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## WHAT IS THE POLICY?

The Work Programme is the Government's new flagship welfare-to-work initiative that will replace almost all previous mainstream programmes run by the Department for Work and Pensions by the summer of 2011. It will be delivered through contracted-out provision by third-party providers. The Government has signalled its intent to create a new arrangement with service providers based on the long-term results they achieve, rewarding those who help their customers return to stable, sustainable employment. It will give third-party providers longer to work with individuals and greater freedom to decide the appropriate support for them.

Some facts and figures

- Single programme to supersede all welfare-to-work schemes (other than Work Choice) delivered wholly on a contracted-out basis
- Work Programme contracts will be procured through the framework for Employment Related Support Services. The list of providers that have successfully secured places on the framework will be made public by December 2010
- Contracts due to commence in July 2011
- Forecast total annual value of contracts between £300m to £3bn a year
- Individual contracts of between £10m and £50m per year
- Payments entirely or largely based on results

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## TOMORROW'S PEOPLE THINKING ON THE WORK PROGRAMME

In our view, the Work Programme is a positive initiative because it is work-focused, personalised and aims to take the client through the whole journey and on to a successful outcome. In particular, we welcome the following which we see as both progressive and encouraging

- Recognition of the value of sustained employment
- Flexibility for providers to do what is best for clients
- Payment for success rather than for process

In particular the indication is that the Work Programme will offer service providers proper recognition for effective interventions, firstly by making payments to reflect long-term achievements – something which Tomorrow's People has been advocating for a number of years - and secondly, by making higher level payments when customers who have multiple barriers are placed into sustainable jobs. This multi-level payment model could also help deal with the perennial temptation of "parking" - where harder-to-help participants receive a bare minimum of services - and "creaming" – where providers focus most on those who look easiest to place in work.

Most importantly we welcome it because it gives Tomorrow's People the opportunity to improve the outcomes of its service users. Indeed our response is based partly on the feedback that clients have given us on what they look for in such schemes.

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## OUR CONCERNS

We have two main areas of concern: one that affects our clients, and one that affects us as a potential provider. While we believe that the Work Programme will be good for individuals, some clients on existing schemes such as Flexible New Deal and Pathways to Work have voiced concerns over the uncertainty over when those projects will be wound down and replaced by the Work Programme.

As potential providers we are concerned by some of the financial aspects. Providers delivering the Work Programme will have to bear the financial risk created by payment primarily on sustained employment outcomes. They are likely to select subcontractors to deliver some, if not all, of the provision and may transfer some of the financial risk to their subcontractors. Since payments will be heavily weighted towards sustained job outcomes, this will require significant levels of working capital. Providers will have to consider whether they have access to sufficient funds to manage the level of risk that will arise as a result and may therefore struggle to participate, either as a prime contractor or as a subcontractor. Given that customers can spend up to two years on the programme and payment for a sustained job outcome may only be made after one year in employment, this effectively means that payment may not be earned for up to three years from when a customer joins the programme. This has clear cash flow implications. Another concern is that the speed of implementation in itself creates significant challenges to all organisations looking to participate. We are also worried that not enough thought has gone into where new jobs will be created, especially if the economy does not recover as fast as the Government expects.

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## WHAT WE WANT FROM GOVERNMENT

Overall, while we understand the political ambition of reducing spending on work-related benefits, we believe that can only be achieved if customers benefit from the level of support and service they need to move forward. If the Government aims to transfer the financial risk to third-party providers, it must design a model that will work for all parties. We would urge the Government to extend the time period over which providers can work with clients to move them back into work. We recommend that the payment model be restructured to include an up-front management fee and a performance fee based on the savings to the state from moving someone into work.

Given the possibility of a slower recovery in economic growth and job creation than forecast and potential loss of several hundred thousand public sector jobs, we believe the Government needs to work with providers, local authorities, local enterprise partnerships and other interested parties to find innovative ways both to maximise job creation and to support those who are unable to find sustained employment. We are concerned that some of the initiatives to tackle unemployment in the 1980s are no longer in place. These include: contributions to employers' costs; incentives for business start-ups; and a focus on training young people. We would recommend the Government put in place a package of measures to encourage job creation.

To deliver the best outcomes for unemployed people, the Work Programme must work hand-in-glove with those who can create job opportunities if the proposed reform of the welfare system can meet its aim of ensuring that there is no incentive for people for stay on benefits rather than taking a job.

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## WANT TO KNOW MORE?

Tomorrow's People's work with the long-term unemployed  
[www.tomorrows-people.co.uk](http://www.tomorrows-people.co.uk)

DWP prospectus for the Work Programme  
[www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/work-programme/](http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/work-programme/)