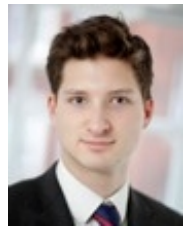


How to make the Work Programme work better

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9/26/2013

*The Department for Work and Pensions will today release statistics on the Work Programme; a government initiative aimed at getting the unemployed back into work. After a difficult start in a tough economic climate, the scheme now seems to be performing well. However, with an election approaching and current work Work Programme contracts running out in 2016, the next stage of reform is on the agenda. **Will Tanner** provides ideas on the future of employment support and writes that future reform must start with the payment and performance model.*



This year's party conference season has been dominated by two issues: welfare and the economy. In the final third of the Parliament, and in the beginnings of a recovery, party leaders have been falling over themselves to declare their credentials on reducing welfare dependency and increasing jobs and growth. In the midst of all this, the Department for Work and Pensions will this morning release statistics on its flagship programme to address both issues: the Work Programme. After a difficult birth in a stagnating economy and challenging labour market, the scheme to help people off benefits and into sustainable work is now performing well. [Industry figures](#) released last week in advance of today's official statistics suggest that providers supported over 62,000 jobseekers into work in the three months up to June – a 16 per cent increase on the previous quarter – taking the two-year total to 384,000 people. Importantly, young people have been particularly well-served, representing 100,000 job starts.

That these figures are from June, prior to the recent economic upturn in Q3, should give policymakers even greater cause for optimism: the next set of results should be even better. Yet with a General Election approaching, an ongoing government consultation on the future of welfare commissioning, and current Work Programme contracts running out in 2016, the next stage of reform is also on the agenda. As a leading provider of welfare to work services in three contract areas, G4S recently published a policy paper, entitled [Making the Work Programme work better](#), with ideas on the future of employment support. These are set out below.

Most importantly, future reform must start with the payment and performance model. In a payment-by-result programme, with providers only paid once they deliver desired outcomes, measurement and money matter. Yet, as the Work and Pensions Select Committee and others have found, the current system of setting payment on the basis of benefit type is problematic: a jobseeker out of work for a sustained period can be just as hard to move into the labour market as those claiming certain "harder-to-help" benefits. This is not to say that providers should be paid more, just that the basis for payment should change. A better proxy would be the cumulative length of time an individual claims a particular benefit. Government already collects the data, so it would be inexpensive to implement, and it would be less complicated than the individual assessment tool such as that used to triage claimants in Australia's version of the programme.

A more appropriate payment tool would be complimented by better expected performance levels for providers; the so-called Minimum Performance Levels (MPLs). The Government's own [review of MPLs](#), led by Paul Lester, proposed changing the levels if the targets continue to prove unrealistic. In fact, lowering the targets misses the point. As [Inclusion](#) and the [UK Statistics Authority](#) have both noted, the current methodology for calculating MPLs fails to account for the time taken to achieve and sustain employment, only takes into account a third of the payment groups and can be distorted by referral numbers. A more meaningful measure would be a cohort-based metric to capture the number of jobseekers who have achieved sustained employment during a given period of time. This figure would be directly comparable over time, more accurately take into account labour market factors, and be less susceptible to distortion from referral flows.

Secondly, the Department should take a more active role in managing the market to drive better performance. Ministers have dipped their toe in the water already, issuing contract improvement notices to 12 poorly-performing

providers and moving 5 per cent of referrals from the worst providers to the best. But they should go much further by moving significantly more referrals to the best providers to incentivise performance. Without real consequences for failure, there is no competition. The gains would be significant: to date an extra 9,300 people would have found sustained jobs had the bottom half of providers not been delivering the Work Programme (using the mean performance for the top half of providers), equivalent to around 7.5 per cent of all successful job outcomes to March 2013 or just under £50 million a year in lost benefit savings every year.

Even more radically, the Government could embed market management in the next procurement process. In Australia, the top-performing 20 per cent of providers do not re-tender and the lowest-performing 20 per cent are not able to re-tender, meaning the highest performing organisations retain and expand their market share, the worst fall away, and new entrants and medium-performers compete in the middle 60 per cent of the market. It is no accident that Australia's equivalent programme is world leading, with the commissioning strategy acting as a rising benchmark for performance.

Lastly, policymakers should consider expanding the Programme. In particular, there are currently a large number of jobseekers who do not qualify for the Work Programme because intermittent, short-term jobs prevent them from meeting the six- or nine-month unemployment threshold. These are people who actively seek work but are stuck in a negative short-term cycle of unemployment, and unable to access the support that longer-term jobseekers can. A solution would be to broaden the criteria for Work Programme for over-25s out of work for 12 months in an 18 month period, and 18-24 year olds out of work for 9 months in an 18 month period. This mechanism would ensure that jobseekers who are not entering sustainable work would get access to the personalised support available on the Work Programme.

At the same time, the Work Programme should be expanded to include the distribution of employment-related skills funding, on a not-for-profit basis. At present, skills and employment support funding are separate, leading to variation and inefficiency. If Work Programme contractors were able to manage skills funding as well as employment services, provision would be aligned and jobseekers would more likely to improve skills levels whilst finding employment. And because this would create efficiencies, providers would be expected to do it free of charge, flowing 100 per cent of skills funding to skills providers.

The Government has fought hard for the Work Programme in the face of harsh criticism, but the scheme is now reaping benefits. With 2.49 million people out of work, including 1.4 million claiming Jobseeker's Allowance, it is now time to re-energise the Programme so that it can continue to deliver thousands of sustainable jobs and drive down long-term unemployment which has for so long dogged parts of the country and held back economic growth.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

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