

WHAT'S A WORKING £LIFE WORTH?

Engaging the social
sector better to deliver
better social outcomes

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Graham Duxbury and Eoin Heffernan

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Executive summary

The 2015 general election result locked the UK into a system of public service delivery which sees increased outsourcing as a primary driver of efficiency for the taxpayer. One of the big test beds for this new market in ‘human services’ over the last five years has been the welfare to work or employment support sector.

The voluntary sector has been at the forefront of delivering support to those who are unemployed for many years. The advent of new thinking, new funding models and a new market has stretched and tested charities. Many are successfully managing and delivering contracts, but some have gone out of business as a result and others have decided the reputational and financial risks are too high.

From a commissioner’s perspective, the ‘welfare to work industry’ appears buoyant with intense competition driving down prices, healthy consolidation occurring and international companies looking to break into the UK market. However, good market stewardship also values diversity of provision, customer responsiveness and creating space for niche provision.

From a political and policy perspective, current employment programmes are delivering results effectively and efficiently. However, many people, particularly those considered further from the labour market, are not getting the level of support they need. Commercial contract incentives to help those with most difficulties haven’t worked as commissioners intended. This has led to a growing number of people stuck in the system – some with disabilities and chronic illnesses, some with mental health conditions and many with declining levels of confidence, motivation and aspiration.

It’s inevitable that the employment support programmes of the future will need to have a much more obvious focus on those people with more significant barriers to employment. If charities aren’t able – or are unwilling – to bring their expertise into play to help close this gap, that’s a massive missed opportunity.

Executive summary

Charities have engaged in the employment support marketplace in three ways.

- A number are actively engaged in managing and delivering contracts, the majority working as 'end-to-end' subcontractors to private sector primes but with a few operating as contract managers. Some express nervousness about the 'creeping culture change' within their organisations and the challenges faced by their frontline staff in not being able to help vulnerable people as much as they would like due to economic or contractual constraints.
- Many charities signed up with prime contractors to provide expert 'barrier removal' services for targeted customers. However, few were able to agree minimum volumes with some receiving no work at all and most having to revise down their income projections considerably.
- Many charities provide services and support to people who are unemployed but aren't involved in government programmes to reduce unemployment. For some this is an active choice due to the impacts they feel 'the system' has on their beneficiaries or the way it is viewed by their donors and some actively campaign against the way government programmes are designed and run.

Government has tried hard to design a system which incentivises social purpose i.e. paying more for getting results with those people who require more help, but it hasn't worked for a number of reasons.

- Payment models mean that the harsh economic reality is that it's sometimes considered better not to provide support to someone if they are assessed as unlikely to achieve a positive employment outcome
- A drop in referral volumes, while good for jobseekers and the taxpayer, mitigates against spending time and money addressing the complex needs of the 'least bankable' clients.
- The 'black box' approach to commissioning makes it difficult at bidding stage to assess the merits of one approach over another, meaning contracts are awarded on evidence of previous results and levels of risk assurance rather than creative new ways of addressing old problems.
- With little to distinguish bidders in term of quality, price scores become the deciding factor in who wins contracts, resulting in less flexibility to spend time and money on 'uneconomic' caseloads.

Executive summary

Most of the activity aimed at addressing these marketplace weaknesses is centred on developing models which would allow large charities – or consortia of smaller organisations – to compete ‘on a level playing field’ with large, well-capitalised global businesses. The risk is that, without a broader change to the system, charities will simply end up having to make the same difficult, but economically inevitable decisions about how they use inadequate resources to address increasingly complex needs.

Assuming the underpinning philosophy to future policy is that everyone, irrespective of circumstance, deserves to be given the best chance of leading a fulfilled, healthy, economically active life, things will need to be done differently.

- Commissioners should consider designing separate programmes or more clearly delineated service and funding models to ensure income and resources are ringfenced to support the most vulnerable.
- A more robust, personalised front-end assessment of need will be vital in understanding the nature of provision required – and is unlikely to be provided effectively by Jobcentre Plus.
- Local authorities and other public bodies will need to be better engaged and incentivised to pool shrinking budgets and dwindling resources – with the rewards of success being reinvested in local services.
- The emphasis on price competition – at least for some elements of provision – should be reduced to avoid a race to the bottom with providers rewarded for moving people closer to employment as well as into work.
- Payment systems should positively reward providers for avoiding sanctions so that more charities see employment support initiatives as part of the solution for their beneficiaries rather than part of the problem.
- In order to build trust with the public, a commitment to transparency and open-book accounting should become a key factor in determining who delivers public services.

The terms of the spending review require a fundamental rethink about how services will be delivered and, in particular, how significantly reduced central and local government spending works effectively together to tackle a complex set of inter-dependent issues faced by those furthest from the labour market. The unfolding debate around devolution provides an opportunity to take a fresh look at the way we support the employment needs of people with complex personal circumstances and significant health needs.

Executive summary

A new approach should have the following characteristics:

- a spatial scale large enough to achieve economies but where local public services already operate effectively together
- provision focused on those assessed as needing more substantial levels of support – referred either by Jobcentre Plus or local agencies before entering the Work Programme or by Work Programme providers who have assessed them as unlikely to achieve a positive employment outcome
- multi-sector partnership boards ensuring strategic buy-in to partnership working, effective data sharing and alignment of strategies
- contract management provided by an organisation experienced at acting as a prime contractor but operating open-book accounting with a profit lock, ensuring any surplus through over-performance is shared within the supply chain or otherwise used to benefit communities in the local area
- payments structured in a way which rewards providers for moving people closer to and into work but also for keeping them out of local statutory services and out of poverty by avoiding sanctions.

The key next step is to assess the impact of this new approach in a 'live running scenario'. This means identifying a local area with a concentration of people whose needs aren't being met, with local authorities seeking to share services and pool resources and where there is a well established network of charities with the potential to share risk and re-design services around the needs of beneficiaries and running a test programme alongside recommissioned contracts.

Market forces or missed opportunity?

1

The UK is now the second biggest outsourcing market in the world behind the USA (Financial Times, 30 April 2015) and home to some of the world's biggest service companies with £multi-billion turnovers. The 2015 general election result locked us into this system of public service delivery with increased outsourcing seen as one of the primary ways of driving further efficiency for the taxpayer. The value of all the main outsourcing firms unsurprisingly rose significantly immediately after the election.

One of the big test beds for this new market in 'human services' has been the welfare to work or employment support sector where market dynamics are now well established. Existing specialist companies have incrementally grown their business, others have invested heavily in new ventures specifically to enter the marketplace and consolidation has led to the rise of the so-called 'mega-prime'.

This rapid process of market-making has left some of those who used to be at the forefront of delivering support to the unemployed slightly dizzy and struggling to understand how their capacity and expertise can best be utilised in a system that looks and operates along very different lines.

Much has been said and written about the role of voluntary and community sector organisations in the delivery of government-funded employment support programmes. The advent of new thinking, new funding models and a new market has stretched and tested the sector. The official version of events is that charities are competing in a meritocratic marketplace for social outcomes where 'black boxes' foster innovation, success is rewarded and new partnerships are established which ally the third sector's strength in supporting the most marginalised with the private sector's prowess in driving results and value for money.

The reality is much more nuanced. It is true that charities are in the thick of the action – and a small number of prime contractors can wear the badge of being 'not-for-profit'. However, it's also true that some charities have burned their reserves and gone out of business as a result of their involvement (or non-involvement) in contracts, others have limped away bruised and battered and many have simply decided that the reputational and financial risks involved are not worth the candle.

Although charities are not universally seen as the good guys by some politicians, and despite the rhetoric about public service markets needing to be 'sector blind', it would be unfair to say that the Government is unconcerned about the position of the third sector in this particular service arena. A key focus of the Cabinet Office has been to help charities develop the skills and systems and access the capital and capability required to engage positively in the marketplace. Lessons were learned from the procurement of the Work Programme and applied to the process of Transforming Rehabilitation, leading to a number of protections being built in for those seeking a place in supply chains (though no fundamental shift in the nature of the procurement results). It is also worth noting that the government has raised its target for the SME share of central government procurement to one third, meaning some £50bn is effectively ring-fenced for small businesses, which includes many charities and social enterprises.

Market forces or missed opportunity?

1

Charities have long since got used to the idea that they have no divine right to be the priority deliverers of 'social' services to those most in need. Most have also come to terms with the fact that delivering such services will involve greater levels of risk in a payment-by-results world and the need to embrace new approaches to performance management and impact tracking. Working in a commercialised, contract-driven environment is not alien to many. Indeed it's safe to say that some charities run their businesses in a much more efficient, results-driven way than many private companies.

So does it matter that charities are challenged by the mechanics of employment support contracting?

From a market stewardship perspective, some would say not. Seen purely commercially, the 'welfare to work industry' appears buoyant with intense competition driving down prices, healthy consolidation occurring, international companies queuing up to get a foothold in the UK and UK companies advising foreign governments on how to replicate success. The main delivery metrics are also positive. The statement that the Work Programme is "one of the most successful employment programmes in the United Kingdom's history" (Employment Minister Priti Patel, July 2015) is much more likely to go unchallenged now than two years ago and the number of claimants coming off benefits is above targets set in contracts with providers. However, good market stewardship also values diversity of provision, customer responsiveness and creating space for niche provision. We may like the convenience and price of supermarkets but we bemoan the loss of specialist shops on the high street.

Most commentators would also agree that the success being claimed with the majority has been achieved at the expense of the minority. A large number of people – particularly those with health conditions or very significant barriers to employment – have not been helped and those on the front line can reel off heart-wrenching stories of claimants who have demonstrably moved further away from the labour market rather than closer to it following two years of 'support'. High profile cases of vulnerable people suffering significant harm whilst navigating the system only add to the perception that the much vaunted tough love approach could sometimes do with finding a bit of love.

This is why the role of charities in the marketplace is important. Commercial contract incentives to help those with most difficulties haven't worked. The early rhetoric around the Work Programme payment model was that prime contractors would bankroll specialist provision for more challenging caseloads in return for reaping rewards downstream. This hasn't happened with most simply passing on the same payment terms (and the same contract conditions) to a supply chain of organisations less equipped to cope in terms of infrastructure and working capital.

This has led to a growing number of people stuck in the system – some with disabilities and chronic illnesses, some with mental health conditions (diagnosed or undiagnosed) and many with declining levels of confidence, motivation and aspiration. Current performance statistics show that less than 10% of ESA claimants have achieved a sustained job outcome compared to 30% of JSA claimants. These are the people that many charities exist to support, that require careful and patient nurturing and who, if left without hope and without prospects, will require ever increasing proportions of dwindling adult social care, NHS and criminal justice budgets.

Market forces or missed opportunity?

1

It's inevitable that the employment support programmes of the future will need to have a much more obvious focus on those people with more significant barriers to employment.

As the private sector labour market continues to recover and grow there should be more job opportunities available but it will take longer to help those furthest removed from the market to become presentable candidates and then productive employees. If charities aren't able – or are unwilling – to bring their expertise into play to help close this gap, that's a massive missed opportunity with the potential to ruin the life chances of many thousands of people.

The role of charities in the marketplace

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It is unhelpful and pointless to generalise about ‘charities’. The not-for-profit sector is a rich tapestry of organisations and enterprises from large global concerns to small volunteer-led groups.

The subset of charities who see helping people cope with and overcome the challenge of unemployment as part of their mission is similarly varied. However, the responses of the sector to the opportunities presented by the employment support marketplace can be roughly divided three ways.

1 Committed contractors

A number of charities – of various shapes and sizes – are actively engaged in managing and delivering contracts, the majority working as ‘end-to-end’ subcontractors to private sector primes but with a few dining at the top table of contract managers. For some this is a natural – and relatively comfortable – extension of what they have been doing successfully for many years in pursuit of their mission, for others it’s a slightly more anxious need for revenue to sustain their capability and continue their services. Experiences and attitudes are as varied as the charities themselves, but there is a general sense that, in order to survive, charities have had to develop the skills, systems and approaches of their private sector partners. There’s nothing intrinsically wrong in this and it clearly passes the public benefit test in that any surpluses derived from the activity remain ring-fenced for charitable purposes rather than disappearing in shareholder dividends. Some of those heavily involved, however, express nervousness about the ‘creeping culture change’ within their organisations and the challenges faced by their frontline staff in not being able to help vulnerable people as much as they would like due to economic or contractual constraints.

2 Starved specialists

When the Work Programme was first procured, bids contained long lists of specialist support organisations – many of them in the public or voluntary sectors – who had signed up to provide expert ‘barrier removal’ services for targeted customers. This included organisations supporting disabled people or those with substance abuse issues, homelessness charities, numeracy and literacy specialists and bodies with particular expertise in working with young people, older people and groups from different cultural traditions. Providing employment support services was not necessarily core business for many of them but such contracts were seen as opportunities to bolster or expand their activities. The last five years have not been kind to these organisations. Very few were able to agree deals with guaranteed volumes or fixed income levels. Instead ‘specialist support frameworks’ and ‘spot purchase arrangements’ were the order of the day. Some are waiting for the phone to ring with their first referral four years on. The majority would say that their income profiles have had to undergo ‘significant downward revision’. Commercially this is understandable as referral volumes have dropped for all providers leading to some rapid remodelling of costs and profit margins, meaning inevitably that prime contractors and end-to-end subcontractors have been reluctant to see money leaching out of the system and have preferred instead to attempt to equip their staff to deliver more specialist support in house or to rely on already over-stretched, free to access public services with all the delays and budgetary pressure that entails.

The role of charities in the marketplace

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3 Conscientious objectors

Many charities provide services and support to people who are unemployed without having any involvement in government programmes to reduce unemployment. Food banks, mental health charities, disability organisations and family support charities all exist to relieve the symptoms of poverty, worklessness or low self-esteem but don't necessarily have a mission to address the cause of those same issues. Many could make a valuable contribution to government programmes seeking to move more people from welfare to work but choose not to. Indeed some actively campaign against the way government programmes are designed and run. In some instances this is because, through contact with their beneficiaries, they can see at first hand the injurious impacts some contracts – and some providers – are having on people's life chances. More recently many in the sector have decided to take a stance against mandation, sanctions and compulsory work experience. Vocal pressure group campaigns have resulted in some contracts being seen as reputationally toxic and likely to cause problems with a charity's donors, partners or trustees. Others worry that the focus on forcing unemployed people to do 'constructive community work' in return for their benefits undermines and jeopardises traditional volunteering models or risks displacing services previously delivered by paid staff.

All charities need to make their own decisions about if and how they engage in government programmes, and those decisions will be influenced by a range of factors, not just the nature of the marketplace. However, the reality is that when employment support contracts come to be renewed over the next few months, many in the sector are likely to respond with the sentiment 'once bitten twice shy'. This will have two impacts: the government's stated desire to see charities fully involved in a diverse public service marketplace is likely to become a more distant prospect; but more importantly the enormous talent, enthusiasm, creativity and passion contained in the sector won't be fully harnessed in tackling one of our society's biggest ills.

Why contracts don't help those who most need it

3

Government is broadly pleased with the way in which its major employment support programmes have performed. Results have steadily improved, savings have been delivered and, importantly for commissioners, providers have invested in infrastructure and are keen to re-bid. This wouldn't be the case if respectable profits hadn't been made. Whilst anyone claiming such contracts are a cash cow is well wide of the mark, the protestations from the marketplace that contracts are low- or no-margin are equally disingenuous.

So far so good from a market perspective, but this good isn't good enough when too many people are getting too little support.

Some will be able to point to data that suggests that the assertions of charities that they're well placed to turn around troubled lives are not borne out by performance statistics. Charities aren't routinely outperforming other organisations in supply chains.

However, these are statistics drawn from a system which already has the cards stacked against effective performance due to the level of funding available, how income is earned and evidenced and the processes that tramline the way in which services need to be delivered. We also know that in many contracts where the prime contractor is also a service deliverer, those further down the supply chain can often end up with an over-concentration of challenging cases.

Government has tried hard to design a system which incentivises social purpose i.e. paying more for getting results with those people who require more help, but it hasn't worked.

Results for 'more challenging' groups are more than three times worse than those for other groups. There are a number of reasons for this.

1 Results are binary

No credit is given and no money earned for moving someone further down the track if they don't get over the finish line. This means that the harsh economic reality is that for some people it's better from a provider's point of view not to even fire the starting pistol. Whilst the employment support sector is without doubt full of committed, caring front-line workers, targets, performance penalties and organisational cultures all play a part in determining how advisers support clients who need more time or money spent on them than is available.

2 Volumes have dropped

In traditional business modelling exercises, there is usually a fixed point around which variables can be built. In employment programmes the fixed point is usually price, service level or volume. In recent years we've

Why contracts don't help those who most need it

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been operating in an environment where none of these is fixed with any reliability, leading to a new industry of assumption. Experienced bidders for government employment programmes have a rule of thumb that whatever volume predictions are made by the commissioner, financial models need to generate a profit on an actual volume of two thirds of that number. Contracts are not managed on the basis of individual payments for individual clients but through anticipated global receipts based on projected throughput and performance levels. Volumes may change for positive reasons – because the social need for the service has reduced – or for negative reasons – because there is a blockage in the pipe upstream (for example at Jobcentre Plus or the Work Capability Assessment) or because initial predictions were way out.

A decline in referrals is good news for the taxpayer – fewer people are claiming benefits – but bad news for business as revenue expectations are revised, costs are cut and profits reduced. With generating margin the core driver for private providers, the focus on maximising results with reduced resources intensifies, mitigating against spending time and money addressing the complex needs of the 'least bankable' clients.

3 Innovation and quality get 'procured out'

A key feature of the rhetoric around the Work Programme and other contracts was that providers were offered a 'black box' i.e. the opportunity to design creative solutions for a diversity of clients based on experience of what works and free from the meddling hands of government in terms of service levels, restrictions and regulations. At the same time, however, government was taking a massive leap into the unknown by outsourcing a key public service and transferring all risk to the marketplace. Commissioners had to try and balance a desire for the new and untested with the need to protect public money and provide assurance that risks were being managed.

A look inside most 'black boxes' reveals more or less the same basic model, which is not surprising given we have decades of experience that 'what works' is deploying well-trained and experienced personal advisers with the time to build supportive relationships with clients and the flexibility to engage other agencies in addressing their barriers.

More problematic is that traditional procurement methods can't accommodate innovation. It's often remarked that bidding for government contracts requires 100% focus on technical merit and zero on artistic interpretation. With no minimum service standards to benchmark and no scope for qualitatively assessing the merits of one approach over another, quality scores are dominated by evidence of previous results and levels of assurance rather than creative new ways of addressing old problems.

4 Competition is 100% price-based

This, of course, isn't the official line (although contracts let to deliver 'mandatory work-related activity' services were procured with a 90% price weighting). According to commissioners, quality is considered paramount with price a secondary factor and this is reflected in scoring matrices. However, as the nature of the procurement task has become better understood, a whole sub-sector of the industry has developed around bid writing with professional bid writers skilled in scoring high quality marks (and becoming hot properties as a result).

With untested innovation unlikely to score well and little to distinguish bidders in term of quality, this effectively means that price scores become the deciding factor in who wins contracts, leading to aggressive commercial strategies and resulting in less flexibility to spend time and money on 'uneconomic' caseloads. Even where discounted prices are less of a factor, incentivising bidders to set unrealistically high levels of performance has the same effect in terms of driving up caseloads and driving down the 'price per job'.

Re-setting the marketplace

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Government commissioners maintain the stance that they want to see charities playing a significant role in delivering services in a mixed social economy focused on targeting support on those who need it most and rewarded on the basis of positive and sustained outcomes. Many charities have learned from the experience of the last five years and are working to build the scale, skills and relationships they will need to bid competitively and deliver effectively. At the same time, again with government support, social investors are being urged and supported to ensure that the working capital needs of the sector can be met in a way that allows charity trustees to overcome nervousness around risk and viability.

Most of this activity is centred on how a few, large charities – or consortia of smaller organisations – can compete ‘on a level playing field’ with large, well-capitalised global businesses. This is all positive on the basis that, if successful, more public money spent on resourcing these programmes will be retained for public, rather than private, benefit (though considering the investment of charitable funds required to mount credible bids, build strong consortia or fund working capital repayments, this downstream benefit may be negated somewhat). However, the risk is that, without a broader change to the system, charities will simply end up having to make the same difficult, but economically inevitable decisions about how they use inadequate resources to address increasingly complex needs.

What’s not in doubt is that the needs of people being supported by government employment programmes are going to get more, not less complex over the next five years. If current unemployment trends continue and the number of benefit claimants falls, those that remain out of work for long periods will be those with more complex personal circumstances and more significant personal challenges. Moreover, with the implementation of benefit caps, cuts and reclassifications, particularly for those previously on disability benefits, providers will need to be equipped to deal with a growing number of people who have spent the majority of their lives economically inactive, some with negative attitudes to work and others in significant distress.

This is a client group whose needs won’t be met by achieving greater management efficiency, introducing new technology or threatening sanctions. It will involve the patient, painstaking work of building trust and understanding, changing attitudes and behaviours, instilling confidence and motivation whilst simultaneously managing health conditions, improving skills and building personal and professional networks.

The first test government needs to pass in working through these challenges is whether there is sufficient political will to invest in everyone’s potential. Currently the market works on the basis that enough people are getting enough support to achieve enough outcomes. If providers deem some people are unlikely to achieve those same positive outcomes in the time or within the resource envelope available then they will be ‘parked’. Whether this is a deliberate strategy or an unfortunate consequence of economic reality is

immaterial to the outcome of more entrenched worklessness and increased hardship for some people. There have been politicians in the past who have argued that, at a macro level, this is a price worth paying for the greater social benefit of an efficient machine that helps the majority. The current government will need to decide where it draws the line.

Assuming the underpinning philosophy to future policy is that everyone, irrespective of circumstance, deserves to be given the best chance of leading a fulfilled, healthy, economically active life, six things will need to be done differently.

1 Apply the right tools for the job

Large-scale, high volume, efficiently managed contracts have been shown to be effective at helping those who want to re-enter the labour market. They've been less successful at achieving the same end result with people in difficult circumstances, with complex needs and with little or no motivation. It's difficult to think of any other area of social policy where the needs of such a diverse range of people are being attempted to be met by the same service solution.

The case for thinking differently about contract and service design for people with very different circumstances and levels of motivation is very strong. There will continue to a job to do in reskilling, re-equipping and re-directing those who have temporarily fallen out of the labour market to help them get back in more quickly than if they were left to their own devices.

There's a different job to do to stabilise, motivate, counsel and coach people with complex, often chaotic personal lives who may never have worked and have no positive role models in their life. Using the combine harvester deployed in the wheatfield to tend and nurture the plots in an allotment is a recipe for failure. Commissioners should recognise this distinction and design separate programmes or more clearly delineated service and funding models to ensure income and resources are ringfenced to support the most vulnerable.

2 Take a person-centred approach

Current employment support programmes use a method of segmenting claimants by benefit type (specifically JSA and ESA) and priority group (e.g. young people, ex-offenders) to determine 'degrees of difficulty' and associated payment models. All those involved in providing support will concur that challenging, complex and costly support needs can be identified across every claimant group. What prevents most people from being productive in work are issues of confidence, attitude and aspiration rather than physical capability or qualification gaps.

Admittedly there remains a job to be done with some employers around addressing stereotypes and providing in-work support but the most important part of the back to work journey for most people is the front end. A high quality assessment of need is vital to understand the risks and benefits of different approaches. Provide too much support and 'push' too soon and people can be set up to fail destroying confidence levels, provide too little too late and people can fall back into unproductive habits.

This front end needs time as some people will not disclose their real issues until a level of trust has been established. Ensuring a robust, personalised 'triage' function is vital in understanding the nature of provision required. This is a 'front end experience' that Jobcentres are increasingly unable to provide due to stretched resources and the changed nature of their role – now perceived by many as 'sanctioners' rather than 'supporters'. A social sector solution to this problem would make a lot of sense.

3 Ensure that local authorities have a stake in the outcomes

Many of those languishing in the 'stock' of long-term unemployed people will be well known to local authorities or other statutory agencies. They may be on the radar of social services, family intervention teams, health visitors, housing officers, educational psychologists, probation officers or the police. All these agencies will have an interest in helping them get into – and stay in – work. One of the features of the last five years has been an unfortunate mutual misunderstanding between prime contractors and local authorities.

Whilst there are many good examples of local service integration and collaboration, umbrella bodies for local government have campaigned for contracts to be removed from providers and handed to councils whilst providers have bemoaned excessive bureaucracy and a lack of data sharing by local authorities. For the most part this hasn't hindered progress. However, given the changing nature of the 'core' client group for employment support programmes, not joining forces to improve the lives of those who need it most will be a dereliction of duty on both sides.

For local authorities and other public bodies to pool shrinking budgets and dwindling resources they need to be able to share in the benefits of success. Finding ways of ensuring outcome payments can be reinvested in local public services will be critical to giving councils some 'skin in the game'.

4 Pay the right amount in the right way

All those being consulted about future employment support provision are making the point that there is insufficient funding to ensure all those that need it get the right intensity of support. This argument quickly runs into the brick wall of 'tough spending choices' and the need to continue reducing departmental budgets. Current contracts were built on the notion of the DEL:AME switch – paying for current provision by betting on future benefit savings – hence the absolute focus on job outcomes in terms of unlocking payments to providers.

Arguably, with even bigger benefit savings to find the government should consider investing more in upfront support. This clearly won't be an easy argument to win with the Treasury. There are two ways round this. The first is to ensure that more local budgets are unlocked to add value to what can be funded by central government. The second is to reduce the emphasis on price competition – at least for some elements of provision – to avoid a race to the bottom in an increasingly aggressive commercial environment.

Whatever the total funding envelope, one change that must be made is to find a way of rewarding 'distance travelled' as well as 'destination reached'. We know that all government programmes will be time limited. We also know that some people will cycle round provision, possibly for many years, before making a breakthrough in their personal life.

Whilst we should be in no doubt that helping people get and keep work remains the key objective, there is clear taxpayer benefit in rewarding providers for moving people closer to that point. If a client has been helped to cope with their alcohol problems or mental health issues there will be a saving to the NHS. If someone has developed the motivation and confidence to work then whichever programme they subsequently move onto should involve a shorter period of support before achieving a positive outcome.

5 Detox the system

The charities involved in delivering government employment support contracts do so primarily because they have a mission, a passion and a capability to help people in need of support. Being part of the current contracting system means working through some potential conflicts. The emergence of more mandatory programmes and the more widespread use of sanctions are forcing some to reassess whether their mission is best met inside or outside the system.

For some this choice is easily made as campaign groups and political pressure from partners mean there's more to be lost than gained. For others it means sticking to principles in the face of social media 'embarrassment attacks' and, in some cases, direct action. The reputational toxicity attached to some contracts also acts against providing an effective service as opportunities to place clients in rewarding work experience placements become harder to unlock.

We know mandation is here to stay – there is political consensus and significant public backing for making benefit claimants engage in productive activity in return for state support. We also know that mandation can work, as in some cases enforced routine is what's needed to instil the discipline needed by employers and the confidence needed by jobseekers.

The effectiveness of sanctions is much more debatable.

Although government has commissioned a review to understand how to improve communications around sanctions, MPs have called for a more far-reaching stock-take of the impact of their application. While most agree there has to be a 'backstop position' in the benefits system, some contracts and payment models have the unintended consequence of making it economically more attractive to recommend sanctions rather than work to try and avoid them.

One cut of the numbers shows that the number of jobseekers being sanctioned is higher than the number finding work through the Work Programme (Monitoring Poverty and Social Exclusion, Joseph Rowntree Foundation 2014). A payment system that positively rewards providers for avoiding sanctions or quickly re-engaging those who have been sanctioned would help more charities see employment support initiatives as part of the solution for their beneficiaries rather than part of the problem.

6 Value trust

Encouraging and enabling more charities to play a more active part in the delivery of employment support contracts will bring more enthusiasm and more expertise into play. It will also help address another important marketplace issue: trust. Those responsible for the use of public money are very conscious that using it effectively to deliver results is vital but that even the best results can be undermined if those delivering them lose the trust of the public. With a number of 'scandals' fresh in the memory and the National Audit Office now calling on government to ensure greater transparency around costs and profit margins in outsourcing deals, pressure is building for a new approach.

Businesses are responding to this pressure with the publication of their own codes of practice and public service pledges or by establishing joint venture arrangements with charities as a way of demonstrating 'a commitment to listening'. Charities come with transparent reporting requirements built in 'as standard' given their governance structures and regulatory requirements.

Of course charities still need to earn margins to ensure they have healthy reserves and still need to earn the trust of the public, as recent high profile failures have highlighted, but holding them to account on both is a more straightforward proposition. This commitment to transparency and open-book accounting should become a key factor in determining who delivers public services.

A devolved test bed for a new approach?

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The 2015 Comprehensive Spending Review asks fundamental questions about what and how the state delivers in terms of ‘human services’ but it’s a safe assumption that outsourcing, risk transfer and the privatisation of public service delivery are likely to be the direction of travel for the foreseeable future. However, just because what we’ve got broadly works for the majority isn’t a reason not to try and improve it so that it works better for more people. The unfolding debate around devolution gives us an opportunity to take a fresh look at the way we support the employment needs of people with complex personal circumstances and significant health needs.

Current government ministers and officials are the architects of a system that can be claimed statistically to be efficient and effective. For some it’s not a convincing claim. Given the weighting of success towards certain types of jobseeker, a longer-term analysis of the value for money of the Work Programme in terms of future savings to the public purse may tell a different story.

It’s also undoubtedly the case that the ‘success’ of current into work programmes has coincided with a large increase in insecure, low-paid jobs. With the advent of Universal Credit, there will remain a job to do to progress more people into better paid work if we’re going to deliver the benefit savings targeted.

Notwithstanding the counter-claims, in the political here and now things are ‘on target and on budget’. But that was before the Chancellor set the terms of the spending review and with it signalled a commitment to passing more power and more public money (but also potentially more problems) to local areas. Government departments know they need to be more efficient – which leads to a tendency to greater centralisation of fewer, bigger contracts – while demonstrating a commitment to devolution – which means embracing the complexity and variety of local situations and services. Devolving current contracts to large combined authorities so that they can commission the same providers to deliver the same model is not the answer. What needs testing is a genuine bottom-up process where local authorities, charities, employer groups and service providers work together to create a model that maximises collective expertise and collective resources while retaining the focus on results and value for money.

Any new solution needs to be commissioner-friendly – ensuring the same streamlined management model and the same ability to absorb risk and access working capital. The social investment community is keen to engage in supporting the development of ‘social primes’ but needs to find a model to back that goes beyond big charities relying on their own reserves or accessing the balance sheets and infrastructure of a big business ‘partner’. Charities also need to think more creatively about how they unlock competitive advantage, not simply mimicking the top-down prime model but stitching together services and infrastructure in a flexible framework that frees the maximum amount of resource to support front line adviser time.

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Above all, the terms of the spending review require a fundamental rethink about how reduced central and local government spending works effectively together to tackle a complex set of inter-dependent issues faced by those furthest from the labour market.

However successful the previous five years have been in terms of costs saved and lives changed, in the next five years we will need another step change in efficiency. In order to meet the terms of the DEL:AME deal we will need to deliver these savings while increasing the level of support we provide to people who are currently being deliberately parked or inadvertently underserved. The only way we'll achieve this is by diversifying the nature of provision in the marketplace and weaving together much better these marketised services with the protection and provision offered by local authorities and other statutory bodies.

We can't start with a blank sheet of paper, nor should we. However, there are an increasing number of voices recommending that government takes a harder look at the marketplace it has created in employment support services and the costs and risks associated with payment by results mechanisms (National Audit Office, June 2015).

With the imminent recommissioning of Work Choice and Work Programme contracts and the agreement of plans to spend £7 billion of European Structural and Investment Funds, the time is surely right to test a more radical approach. This would need to have the following characteristics.

- 1 Scale** – operating at a spatial scale large enough to achieve economies but where local public services already operate effectively together e.g. through a combined authority structure or agreement around shared services.
- 2 Needs** – provision focused on those assessed as needing more substantial levels of support – referred either by Jobcentre Plus or local agencies before entering the Work Programme or by Work Programme providers who have assessed them as unlikely to achieve a positive employment outcome.
- 3 Partnership** – programmes governed and steered by a multi-sector partnership board ensuring strategic buy-in to partnership working, effective data sharing and alignment of strategies around economic growth, skills, family support and health and wellbeing.
- 4 Profits** – contract management provided by an organisation experienced at acting as a prime contractor but operating open-book accounting with a profit lock, ensuring any surplus through over-performance is shared within the supply chain or otherwise used to benefit communities in the local area.
- 5 Outcomes** – payments structured in a way which rewards providers for moving people closer to and into work but also for keeping them out of local statutory services and out of poverty by avoiding sanctions, maximising the potential for the application of social impact bonds and other social financing vehicles.

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The experience and appetite to test this new approach exists within charities, local authorities and social investors. This potential can be unlocked by a receptive commissioning environment. The key next step is to assess the impact of this new approach in a 'live running scenario'. This means identifying a local area with a concentration of people whose needs aren't being met effectively by existing provision or providers, with one or more local authorities seeking to share services and pool resources and where there is a well established network of charities with the potential to share risk and re-design services around the needs of beneficiaries. Running such a programme alongside recommissioned contracts will enable real time comparison of costs and outcomes but also provide a platform for genuine innovation as more local service providers recognise the value of aligning their delivery.

Conclusion

The seeds of our employment support system were sown when the current minister Lord Freud was advising the government of Gordon Brown. The consultation on reforms bore the title 'No-one Written Off'. In order to live up to this promise we need further reform and a re-setting of the relationship between the public sector, private providers and charities.

Turning round the lives of people with deep-seated challenges can't purely be left to market forces, however intelligent the commissioner. Businesses can be incentivised to 'do the right thing' by society but ultimately will find a way of maximising profit and minimising cost. This means that every negative consequence has a price and someone has the job of deciding whether the price is worth paying. That decision is based on economics. For those who witness at first hand the devastating and demoralising effects of long-term worklessness, talk of efficiency and economics is at best immaterial and at worst insulting. For them, as it should be for all of us, one life wasted is one too many.

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info@groundwork.org.uk www.groundwork.org.uk

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