking at ways to improve and strengthen the Merlin Standard. Once strengthened, we believe that accreditation under the new Standard should be a prerequisite for those bidding to become prime contractors in future welfare to work schemes.

The principles of the Compact⁹⁷ should be at the heart of the new Merlin Standard and should be fully embedded in contract management. The Compact is the agreement between the government and the voluntary sector that outlines best practice for partnership working. The principles of the Compact are intended to apply to *any* contract that uses public money, including through prime contractors. In particular, the following Compact principles should be at the heart of future contract management of welfare to work schemes:

3.2 Consider a wide range of ways to fund or resource CSOs,⁹⁸ including grants, contracts, loan finance, use of premises and so on. Work to remove barriers that may prevent CSOs accessing government funding, thereby enabling smaller organisations to become involved in delivering services where they are best placed to achieve the desired outcomes.

3.9 Discuss and allocate risks to the organisation(s) best equipped to manage them. Where prime contractors are used, ensure they adhere to the principles of this Compact in allocating risk. Ensure delivery terms and risks are proportionate to the nature and value of the opportunity.

3.10 Ensure that the widest possible range of organisations can be involved in the provision of services through appropriate funding and financing models, for example outcome based payments and payment in advance of expenditure. Payment in advance of expenditure should be considered on a case by case basis where this represents value for money.

⁹⁵ Perceptions and Experiences, NCVO, 2012 www.ncvo.org.uk/images/documents/practical_support/public_services/The%20Work%20Programme%20-%20Perceptions%20and%20Experiences%20of%20the%20Voluntary%20Sector.pdf p. 15

⁹⁶ Ibid

⁹⁷ The Compact can be read in full at www.compactvoice.org.uk/sites/default/files/the_compact.pdf

⁹⁸ CSOs are civil society organisations, which are also known as voluntary sector organisations.

3.11 Ensure all bodies distributing funds on the Government's behalf adhere to the commitments in this Compact. This includes the relationship between prime contractors and their supply chains. Demonstrate how funding arrangements and financial support can allow smaller and specialist providers to play a greater part.⁹⁹

The DWP should also explore the more detailed guidance given in the NCVO–Serco Code of Good Practice¹⁰⁰ on supply chain design, contracting and funding, as well as commercial integrity. This Code aims to be a starting point for setting out good practice, and NCVO would welcome the chance to develop this further alongside government and private prime contractors.

2. Referral rates and performance data should be published

For data transparency and to ensure supply chains are working as effectively as possible, DWP should in future collect and publish referral and performance data below prime level.¹⁰¹ This will help highlight any 'creaming and parking' that may take place – ensuring that the government can hold delivery bodies to account.

There seems to be broad consensus across DWP, private sector providers and the voluntary sector about the need for greater data transparency. We would welcome engagement across all stakeholders to allow data transparency to become embedded within future welfare to work programmes, without creating undue administrative burdens for smaller providers.

3. No 'gagging clauses' to be included in future welfare to work contracts

We repeat our calls for 'gagging clauses' not to be used in any future welfare to work contracts.¹⁰² As a matter of principle, it is vital that charities remain independent, and are able to represent the interests of their beneficiaries and raise public awareness, even if they are providing government contracts or public services. This principle is clearly enshrined in the Compact, which all political parties have signed up to. As a matter of practice, commissioners should enable open feed-back and discussion as a way of enabling improvements to services. Unnecessary restrictions on sharing information may inhibit the sharing of good practice and lessons that have been learned.

⁹⁹ The Compact can be read in full at www.compactvoice.org.uk/sites/default/files/the_compact.pdf

¹⁰⁰ NCVO and Serco Code of Practice, NCVO and Serco, 2013

www.ncvo.org.uk/images/documents/practical_support/public_services/ncvo_serco_code_of_practice_april_2013.pdf

¹⁰¹ From NCVO members in two recent surveys. Also feedback from Compact Voice: www.compactvoice.org.uk/blogs/compact-voice/2013/08/07/local-compact-survey-results-2013-briefing-3-social-value, as well as the NCVO Public Service Delivery Network and other voluntary sector partners.

www.ncvo.org.uk/images/documents/practical_support/public_services/The%20Work%20Programme%20-%20Perceptions%20and%20Experiences%20of%20the%20Voluntary%20Sector.pdf

¹⁰² Perceptions and Experiences, NCVO, 2012 www.ncvo.org.uk/images/documents/practical_support/public_services/SIG%20survey%202012%20report.pdf

