The Work Programme: a new public governance policy or a continuation of new public management?

Purpose – The purpose of this paper is to analyse the operational governance of welfare-to-work employment policies from the perspective of new public management and new public governance typologies.

Design – The case considered is the current UK Coalition Government’s national welfare-to-work strategy for the long-term unemployment: the Work Programme. The analysis is based on documentary evidence of two previous welfare-to-work programmes, the Flexible New Deal and Pathways to Work, which are compared to the Work Programme. Further evidence is provided by qualitative interviews with senior stakeholders in national and local government, service providers including Work Programme prime contractors, and expert organisations in England, Scotland and Wales. The study focuses on marketisation, service provision models, and outcome-based contracts.

Findings – The operational governance of the Work Programme follows a similar pattern to that of previous welfare-to-work programmes. It is primarily in line with New Public Management governance, specifically a business type, in: the way the policy is tendered and contracted; the relationship between purchaser and providers; the type of service provision; and the payment model based on outcomes. There are novel elements in this latest policy that aim to tackle some of the criticism of previous welfare-to-work policies.

Originality/value – The Work Programme is in its infancy and while there is much discussion of its novelty, feasibility, shortcomings and, to a lesser extent, advantages, there remains a lack of published information and research on it. This paper compares this current initiative with previous welfare-to-work policies and looks at aspects of its operation to situate it within governance typologies.

Key words – Work Programme, operational governance, New Public Management, New Public Governance
Introduction

This paper seeks to engage with debates about the governance of employment policies. Although, since the 1970s, many labour market policies in the UK have embraced New Public Management (NPM), according to some authors, this is changing towards the adoption of a new model inspired by partnership working and synonymous with New Public Governance (NPG). It has been argued, that this is as a result of an increased shift towards activation-focused welfare policies (van Berkel and Borghi, 2007; Saikku and Karjalainen, 2012) which often have to tackle complex, multiple, and cumulative issues (McQuaid and Lindsay, 2005). The UK welfare system has experienced a trend towards activation since the late 1990s, and the administration at that time coined the concept of joined-up government (Clark, 2002 in Davies, 2010) to describe the need for coordination and partnership working. The current administration has maintained this focus on activation, within its vision a Big Society, which “describes the Government’s intention to open up public services to new providers, increase social action and devolve power to local communities” (HC, 2011), and a “smaller state” (HM Government, 2010).

The paper explores the operational/administrative governance of one of the Coalition Government’s recent employment policies, the Work Programme, which replaces previous national welfare-to-work programmes for the long-term unemployed, in particular the Flexible New Deal and Pathways to Work. The focus is to ascertain to what extent the latest programme is a completely new intervention or, on the contrary, bears much of the same characteristics of previous ones—in terms of its aims, how is administered and implemented, and who is responsible for its delivery. This paper does this through the analysis of policy, academic, and evaluation documents of previous UK national welfare-to-work programmes, and the recent Work Programme with regard to three main elements: marketisation; service operation; and outcome-based contracts. This is complemented with a small number of qualitative interviews with local stakeholders in England, Scotland, and Wales. Due to guarantees of anonymity to participants, quotes will only be characterised by a reference number. Any information that could identify participants or organisations have been anonymised and put within brackets.

The frameworks of analysis are governance typologies (Pollitt and Bouckaert, 2011; Brookes, 2011; Osborne, 2010; Martin, 2010) and Ehrler’s (2012) New Public Management typology. The study of the Work Programme allows us to ascertain whether the operation of this particular employment policy adheres to the New Public Governance, or whether the New Public Management is still very much alive in employment policymaking and delivery: is the Work Programme an attempt towards achieving joined-up multi-dimensional individualised services as suggested under NPG, or is the talk of local responsiveness and partnership-working mainly rhetoric?; is the UK still dominated by a NPM model defined by top-down performance management, markets and contractualism, or has the interaction between NPG and NPM produced a new hybrid form?

The next section outlines public sector governance, followed by a review of recent UK employment policies. Within this context, the remainder of this paper analyses the case of the UK’s Work Programme followed by a discussion and conclusions.
Public sector governance

Countries across Europe have dealt with the challenge of social cohesion through different state traditions and various modes of public governance. Governance is defined as “the framework through which political, economic, social and administrative authority is exercised at local, national and international levels” (Nelson and Zadek, 2000). A distinction is made between what van Berkel and Borghi (2007) call formal policy (that is the substance of social policies) and operational policy (the organisation and management of policy-making and policy delivery), although both are interlinked to various degrees and affect each other. In order to cope with societal and economic changes and challenges “reforming governance has become part and parcel of the strategies that governments” develop (van Berkel and Borghi, 2007: 277). ‘Traditional’ welfare regimes are experiencing a number of challenges: economic globalisation, demographic changes, labour market changes, processes of differentiation and personalisation, and reduced government expenditure (van Berkel and Moller, 2002; Taylor-Gooby et al., 2004). As a result of these pressures the governance of social policies is changing (e.g. by changing the support given to people who are at risk of unemployment or other inactivity, tightening entitlements, or ‘transferring’ responsibilities).

Through time, public sector governance has changed as a result of pragmatism (Osborne, 2010), ideology, or both. These changes have been categorised by a number of scholars in ‘ideal’ types: each type with specific characteristics regarding its core claim and most common coordination mechanisms (Denhardt and Denhardt, 2000; Osborne, 2010; Martin, 2010; Pollitt and Bouckaert, 2011). It is recognised that governance modes are seldom found as ideal types as they tend to display a hybridisation of the ideal types with mixed delivery models (van Berkel and Borghi, 2007; van Berkel et al., 2012b; Saikku and Karjalainen, 2012). In many cases these mixed delivery models produce tensions and contradictions. Governance approaches are not only diverse but dynamic (van Berkel et al., 2012a), with changes in the design happening over time. Three of these ideal types are described below (Public Administration, New Public Management and New Public Governance), the two latter ones in more detail.

Public Administration has been characterised as a governance mode that: focused on administering a set of rules and guidelines; with a split between politics and administration within public administrations; and where public bureaucracy had a key role in making and administering policy, but with limited discretion. In the late 1970s and early 1980s, Public Administration was criticised as inefficient, gradually leading to its replacement by New Public Management. New Public Management involves:

- An organisational split between policy and administration: the first being the domain of policy-makers and the second often dealt with outside government.
- Disaggregation of public services to their basic units and a focus on their cost management.
- Attention being given to private-sector management techniques and entrepreneurial leadership within public service organisations, on the assumption that this would lead to greater efficiency and effectiveness of services.
- The government creating the mechanism and incentive structure to achieve policy objectives.
• An increased use of markets in the delivery of public services as it was believed that marketisation would increase choice, create innovation, and deliver improved efficiency and value for money. The role of government was seen as that of steering.

• Wide latitude given to those implementing policy.

• An emphasis on control and evaluation of inputs and outputs through performance management.

Although most European countries have adopted principles of the New Public Management, approaches to both policy development and policy implementation vary (Pollitt et al., 2007; Ehrler, 2012). Ehrler (2012) analysed public agencies responsible for the implementation of activation policies in nine countries and using fuzzy sets developed a typology of New Public Management governance based on three dimensions: steering by contracts; discretion on the operational level; and performance measurement systems. Ehrler’s ideal types are shown in the table 1 below.

Table 1. Ehrler’s NPM ideal typology.

<table>
<thead>
<tr>
<th>Performance measurement systems</th>
<th>Steering by contracts</th>
<th>Operational level discretion</th>
<th>NPM ideal type</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Business type NPM</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Centralised NPM</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Self-governing NPM</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Procedural type NPM</td>
</tr>
<tr>
<td>Low</td>
<td>-</td>
<td>-</td>
<td>Traditional administration</td>
</tr>
</tbody>
</table>

Source: based on Ehrler (2012)

It has been argued that as a result of the realisation that New Public Management was not delivering the expected outcomes and due to changing socio-economic conditions, the governance of labour market policies is changing towards the adoption of a new mode of governance inspired by partnership working and synonymous with New Public Governance (NPG) or network governance. It has been characterised as:

• A highly decentralised and more flexible form of management, in which ‘participatory reforms’ aim to allow citizens and public servants more influence in policy-making and implementation.

• To achieve policy objectives, coalitions of public, non-profit and private agencies are built to meet mutually agreed needs – cooperation between agencies and stakeholders is necessary.

• The role of government is serving: negotiation and brokering interests amongst interested groups.

• Discretion is given to those administering policy but it is constrained and explicitly accountable.

According to Saikku and Karjalainen (2012: 300), the need for New Public Governance is the result of activation policies which have transformed the paradigm of the welfare state “from a purely sector-based ‘silo’ to a multi-sector, joined-up service delivery with its respective governance” and which requires new modes of governance in the more operational sense (van Berkel and Borghi, 2007).
UK employment policy
The UK’s Department for Work and Pensions funds labour market policies for both short- and long-term unemployed (the latter classified as those aged 25 and over and unemployed for 12 months or more, and those under 25 unemployed for 9 months or more). The provision of services for the short-term unemployed in the UK has been the responsibility of the public employment service (PES) - Jobcentre Plus (JCP). Jobcentre Plus, as well as providing services for this group, contracts out the provision of some services to other organisations: in 2006 it had a budget of £1 billion for welfare-to-work employment programmes, a substantial part of which went to the private and third sectors through (around 1000) contracts, which at that time delivered about a third of welfare-to-work provision (Davies, 2010). The contracting-out of services for the long term unemployed by the Department for Work and Pensions to private, public or third sector providers has been common in the UK.

Marketisation
The marketisation of labour market policies in the UK has been undertaken since at least the 1970s, with a progression since then towards contracting out, competition and targets (Damm, 2012). A policy framework to that effect was crystallised in the Freud report in 2007, and, in February 2008, the DWP published its new commissioning strategy comprising: market structure and development, commercial strategy and performance management (Hudson et al., 2010). Marketisation of public policy, nevertheless, encompasses differences from conventional markets: the state remains involved in the financing of services; providers are not necessarily private; consumers are not always involved in purchasing (van Berkel et al., 2012b) – as a result Le Grand (1991) refers to such public service markets as quasi-markets.

One of the main reasons given for the use of marketisation has been that it leads to competition and client choice which results in innovation, better customer service, and improved performance (Davies, 2010). The government has praised the role of the third sector in the delivery of public services (Davies, 2010) and government departments have supported an increase in the involvement of private and third sector organisations on the delivery of employment services (Freud, 2007; DWP, 2006). According to Davies (2010), a number of studies demonstrate that contracted employment provision has not delivered the expected outcomes mentioned above. With regards to the claim of greater innovation, Hudson et al. (2010) found that innovation in Pathways to Work was focused on reducing operational costs and achieving performance efficiencies, with very limited innovation in customer services; and the National Audit Office (2006) reported that Jobcentre Plus methods were replicated within private and third sector contractors.

It has also been claimed that contractors in the private and third sector, provide greater quality services, including spending more time with clients. Evidence for this is, at best, weak due to studies often comparing different programmes with different target groups, funding and conditions. Some studies, however, have found no association between sector (private, public, third) and effectiveness (Davies, 2010: 154; Hasluck and Green, 2007). Other studies have showed that the public sector, in some instances, outperformed contractors from other sectors (Casebourne et al., 2006 cited in Davies 2010). In some cases, where differences were found, it was felt that these were due to variation in staff
numbers and financial resources, funding requirements (Hales et al., 2003, cited in Davies 2010),
definitions of job entry (Hirst et al., 2002 cited in Davies 2010), and greater flexibility and greater
finances (Hirst et al. 2002; Griffiths et al., 2005; PRI 2006: all cited in Davies 2010).

Despite this mixture of evidence, the private and third sector have been heralded as delivering better
outcomes in employment programmes that the public sector (DWP, 2006; Freud, 2007). According to
Davies (2010), the availability and quality of evidence makes it impossible to claim that the government
is using evidence-based policy (Cabinet Office, 1999b; DWP, 2006 Green Paper) with regards to
marketisation of employment policies.

Activation
From the 1990s, active labour market policies have increased in the UK, and these have usually been
consistent with Work First approaches (Sol and Hoogtanders, 2005: 147; Lindsay et al., 2007). ALMPs
aim to get unemployed people back into work through: making benefits conditional on them improving
their employability and seeking work, and providing a range of pre-employment services, advice and
support to help them do this (OECD, 2002: 9). The Labour Government from the late 1990s, stated their
aspiration to create a ‘modern welfare state’ able to ‘enhance national competitiveness’ and to support
people into employment through ‘welfare-to-work’ programmes; the introduction of the minimum
wage; and in-work tax credits (HM Treasury, 2005; DWP, 2006). The New Deal programmes were at the
heart of their welfare-to-work. They included advice, training and work placements, and incorporated
compulsion for some groups that was later extended to all new claimants. The last decade has seen
discussions on the emergence of a new welfare paradigm, activation, which goes beyond the increase of
active labour market policies. According to van Berkel and Borghi (2007: 278) activation has five distinct
characteristics: redefinition of social issues as lack of participation rather than lack of income; a greater
emphasis on individual responsibilities and obligations; enlarged target groups; integration of income
protection and labour market activation programmes; and individualisation of social interventions.
Effective activation programmes provide personalised support and early intervention for those in most
need; adequate staff to client ratios; specific support and effort for more disadvantaged and ‘harder to
help’ participants together with care to prevent drop-out; and subsidised work placements combined
with on the job training and other appropriate measures achieve sustainable employment outcomes
Daguerre and Etherington (2009).

The current UK Coalition Government’s welfare policies are based on a Work First approach and have
characteristics of the activation paradigm. They have continued, in some cases accelerated or expanded,
some of the previous administration’s welfare policies and have introduced a number of new major
reforms. These include:

• Greater conditionality for previously inactive groups to participate in paid employment. This net
widening of the activation paradigm follows from the previous Labour Government changes to
Income Benefit and Income Support: From November 2008 lone parents with a youngest child
age 12 or over, lost entitlement to Income Support (with a transfer to either Jobseekers
Allowance or Employment Support Allowance) and the age was to be reduced to 7 from October
2010; the Coalition Government in June 2010 announce that from 2012 it would be lowered to
5. The Employment and Support Allowance was introduced in October 2008, and was to replace Income Benefit and Income Support received on grounds of ill-health. New claimants have to undergo a Work Capability Assessment (WCA) and are assigned to either Jobseekers Allowance if they are found ‘fit to work’ or to the Employment and Support Allowance Work Related Activity Group or the Support Group; those already in receipt of either of these benefits are reassessed.

- Income protection schemes are being reformed. Out-of-work and in-work benefits are to be amalgamated into a single benefit, the Universal Credit, from October 2013. The aim, according to the Department for Work and Pensions, is to improve work incentives and make support simpler and more transparent. Disability Living Allowance will be replaced with Personal Independence Payments, and a number of other benefits such as Council Tax Benefits, community care grants, crisis loans, Child Benefit, etc. will be reformed to some extent, in some cases maximum limits will be set.

- Central to the government’s welfare reform is the Work Programme, the Coalition’s national welfare-to-work programme; it has replaced a number of previous programmes (Damm, 2012; DWP, 2012a).

Governance

If multiple, complex, inter-related and cumulative issues of a growing number of individuals are going to be effectively tackled to achieve participation in the labour market, activation policies require to be tailored to local and individual specificities. Localism and individualisation will involve coordination of various policy areas, a number of service providers, and of different policy-making levels. Activation seems to call for greater partnership working and network governance. The previous labour administration used the concept of joined-up government (Clark, 2002 in Davies, 2010: 4) to describe the need for coordination and partnership working and to counteract what some have called the ‘hollowing out’ of the central state (Russel and Jordan, 2007). The current Coalition Government vision is one of a bigger society and a smaller government (HM Government, 2010).

The Work Programme

The Work Programme is a national welfare-to-work policy for the long term unemployed. It replaces previous welfare-to-work programmes such as the Flexible New Deal (for long-term unemployed) and the Pathways to Work initiative (for those in receipt of health-related benefits). Table 2 presents a timeline of some of the most recent national welfare-to-work initiatives.

Table 2: Selected UK activation programme timeline.

<table>
<thead>
<tr>
<th>Activation programme</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Deals (ND)</td>
<td>In 1997 the ND for lone parents begins, in 1998 the ND for young people and the ND for long-term unemployed age 25+ commence (extended in 2002), soon after the ND for disable people is launched.</td>
</tr>
<tr>
<td>Employment Zones (EZ)</td>
<td>EZ start in 15 areas in 2000. Multiple Provider EZ are introduced in 2004.</td>
</tr>
<tr>
<td>Pathways to Work (PtW)</td>
<td>JCP Pathways pilots were introduced in 2003 in 40% of the UK, were extended to the rest of the UK in 2007 provided by the private and third sector.</td>
</tr>
<tr>
<td>Flexible New Deal (FND)</td>
<td>In 2009 the FND replaces the previous mandatory programmes in half of the UK, and in</td>
</tr>
</tbody>
</table>
The Work Programme tenders took a 'black box' approach (not specifying how contractors should carry out their work, beyond some specific criteria and standards that had to be met, see below), so while only certain groups are eligible for the Work Programme (primarily long term unemployed), among those eligible it does not target specific disadvantaged groups explicitly. The Flexible New Deal was also a generic programme, which was a change from previous ones such as the 7 distinct New Deals: for lone parent, for young people, for 25+, for 50+, for disable people, for partners, and for musicians (for details in each of them see, Stafford and Kellard, 2007). The Work Programme, as others in the past, is mandatory for certain benefit claimants: the long-term unemployed which are those age 25 or over claiming Jobseekers Allowance unemployed for 12 months, or those age 18-24 unemployed for 9 months; individuals receiving Jobseekers Allowance and which are seriously disadvantage including those that have recently received IB can be required to take part in the Work Programme after 3 months; and individuals receiving Employment Support Allowance in the Work Related Activity Group when close to being fit for work. Benefit claimants not mentioned above can voluntarily be referred to it, but once taking part they would be unable to abandon it without being sanctioned (DWP, 2012a). Service users do not have a choice of the provider or of the type of provision, which reflects van Berkel et al (2012b) analysis that in general marketisation does not have impact on the voice and choice of unemployed people.

**Marketisation and Contractualisation**

The Work Programme follows the marketisation trend of services for the long-term unemployed such as Pathways to Work (Hudson et al., 2010: 30) and the Flexible New Deal (Vegeris et al., 2010). Nevertheless, the process has been novel to some extent due to the requirement for organisations tendering to have no less than a £20 million annual turnover. Due to this, many private, public and mainly third sector organisations were unable to compete in the tendering, and it could contribute to a concentration of long-term provision by large, multi-national organisations. It has been argued that open competition (through partial or full obligatory outsourcing) can pose a threat to public (PES) providers (van Berkel et al., 2012b) and can lead to the squeezing out of third sector organisations (Osborne et al., 2012). In the case of the Work Programme, the disadvantaged to smaller organisations whether public, private or third sector seemed to be, to a limited extent, balance by the Department for Work and Pensions claim to ‘close scrutinise’ bidders’ partnership proposal when evaluating tenders: organisations tendering were require to provide a supply chain of subcontractors although there is not any further requirements in relation to subcontracting. However, the amount, and terms, of actual subcontracting has been criticised.

“The experience overall [in terms of subcontracting] has been poorer than the Government said it would be. There was guidance that 30% of subcontractors in any Work Programme area should be the third sector but that guidance wasn’t taken into account in the scoring of the bids so [in some areas] providers had 6% and 8%, so way short of a 30% target and that’s not monitored, it’s not being pushed by government, so the third sector isn’t getting the share of the
Work Programme that the Government set out, said they would, in the guidance and said that they should provide. There’s no real information about that, we can’t verify it, but the positions across the UK, the feeling from the third sector is that we are not getting as involved in the Work Programme as we should and overall, very few third sector organisations became prime providers”. (Participant 26)

Related to this, concerns have been raised regarding the Work Programme’s lack of specification regarding the use of changes in suppliers (Simmonds, 2011) and the distribution of financial risk between primes and subcontractors (Mulheirn, 2011). Evaluations of Pathways to Work and Flexible New Deal showed relatively few referrals to subcontractors by primes (Hudson et al., 2010) and unfair distributions of risk between primes and subcontractors (Robert and Simmonds, 2011). There is a lack of information regarding the Work Programme (Simmonds, 2011). Interviews with stakeholders show different experiences of subcontracting: those reporting negative experiences tend to cite low level of referrals and uncertainty regarding payments with some, as a result, seeking to establish service level agreements.

“We were named within [one of the primes’] bid; we have yet to see anything from that ... We have had countless meetings with them and at one point they say that they just wanted to do spot-purchases ... I would like to develop a SLA [Service Level Agreement] to draw in the course of the year [that says] we will support x number of [our target group], and in this way we will negotiate the target, what you want the outcomes to be and then we can look at the payment models for that, and try to do it that way, as supposed to this sort of piece meal way of saying that we will spot-purchase, which doesn’t give us any security whatsoever and actually doesn’t mean that they have to do anything specific for [the target group we support]”. (Participant 18)

A number of third sector organisations chose not to be part of, or withdrew from, supply chains while a few others were not approached by tendering organisations to be part of their supply chain.

After tendering for the Work Programme in January 2011, 18 organisations were awarded contracts in the UK (those organisation will be referred to from now on as ‘prime providers’ or ‘primes’). Of these prime providers, 16 were private companies and two were third sector organisations that had secured some private sector backing (Giotis 2011 in Damm 2012). These providers deliver services in 18 areas in the UK: 4 areas have 3 providers each and 14 areas have 2 providers each; therefore there are a total of 40 operations/contracts in the UK (DWP, 2012b). Once a prime provider has secured the contract in an area, it operates in competition with at least one other prime provider. This enabled the DWP to compare performance among prime contractors (and potentially alter future allocation of resources), so introducing both comparators for performance and an element of (future) competition among the primes. This arrangement is similar to the Flexible New Deal contract model called ‘choice district’ in which two contractors delivered the Flexible New Deal (Vegeris et al., 2010). The rational given for maintaining competition during service delivery follows the same principles that encouraged marketisation: increasing innovation, better customer service and improved performance (greater efficiency and effectiveness). Jobcentre Plus refers clients to contractors in a 50:50 systematic and unbiased way, which differs from a more unsystematic referral process in the Flexible New Deal (Vegeris
et al., 2010). The contractor with best performance will be rewarded with incentive payments and a 5% increase in referrals each year from the second year of the contract (and possibly the solo Work Programme contract in the future, although this would likely reduce the element of competition).

Contracts are for five years, which could be extended another 2 years, leading to a total contract of up to 7 years. This length of contract deals with one of the criticism made against welfare-to-work programmes, which were seen generally as too short to support service users: e.g. the three-year contract for the Pathways to Work programme. Longer contracts provide more economic sense for providers and for the commissioning side (Hudson et al., 2010: 42). However, although the contract is longer than previously, service users can participate in the programme for a maximum of 2 years, which, again, is considered as too short to deal with those furthers away from the labour market.

**Service Operation: the black-box approach**

The Department for Work and Pensions has not placed any procedural requirements on primes delivering the Work Programme, except for a minimum service agreement\(^1\) (DWP, nd) and a minimum two-week contact with clients (a role that Jobcentre Plus advisors used to fulfil in the Flexible New Deal, Vegeris, 2010). The Department for Work and Pension’s relation to the service delivery process has been defined as a ‘black-box’ approach. Although a ‘black-box’ approach was mentioned in Pathways to Work (Hudson et al., 2010: 2) and in the Flexible New Deal (Vegeris et al., 2010), the Department for Work and Pensions (nd) stressed that these interventions were over-specified, therefore the Work Programme implies a step towards increasing discretion in service delivery. It is argued that this flexibility will allow provision to account for local factors and individuals’ needs. It is uncertain how this is being implemented in the Work Programme due to lack of publicly available data. Of primes interviewed there was a mixture of the level of provision being outsourced, whether that was end-to-end services (i.e. the prime would provide all or most services to clients itself) or specialise services. Outsourcing services was, in most cases, a result of the prime not having a physical presence in a geographic area, or specific expertise, or being higher cost or lower effectiveness than sub-contractors. The percentage of services provided by primes ranged from very limited services the majority of which was managing subcontractors, to providing the majority of services and only outsourcing in areas without presence or in occasions where specialist services were needed.

Failure by individuals to cooperate or take part in the Work Programme and related activities, including refusing or leaving training, can result in benefit sanctions being imposed by the Jobcentre Plus. Due to the nature of many clients, concerns have been raised that primes are unlikely to have the necessary expertise and are unlikely to source suitable sources of expertise (Damm, 2012), to deal with some of the challenges that services users present. If the issue is a lack of expertise, subcontracting and supply chains could be a solution, but, as mentioned previously, there are concerns about the level of subcontracting. Hudson et al. (2010) found that in Pathways to Work there was a lack of the necessary skills reported by the advisers to deal with the complex needs of some clients and that there was a “fine balance” between meeting customers’ needs and meeting employment targets: while some services were perceived as of benefit to customers (e.g. paying for training fees, money and debt advice), primes could not justify paying for those as they did not directly relate to job outcome targets (2010:43).
Pathways to Work provider mentioned using services of organisations that were already funded. According to those interviewed, the Work Programme prime providers in Scotland and Wales are, to a large extent, unable to access services funded by the government and/or by European Social Funds (e.g. training courses, careers guidance, debt advice, etc.) unless the primes pay for those services. The reasons given by devolved governments for this proscription are the need to achieve additionality and to avoid duplication. It is also a danger of Third sector organisations in effect subsidising some of the work of primes if they use other funding to provide essential additional support to their clients, although this is an area where there has not been clear evidence to date. It was stressed by some interviewees, that the Work Programme is unable, and was never intended, to fund some of these services. It is envisaged that clarification from central government will be sought and needed with regards to what the Work Programme is expected to fund, and to what extent that is feasible.

Primes no using specialist services or developing specialist services in-house, also raised as a concern, as this may squeeze out specialist service providers (Osborne et al., 2012; Damm, 2012).

**Partnership Working**

The concept of partnership arose during the 1980s (and earlier) as a canon in public policy and has gained increase prominence in European policy strategies, and in the development and delivery of activation strategies (Lindsay and McQuaid, 2008) at national and local level. Partnership working has increasingly being mentioned as key to delivering efficient and effective employment services, with some UK national activation programmes requiring partnership between different providers locally. There is some consensus on the features that define partnerships and the benefits and potential problems to partnership working (McQuaid, 2009; Lindsay and McQuaid, 2008).

Flexible funding arrangements and partnership-based governance was a characteristic of number of welfare-to-work programmes during the pilot phase (e.g. Employment Zones, New Deals, and Pathways to Work). However, changes to target groups, the contractualisation process, and the payment model were introduced during national implementation (Lindsay and McQuaid, 2008: 360; Damm, 2012), rendering evidence gathered during the pilot redundant.

The Work Programme was not fully piloted. The tendering process required prime providers to establish a supply chain of subcontractors for each area. Primes in Pathways to Work, subcontracted some end-to-end services or specialist services, either through an outcome-based contract (OBC), service level agreements (SLA), informal referrals and signposting, or a mixture of them (Hudson et al., 2010). There was, nevertheless, evidence that a number of subcontractors were not getting the number of anticipated referrals, that cash-flow was an issue, and that, in some cases, contract terms were being re-negotiated; all of which were indicative of an imbalance of power (Hudson et al., 2010: 40). In the case of the Work Programme there are a number of early non-systematic indications, including information from stakeholders, that subcontractors are facing similar issues (Osborne et al., 2012; Damm, 2012). There is not public data from the Department for Work and Pensions or the primes to clarify the level of use of supply chains in the Work Programme.
“It is very much a contract on the cheap and the people who lose out from that are not ... we have lost out, but it's more the customers and my estimate is that compared with previous DWP programmes, we are trying to deal with long term unemployed, often with a range of issues for probably about a third of the cost of what we were say five or six years ago in a situation where the economy was more buoyant. It's not easy to make the sub-contracts to work financially, they're not contracts that we feel confident that we'll make a profit – we are like any other business, we have to make a profit on a contract – so the Work Programme sub-contracting is not easy at the moment”. (Participant 26)

The Work Programme has the potential for partnership working between primes and subcontractors, and between primes and other service providers in the local area; unfortunately without clearer guidelines, and monitoring and influencing of implementation, from the Department for Work and Pensions it is likely that, as it has happened in other programmes for a number of reasons, optimal partnership working will not materialise.

**Performance Payment**

The relationship between the purchaser (the Department for Work and Pensions) and the providers (primes), in recent welfare-to-work initiatives including the Work Programme, is characteristic of New Public Management: there is a clear separation between the purchaser and provider; the relationship is contractual; payment is based in outcomes, in this case sustainable job outcomes; and performance management and monitoring is focused on outcomes. The Work Programme introduces a number of novel elements:

a) The budget to fund payment to contractors will come from future savings in the Annually Manage Expenditure, which is the amount spent in benefits, rather than from the Departmental Expenditure Limit which is the Department for Work and Pensions maximum annual expenditure budget (Ingeus, nd).

b) The criterion that providers need to meet to draw full payment is also novel and should be beneficial: the Flexible New Deal and Pathways to Work payment by job-outcome included a sustainability condition (13 weeks and 26 weeks respectively) which specifically encourages the placement of people in more sustainable jobs, and the support of client during their early period in employment; the Work Programme sustainability requirement is extended to 78 weeks (see Figure 1 below). Work Programme primes, similarly to Pathways to Work primes, receive an attachment fee for every client, a job-outcome payment 26 weeks after entry into work, and then sustainment payments during the next 52 weeks of employment. Arguably this is a departure from the work-first approach in welfare-to-work policies, due to unsustainable jobs not being cost-effective to the contractor: exit from employment means a return to the Work Programme but the primes would not get attachment fee or job outcome fee for that service user. It should also encourage contractors to assist those who are in a job but lose it for whatever reason (e.g. due to redundancy or suitability of the job seeker etc.) during the period covered, hence avoiding some pressures to put people into ‘any’ job. Sustainability requires a more careful consideration of individual’s barriers to employment, the need to consider appropriate jobs for that individual, and provide in-work follow up and support if require. It will be important to ensure that the
sustainability criteria are not loosened, e.g. due to poor local economic circumstances, as this may negate some of the beneficial effects of this policy innovation.

**Figure 1: Work Programme incentives for sustained work**

![Diagram showing Work Programme incentives for sustained work](image)

*Source: DWP (2012a)*

c) Another interesting new feature of the programme is the differential payments that primes receive depending on the benefit type that the service user is claiming. Some benefit claimants groups attract more payment than others: a total of £3,800 for a young person (the minimum amount is £3,700) to a total of £13,700 (maximum amount) for those receiving Employment and Support Allowance in the Support Group and that had recently received Income Benefit (DWP, 2012a). In Pathways to Work, providers were given guidelines as to the percentage of clients from the hardest to help group that they were expected to support (70%). Payment differentials according to service users groups was recommended by Hudson et al. (2010: 66) in order to support providers engaging with the hardest to help (another alternative suggestion was paying providers on a wider range of outcomes). This payment differential attempts to tackle the ‘creaming’ (of clients easier to help) and ‘parking’ (of clients hardest to help) that activation programmes, especially those with outcome-based payments, tended to deliver. For instance the flat rate paid in employment programmes made it more cost-effective to work with those that were short-term unemployed as they were relatively easier and quicker to help into work (Casebourne et al. 2006, cited in Davies 2010).

“The differentiating tariff that customers attract has been designed, in some way, to mitigate the creaming and parking, and certainly everyone that is done their financial modelling would be focusing on getting those customers with the high tariff into work”. (Participant 15)

Concerns have been, nevertheless, raised: it is been argued that those easiest to help will still be supported first, and that those hardest to help will received relatively less resources in terms of money and staff (Damm, 2012: 13); that the hardest to help will not receive the long-term interventions they require because, as evidence shows, outcome based funding is not adequate for providing that type of intervention (Davies, 2010; Hudson et al., 2010).

It has been argued that competitive contractualisation can create unrealistic targets set up by providers in order to win contracts (Damm, 2012) as funding decisions tend to be based on cost (Osborne et al, 2012; Simmonds 2011). In Pathways to Work, parameters of contract were not considered feasible due
to the economic crisis (with employers not committing to job placements, higher competition in the labour market): providers were not meeting performance targets and service fees were not sufficient to cover running costs (Hudson et al., 2010). It has been argued that the Work Programme minimum level of job-entry rates is too high: 10% higher than what the New Deals achieved in more favourable economic conditions (Damm, 2012) and a job-entry rate of around 30% is the expectation by Department for Work and Pensions in year 3 of the programme (Mulheim, 2011). Mulheim (2011) highlighted that due the overestimated performance, outcome payments could be too low to be financially viable. If funding was lower than expected due to poor economic conditions, there is a danger that primes would reduce the level of outsourcing and hence the main funding shortfalls might be experienced by the sub-contractors, although on the other hand poor economic conditions may mean a larger number of clients than expected. Prime providers during the interviews seemed positive about the contact’s finances and about achievable outcomes. The number of people predicted to go into the Work Programme has increase dramatically (around doubled) according to those interviewed.

“I think at this stage we are probably 35% over and above the flows that we expected, I think this time next year we could be 45% over ... I thought that at the time of the tenders you could probably have expected 38 or 40% of people to go into work, since then, where the economy is at now, I think that a reasonable assumption would be 30%. If you track that over the next couple of years, then starts going down even further”. (Participant 15)

"I think if you ask any organisation if they want more money they say yes, you know, but in terms if it is reasonable, yes I think it is actually and I think it remains despite the fact the access has slightly turn in terms of the labour market you know. I think that overall the performance expectations that we have in the programme still well within the remits of the possible for us, and they are achievable and in fact more than that.” (Participant 14)

The Department for Work and Pensions performance management of Work Programme primes is done through the outcome-based payment and, similar to Pathways to Work, there is not performance management of subcontractors (Hudson et al., 2010: 30).

**Discussion**

*How does the Work Programme compare to previous welfare-to-work programmes*

Many features of the Work Programme were already present in previous welfare-to-work programmes, although there are a number of novel elements (Table 3 below compares three welfare-to-work programmes with regards to the three elements this paper focuses on). The scale of the Work Programme (i.e. the large service areas and the expected numbers of services users) and the annual turnover criteria that providers are required to have (due to the scale of the programme and to the payment method), means that the marketisation process in this employment policy excluded a number of providers, not by virtue of the quality or cost of their services but by virtue of size.

One novel element of the funding coming from savings to the public budget being tied to the increased length of job sustainability to achieve full payment and to the differential payments by benefit group.
These elements could tackle some of the criticisms levelled against welfare-to-work policies, namely: that job entry payments in the past did not lead to sustainable jobs but created a revolving door of employment/unemployment; that payment by job-entry tended to facilitate ‘creaming’ and ‘parking’ to the disadvantaged of those furthest away from the labour market and with the risk of deadweight (i.e. those results would have been achieved without the policy). These new elements have also transferred greater risk to the prime providers, with some arguing that the finances of the Work Programme are not sustainable.

The relation between the purchaser (the Department for Work and Pensions) and providers has become less prescriptive in terms of service delivery, with the providers being able to devise actions and processes: a ‘black-box’ approach. The ‘black-box’ approach aims to increase flexibility that should, it is claimed, allow individualisation and effectiveness in service provision. A lack of published research makes it impossible to ascertain the level of individualised and localisation. There are a number of concerns in relation to providers being unable, or unwilling due to practicalities, to meet specialist needs of service users. These concerns have been raised as a result of evidence from previous welfare-to-work programmes, but there is not enough information at present to determine Work Programme provision. Similarly, there is some evidence, although more research is needed, that subcontractors (including local third sector organisations) have not received the number of referrals expected. This could be the result of service models taking longer than expected to be established, or primes unable to referred clients, or because services are being developed and delivered in-house. The latter could be a new development where, as an interview put it, “mono-cultures” are created. This mono-cultures or hyper-primes do not only provide case management and core services, but they deliver in-house health services (including psychologist, physiotherapist), debt and financial advice, counselling, drug and alcohol support, literacy and numeracy skills, etc.

Table 3. Characteristics of three welfare-to-work programmes with relation to three operational elements: marketisation and contractualisation; performance payment; service operation.

<table>
<thead>
<tr>
<th></th>
<th>Flexible New Deal</th>
<th>Pathways to Work</th>
<th>Work Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketisation and contractualisation</strong></td>
<td>Competitive tendering.</td>
<td>Competitive tendering.</td>
<td>Competitive tendering for those pre-selected (£20 m+ annual turnover).</td>
</tr>
<tr>
<td></td>
<td>Competitive service delivery.</td>
<td>3 year contract.</td>
<td>Competitive service delivery, with systematic split of referrals by the Jobcentre Plus to primes. 5 to 7 year contract.</td>
</tr>
<tr>
<td><strong>Performance payment</strong></td>
<td>Payment from AME 13 wk. sustainable criteria to draw payment.</td>
<td>Payment from AME 26 wk. sustainable criteria to draw payment.</td>
<td>Payment from Departmental Expenditure Limit. 78 wk. sustainable criteria to draw payment. Payment differentials per benefit claimant group.</td>
</tr>
<tr>
<td><strong>Service operation</strong></td>
<td>Over-specified semi-‘Black-box’ approach.</td>
<td>Over-specified semi-‘Black-box’ approach. Provide a supply chain of subcontractors during tendering without any further requirements.</td>
<td>‘Black-box’ approach. Maintain minimum regular contact with client and minimum service delivery. Provide a supply chain of subcontractors during tendering, without any further requirements.</td>
</tr>
</tbody>
</table>
Does the Work Programme show any signs of New Public Governance

The Work Programme retains many of the New Public Management characteristics, and it there seems little evidence that there is an increase in New Public Governance in its operation or delivery, despite the considerable use of networks of sub-contractors. The introduction of differential and sustainable payments ensures that the effect of outcome-based contracts (‘creaming’ and ‘parking’) is managed. The aim could be to promote values of equality and fairness and/or to increase efficiency and value for money. This is not new, as previous programmes placed constrains on providers either through outcomes-base payments or process requirements.

The ‘black-box’ approach has potential to allow contractors to individualise and localise service provision. It could produce cooperation between agencies, organisation, employers, etc. at local level to the benefit of clients; it could create hyper-primes to the benefit or detriment of clients; or other options. It is likely that differences in provision will occur. There is a present not enough information to ascertain, or even glimpse, at what is happening in reality.

According to Saikku and Karjalainen (2012: 304) research on New Public Governance presents some challenges: joint decision-making and target setting; not separate financing; management; and accountability. These challenges are to some extend barriers to New Public Governance as a result of the still existing New Public Management, and in some cases Public Administration, operational structures. It is important to stress that partnerships can be undermined by unequal power, rigidity of certain forms of contracting (Lindsay and McQuaid, 2008: 363).

With the information available, the Work Programme can be representative of New Public Management type governance. Using Ehrler’s typology, the Work Programme is a different type of New Public Management when compare to the operation of the Public Employment Service, which Ehrler classifies as centralised. The Work Programme can be argued to represent the business type of NPM, with high performance measurement and contract steering (as the Public Employment Service) and where operational discretion is high (see Table 4 below), which was low in the Public Employment services. It can be argued that any centralised tendency of previous welfare-to-work programmes (due to them being ‘over-specified’) has been, to some extent, removed in the Work Programme.

Table 4. Characteristics of the governance of Work Programme based in Ehrler’s ideal NPM types.

<table>
<thead>
<tr>
<th>Performance measurement system</th>
<th>Contract steering</th>
<th>Operational discretion for implementing actors</th>
<th>NPM ideal type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance assessment is accompanied by financial incentives directly linked to unit performance.</td>
<td>Strict division of political from operational level. Prime providers only stirred by contracts outcomes.</td>
<td>High discretion with regard to budget, processes and instrument.</td>
<td>Business type NPM.</td>
</tr>
</tbody>
</table>
Further research

The Work Programme is still a relatively new policy and it will be some time before sufficient information on its operation, and its operation in different economic conditions, is available in order to carry out in-depth research. The changing relationships between prime- and sub-contracts and the implications of this for local governance also requires further research. Further, there is a wide need for research on the effectiveness and efficiencies of the WP, how it has changed the balance of power between employability service providers (e.g. towards large firms) and smaller sub-contractors or competitor and, especially in the longer term, with the PES and government (as expertise, resources etc. become more concentrated in a relatively few suppliers and less so in the PES and among smaller firms). It is still unclear if the Work Programme is a continuation of New Public Management approaches or if it will incorporate more New Public Governance characteristics.

References


DWP (nd). Minimum service delivery by prime provider [accessed April 2012].


The DWP launched an invitation to tender in August 2010 for organisations to be considered for the Framework for the Provision of Employment Related Support Services (Framework). One of the criteria to be considered for this Framework was to have a turnover of no less than £20 million per annum, unless robust evidence is supply that organisation can manage a £10 million annual value of the WP as per the reward model. Successful bidders to the Framework were announced in November 2010 and in January 2011 they were invited to tender (ITT) for the WP. The WP commenced in June 2011.

The concept of third sector organisations in this paper includes voluntary, charitable, non-for profit organisations.

As well as Minimum Service Delivery (DWP, nd) a requirement by the DWP is that primes will have a minimum contact with every client every two weeks.