

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

Authors:

**Vanesa Fuertes**

Edinburgh Napier University  
Edinburgh, UK  
v.fuertes@napier.ac.uk

**Ronald McQuaid**

Edinburgh Napier University  
Edinburgh, UK  
r.mcquaid@napier.ac.uk

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## **Abstract**

Since the 1970s, the governance of labour market policies in the UK has been characterised by New Public Management (NPM) traits and since the late 1990s the welfare system has experienced a trend towards activation. The current Coalition Government has maintained this focus on activation and the national welfare-to-work strategy for the long-term unemployed, the Work Programme, follows a similar pattern to that of previous programmes, although novel elements aim to tackle some of the criticism of previous policies. It has been argued that this increased shift towards activation-focused welfare policies is changing the governance of public policy towards the adoption of a new model inspired by partnership working and synonymous with New Public Governance. This paper, through documentary evidence and qualitative interviews, compares the Work Programme with previous policies with regards to three operational aspects –marketisation, service operation, and performance payment– and situates it within governance typologies.

**Key words** – Work Programme, Governance, Activation

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## **Introduction**

‘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). 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 (van Berkel and Borghi 2007, Saikku and Karjalainen 2012). It has been argued that as a result of an increased shift towards activation-focused welfare policies which often have to tackle complex, multiple, and cumulative issues (McQuaid and Lindsay 2005) the governance of public policy is changing towards the adoption of a new model inspired by partnership working and synonymous with New Public Governance (NPG). According to Saikku and Karjalainen (2012: 300) activation policies 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 require new modes of governance in the more operational sense (van Berkel and Borghi 2007).

Since the 1970s, the governance of labour market policies in the UK has been characterised by New Public Management (NPM) traits and since the late 1990s the UK welfare system has experienced a trend towards activation. The current Coalition Government has maintained this focus on activation, within a vision “to open up public services to new providers, increase social action and devolve power to local communities” (HC 2011). This 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 and people with disabilities. The aim is to ascertain to what extent this 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 performance payment. This is complemented with five qualitative interviews with Work Programme primes providers and 64 interviews with other service providers and stakeholders in England, Scotland, and Wales. These interviews were part of a broader research project (LOCALISE)<sup>1</sup>. Due to anonymity guarantees quotes will not be attributed.

The frameworks of analysis are governance typologies (Pollitt and Bouckaert 2011, Brookes 2011, Osborne 2009, Martin 2009) 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 New Public Governance (NPG), or whether New Public Management (NPM) 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 "public and private interactions taken to solve

societal problems and create social opportunities, including the formulation and application of principles guiding those interactions and care for institutions that enable them” (Kooiman and Bavinck 2005 in Ehrler 2012: 327). 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). Changes in the governance of public policy 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 2009; Martin 2009; Pollitt and Bouckaert 2011). It is recognised that governance modes are dynamic and seldom found as ideal types as they tend to display a hybridisation 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. Three governance types are briefly described below (Public Administration - PA, New Public Management – NPM and New Public Governance - NPG).

PA has been characterised as a governance mode that focuses on administering a set of rules and guidelines, with a split *within* public administrations between politics and administration; and where public bureaucracy had a key role in making and administering policy, but with limited discretion. The role of government was seen as a provider of services. In the late 1970s and early 1980s, PA was criticised as inefficient, gradually leading to its replacement by New Public Management. NPM involves an organisational split between policy and administration: the first being the domain of policy-makers and the second often dealt with outside government. Private-sector management techniques and entrepreneurial leadership are adopted within public service organisations, on the assumption that this would lead to greater efficiency and effectiveness of services. The use of markets in the delivery of public services increases on the belief that this would increase choice, create innovation, and deliver

improved efficiency and value for money. There was an emphasis on control and evaluation of inputs and outputs through performance management. The role of government was seen as that of steering, creating the mechanisms and incentives structures to achieve policy objectives.

Although most European countries have adopted principles of the NPM, 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 NPM governance based on three dimensions: steering by contracts; discretion on the operational level; and performance measurement systems. Ehrler's ideal types are shown in table 1.

Table 1 - Ehrler's NPM ideal typology

Performance measurement systems	Steering by contracts	Operational level discretion	NPM ideal type
High	High	High	Business type NPM
High	High	Low	Centralised NPM
High	Low	High	Self-governing NPM
High	Low	Low	Procedural type NPM
Low	-	-	Traditional administration

Source: Ehrler (2012)

It has been argued that as a result of the realisation that NPM 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. This type of governance has been said (Osborne 2009) to be 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. In order 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. Those administering policy are given discretion but it is constrained and explicitly accountable. The role of government is that of facilitating negotiation and brokering interests amongst interested groups.

## **UK employment policy**

The UK's Department for Work and Pensions (DWP) funds labour market policies for both short- and long-term unemployed<sup>2</sup>. The provision of basic, job-matching services for the short-term unemployed in the UK has been the responsibility of the public employment service - Jobcentre Plus (JCP)- which also contracts out the provision of some services to other organisations (Davies 2010). The contracting-out of services for the long term unemployed by DWP 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. Due to the complexity of public services, these markets are more open to dysfunction and inefficiency as they are regulated and unable to tap into dynamic forces of real market environments (e.g. standardisation, and economies of scale) and information asymmetries are

accentuated due to problems of specifying complex services, measuring outcomes and attribution of outcomes to interventions.

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 of increased service-user choice, innovation, better customer service, and improved performance. Innovation in some cases was focused on reducing operational costs and achieving performance efficiencies, while customer services (Hudson et al. 2010) remain similar to those of Jobcentre Plus (NAO 2006). Evidence on greater quality of services is, at best, weak due to studies often comparing different programmes with different target groups, funding and conditions. Some studies, however, have found either not association between sectors and effectiveness (Davies 2010: 154, Hasluck and Green 2007), differences being due to variations on job entry definitions, flexibility, staff numbers and financial resources (Hales et al. 2003, Hirst et al 2002, Griffiths et al. 2005, PRI 2006: all cited in Davies 2010, or the public sector in some instances outperforming other sectors (Casebourne et al. 2006 cited in Davies 2010). Despite this mixture of evidence, the private and third sector have been heralded as delivering better outcomes in employment programmes than 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 (ALMPs) 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 current UK Coalition Government's welfare policies 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. Central to the government's welfare reform is the Work Programme, the national welfare-to-work programme which has replaced a number of previous programmes (Damm 2012, DWP 2012a). Greater conditionality for previously inactive groups to participate in paid employment has been introduced: this net widening of the activation paradigm follows previous government's changes to the criteria necessary to receive Income Benefit and Income Support<sup>3</sup>. 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 DWP, 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 with maximum limits set.



## Governance

If a growing number of individual with multiple, complex, inter-related and cumulative issues are going to be effectively activated into participating 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 therefore seems to call for greater partnership working and network governance.

## The Work Programme

The Work Programme (WP) 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 (FND) for long-term unemployed and the Pathways to Work (PtW) 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

Activation programme	Timeline
<b>New Deals (ND)</b>	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 disabled people is launched.
<b>Employment Zones (EZ)</b>	EZ start in 15 areas in 2000. Multiple Provider EZ are introduced in 2004.
<b>Pathways to Work (PtW)</b>	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.
<b>Flexible New Deal (FND)</b>	In 2009 the FND replaces the previous mandatory programmes in half of the UK, and in 2010 is announced that the second phase is to be cancelled.
<b>Work Choice (WC)</b>	In 2010 Work Choice is to replace some elements of previous disability employment programmes. Some other elements are now covered by the Work Programme.
<b>Work Programme (WP)</b>	Invitations for tender were announced in Dec 2010 and became active in 2011

Source: authors' depiction

The Work Programme, as others in the past, is mandatory for certain benefit claimants<sup>4</sup>, other claimants 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. The programme is generic in the sense that does not specify different services for specific target groups. The FND was also a generic programme, which was a change from previous ones such as the 7 distinct New Deals<sup>5</sup>.

### **Marketisation and Contractualisation**

The Work Programme follows the marketisation trend of welfare-to-work initiatives. 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<sup>6</sup>. Due to this, many private, public and mainly third sector organisations<sup>7</sup> were unable to compete in the tendering process, and it could contribute to a concentration of long-term provision by large, multi-national organisations. This seems to go against main reasons behind marketisation and NPM, such as increase competition and contestability. It has been argued that open competition (through partial or full obligatory outsourcing) can pose a threat to public 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 DWP requirement and ‘close scrutiny’ of tenders’ supply chain of subcontractors when evaluating bids. However there are not any further requirements in relation to subcontracting. The amount, and terms, of actual sub-contracting 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".*

Related to this, concerns have been raised regarding the Work Programme's lack of specification on the use of suppliers (Simmonds 2011) and the distribution of financial risk between primes and subcontractors (Mulheirn 2011). Evaluations of PtW and FND 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), although the recent DWP evaluation report (Newton et al. 2012) found a considerable variation on the use of subcontractors and hinted to the low use of 'paid-for spot providers' either due to low participant numbers with specialist needs or due to providers minimising external cost. Of primes interviewed there was a mixture of the level of provision being outsourced, whether that was end-to-end<sup>8</sup> services or spot-purchase services. Outsourcing was, in most cases, a result of the prime not having a physical presence in a geographic area, specific expertise, or being higher cost or lower effectiveness than sub-contractors. The DWP evaluation did not find innovative practices yet in the used of referrals (Newton et al. 2012). 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] ... 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]".*

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.

After tendering for the Programme in January 2011, 18 organisations were awarded 40 contracts (DWP 2012c) in the UK (those organisation will be referred to from now on as 'prime providers' or 'primes'). Of these, 15 were private companies, the other three were a public sector organisation, a mixed private/third sector, and a third sector organisation (with some private sector backing secured (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 (DWP 2012b). Primes operate in competition with at least one other prime provider. This arrangement is similar to the FND contract model called 'choice district' where two contractors delivered the programme (Vegeris et al., 2010). The rationale 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). JCP refers service users to contractors in a 50:50 systematic and unbiased way, which differs from a more unsystematic referral process in the FND (Vegeris et al. 2010). This enables the DWP to compare performance among prime contractors and potentially alter future allocation of resources<sup>9</sup>.

Contracts are for five years, which could be extended another 2 years. Increase contract length deals with one of the criticism made against welfare-to-work programmes, which were seen generally as too short to support service-users and provided less economic sense for providers and for the commissioning side (Hudson et al. 2010: 42). Participants are in the programme for a maximum of 2 years, which some consider too short to deal with those furthers away from the labour market.

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

The DWP has not placed any procedural requirements on primes delivering the Work Programme, except for a minimum service delivery standard<sup>10</sup> (DWP nd). According to Newton et al (2012) minimum standards were in cases vague and varied in terms of being universally applied to all service-users or to a specified minimum number. DWP's relation to the service delivery process has been defined as a 'black-box' approach, which although also mentioned in PtW (Hudson et al. 2010: 2) and in the FND (Vegeris et al. 2010), was over-specified according to the DWP (nd). 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 with more personalisation and tailor-made services. It is still uncertain how this is being implemented in the Work Programme due to lack of publicly available data. Nevertheless the recent evaluation (Newton et al. 2012) finds that most providers interviewed use a standard streamed approach based on service-users distance to the labour market (major barriers to work, moderate barriers to work, and job-ready or RAG (red, amber, green)-rating), while personalisation took place within streams. According to the report's finding procedural personalisation was more common than substantial personalisation (which encompasses human capital approaches to service delivery).

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 Benefits Delivery Centres. Due to the nature of many service-users, concerns have been raised that primes are unlikely to be able to support those with multiple barriers (Newton et al. 2012), as they do not have the necessary expertise and are unlikely to source suitable sources of expertise (Damm 2012). 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 PtW there was a lack of the necessary skills reported by the advisers

to deal with the complex needs of some service-users 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, primes could not justify paying for those if they did not directly relate to job outcome targets (2010: 43). The recent evaluation of the Work Programme finds that although individual barriers are identify, adequate support is not always possible due to lack of time, prioritisation on those more job-ready, lack of funding, and/or the serious, complex and cumulative nature of the barriers (Newton et al. 2012). This and the fact that primes could be developing specialist services in-house raised concerns that specialist service providers would be squeeze out (Osborne et al. 2012, Damm 2012).

*“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*

According to those interviewed, the Work Programme prime providers in Scotland and Wales are, to a large extend, 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 combination of NPM and a multi-level governance environment has produced inefficiencies and negative impacts on service quality. The reasons given by devolved governments for this proscription are the need to achieve additionality and to avoid duplication. Third sector organisations could be subsidising some of the work of primes, and although this is an area where

there has not been clear evidence to date, PtW providers mentioned using services of organisations that were already funded and Newton et al (2012) found that the majority of referrals were to provision already funded. 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 needed with regards to what the Work Programme is expected to fund, and to what extent that is feasible.

### **Performance Payment**

The relationship between the purchaser (DWP) and the providers (primes), in recent welfare-to-work initiatives including the Work Programme, is characteristic of NPM. The Work Programme nevertheless introduces a number of novel elements. First the budget to fund payment to contractors comes 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 DWP's maximum annual expenditure budget (Ingeus nd). Second, the criterion that providers need to meet to draw full payment is also novel and should be beneficial. Work Programme primes, similarly to PtW primes, receive an attachment fee for every service-user, a job-outcome payment 26 or 13 weeks after entry into work (depending on user group), and after that sustainment payment every four weeks to a maximum of 13, 20 or 26 payments (52, 80 and 104 weeks respectively) depending on user group (DWP 2012c). While the FND and PtW payment by job-outcome included a sustainability condition (13 weeks and 26 weeks respectively) which specifically encouraged the placement of people in more sustainable jobs, and the support of service-users during their early period in employment; the Work Programme sustainability requirement is greatly extended. 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 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, for example due to poor local economic circumstances, as this may negate some of the beneficial effects of this policy innovation.

Another interesting, although not entirely new (Newton et al. 2012), feature of the programme is the differential payments that primes receive depending on the benefit type that the service-user is claiming<sup>11</sup> (DWP 2012a). In PtW, providers were given guidelines as to the percentage of service-users 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<sup>12</sup>. Payment differentials attempt to tackle the ‘creaming’ (of service-users easier to help) and ‘parking’ (of service-users hardest to help) that activation programmes, especially those with outcome-based payments, tended to deliver (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 has done their financial modelling would be focusing on getting those customers with the high tariff into work”.*

It has been argued that even with differential payments 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) and that the hardest to help will not receive the long-term interventions required because outcome-based funding is not adequate for providing that type of



intervention (Davies 2010, Hudson et al. 2010). Newton et al (2012: 27) in their evaluation found that “the structure of outcome payments strongly influence expenditure in many of these organisation” with higher expenditure elicited when a job outcome was “guaranteed or seemed very likely”. In many cases it was stated that service-users with less barriers will attract higher expenditure (Newton et al. 2012). These together with the finding that those with multiple barriers tended to be seen with less frequency, seems to show a tendency, although still early days, to cream and park in the Work Programme.

Competitive contractualisation has been accused of creating 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 PtW, 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, around 30 per cent in year 3 of the programme, is too high<sup>13</sup> (Mulheim 2011). Recent figures for the Work Programme show that results still far off the target (DWP 2012c). Mulheim (2011) highlighted that due the overestimated performance, outcome payments could be too low to be financially viable. Prime providers during the interviews seemed positive about the contact’s finances and about achievable outcomes. According to them, the number of people predicted to go into the Work Programme has increase dramatically (around doubled).

*“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”.*

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

## **Discussion and Conclusions**

### **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 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.

Novel elements are also the funding coming from savings to the public budget, full payment to primes been tied to increased job sustainability length, and differential payments by benefit group. These elements could tackled 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 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 (DWP) 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. 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, primes unable to referred service-users, 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. These hyper-primes not only provide case management and core services, but 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

	Flexible New Deal	Pathways to Work	Work Programme
<b>Marketisation and contractualisation</b>	Competitive tendering.  Competitive service delivery.	Competitive tendering.  3 year contract.	Competitive tendering for those pre-selected (£20 m+ annual turnover). Competitive service delivery, with systematic split of referrals by Jobcentre Plus to primes. 5 to 7 year contract.
<b>Performance</b>	Payment from	Payment from AME 26 wk. sustainable	Payment from Departmental Expenditure Limit.

Source: authors’ depiction

## **Does the Work Programme show any signs of New Public Governance**

The Work Programme retains many of the NPM characteristics, and there seems to be little evidence of NPG in its operation or delivery, despite the considerable potential, or actual, use of sub-contractors. The introduction of differential and sustainable payments could be a balance against creaming and parking and could promote values of equality and fairness and increase efficiency and value for money. This is not new, as previous programmes placed constraints 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 service-users; or it could create hyper-primes to the benefit or detriment of service-users although it goes against some of the core principles of and justifications for NPM. There is a present not enough information to ascertain at what is happening in reality.

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 for a number of reasons the use of subcontractors seem to be lower than expected and perhaps desirable for some service-users. According to Saikku and Karjalainen (2012: 304) New Public Governance presents some challenges such as joint decision-making and target setting, end of separate financing, management and accountability. Challenges to NPG are also coming from NPM and in some cases PA operational structures still in place.

With the information available, the Work Programme can be representative of NPM 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 is nearer to a business type NPM, with high performance measurement and contract steering (as the Public Employment Service) and where operational discretion is high (Table 4), 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 on Ehrler’s ideal NPM types

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

Source: authors’ depiction based on Ehrler (2012)

### 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. Recent and future planned DWP evaluations of the Work Programme are welcomed. 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 Work Programme, 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 JCP and government (as expertise, resources, etc. become more concentrated on relatively fewer suppliers and less so in the JCP and among smaller firms). It is still unclear if the Work Programme will incorporate more New Public Governance characteristics.

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## Notes

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<sup>1</sup> LOCALISE is a European seventh framework project – further information at [www.localise-research.eu](http://www.localise-research.eu). The research leading to these results received funding from the Seventh Framework Programme (FP7/2007-2013) under grant agreement no. 266768.

<sup>2</sup> Long-term unemployed are classified as those aged 25 and over and unemployed for 12 months or more, and those under 25 unemployed for 9 months or more

<sup>3</sup> (a) 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). The age of the youngest child 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. (b) The Employment and Support Allowance (ESA) was introduced in October 2008, and was to replace Income Benefit (IB) and Income Support (IS) 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 re-assessed.

<sup>4</sup> The long-term unemployed; individuals receiving Jobseekers Allowance and which are seriously disadvantaged including those that have recently received IB can be required to take part in the Work Programme after 3 months; and individuals receiving ESA in the Work Related Activity Group when close to being fit for work.

<sup>5</sup> New Deal for lone parent, for young people, for 25+, for 50+, for disabled people, for partners, and for musicians - for details in each of them see Stafford and Kellard (2007).

<sup>6</sup> 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 Work Programme 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 Work Programme which commenced in June 2011.

<sup>7</sup> The concept of third sector organisations in this paper includes voluntary, charitable, non-for profit organisations.

<sup>8</sup> Providers that aim to support participants from the point of referrals to the end of the programme (Newton et al 2012).

<sup>9</sup> 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).

<sup>10</sup> As well as Minimum Service Delivery (DWP nd) a requirement by the DWP is that primes will have a minimum contact with every service-user every two weeks.

<sup>11</sup> 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 Incapacity Benefit (DWP 2012a).

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<sup>12</sup> Another alternative suggestion was paying providers on a wider range of outcomes.

<sup>13</sup> 10% higher than what the New Deals achieved in more favourable economic conditions (Damm, 2012).