



# The Work Programme



Department  
for Work &  
Pensions



European Union  
European Social Fund  
Investing in jobs and skills

## Introduction

**The Work Programme** is a major new payment-for-results welfare-to-work programme that launched throughout Great Britain in June 2011. Along with the Universal Credit benefit reforms, it is central to the Coalition Government's ambitious programme of welfare reform.

The Work Programme is being delivered by a range of private, public and voluntary sector organisations which are supporting people who are at risk of becoming long-term unemployed to find work. It replaces previous programmes such as the New Deals, Employment Zones and Flexible New Deal and represents a long-term investment by government and its partners in seeking to help more people into lasting work.

The programme design combines strong long-term incentives with freedom for service providers to innovate. It is at the leading edge of wider government commissioning of payment-for-results public services.

Flexibility and dynamism are central to how the UK labour market works: relatively low levels of labour market regulation and taxation mean that firms have incentives to create new jobs alongside new business opportunities, and can offer flexible working arrangements. Above average employment rates, in OECD and EU terms, are coupled with lower than average unemployment.

Yet challenges remain. There are still around 5 million people of working age receiving out-of-work benefits, around half of whom receive incapacity benefits. At around 2.5 million, unemployment is still much too high. Youth unemployment is a particular concern, and the proportion of individuals living in workless households is one of the highest in the EU. Despite progress over the last two decades enabled by increases in support and conditionality, there remains a problem of long-term worklessness.

The Coalition Government's ambitious programme of welfare reform responds to these challenges. The Universal Credit reforms of benefits and tax credits are designed to improve work incentives for all, and make financial support much simpler and more transparent. Benefit recipients will be expected actively to look for work, and where this is not possible to prepare for work – except for a few exceptional groups, for example those who are seriously disabled or have very young children.

Jobcentre Plus retains its responsibilities for benefit delivery, for the overall customer experience and for supporting people in finding work in the early stages of their benefit claim. Its managers are being given more autonomy to shape services locally and employment advisers are being given more flexibility to personalise support for each individual claimant.

The Work Programme provides support for people who are long-term unemployed – or are at most risk of becoming so. It replaces previous welfare-to-work programmes such as the New Deals, Employment Zones and Flexible New Deal, which were developed and delivered over the past decade. These programmes suffered from several problems: they were fragmented; interventions were over-specified; and incentives were poor, allowing providers to stay in business without delivering strong results.

The design of the Work Programme addresses these weaknesses, bringing together and simplifying the range of contracted provision. Three main principles are at the heart of these changes:

- **Clear incentives to deliver results** – with higher rewards for hard to help participants. Service providers are paid almost entirely for results - defined as sustained job outcomes for participants. The longer a customer stays in work, the more delivery partners will be paid, so there are strong incentives to continue support once participants are in work. The programme supports a wide range of participants and payments are higher for helping participants who are further from the labour market into sustained work.
- **Freedom for service providers.** Local providers are best placed to identify the most effective way of helping people into sustained work, and have been given new freedom to do so without prescription from government. Requirements for providers have been minimised as far as possible, allowing them to innovate and focus their resources where it will do most good. Publication of providers' service standards will increase service transparency and accountability.
- **A long-term commitment.** Five year contracts give prime providers a firm basis on which to build long term partnerships with their specialist supply chains of local providers, and other partners, including local government. Putting clear incentives in place over an extended period creates time for these partnerships to invest in the infrastructure and resources required for success.

This document explains the design and delivery arrangements for the Work Programme, describing the features that realise these principles. It draws out the innovative aspects that represent a step forward from previous UK welfare-to-work programmes.

## Clear incentives to deliver results – with higher rewards for hard to help participants

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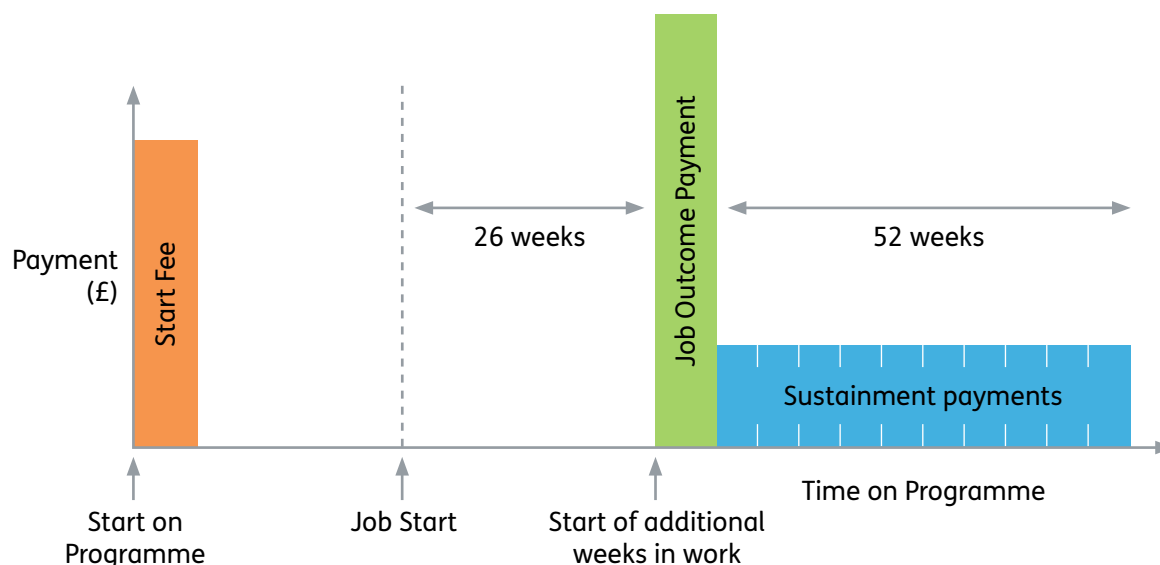
### 1. **Payment for results – with incentives for helping people into sustained work**

For the first time in UK welfare-to-work commissioning, providers will be paid primarily for the results they achieve, with no up-front payments at all in the latter years of the contracts. The incentives are designed to encourage service providers to help participants into sustained work, and can be paid for up to two years for doing so. There are three main types of payments that are available for each participant.

Providers will be paid a small **start fee** for each new participant in the early years of the contracts but this will be reduced each year and eliminated after three years. In previous UK welfare-to-work programmes providers have earned most of their revenue through service fees linked to the value of the contract as a whole, rather than the number of participants that start on the programme. Work Programme providers will not be able to survive on start fees alone.

Providers can claim a **job outcome payment** after a participant has been in a job for three or six months, depending on how far they are from the labour market. This period recognises the fact that some participants would have moved into jobs anyway, without support. The programme seeks to deliver sustained work, not just quick fixes.

After receiving a job outcome, providers can claim **sustainment payments** every four weeks when a participant stays in work longer. These payments can be claimed for up to one year, eighteen months or two years, depending on how far the participant is from the labour market. These payments create strong incentives to help participants into sustained work and to continue to support people to stay in work for longer.

**Figure 1: Incentives for sustained work, for example participant**

## 2. A universal programme – with higher rewards for hard to help participants

The Work Programme supports a wide range of participants including those who are at risk of long-term unemployment and others who are disabled or have a health condition, and who may have been out of work for several years. This is in contrast to previous UK welfare-to-work programmes that have often been designed for specific groups – including for younger and older unemployed people, people with limited capability for work because of sickness or disability, and lone parents. The Work Programme removes these artificial barriers and creates a single programme for a range of groups that will allow providers to focus on individuals and their personal challenges, not which benefit they are receiving. In the early years we expect over half a million people each year will join the programme.

Participants receiving different benefits will access the programme at different times; some will be required to attend, and others will be able to volunteer, with the agreement of their Jobcentre Plus adviser. Participants must all be receiving an out-of-work income-replacement benefit at the time they are referred. Work Programme providers are able to require participants to undertake work related activity, depending on the conditions of the benefit they are receiving.

There are four main income replacement benefits. Jobseeker's Allowance is an active benefit for people who are working fewer than 16 hours per week and are looking for work. Employment and Support Allowance is the main benefit for people who are unemployed and have a limited capability for work because of their health. It replaced incapacity benefits for new applicants in 2008. Most recipients are assessed as being capable of work-related activity; the minority who are not are included in a separate Support Group. Some people with health problems have not yet moved to the new benefit and continue to receive incapacity benefits; lone parents with younger children and some other groups are eligible for Income Support.

**Figure 2: Participant groups**

	Benefit	Participant group	Referral point, from	Attendance
1	Jobseeker's Allowance recipients	Aged 18-24	9 months into their claim	Required
2		Aged 25+	12 months	
3		Those who are seriously disadvantaged in the labour market, including some who have recently received incapacity benefits	3 months	Some required, some voluntary
4	Employment and Support Allowance recipients	Some of those in the Work Related Activity Group	When close to being fit for work	Required
5		All others	At any time	Voluntary
6	Income Support and incapacity benefits recipients	All (England 2011-14 only)	At any time	Voluntary

Some customers need more help to get into work than others so we will pay more for helping those customers who are furthest from the labour market – from a maximum of around £3,800 for a young unemployed person to £13,700 for someone who has a limited capability for work and, as a result, has been receiving benefits for several years. This differential pricing will ensure that providers have strong incentives to help all their customers, rather than focusing on easier to help customers at the expense of the most vulnerable. Payments for volunteers are, on the whole, lower than for claimants who are required to participate because our evidence suggests that those that volunteer are more likely to move into work quickly.

The table opposite sets out the payments available in relation to an individual participant. The job outcome payments in the table are those that appeared in the Invitation to Tender. In their bids, service providers were able to offer a lower value for these payments. This offer was assessed as part of the tendering process.

**Figure 3: Financial incentives per participant, year one, by participant group**

	Benefit	Participant group	Maximum payment per participant, £			
			Start	Job outcome	Sustain-ment	Total
1	Jobseeker's Allowance recipients	Aged 18-24	400	1,200	2,200	£3,800
2		Aged 25+			2,800	£4,400
3		Those who are seriously disadvantaged in the labour market, including some who have recently received incapacity benefits			5,000	£6,600
4 a	Employment and Support Allowance recipients	Those who are required to attend, and Support Group	600	1,200	4,700	£6,500
4 b		Those who are required to attend, and Support Group – and have recently received incapacity benefits	600	3,500	9,600	£13,700
5		All others	400	1,000	2,300	£3,700
6	Income Support and incapacity benefits recipients	All (England only)	400	1,000	2,300	£3,700

### 3. Incentives to deliver for participants and taxpayers

Work Programme incentives are designed to drive high performance as well as to help those furthest from the labour market into sustained work. The key performance measure for providers is the number of job outcomes as a percentage of the number of people who have started on the programme in the previous 12 months.

Three main design features give incentives to providers to deliver high performance.

We will **shift market share to the best-performing providers** over the lifetime of the contracts. Each contract area has at least two competing prime providers and the big urban areas have three. Participants are randomly allocated to a provider in their area, to ensure that each provider has an equal share of each group of participants, and provide a firm basis for drawing relative performance judgements.

Each year, from the end of the second year of the contracts, market share of each participant group will be shifted by five percentage points from low-performing to high-performing providers, where one provider is helping significantly more participants into sustained work – as measured by the key performance measure, above. This will both reward service providers for strong performance, and help ensure more participants are able to benefit from the highest quality services. (This will not include referrals of participants claiming Income Support and incapacity benefits, where referrals will depend primarily on outreach activity by service providers.)

Service providers will be required to meet **minimum performance levels**. We have published estimates of the job outcomes that would be expected for each of the main participant groups if they had not joined the programme. Providers are required to deliver results at least ten per cent higher than this ‘non-intervention level’ or face the possibility of losing their contracts. This will apply to three participant groups who are required to join the programme, and who we expect will make up well over half of the participants: Jobseeker’s Allowance claimants aged both 18-24, and 25+; and Employment and Support Allowance claimants who are required to join the programme.

Additional **incentive payments for high performance** will be available from the fourth year of the contracts, by which time providers will have the chance to hone their service delivery models. Where service providers achieve results that are 30 per cent higher than the non-intervention level for a participant group, they will receive an extra £1,000 for every additional job outcome.

All these incentives are designed to help more people at risk of long-term unemployment into sustained work, and to help deliver value for money for taxpayers. High performance by service providers will lead to reduced benefit payments for government; some of these savings will be used to help fund the programme.



## Freedom for service providers

Local providers are best placed to identify the most effective way of helping people into sustained work, and have been given new freedom to do so without prescription from government. Requirements for providers have been minimised as far as possible, allowing them to innovate and focus their resources where it will do most good. Publication of providers' service standards will increase service transparency and accountability.

### **4. Freedom for providers to personalise support**

Previous UK welfare-to-work programmes specified in varying levels of detail what interventions providers had to deliver. The Work Programme, in contrast, gives providers far greater flexibility to design programmes that will work, using their experience and creativity. Rather than asking providers to make one-size-fits-all services work for a wide range of participants with varying needs, government is providing freedom for providers to personalise support for the individual in a way that fits the local labour market. This is sometimes referred to as a 'black box' commissioning approach.

This approach encourages Work Programme providers to form partnerships with other organisations such as local authorities, health service providers and colleges that have an interest in helping people to move into work and to stay in work.

### **5. Protecting participants**

Participants who join a programme delivering personalised support have a right to understand what kind of support they can expect to receive. Service providers were required as part of their contract bids to set out the range of support they would offer, including their minimum service offer that would be available to all participants. These service offers were assessed as part of the contracting process, and providers will be held to these as part of the programme's performance management arrangements. Minimum service offers are communicated to participants when they are referred to the programme, and are published on the Department for Work and Pensions website, to help increase service transparency and accountability.

In conjunction with this, a strengthened customer complaints process has been introduced to ensure that any concerns from participants can be resolved effectively. Providers are required to communicate their own complaints procedure to participants when they are referred to the programme. If a provider cannot resolve a complaint to a participant's satisfaction then the participant can refer their complaint to the Independent Case Examiner, an independent arbiter contracted by the Department for Work and Pensions, who currently fulfils a similar function in relation to unresolved complaints about Jobcentre Plus services. If a complaint cannot be resolved and the service provider is found to be at fault, then the provider will be required to contribute £5,000 towards the costs of investigating such complaints.

## A long-term commitment

Five-year contracts give Prime providers a firm basis upon which to build long term partnerships with their specialist supply chains of local providers, and other partners, including local government. Putting clear incentives in place over an extended period creates time for these partnerships to invest in the infrastructure and resources required for success.

### 6. A long-term programme

The Work Programme is a long-term investment both in individual participants, and in the overall welfare-to-work market.

Individual participants will stay on the programme for up to two years, and will stay in contact with their provider once they move into work. This gives providers longer than in previous UK welfare-to-work programmes to build a relationship with each participant, and to personalise support to meet their needs. Long-term payments for helping participants into sustained work mean that providers have the right incentives to continue to work closely with participants when they move into work.

Long-term contracts give Prime providers a firm basis upon which to build long term partnerships with their specialist supply chains of local providers, and other partners. Each Prime provider has agreed to take referrals for five years, until March 2016, and then to complete a further two years of service delivery. Putting clear incentives in place over an extended period creates time for organisations throughout the Work Programme delivery network to invest in the infrastructure and resources required for success.

Some Work Programme participants will need support with multiple challenges, for example in overcoming drug and alcohol problems or a period in prison, as well as finding a lasting job. A long-term programme will help service providers to meet these participants' needs, either by giving them a firmer basis to join up incentives and support with providers delivering complementary services, or by allowing government to add complementary incentives to contracts over the lifetime of the programme. For example, government has already announced that it plans to add incentives for service providers to reduce re-offending alongside those for helping participants into work.

## **7. Flexible and fair procurement**

Successful Work Programme providers were selected, based on detailed bids, from approved service providers on the Framework for Employment Related Support Services, which was established by the Department for Work and Pensions in the second half of 2010. The Framework is designed to handle all of the Department's welfare-to-work commissioning, and includes providers that have demonstrated the financial and organisational capacity to deliver large scale, long-term, outcome-funded contracts. Its introduction gives government increased flexibility in its procurement of welfare-to-work provision, and allowed mini-competitions for Work Programme contracts to be concluded within three months of tender – far faster than in previous commissioning exercises.

The Work Programme commissioning model relies on strong partnerships between Prime providers, which hold contracts directly with government, and their specialist local supply chains. To help facilitate these partnerships, government has, in consultation with the welfare-to-work sector, developed the Merlin Standard, for promoting excellence in supply chain management and to ensure that smaller sub-contractors are treated fairly. The Merlin Standard comes into full operation in late autumn 2011. All Prime providers will be assessed against the Standard within the first year of the contracts, and will subsequently be reassessed every two years. The Standard will be enforced through a range of penalties against Prime providers, which could include the removal of the benefits of market share, and breach of contract action. The Independent Case Examiner, who is contracted by the Department for Work and Pensions, can be approached by sub-contractors to act as mediator in any disputes regarding the Merlin Standard where the parties fail to agree having gone through the Prime provider's dispute resolution process.

## Delivering the Work Programme

The Work Programme launched throughout Great Britain in June 2011. Eighteen different Prime providers are delivering 40 contracts across 18 areas of the country. The 18 Prime providers include voluntary sector organisations, one public sector organisation, and one new entrant to the UK welfare-to-work market. All Prime providers have assembled specialist supply chains to help deliver services to participants with a wide range of different needs.

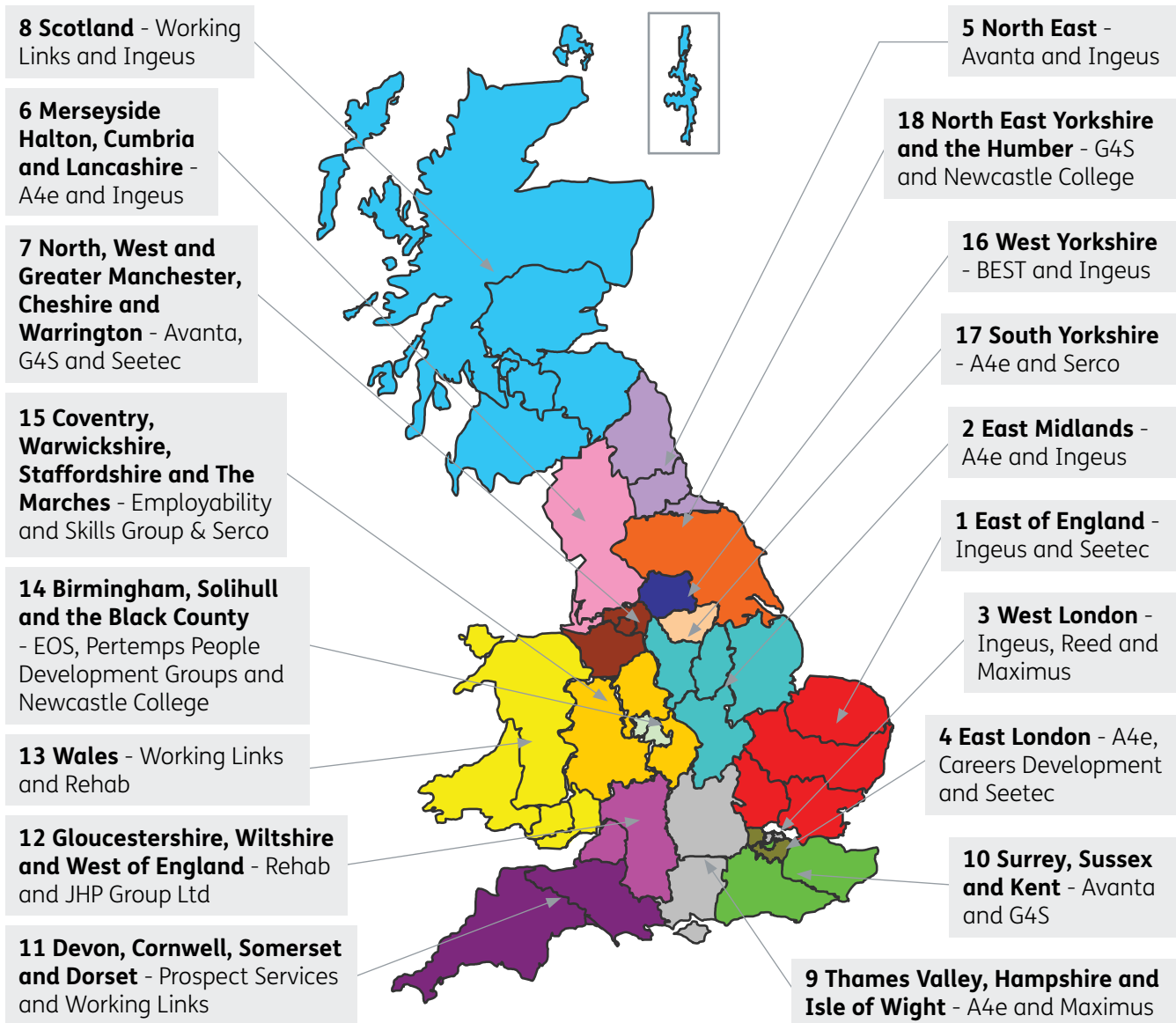
Eighteen Prime providers have been selected to deliver 40 Work Programme contracts across the 18 contract areas throughout Great Britain. This includes two from the voluntary sector, one from the public sector, and one new entrant to the UK welfare-to-work market. Some organisations are delivering across several contract areas, with seven being the largest number of contracts awarded to one provider. All Prime providers have assembled rich supply chains involving smaller specialist and local organisations with the expertise and experience to deliver services to participants with a wide range of different needs.

These supply chains include, in turn, a wide range of different organisations. Altogether, bids proposed involving over 1000 organisations in Work Programme delivery, including around 500 from the voluntary sector, and a similar number of small and medium sized enterprises. These supply chains are being renewed as contracts bed in and we expect them to evolve over time as Prime providers learn what works and seek to adopt new innovative approaches. The Work Programme is likely to represent an investment of several hundred million pounds in the voluntary sector, although as payment is primarily for results and success is uncapped, this is a real chance for the sector to aim high and show what it can do.

If you want to find out more about the Work Programme, or to get your organisation involved in delivering support to people who are out of work in your area then:

- contact your local **Prime providers** – their details are available on the Department for Work and Pensions website [www.dwp.gov.uk](http://www.dwp.gov.uk)
- find out about their **supply chains**, or
- read about their **minimum service offers** for participants.

**Figure 4: Contract areas and providers**



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