

## Briefing Paper 70

### Exploring the role of the third sector in commissioned employment services: a research project

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#### Introduction

Welfare to work policy in the United Kingdom has undergone a shift over the past decade characterised by the emergence of what has been termed ‘provider led’ employment services, that is the movement of service delivery away from Job Centre Plus towards providers in the third and private sectors. The context to this development is quite complex.

Internationally, the influence of the ‘New Public Management’ discourse has led to widespread adoption of quasi-markets in employment services in countries such as the US, Australia, the Netherlands and Denmark. The ‘Work First’ approach which such countries favour, involving focussed and short term training in job seeking, also draws heavily on experience in parts of the US. Finally, more recently the emphasis on deficit reduction in the UK has created a strong incentive for politicians to be seen to cut the proportion of the population dependent on benefits.

It is in this environment that the current Coalition Government has heralded its new package of welfare to work policies, the Work Programme, as a ‘revolutionary’ answer to unemployment. Launched in June 2011, the initiative is the largest of its kind in the UK, and involves service delivery contracts with private and third sector organisations estimated to be worth 3 to 5 billion pounds in total.

Despite the ‘revolutionary’ rhetoric the slightly more prosaic reality is that the Work Programme is the result of a long evolution of policy towards contracting and payment by results, and is in fact most significant due to its marked acceleration of previous policy. The Government has stated that it wants procurement for the Work Programme to be an exemplar for other areas of the public sector, and so the experiences of Work Programme providers could have significant wider implications and the stakes are high for all concerned.

This briefing paper provides an overview of the relevant literature and outlines the research that TSRC is undertaking into the third sector’s role in commissioned employment services. The project aims to explore in depth the third sector’s involvement in the provision of employment services, how subcontractors are experiencing the Work Programme, and to investigate what, if anything, is distinctive about the approaches to delivery that subcontractors adopt. In doing so it builds on previous work by TSRC which looks at the evidence base for third sector service delivery more generally (Macmillan, 2010), and the nature of third sector partnerships for service delivery (Rees et al., 2012).

## The third sector and commissioned employment services – the evidence base

In the UK the third sector's particular role in service delivery has been part of policy debates since the introduction of the Compact in 1998, and remains salient in the light of the Coalition Government's recent White Paper on Open Government (2011). In a press release to announce the preferred bidders in April, the Work Programme was claimed to be a 'massive boost to the Big Society', as over 300 third sector organisations (TSOs) were to be involved in the programme's delivery.<sup>1</sup>

Yet many from within the third sector have voiced serious reservations about the way the Work Programme has since developed (see for example Butler, 2011). There is ambiguity surrounding the third sector's role in this new landscape and assumptions are made by a variety of interested parties concerning just what its involvement does, and should, look like and how it might 'add value' to contracted services. The Government's enthusiasm for third sector involvement in this area makes it an important subject for further study.

Generally speaking, the third sector's involvement in employment services has been neglected both in academia and policy circles. Much of the academic literature on employment services consists of international comparative work and does not focus significantly on either the UK or the third sector. As a result, there have been repeated calls for more evidence examining the third sector's role, abilities and experiences in this policy area in the UK (Third Sector Task Force, 2009; Work and Pensions Committee, 2009). In many ways the dearth of attention is surprising, given the fact that due to the previous government's enthusiasm for evidence based policy, there are a large number of independent evaluations for programmes involving the third sector.

Unfortunately, these evaluations generally focus on the way in which services are delivered, and leave aside the nature of the providers who deliver them. When more

attention *is* paid to providers, the studies tend to focus on the experience of subcontractors generally, making it difficult to determine the position and performance of third sector contractors in particular (e.g. Armstrong et al., 2011).

In order to draw out the evidence pertaining to the third sector's experience, therefore, it is often necessary to delve into the grey literature on contracted employment services. There is no shortage of this material, and as well as the evaluations it includes government command papers, reports and press releases, material from the Work and Pensions Committee and a range of commentary from stakeholders and lobbying groups.

There are also signs that the amount of attention paid to third sector providers specifically is increasing. Since 2007 and the national roll out of the contracted Pathways to Work programme for incapacity benefit claimants, the Department for Work and Pensions (DWP) has been moving towards awarding a smaller number of contracts to large organisations, who are then expected to further subcontract delivery on the government's behalf. As most third sector organisations are unable to compete for these larger 'prime' contracts, the sector itself has become increasingly vocal in its concerns over being squeezed out of delivery (Third Sector Task Force, 2009). Ministers' public enthusiasm for the third sector's involvement in the Work Programme has also led to a recent increase in the scrutiny of such claims by academics, think tanks and the media (Simmonds, 2011).

## Our empirical research

The project has four main elements:

- an evidence review;
- scoping interviews with key national and local stakeholders (Winter 2011/12);
- focus groups with subcontractors followed by in-depth case studies of a small number of providers (Spring 2012);
- testing and disseminating findings in national workshops and conferences (Spring 2012 onwards).

## Research questions

The study will examine the following research questions:

### 1. What is the current role of the third sector in the delivery of employment services, and how has this role changed since 1997?

- For example, what are the common characteristics of the third sector organisations involved in providing employment services for the Work Programme? What is the role and type of provision third sector organisations offer and how does it differ from other sectors?

### 2. What is the perceived distinctiveness and value of third sector provision compared to other sectors, both for other stakeholders and the sector themselves?

- For example, what, if anything, do commissioners, the DWP, prime providers, and the sector itself, perceive to be the advantages and differences of third sector involvement compared to other sectors?

### 3. How have third sector prime and subcontractors experienced the delivery of the work programme?

- For example what are the specific challenges and advantages faced by subcontractors working with the current delivery model such as payment by results, differential payments, the Merlin standard etc. Does 'creaming' and 'parking' occur?

## Methodology

### Stage 1. Evidence review and supply chain mapping

The evidence review is now completed and answers the first research question by establishing what is known about the role of the third sector in the delivery of employment services and the evolution of third sector delivery over the previous decade (see Working Paper 70).

The review has helped to shape the methodology and design of the research tools in the subsequent stages of the research. A mapping of supply chains in two Contract

Package Areas (CPAs) will identify the type of third sector and other sector organisations in these supply chains, and help to contextualise their roles (e.g. 'niche' providers, 'user support and brokerage', innovation-leaders etc.). In particular the two CPAs and their mapped supply chains will inform the focus for the prime contractor interviews in Stage 2 and the selection of case study organisations in Stage 3.

### Stage 2. Key informant interviews

A number of semi structured interviews will be conducted with key informants and stakeholders in the policy development and delivery of the Work Programme. These will shed light on all three research questions but particularly question two.

Key informant interviews will include:

- infrastructure organisations with an interest in welfare to work policy for the sector and wider; regional infrastructure in the sampled CPAs; and informal conversations with other researchers;
- five prime contractors heading the supply chains that will form the basis for the case study selection; and,
- a small number of national third sector organisations with experience of delivering welfare to work programmes.

### Stage 3. Subcontractor fieldwork

#### *Focus groups*

We will conduct focus groups with a range of subcontractors (a mix of large and small, public, private and third sector, end-to-end and specialist providers) in supply chains across the two CPAs. These focus groups will explore relationships between primes and subs, subs and other subs, and subs and DWP as well as the commissioning process, nature of the CPA and differences between end-to-end and specialist providers.

#### *Case studies*

Case studies of subcontractor organisations will be selected to capture key characteristics of subcontracted providers (again including a range of characteristics: size, sector and type of provision).

Each case study will consist of interviews with key staff in the organisations; observation of the organisation's services; and collecting relevant documentation.

#### Stage 4. Reporting and dissemination

The research will be completed in the Summer of 2012 and the report will be made available as a TSRC working paper.

We will hold a deliberative forum open to research participants and other stakeholders in the summer.

We will also host a seminar, potentially with partner organisations.

#### Emerging questions and next steps

The Work Programme is already proving to be quite controversial within the sector, with many criticising the commissioning, contracting, and early delivery processes (including the lack of 'flows' of claimants to some organisations, in some areas, and the fear that TSOs have been used as 'bid candy'). However it is important to bear in mind that it is still early days and supply chains are still 'bedding down'. Overall performance of the Programme will not become clear for some months.

At this early stage some of the key emerging issues and questions include:

- a general sense of upheaval, complexity and uncertainty: e.g. getting onto the Framework, intensive bidding requirements; losing out in one CPA and having to move to another;
- fears of a third sector squeeze: e.g. driven by price discounting; contracts/referrals that are not forthcoming (are TSOs being used as bid candy?); difficulties around TUPE requirements;

- fears about the general design of the Programme, especially the payment by results element: e.g. the payment model might be too risky for TSOs (especially specialist providers); and creaming and parking within customer groups;
- doubts over the effectiveness of the Merlin Standard.

#### References

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<sup>1</sup>[www.dwp.gov.uk/newsroom/press-releases/2011/apr-2011/dwp037-11.shtml](http://www.dwp.gov.uk/newsroom/press-releases/2011/apr-2011/dwp037-11.shtml)

This paper is part of the Third Sector Research Centre – Briefing Paper Series see [www.tsrc.ac.uk](http://www.tsrc.ac.uk) for more details and a copy of the full evidence review see Working Paper 70.

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