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**Work and Pensions Select Committee inquiry into how the government will reach its aim to achieve an employment rate of 80%.**

**Executive Summary**

- ERSA has considered the role of the private and voluntary sectors in welfare to work programmes and how the Welfare Reform Bill might affect these sectors in helping to achieve the government's 80% employment target.
- ERSA supports contracting out to the private and voluntary sectors and welcomes the fact the Bill makes provisions for a greater role for them. There are still areas of concern for the private and voluntary sectors that the Bill has not addressed which may in turn have an impact upon the likelihood of meeting the target.

**About ERSA**

- 1.1 ERSA is the representative body for providers of publicly funded employment programmes. It aims 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.
- 1.2 ERSA's membership consists of both private companies and not-for-profit organisations, ranging in size from small organisations to some of the largest providers in the UK.<sup>1</sup> ERSA's members collectively represent a significant proportion of the sector with over 50% of Jobcentre Plus provision spend going to ERSA members.
- 1.3 Government policy and initiatives in welfare to work are delivered by ERSA members, making them integral to the process of achieving the 80% employment rate.

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<sup>1</sup> ERSA's membership as at 19 September 2006: A4E, Agens, Breakthrough UK, Carter and Carter Group, DISC, Employment Opportunities for People with Disabilities, Enham, Inbiz, Instant Muscle, Maatwerk, Mencap, OSW, Papworth Trust, Pecan, Pluss Organisation, Rathbone, RBLI, Reed in Partnership, Regenerate Glasgow, Remploy, RNIB, RNID, Salvation Army, Seetec, Sencia Group, Shaw Trust, TNG, Tomorrow's People, Turning Point, Working Links, WTCS Ltd, YMCA Training

## **The Welfare Reform Bill**

- 2.1 ERSA welcomes the committee's inquiry to look at how measures proposed in the Welfare Reform Bill will impact upon the 80% employment rate target.
- 2.2 ERSA intends to comment on the area of interest defined by the committee as, "the provision of services by, and the contracting out of functions such as work focused interviews to, the private and voluntary sectors."
- 2.3 ERSA supports the increase of the delivery of employment services by the private and voluntary sectors. The success of the private and voluntary sectors in delivering New Deal for Disabled People and Employment Zones has encouraged the government to make greater use of independent providers and proves that these sectors have the capacity and expertise necessary to obtain successful outcomes.
- 2.4 DWP research has shown that NDDP job brokers spent more time with customers and provided a more in-depth, flexible service being independent of governmental systems.<sup>2</sup> In the Welfare Reform Green Paper it was commented, "independent evaluation shows that they [private and voluntary sectors] achieve significantly better job outcomes than Jobcentre Plus does with comparable clients."<sup>3</sup>
- 2.5 Customers value working with organisations independent of the Jobcentre Plus agency. It generates trust between advisor and customer and helps to overcome their barriers to employment without feeling under threat of sanctions and judgements about behaviour. This is particularly relevant given that Pathways is a mandatory programme. Rightly or wrongly, some individuals are uneasy with working with Jobcentre Plus and so will attain better results with independent providers.
- 2.6 Private and voluntary sector providers can offer specialist and expert provision and are particularly effective when dealing with the hardest to help. These individuals may fall into the groups that the committee has chosen to examine in this inquiry and most have multiple and complex support needs. Many organisations have built up a specialist network of staff and knowledge that gives them an advantage when dealing with hardest to help customers and helps to tailor the service directly to the needs of the client. By making in-roads into this group, it helps to move towards the target of an 80% employment rate. Thus the role of the private and voluntary sector is crucial here.
- 2.7 The provisions in the Welfare Reform Bill for increased involvement for the private and voluntary sectors will therefore assist the government in achieving its aim of an 80% employment rate.

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<sup>2</sup> New Deal for disabled people: An in-depth study of Job Broker Service Delivery, 21 June 2005

<sup>3</sup> A new deal for welfare: Empowering people to work, January 2006

## Recommendations

- 3.1 ERSA believes that essential to achieving the 80% employment rate is the engagement of employers in working towards the target. If larger numbers of people with disabilities or lone parents for instance, are entering the workforce, employers need to be flexible and adapt to their new employees needs and provide appropriate support. Although the government has signalled that they will engage employers in the process, no detail has been forthcoming on this issue and the committee may wish to examine in further depth how the government propose to do so.
- 3.2 Much of the information following the publication of the Bill of the exact role of the private and voluntary sectors came through a Ministerial Statement on the Pathways roll out. "In October 2007, private and voluntary sector providers will start to help to deliver the pathways service, extending to the remaining 60 per cent. of new and repeat IB customers by April 2008. We will use providers because our good partnership working with them on other initiatives has shown to be very effective, particularly when we offer them outcome-based contracts and payment by results. Providers will engage with customers after their initial work-focused interview."<sup>4</sup>
- 3.3 Despite the success of the private and voluntary sectors outlined above, the first work-focused interview in the Pathways programme will still be delivered by Jobcentre Plus. No consultation with providers was undertaken in making this decision and no explanation has been given for it. As independent providers have the experience and capacity to deliver WFI's, it is unclear why this decision was made. Ideally ERSA would like to have this decision re-considered to allow the private and voluntary sectors to be really tested on what difference they can make if working with clients from first point of contact onwards. At the least, it would be helpful to understand the reasoning behind the decision and to see assurances that in future, policy developments will be consulted on with interested parties.
- 3.4 The process of procurement still needs to be addressed in order to make the most efficient use of the private and voluntary sectors. The model being put forward for Pathways is the prime contracting model previously used in the New Deal tendering rounds. Although ERSA recognises this model attempts to simplify the management of contracts, we have serious concerns that it does so at the expense of diversity of provision and therefore risks losing the specialist and tailored services that the private and voluntary sectors have used to move people into employment. In addition, a significant payment remains payable upfront rather than upon results, contrary to the evidence that payment by results improves performance. It should be noted that procurement and contracting models are areas which profoundly affect the performance and ability of providers in obtaining sustainable outcomes. Therefore reform and improvement of these is necessary to improve providers' ability to plan properly and work efficiently. Providers can then concentrate on delivering their quality services rather than being pre-occupied with procurement and contracting difficulties. This again impacts upon meeting the employment rate target as providers performing well are moving more people into employment.
- 3.5 There is a deficiency in market and performance information which makes it difficult to compare providers across sectors. Although this has arisen in some cases because certain types of providers have only been able to bid for certain programmes, as Pathways will now

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<sup>4</sup> Jim Murphy MP, Written Ministerial Statement, Pathways to Work, 4 July 2006

be delivered cross-sector, it would be useful for DWP to ensure data is collected so that providers are monitored and the success of the private and voluntary sectors can be measured in comparison to Jobcentre Plus.

3.6 In summary, the Welfare Reform Bill allows for private and voluntary sector providers to participate more widely in welfare to work programmes. Having proven their ability and success in moving clients into sustained employment the Bill should help the government meet its 80% employment rate target. Nevertheless there are still areas where improvements need to be made in order that providers are working under the optimum conditions to produce the best results.

3.7 ERSA would welcome the opportunity to present oral evidence to the committee.