

Welfare Reform Green Paper:  
A new deal for welfare: Empowering people to work

ERSA / ACEVO joint submission

April 2006

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## 1. About ERSA and ACEVO

- 1.1 The Employment Related Services Association (ERSA) is the representative body for providers of publicly funded employment programmes. It has been established to raise the profile of the provider network with interested parties, and constructively engage with Government and other policy-makers on issues affecting its membership.<sup>1</sup>
- 1.2 ERSA's membership consists of both private companies and not-for-profit organisations, ranging from modestly sized organisations to the largest providers in the UK.<sup>2</sup> ERSA's members collectively represent a significant proportion of the sector, receiving in excess of £500 million worth of funds from Government (predominately Jobcentre Plus contracts).
- 1.3 The Association of Chief Executives of Voluntary Organisations (ACEVO) is the professional association for third sector chief executives. It works solely to connect, develop and represent the sector's leaders.<sup>3</sup>
- 1.4 ACEVO has over 2,000 members, responsible for a combined turnover of £9.5 billion a year, employing 200,000 staff members and managing over 3 million volunteers.
- 1.5 In many ways, welfare to work policy in the UK has been at the forefront of public service reform. Public policy has created a mixed-economy with independent providers engaged to secure employment outcomes.
- 1.6 ERSA and ACEVO's membership is integral to the delivery of welfare to work policy. They have extensive experience of providing employment services through a wide range of programmes and initiatives, including Employment Zones, Pathways to Work, Private Sector Led New Deal and New Deal for Disabled People (NDDP) and many others.
- 1.7 In October 2005, ERSA and ACEVO launched a joint campaign to promote the case for a high performing, cost effective public employment service through significantly increased and better use of independent provision by the private and voluntary sector, supported by a clear definition of purchaser and provider responsibilities.

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<sup>1</sup> [www.ersa.org.uk](http://www.ersa.org.uk)

<sup>2</sup> ERSA's members are A4E, Breakthrough UK, CG Resources, DISC, Employment Opportunities for People with Disabilities, Enham, Fern Training and Development, Glasgow Local Development Company Network, InBiz, Instant Muscle, Maatwerk, MENCAP, OSW, Papworth Trust, Pecan, Pluss, RBLI, Reed in Partnership, Rathbone, Remploy, RNIB Employment Services, RNID, Salvation Army, Seetec, Shaw Trust, Tomorrow's People, TNG, Working Links, wtcs, YMCA Training.

<sup>3</sup> [www.acevo.org.uk](http://www.acevo.org.uk)

## 2. Introduction

- 2.1 ERSA and ACEVO warmly welcome the Welfare Reform Green Paper: *A new deal for welfare: Empowering people to work*. It is a timely and important opportunity to take stock of the Government's reforms to Britain's welfare-to-work system and, most importantly, set the pace and direction of future reform.
- 2.2 ERSA and ACEVO note that "the Government is committed to removing the barriers that (private and voluntary sector providers) face in order to establish a level playing field which enables them to provide a broader range of services than they currently do".<sup>4</sup> ACEVO and ERSA also welcome acknowledgement in the Green Paper of the "need to engage private and voluntary sector providers", not least in inviting bids for outcome-based contracts as the Government rolls out Pathways to Work nationally.<sup>5</sup>
- 2.3 ERSA and ACEVO welcome progress that has been made since 1997. The introduction of New Deal in particular has helped extend the provision of a mixed market in which independent providers can deliver employment services within the scope of specific programmes. Jobcentre Plus states that: "Engaging with private and voluntary organisations helps Jobcentre Plus to encourage innovation, provide greater choice for customers and to find out what works best. This allows us to improve our own performance where needed and evaluate how cost effectively the private sector can deliver a comparable service to Jobcentre Plus."<sup>6</sup>
- 2.4 Some 2.3 million more people are now in work than in 1997 and, more particularly, youth unemployment has fallen dramatically, down 90 per cent since 1997. However, serious challenges still remain. While the UK enjoys historically low rates of unemployment, the claimant count was 919,700 in February 2006, up 14,600 on the previous month and up 102,000 on the year.<sup>7</sup> A record 2.7 million people are receiving incapacity benefit – four times the number of people than were claiming invalidity benefit 25-30 years ago.
- 2.5 This Green Paper offers the opportunity to build on past reforms and lay the foundations for an active, enabling welfare-to-work system which utilises the inherent advantages of the voluntary and private sectors to get many more people into work.

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<sup>4</sup> *A new deal for welfare: Empowering people to work*, Department for Work and Pensions, January 2006, Executive Summary, p9-10

<sup>5</sup> *Ibid.*

<sup>6</sup> *The Efficiency Savings Programme in Jobcentre Plus*, Work & Pensions Select Committee, 18 March 2006, para 325

<sup>7</sup> National Statistics, *Labour market – employment*: <http://www.statistics.gov.uk/CCL/nugget.asp?ID=12>

2.6 The Green Paper specifically notes that “independent evaluation shows that (private and voluntary sector providers) achieve significantly better job outcomes than Jobcentre Plus does with comparable clients.”<sup>8</sup> Research shows that 10 per cent more of the long-term unemployed secure work in Employment Zones than under existing provision,<sup>9</sup> while spending per participant on the New Deal for Disabled People (the majority of its services are delivered by independent providers) is 16% less than New Deal 50+, Jobcentre Plus’ in-house service.<sup>10</sup>

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<sup>8</sup> *A new deal for welfare: Empowering people to work*, Department for Work and Pensions, January 2006, Executive Summary, p9

<sup>9</sup> Evaluation of Employment Zones: Report on a Cohort Survey of Long-Term Unemployed People in the Zones and a Matched Set of Comparison Areas, Hales et al, National Centre for Social Research, Department for Work and Pensions, Report 176, 2003

<sup>10</sup> Disability Benefits to Paid Work, Centre for Economic & Social Inclusion, p17 – Table 8

### 3. Voluntary and private sector advantages

- 3.1 The reason why independent providers are able to achieve significantly better job outcomes than Jobcentre Plus does with comparable clients is because they have a number of inherent advantages.
- 3.2 Evidence shows that independent organisations are able to build and sustain greater levels of trust with clients. Indeed, in her evidence to the Work and Pensions Select Committee's recent inquiry into the efficiency savings programme in Jobcentre Plus, the Minister of State for Employment and Welfare Reform, Margaret Hodge MP, attested to the fact that many clients found Jobcentre Plus offices "forbidding" because they represented authority.<sup>11</sup>
- 3.3 A recent National Audit Office Review, *Gaining and retaining a job: the Department for Work & Pensions' support for disabled people* noted that "not all Jobcentre Plus areas are active in developing contact with employers... Approaches varied considerably in the Jobcentre Plus offices we visited."<sup>12</sup> By contrast, voluntary and private sector providers devote far greater time and resources to making contact and developing long-term relationships with employers. This experience is essential to help Personal Advisers secure sustainable employment for their clients.
- 3.4 In 2002, the Work and Pensions Select Committee highlighted the need for greater individual initiative from staff in responding to client needs: "(we) require more individual initiative from staff in responding to the needs of a wide variety of clients; greater flexibility to adapt practice to suit local circumstances; new skills to engage with people at a distance from the labour market; and new tools to help use them."<sup>13</sup> In April 2003, the Department for Work and Pensions acknowledged this, creating a new annual £20 million discretionary fund and giving Personal Advisers more flexibility to allow early entry into the New Deal.
- 3.5 Voluntary and private sector providers do not share these problems with flexibility. Their more initiative-led approach allows them to propose more tailored solutions for clients and pioneer more innovative programmes. As The Welfare Reform Green Paper notes with regards to Employment Zones: "Independent evaluation shows that Employment Zones,

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<sup>11</sup> *The Efficiency Savings Programme in Jobcentre Plus*, Work & Pensions Select Committee, 18 March 2006, para 323

<sup>12</sup> *Gaining and retaining a job: the Department for Work & Pensions' support for disabled people*, National Audit Office Report (HC455: 2005-06), 10 October 2005, Executive Summary, p7

<sup>13</sup> First report of the Work & Pensions Select Committee, 2002; para 89

which adopt a more individually tailored and flexible approach, deliver significantly better job outcomes than for comparable New Deal 25 plus participants.”<sup>14</sup> It is essential that any reforms recognise the necessity of operational flexibility if outcomes are to be maximised.

3.6 Voluntary and private sector providers can also offer specialist and expert provision and are particularly effective when dealing with harder-to-help groups. Many organisations have built up a specialist network of staff and developed a knowledge base that gives them a distinct advantage when dealing with harder-to-help customers. Each individual case is different and must be treated as such. The National Centre for Social Research has found that “Incapacity Benefit Personal Advisers sometimes felt out of their depth with specialist customers.”<sup>15</sup> It is important that within the context of Welfare Reform that those with the most complex barriers are not missed out. Department for Work and Pensions Pathways evaluation reveals that 37% of new claimants perceived to be the hardest to help were screened out of the Pathways process.<sup>16</sup>

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<sup>14</sup> *A new deal for welfare: Empowering people to work*, Department for Work and Pensions, January 2006, p74

<sup>15</sup> *Incapacity Benefit Reforms – the Personal Adviser Role and Practices*, National Centre for Social Research, Prepared for DWP November 2004, p.9

<sup>16</sup> Incapacity Benefit Reforms, Pathways to Work Pilots performance and analysis, working paper number 26, 2006.

#### 4. Delivering welfare reform

##### **A new deal for welfare: Empowering people to work**

##### Chapter 5: Delivering welfare reform

... Our vision is that:

- clients will be seen by a skilled personal adviser (either from Jobcentre Plus or from a private- or voluntary-sector provider) who will offer advice appropriate to their individual circumstances;
- the client and personal adviser will agree an action plan to help the client prepare for work;
- where appropriate, as part of any agreed action plan, the personal adviser will refer the client to further support, chosen from a range of programmes and delivered by a mix of public-, private- and voluntary-sector providers; and
- clients will have access to a full range of job and career opportunities through the effective engagement of local employers.

**7** The Government wants to ensure that service providers are given sufficient flexibility and discretion to tailor its policies to suit the specific needs of individuals and employers they serve. We want to draw on the wealth of experience of those working in other sectors, and we are looking for greater involvement on the part of voluntary-sector and private providers in the future reform agenda. They are often best placed to support our clients, particularly those with a health condition or a disability, by providing the specialist services they need.

**8** Building on the success with the New Deal for Disabled People and other initiatives, we wish to develop further our services for incapacity benefits claimants. We will therefore invite new voluntary-sector and private providers to manage Pathways to Work in new areas. This will allow new and innovative approaches to be tested. We will need to ensure that support of sufficient quality is available to a wide range of claimants, delivered with maximum flexibility. Our objective will be to focus providers on improving job entry and retention, rather than simply asking them to replicate existing Pathways to Work provision. We hope that such contracts will be in place from 2007.

*Question 10:*

*Does utilising voluntary sector and private providers in this way sound sensible? Would outcome-based payments incentivise providers to meet the challenges of delivering Pathways to Work and the new arrangements described in Chapter 4?*

#### **Question 10 (i): Does utilising voluntary sector and private providers in this way sound sensible?**

4.1 Utilising independent providers in this way not only sounds sensible, but marks an important, if incremental, step forward in better harnessing the potential of the voluntary and private sectors. With regards to the proposals outlined in the Green Paper, a number of points are worth making:

## National rollout of Pathways to Work

- 4.2 The Department for Work and Pensions' Five Year Strategy states "the voluntary and private sector have a crucial role in the delivery of Pathways. As the programme rolls out we will want to keep this role under review."
- 4.3 Pathways to Work, which utilises the services of independent providers, appears to be a success. In the first year of the pilots the number of recorded job entries for people with a health condition or disability had almost doubled compared with the same period the year before. In total, it is estimated that there has been an 8 per cent increase in the number of people returning to work.<sup>17</sup> Indeed, Margaret Hodge MP, the Minister of State for Employment and Welfare Reform states that: "The Pathways to Work pilots are the most successful intervention attempted by any Government in the developed world in providing hope and opportunity for people with long-term illness and disabilities to return to work."<sup>18</sup>
- 4.4 ERSA and ACEVO welcome the national roll-out of Pathways to Work and the opportunity for independent providers to bid for outcome-based contracts. It both acknowledges the role of independent providers in achieving higher rates of successful outcomes and offers them the opportunity for increased involvement.
- 4.5 It is far from clear which parts of Pathways to Work will be contested although we note that the Green Paper states that future provision will be delivered "primarily" by the private and voluntary sector. Work-focused interviews and the choices package must be contested if the strengths of the independent sector are to be fully utilised. Separating all aspects of Pathways to Work from the process of administering benefits is both a desirable and feasible objective. Providers can also perform the functions of the IBPA, including drawing up any mandatory action plans, as an extension to the work-focused interview role. Competition should also be encouraged between providers and claimants should be able to choose between providers wherever possible.
- 4.6 Much of the success of Pathways has been delivered through NDDP. Consequently, work-focused interviews should be extended to existing claimants to ensure that individuals claiming Incapacity Benefits are offered appropriate help and support.

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<sup>17</sup> Figures cited in *The Active Welfare State: Matching Rights with Responsibilities*, speech by Rt Hon John Hutton MP, Secretary of State for Work and Pensions, 18 January 2006

<sup>18</sup> Margaret Hodge MP, *Hansard*, 6 February 2006

- 4.7 The performance failings of Jobcentre Plus have been well documented and outcomes will only be maximised by using the strengths of the private and voluntary sector. It would not be acceptable for Jobcentre Plus to compete against the independent sector to deliver the rollout of Pathways to Work. While Jobcentre Plus continues to act as both a commissioner and a provider, such competition will not be fair or transparent as the taxpayer underwrites its costs.
- 4.8 The Government has pledged to spend £360 million on the roll-out of Pathways to Work across the country. A study undertaken by the Institute for Public Policy Research, however, has estimated that the roll-out could cost in excess of £500 million.<sup>19</sup> Considering the very significant social and economic benefits accrued from successfully addressing joblessness, it is hoped that any potential shortfall in funding would be overcome.

#### Personal advisers

- 5.1 The Green Paper's vision includes the proposition that "clients will be seen by a skilled personal adviser (either from Jobcentre Plus or from a private- or voluntary-sector provider) who will offer advice appropriate to their individual circumstances."
- 5.2 Independent providers already carry out the role of personal advisers, not least within the New Deal for Disabled People (NDDP) where they compete with Jobcentre Plus to perform the role of 'Job Brokers' to help clients find, secure and remain in paid work.
- 5.3 Because of the range of advantages independent organisations hold, personal advisers from the voluntary and private sectors are often able to obtain better results for their clients than their Jobcentre Plus counterparts. Department for Work and Pensions research found that "NDDP Job Brokers saw advantages over Jobcentre Plus in being able to spend more time with people, providing a more in-depth service, working more flexibly and being independent of government systems."<sup>20</sup> The Green Paper states that independent providers in this role "can bring a distinctive approach to service delivery, based on their specialist knowledge, experience and skills."<sup>21</sup>
- 5.4 This plays a vital role in extending choice to clients. As the Green Paper notes, "This approach brings unprecedented levels of individual choice into the system. For example,

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<sup>19</sup> *Fit for purpose?*, Institute for Public Policy Research, 2004, Stanley K, Maxwell D

<sup>20</sup> *New Deal for Disabled People: An in-depth study of Job Broker Service Delivery*, 21 June 2005, p1

<sup>21</sup> *A new deal for welfare: Empowering people to work*, Department for Work and Pensions, January 2006, p74

in most areas of the country, benefits claimants have a choice of providers offering job-brokering service.”<sup>22</sup> While choice is important, it is essential to ensure that this does not mean an unviable amount of brokers in a particular district as has occurred with NDDP and was evidenced by the recent downsizing of broker numbers in recent Jobcentre Plus procurement rounds.

- 5.5 One of the Green Paper’s key proposals includes trialing the placement of employment advisers in GPs’ surgeries. As already outlined in this submission, the advantages held by voluntary and private sector organisations – not least the absence of authority status – would make them best suited to carry out this role.
- 5.6 Equally, the Green Paper proposes significantly increasing the frequency of Work Focused Interviews for lone parents, including quadrupling the annual number of interviews for those with a youngest child aged at least eleven years’ old. This requirement for extra resources – at a time when Jobcentre Plus is undergoing particular restructuring difficulties – provides the ideal opportunity to harness the capacity and capabilities of independent providers. It is strongly recommended that the remit of voluntary and private sector organisations is extended into these areas.
- 5.7 As part of its headcount reduction programme, Jobcentre Plus is due to contribute 9,000 of the 10,000 redeployments to the front line required across the whole of the Department for Work and Pensions. By the end of December 2005, Jobcentre Plus had created and resourced 5,594 new customer service posts, including many who had become Personal Advisers. The Work and Pensions Select Committee rightly states: “it is not enough for Jobcentre Plus staff simply to be placed in front-line roles, they must be trained properly and appraised carefully so they are able to help vulnerable people in a constructive way.”<sup>23</sup>
- 5.8 Most importantly, the Green Paper’s stated vision to offer clients a skilled personal adviser “either from Jobcentre Plus or from a private - or voluntary - sector provider” exposes a serious conflict of interest. Jobcentre Plus is both a *commissioner* of employment related services as well as a *provider*. At the moment, for example, competition within NDDP means that Jobcentre Plus Personal Advisers have to choose between referring individuals to an independent provider or referring them to an in-house colleague.

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<sup>22</sup> *Ibid.*

<sup>23</sup> *The Efficiency Savings Programme in Jobcentre Plus*, Work & Pensions Select Committee, 18 March 2006, para 32

5.9 This is a clearly inequitable situation that threatens to stifle the very competition that independent provision is intended to create. Any attempt to deliver further contestability within this area will fail to deliver its expected benefits unless the framework within which it is introduced is also reformed.

#### The mixed market of service delivery

6.1 The Green Paper's vision also proposes that personal advisers should be able to refer the client to further support "chosen from a range of programmes and delivered by a mix of public-, private- and voluntary-sector providers". Independent providers, as noted above, hold a number of inherent advantages and any further scope for delivering employment services and creating a proper mixed market will improve the performance of employment services.

6.2 However, existing contracting and funding arrangements with independent organisations – and voluntary sector organisations in particular – is hampering the chance for a mixed market to function properly. A recent report by the Public Accounts Committee in March 2006, *Working with the voluntary sector*, makes a clear link between inadequate funding regimes and the lack of progress in increasing the voluntary sector's involvement in delivering government programmes. If the Government is "committed to removing the barriers that (private and voluntary sector providers) face in order to establish a level playing field", as it states in the Green Paper, then this is an area that requires immediate attention.<sup>24</sup>

6.3 Because of the short-term nature of contracts, independent providers can often only be confident of short-term financial security. A recent survey of ACEVO members questioned about the funding regime found that:

- 76 per cent said that it adversely affected frontline services
- 81 per cent said that it hindered the organisation's ability to plan ahead
- 78 per cent said that it meant that they did not undertake services beyond those detailed in their contracts<sup>25</sup>

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<sup>24</sup> *A new deal for welfare: Empowering people to work*, Department for Work and Pensions, January 2006, Executive Summary, p9-10

<sup>25</sup> *Surer Funding – ACEVO Commission of Inquiry Report*, November 2004

- 6.4 Added to this, providers often have little time to prepare the provision of employment services after winning contracts. Illustrating the problem, one ERSA member states: “If we look at the current rounds, Phase 2 bids have to be with Jobcentre Plus for January 2006. Providers are unlikely to know if they have contracts until February at the earliest, and yet we will be expected to be contract ready by April. This is a common approach”.<sup>26</sup> Indeed, it is not uncommon for contracts to be issued and signed after the contract period has started.
- 6.5 Overwhelming anecdotal evidence indicates that independent providers devote a disproportionately large amount of time and expenditure to arranging and negotiating contracts. The monetary cost of tendering input can equate to 5 per cent of the total value of the contracts won.<sup>27</sup> Describing the nature of the problem, an ERSA member states, “We must devote huge resources to contract renewal. The cost of bidding for contracts can be excessive, as too great a volume of information is often required at the earliest stages of bidding. Public bodies frequently advertise weighty tender documents with sometimes as little as two weeks to respond, and tender specifications are often altered after bids have been submitted.”<sup>28</sup>
- 6.6 A Commission of Inquiry undertaken by ACEVO confirmed that a lack of financial security, coupled by the amount of work required to arrange and negotiate contracts, is creating significant inefficiencies; forcing independent providers to divert important resources away from frontline service provision.<sup>29</sup>
- 6.7 The Treasury’s 2002 Review, *The Role of the Voluntary and Community Sector in Service Delivery: A Cross-Cutting Review*, acknowledged the problems posed by short-term contracts.<sup>30</sup> Treasury guidance to government funders, published in 2003 as a follow-up to the Review, lays out the rationale for longer-term funding. It recommends that funding bodies should endeavour to agree longer-term funding arrangements, if these represent good value for money. The guidance points out that longer-term funding could often represent better value for money for government, by allowing them to focus on longer-term results.

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<sup>26</sup> Information supplied to ERSA, 8 December 2005

<sup>27</sup> *Transforming Employment Related Services*, Oxford Economic Forecasting, October 2005, p8

<sup>28</sup> *Case Study: Tomorrow’s People, Surer Funding – ACEVO Commission of Inquiry Report*, November 2004, p127

<sup>29</sup> *Ibid.*

<sup>30</sup> *The Role of the Voluntary and Community Sector in Service Delivery: A Cross-Cutting Review*, HMT, September 2002

- 6.8 The National Audit Office's review of the Government's relationship with the voluntary sector in June 2005, *Working with the Third Sector*, notes that "the sector has seen no significant change. Third sector organisations had not noticed any general trend towards government departments funding for the longer-term, despite a recognition by funders that longer-term funding was desirable".<sup>31</sup>
- 6.9 The Work and Pensions Select Committee, in its *Report into the efficiency savings programme in Jobcentre Plus* in March 2006, states: "the current procurement process is deeply flawed, and needs to change to match best practice in the public sector and industry, for example to have longer term contracts that can enable private and voluntary sector providers to plan and manage their own resourcing capability. We recommend that DWP works as a matter of urgency to review further its contracting procedures for all employment and training programmes to ensure that accountability is achieved without compromising provider flexibility, so that higher quality and more efficient outcomes are achieved."<sup>32</sup>
- 6.10 ACEVO and the National Audit Office have put forward detailed recommendations to improve funding practices. In many respects, this is the *sine qua non* of establishing the level playing field by which a properly functioning mixed market can work.

**Question 10 (ii): Would outcome-based payments incentivise providers to meet the challenges of delivering Pathways to Work and the new arrangements described in Chapter 4?**

- 7.1 Within this context, the general approach taken by Jobcentre Plus towards independent providers is heavily "process-focused", often to the detriment of an adequate appreciation of outcomes. An examination of the administrative processes of The New Deal for Disabled People (NDDP) exemplifies this problem.
- 7.2 Under NDDP, for example, independent organisations can only qualify for payment by achieving different outcomes: registrations of eligible participants onto the programme, job starts and sustained employment. Jobcentre Plus requires each outcome to be monitored each month.

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<sup>31</sup> *Working with the Third Sector*, National Audit Office Report (HC75: 2005-06), 27 June 2005

<sup>32</sup> *The Efficiency Savings Programme in Jobcentre Plus*, Work & Pensions Select Committee, 18 March 2006, para 278

- 7.3 Added to this complexity, Jobcentre Plus only accepts evidence sourced directly from the programme participant and the employer – even though relevant information about an individual's tax and benefits status is easily obtainable from existing government databases. The National Audit Office has demonstrated that the full administrative costs of contracting with service providers are not known, but the Department for Work and Pensions estimates that the New Deal for Disabled People alone has administrative costs in the region of £6 million per annum on a programme cost of £37.5 million.<sup>33</sup>
- 7.4 A much more thorough and comprehensive review needs to be undertaken of the “process-focused” culture that is systemic in Jobcentre Plus's dealings with independent providers.
- 7.5 As a general rule, outcomes should be clear milestones such as registrations, job starts and sustained employment. Outcome payments can give providers a clear incentive to gain results and if the payment regime is transparent and structured correctly, such payments can provide value for money, encourage continuous improvement, promote long-term sustained employment and are welcomed.
- 7.6 Any funding regime for outcome payments must recognise that a proportion of funds should be received up-front. Without such a payment structure many voluntary sector organisations will not be able to bid for Government contracts.

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<sup>33</sup> National Audit Office, Gaining and Retaining a job: the Department for Work and Pensions' support for disabled people, p 3/4

## **A new deal for welfare: Empowering people to work**

### Chapter 5: Delivering welfare reform

#### Tackling worklessness in cities

... The key aims are to:

- deliver a significant improvement in employment rates among those of working age, with a particular focus on the most disadvantaged, especially benefits claimants, lone parents, older people and people from minority ethnic groups;
- ensure that individuals within these client groups are better able to both find and remain in work; and
- improve the skills of individuals within these client groups to enable them to progress once they are in work.

**16** Each local area will be asked to develop a consortium comprising local partners with a shared interest in working together to raise local employment rates and improve the local economy. This may include local authorities, employers, learning and skills councils, regional development agencies, primary care trusts and Jobcentre Plus. Partners in England will use the local strategic partnership, including the existing Local Area Agreement infrastructure, to draw the consortium together. Consortia in pilots covered by the devolved administrations will need to take account of local partnership structures and patterns of deprivation when developing their proposals.

**17** Each consortium will be expected to use private and voluntary sector providers to deliver additional investment and employment support under contract. To facilitate this, the Department for Work and Pensions will continue to develop contracts that reflect best practice principles and to streamline procurement processes. This will allow public, private and voluntary sector providers to offer choice to users and tailor their services to meet individual needs.

**18** The bids from local consortia will need to set out the outcomes they expect to achieve. The Government will then negotiate a set of outcome targets reflecting the needs of each local community, including the circumstances within the UK devolved administrations. The Government will allow flexibility over the way the consortia deploy resources to meet outcome targets (for example, through a process of alignment or pooling of budgets).

**19** The consortia will be required to operate within the new national benefits structure, including the proposed conditionality arrangements for new claimants. Once the new benefits structure is in place, the Government will consider proposals from pilot areas to trial a range of conditionality and incentive structures for existing claimants.

**20** Administration of benefits will continue to be managed by Jobcentre Plus.

**21** Successful bids will receive initial investment from the Department for Work and Pensions and a financial reward for meeting their aims. Bids will need to demonstrate robust accountability arrangements for the delivery of their agreed targets and the engagement and support of local employers. As the providers of opportunities for those currently locked into benefits dependency, it will be important that employers are closely involved in deciding how best to match their employment needs with the skills and competencies of potential recruits.

**22** A key aim of this initiative will be to provide a solution that offers the maximum degree of local flexibility, so that local areas can provide local solutions to local problems.

*Question 11:*

*Will this proposal provide an effective mechanism to join up the work of different agencies and make better use of existing funding to tackle the problems in cities?*

**Question 11: Will this proposal provide an effective mechanism to join up the work of different agencies and make better use of existing funding to tackle the problems in cities?**

- 8.1 If agencies worked more closely together and funding streams were aligned, the resources flowing into cities would have a greater impact. The intention to provide local flexibility is welcomed but the proposals from the Green Paper raise a number of serious practical concerns.
- 8.2 Reforms to strengthen the welfare to work delivery system must seek to minimise bureaucracy and build on existing good practice. Operational experience suggests that bringing together a consortium that could include Jobcentre Plus, regional development agencies, learning and skills councils, primary care trusts, and local authorities could result in an inefficient and complex system. Rather than creating new structures and programmes, reform should seek to build-on effective existing provision and simplify processes wherever possible.
- 8.3 It is suggested that each consortium will be expected to use the private and voluntary sector to deliver additional support under contract but it is far from clear what form this will take. Many local authorities have their own service delivery arm and may be reluctant to use the independent sector which could be considered 'competition'. It is also not clear, who would be responsible for contracting with external providers. Considering the well-documented difficulties with procurement, it would make sense for these matters to be considered before the policy framework is set.
- 8.4 Steps to involve employers must be welcomed and with the independent sector's extensive experience of welfare to work programmes, it would be advisable for private and voluntary sector providers to actively contribute to the design of any programme. ERSA and ACEVO would welcome early involvement in the policy development process.

## The *real* opportunity: redefining the role of Jobcentre Plus

- 9.1 In 2005, ERSA commissioned an independent study by Oxford Economic Forecasting to examine how the current employment services could be improved. Publishing its findings in October, the report recommends redefining the role of Jobcentre Plus, so that the organisation only carries out the interface functions of a public service gateway (such as paying benefits, deciding on eligibility and managing contracts); or, if it continues to provide employment services, does so as a distinct public service provider – competing with others on an equal footing.<sup>34</sup>
- 9.2 This recommended model would substantially increase the role of voluntary and private organisations in delivering services, helping to provide “a marked improvement in the numbers of long-term jobless across the country securing employment”.<sup>35</sup>
- 9.3 It would also clearly do much to promote choice within employment services – a crucial element in the provision of modern, relevant and effective services. The Green Paper states, “currently there is a one-size-fits-all approach to our services. They cannot deliver the innovation and choice our customers rightly desire.”<sup>36</sup>
- 9.4 The report observes that in Australia, where a similar model has been introduced, services have improved and costs have been reduced. 690,000 job seekers were placed in 2004/2005, up 70 per cent on the 405,000 placed in 1999/2000. Total costs fell from A\$3.2 billion to A\$1.9 billion over the same period.<sup>37</sup> A number of ERSA members operate in Australia and have been practically engaged with the Australian Government to help implement and develop this model.
- 9.5 Welfare reform in the UK has reached a crossroads. Both the performance and potential of independent providers is not in any doubt; yet, as already noted within the remit of personal advisers, increasing their role in the delivery of employment services only serves to further expose the contradictions of Jobcentre Plus as a commissioner and provider of employment services. Indeed, there are many examples of Jobcentre Plus delivering services directly without seeking to use the private and voluntary sector at all, such as for work focused interviews to lone parents. If these conflicts remain unresolved, they will inhibit the development of market capacity to achieve policy objectives.

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<sup>34</sup> *Transforming Employment Related Services*, Oxford Economic Forecasting, October 2005

<sup>35</sup> *Transforming Employment Related Services*, Oxford Economic Forecasting, October 2005, p2

<sup>36</sup> *A new deal for welfare: Empowering people to work*, Department for Work and Pensions, January 2006, p19

<sup>37</sup> *Transforming Employment Related Services*, Oxford Economic Forecasting, October 2005, p7

- 9.6 When services are contracted, it is not possible to have a properly mixed economy of public, private and voluntary sector providers unless public sector agencies are competing on an equal and transparent basis. This would necessitate tendering decisions being made by an organisation without a vested interest and subsequent contract management must be competent and willing to focus on improving the quality of delivery rather than applying compliance requirements that bear unequally on direct and contract delivery provision.
- 9.7 Whilst recognising the significant public investment in Jobcentre Plus to date, given the efficiency targets and concerns over performance, the time has come to clearly define the organisation's role.
- 9.8 A timetable should be set for Jobcentre Plus to focus on its commissioning functions as a public service gateway. Jobcentre Plus would continue to be the first point of contact for those seeking a job and would pay benefits, but the existing functions of Personal Advisers would be performed by the private and voluntary sector with customers being able to choose between providers wherever possible. This would allow the focus of Jobcentre Plus to be on:
- Defining client groups
  - Laying down qualification criteria for individuals
  - Administering and service benefits
  - Undertaking decision-making and appeals
  - Procuring services
  - Evaluating bids
  - Designing incentives and penalties with the aim of achieving successful outcomes for customers
  - Evaluating the performance of providers, recognising those who make a superior contribution.
- 9.9 The Green Paper states that it wants to “move the welfare state away from a passive one-size-fits-all model” to “an active, enabling system”.<sup>38</sup> To do this, the Prime Minister has outlined four principles of public service reform – one of which includes “diversity and

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<sup>38</sup> *A new deal for welfare: Empowering people to work*, Department for Work and Pensions, January 2006, Executive Summary, p2

promotion of alternative providers.”<sup>39</sup> Developing this further, Rt Hon John Hutton MP, Secretary of State for Work and Pensions, has stated that “we should bring together the public, private and voluntary sector in a new mission to transform some of Britain’s most disadvantaged communities”.<sup>40</sup> The definition of Jobcentre Plus as a public service gateway would provide a historic opportunity to bring the three sectors together - enabling the state to maximise all the resources at its disposal to significantly improve services and get people into work.

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<sup>39</sup> Prime Minister’s speech on Public Service Reform, 16 October 2001

<sup>40</sup> *The Active Welfare State: Matching Rights with Responsibilities*, speech by Rt Hon John Hutton MP, Secretary of State for Work and Pensions, 18 January 2006

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