



## BRIEFING PAPER

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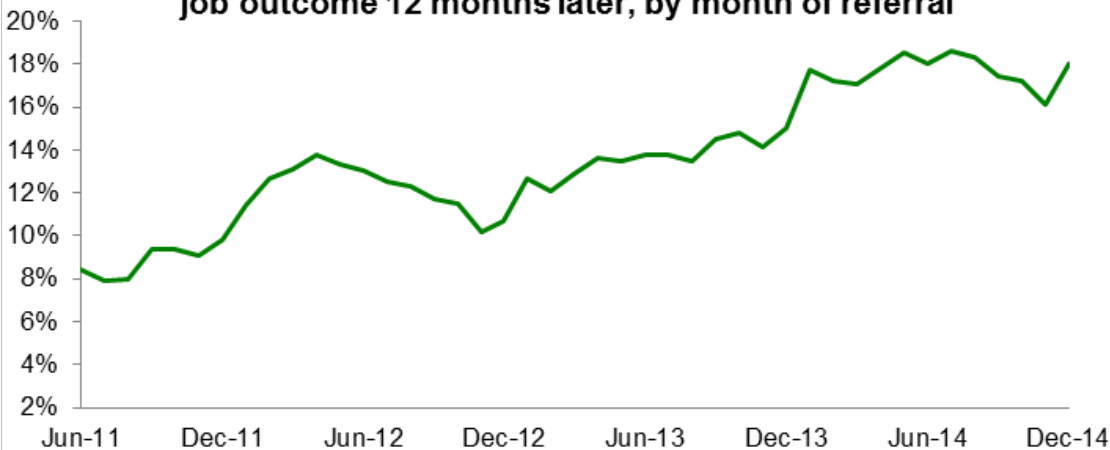
# Work Programme: background and statistics

By Aliyah Dar

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**% of people referred to Work Programme who had achieved a job outcome 12 months later, by month of referral**



Source: DWP, *Work Programme Official Statistics to Dec 2015*

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## Summary

The Work Programme is the Government's main welfare-to-work programme. Unemployed people claiming Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA) are referred on to the programme from their local Jobcentre Plus, and remain on the programme for up to two years.

The scheme is run by providers who have the freedom to introduce and implement their own ideas and schemes to help unemployed participants find work. Providers are paid by results: they receive a *job outcome payment* after a participant has spent a minimum length of time in employment (either 13 or 26 weeks), and *sustainment payments* for every 4 weeks the participant remains in employment thereafter. The harder it is to help an individual into work, the higher the payment the provider receives.

Between June 2011 (when it began) and December 2015, 1.81 million people were referred to the Work Programme in Great Britain and 503,160 participants achieved a job outcome. Industry figures suggest that 770,000 participants spent at least some time in work over this period, including those who have not achieved job outcomes (or are yet to do so).

Referrals to the scheme will cease in April 2017. It was announced in the Spending Review and Autumn Statement 2015 that the Work Programme would be replaced with a new Work and Health Programme.

# 1. Who participates on the Work Programme?

The Work Programme covers England, Wales and Scotland. Unemployed individuals are referred on to the programme from their local Jobcentre Plus after they have been receiving Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA) for a minimum amount of time. There are nine broad groups of people who are eligible for the Work Programme:

<b>Group</b>	<b>Time of Referral</b>	<b>Basis for referral</b>
JSA claimants aged 18-24	From 9 months	Mandatory
JSA claimants aged 25 and over	From 12 months	Mandatory
JSA claimants who have recently moved from Incapacity Benefit	From 3 months	Mandatory
JSA claimants facing significant disadvantage (e.g. young people with significant barriers, ex-armed services personnel)	From 3 months	Mandatory or voluntary depending on circumstance
ESA claimants who are unlikely to be fit for work in the short term	When Work Capability Assessment is concluded	Voluntary
ESA claimants who are expected to be fit for work within 3 to 12 months [ESA Flow]	When Work Capability Assessment is concluded	Mandatory
ESA claimants who have recently moved from Incapacity Benefit	- Any time if expected to be fit for work within 3 to 12 months	Mandatory
	- Any time if not expected to be fit for work in short term	Voluntary
Incapacity Benefit and Income Support (In England only)	Any time	Voluntary
Prison leavers claiming JSA	Immediately, once benefit claim made within 3 months from leaving prison	Mandatory

Some people may be able to join the Work Programme early under certain circumstances, including if they are a care leaver, carer on JSA, ex-carer, homeless, former member of the armed services, or partner of a current or former member of the armed services. Early referral is at the discretion of Jobcentre Plus.<sup>1</sup> All people claiming ESA are eligible to volunteer to join the Work Programme at any point after their Work Capability Assessment.

<sup>1</sup> DWP, [Work Programme: Provider Guidance](#), Chapter 2 [accessed 23 May 2012]

## 2. Statistics

### 2.1 Job outcomes

Providers delivering the Work Programme receive a job outcome payment after a participant has spent a minimum amount of time in employment (six months for the JSA 18-24 and JSA 25 and over customer groups and three months for all other customer groups).

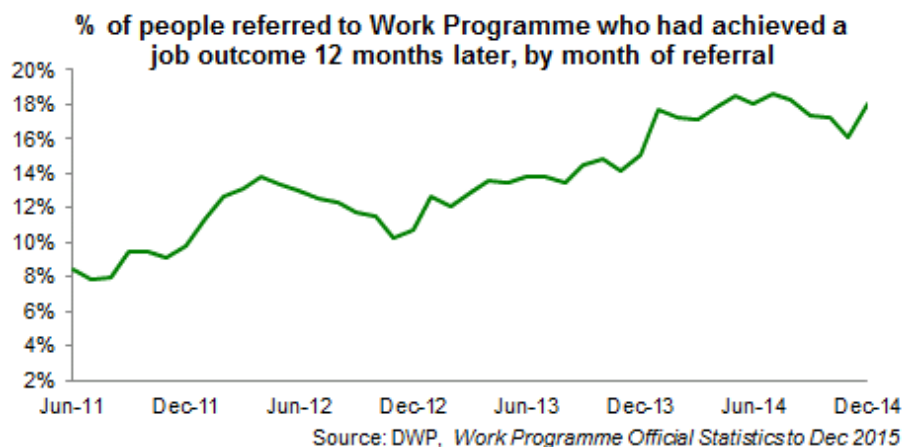
Job outcome payments were made for 503,160 participants between June 2011 and December 2015.<sup>2</sup> Of those individuals who had been on the programme for the minimum length of time necessary to attain a job outcome, 28.5% did so.<sup>3</sup>

Some participants may have started employment but have not remained in work long enough to qualify for a job outcome. Industry figures suggest that 770,000 participants spent at least some time in employment between the start of the programme and December 2015.<sup>4</sup>

#### Analysis by monthly cohort (12 month job outcome measure)

The total proportion of individuals achieving job outcomes does not show how Work Programme performance has changed over time. We can instead look at the proportion of individuals who achieve job outcomes within twelve months of joining the programme, which is not directly affected by referral volumes.

18.0% of individuals referred in December 2014 had achieved a job outcome within twelve months of referral.



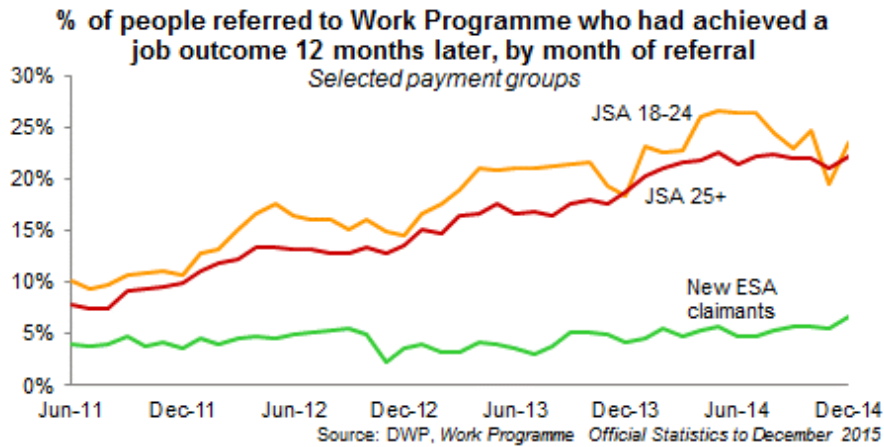
There has been an increase in the proportion of participants achieving a job outcome within twelve months. As the chart below shows, participants claiming ESA have generally been less successful in achieving job outcomes than those claiming JSA (even though the proportion obtaining job outcomes within 12 months has increased

<sup>2</sup> DWP, [Work Programme Official Statistics to December 2015](#), 17 March 2016

<sup>3</sup> DWP, [Work Programme Official Statistics to December 2015](#), 17 March 2016

<sup>4</sup> ERSA press release, [It's official: over half a million people in long term jobs through the Work Programme](#), 17 March 2016

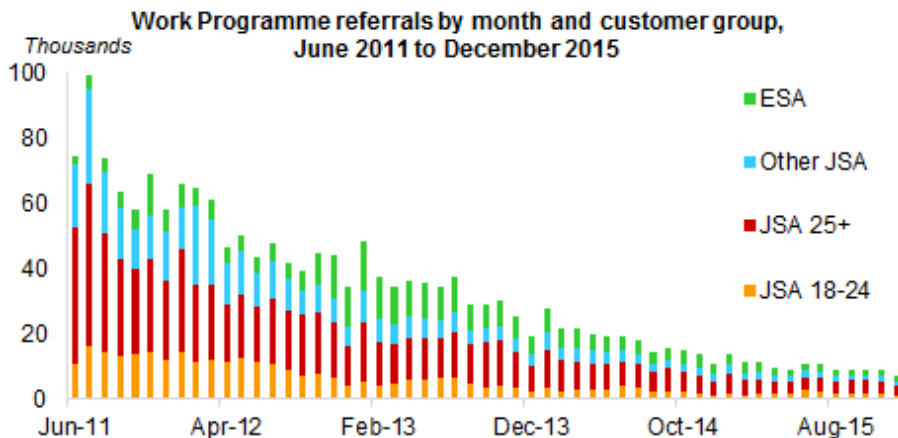
slightly since the start of the programme). This was anticipated by the programme’s payment model which awards providers a higher payment for placing ESA claimants into sustained employment.



People referred to the programme in December 2013 have completed 24 months on the programme. Around 31.5% of claimants referred over this period had achieved a job outcome within 24 months of referral.

## 2.2 Referrals

1.81 million people have been referred to the Work Programme up to December 2015. Referral volumes have declined since the programme’s introduction and the profile of referred claimants has also changed. In the period 2014/15, the average number of referrals per month was around 13,000, compared to 69,000 in the first year of contracts.<sup>5</sup> The number of people referred to the **JSA Early Entrants** customer group has declined since the start of the programme (having initially been much higher than expected) while the share of referrals going to the **ESA customer groups** has greatly increased.



<sup>5</sup> DWP, [Work Programme Official Statistics to December 2015](#), 17 March 2016

## 2.3 Sustainment payments

Sustainment payments, which follow on from job outcome payments if the participant continues in employment, were made for 492,730 participants up to December 2015.

Of those participants who had sufficient time to achieve a sustainment payment following a job outcome, 65.9% achieved the maximum number of sustainment payments possible between obtaining the job outcome and the end of December 2015. <sup>6</sup>

## 2.4 People completing the Work Programme

Individuals remain on the Work Programme for 104 weeks after referral. 954,040 participants had completed the scheme at September 2014: <sup>7</sup>

- 268,330 (14.8%) had entered employment and had achieved the maximum number of sustainment payments.
- 56,270 (3.1%) had entered employment and job outcome/sustainment payments were still being made to the provider.
- 1.13 million (62.5%) returned to Jobcentre Plus provision (some of whom were not on benefit at 104 weeks but later returned to benefit). This includes people who previously spent time in employment while on the programme, but who returned to benefit not having achieved the maximum number of sustainment payments. 140,930 people in this group achieved a job outcome payment before they returned to benefit.

Section 4.3 of this note explains what arrangements are in place for jobseekers who leave the Work Programme without having found sustained employment.

## 2.5 Variations by provider and geography

Of those participants who had been on the programme long enough to achieve a job outcome, 28.5% had done so by December 2015.

Performance varied by provider: 31.9% of eligible participants referred to the highest performing contract on this measure had achieved job outcomes (Ingeus UK, East of England) compared to 23.4% for the lowest performing contract (Rehab jobfit, Wales).

DWP can shift the share of referrals going to individual providers in each contract area based on performance. Section 3.2 gives more details on managing provider performance.

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<sup>6</sup> DWP, [Work Programme Official Statistics to June 2015 – table 2.3 & 2.4](#), 17 September 2015

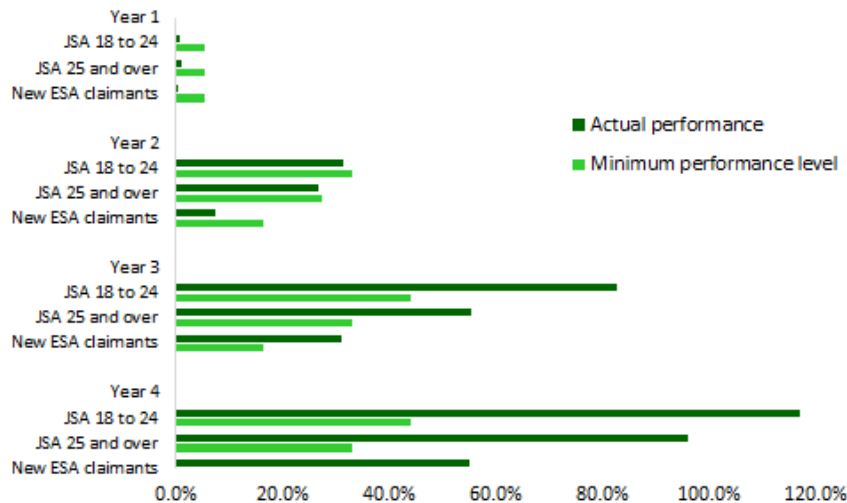
<sup>7</sup> DWP, [Work Programme Official Statistics to March 2015 – table 1.7](#), 18 June 2015

## 2.6 Comparison with minimum performance levels

DWP has set minimum performance levels for providers for three payment groups: JSA claimants aged 18-24, JSA claimants aged 25 and over, and new ESA claimants.

In the first year of contracts (June 2011 to March 2012), DWP set an expected ratio of outcomes to referrals of at least 5.5%, for all three relevant groups. No provider succeeded in meeting the minimum performance level for any customer group. In Year 2 of contracts (April 2012 to March 2013), providers achieved a ratio of outcomes to referrals for the JSA payment groups much closer to the minimum performance levels. In Year 3 (April 2013 to March 2014) and Year 4 (April 2014 to March 2015) some providers exceeded the minimum performance levels in all three payment groups.

**Ratio of outcomes to referrals compared to expected minimum performance levels, years 1,2,3 & 4 of contracts**



Providers met the Year 4 minimum performance level for the JSA 18-24 and 25 and over customer group in all 39 contracts. For New ESA claimants, all providers met the minimum performance level. Further information on Minimum Performance Levels, and the implications if providers fail to meet them, is provided in sections 3.1 and 3.2.

Analysis by the National Audit Office (NAO) suggests the gap between actual and expected performance in the programme’s first year may be partly attributable to expectations being set too high. Some providers started slowly as they and DWP adjusted to new processes or local circumstances. Providers also had to contend with the economy performing more poorly than expected.<sup>8</sup>

The table below shows performance of each Work Programme contract compared against the minimum performance level.

<sup>8</sup> NAO, [A commentary for the Committee of Public Accounts on the Work Programme outcome statistics](#), 13 December 2012, HC 832



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**Ratio of job outcomes to referrals by contract and customer group, June 2011 to March 2015**

Provider	Contract area	Year 1 (Jun 11-Mar 12)			Year 2 (Apr 12-Mar 13)			Year 3 (Apr 13-Mar 14)			Year 4 (Apr 14-Mar 15)		
		JSA 18-24	JSA 25+	New ESA claimants	JSA 18-24	JSA 25+	New ESA claimants	JSA 18-24	JSA 25+	New ESA claimants	JSA 18-24	JSA 25+	New ESA claimants
<b>All providers</b>		<b>1.0</b>	<b>0.9</b>	<b>0.6</b>	<b>31.4</b>	<b>26.6</b>	<b>7.2</b>	<b>84.8</b>	<b>56.9</b>	<b>34.8</b>	<b>125.6</b>	<b>102.2</b>	<b>72.8</b>
NCG	Birmingham, Solihull, Black Country	0.1	0.2	-	27.9	19.3	4.2	81.6	47.3	35.7	126.8	84.5	78.1
People Plus Inc	Birmingham, Solihull, Black Country	1.3	0.8	0.9	33.7	24.8	6.9	83.8	42.4	26.2	106.8	75.2	66.4
Pertemps	Birmingham, Solihull, Black Country	0.4	0.3	0.3	29.7	19.7	5.4	78.2	44.4	32.8	111.1	66.4	56.1
Inserve Learning	Coventry, Warwicks, Staffs, the Marches	1.0	0.8	0.4	34.0	22.5	6.1	102.3	56.8	27.0	144.0	98.9	70.1
Serco	Coventry, Warwicks, Staffs, the Marches	0.7	0.6	1.7	37.4	23.7	6.4	94.2	56.1	24.7	144.4	98.9	67.7
Prospects Serv	Devon, Cornwall, Dorset, Somerset	0.7	0.5	0.4	32.8	26.6	6.3	81.2	66.2	26.9	126.9	90.4	60.2
Working Links (Emp)	Devon, Cornwall, Dorset, Somerset	0.7	1.2	0.7	33.0	27.5	8.0	92.4	68.8	31.9	127.0	90.7	73.0
People Plus Inc	East London	0.7	0.9	0.6	25.6	29.9	6.2	80.7	62.7	31.1	101.5	101.8	93.0
Seetec	East London	0.6	0.9	0.4	26.6	29.0	5.2	75.3	58.6	35.2	108.1	110.8	97.7
ShawTrust CDG	East London	0.7	1.3	0.4	29.5	34.2	4.6	83.9	63.5	29.7	95.3	102.1	89.0
Ingeus UK	East Midlands	1.8	1.3	1.3	40.6	23.9	9.0	87.8	54.3	33.1	125.3	91.1	42.1
People Plus Inc	East Midlands	1.3	1.0	0.5	30.8	17.0	6.0	88.4	52.4	24.3	159.3	119.6	34.3
Ingeus UK	East of England	1.2	1.4	0.5	33.7	34.5	10.2	84.3	59.6	40.5	135.6	119.9	54.4
Seetec	East of England	1.1	1.0	0.7	28.7	30.0	7.7	78.4	56.7	28.5	161.3	136.8	51.0
Learndirect	Glouc, Wilts, Swindon, West of England	0.6	0.8	0.6	24.7	28.1	6.3	93.1	58.0	36.9	142.9	110.4	74.2
Rehab jobfit	Glouc, Wilts, Swindon, West of England	0.7	0.8	0.3	24.0	28.8	7.3	95.4	62.9	32.8	126.8	91.3	46.0
G4S	Manchester, Cheshire, Warrington	1.5	1.1	1.0	38.1	23.7	8.7	78.4	55.1	35.3	126.7	113.8	78.5
People Plus Inc	Manchester, Cheshire, Warrington	1.0	0.6	0.7	33.5	21.7	8.2	86.4	56.3	36.2	141.6	120.1	82.4
Seetec	Manchester, Cheshire, Warrington	1.2	0.9	0.9	36.0	23.4	9.6	84.1	50.8	30.7	125.8	112.4	73.9
Ingeus UK	Merseyside, Halton, Cumbria, Lancs	0.2	0.7	0.4	31.8	32.9	8.2	82.0	59.8	26.9	106.8	95.6	47.1
People Plus Inc	Merseyside, Halton, Cumbria, Lancs	0.3	0.9	0.5	28.5	33.3	6.8	83.2	54.7	24.8	116.6	93.5	47.8
G4S	NE Yorks, The Humber	1.3	0.6	1.0	28.3	18.5	7.4	76.8	42.5	32.3	101.2	91.5	44.0
NCG	NE Yorks, The Humber	0.2	0.4	-	24.8	15.4	3.7	127.0	100.5	138.9	340.6	326.4	521.1
Ingeus UK	North East	1.2	0.9	0.8	29.1	21.9	7.9	92.0	53.4	40.5	118.0	95.9	58.3
People Plus Inc	North East	0.7	0.6	0.2	31.8	21.6	8.4	84.0	54.0	29.0	129.4	106.6	45.6
Ingeus UK	Scotland	1.3	1.3	0.5	36.5	32.2	8.3	80.7	54.7	25.6	103.6	87.9	42.6
Working Links	Scotland	0.8	1.1	0.7	33.3	28.5	8.5	78.4	53.0	25.4	111.8	92.5	46.7
People Plus Inc	South Yorkshire	1.5	1.0	0.8	25.2	15.2	7.4	88.7	48.5	33.7	152.1	88.9	46.3
Serco	South Yorkshire	1.0	0.7	0.6	28.7	16.9	6.8	88.0	45.8	33.3	127.6	86.6	50.3
G4S	Surrey, Sussex, Kent	1.8	1.0	0.9	40.1	23.8	8.8	83.4	65.1	37.9	110.5	109.8	62.4
People Plus Inc	Surrey, Sussex, Kent	1.3	0.8	0.7	36.9	25.1	7.8	91.8	62.9	38.8	113.4	110.3	59.6
Maximus Emp UK	Thames Valley, Hamps, Isle of Wight	1.0	1.6	1.2	38.9	44.9	9.3	104.5	74.5	30.2	150.7	118.0	86.0
People Plus Inc	Thames Valley, Hamps, Isle of Wight	0.5	0.9	0.2	32.5	35.6	8.1	95.9	68.3	22.6	149.9	112.2	70.7
Rehab jobfit	Wales	0.6	0.5	0.4	25.6	15.7	5.3	71.6	41.2	30.4	86.6	70.8	50.3
Working Links	Wales	1.2	0.6	0.3	23.9	15.2	6.5	75.2	46.7	35.9	87.6	72.0	49.9
Ingeus UK	West London	1.7	1.8	0.8	39.4	41.3	8.1	70.1	56.0	40.0	77.2	76.6	67.9
Maximus Emp UK	West London	1.1	1.2	0.3	36.4	38.4	5.5	74.9	60.5	35.9	92.2	81.3	75.8
Reed in Partnership	West London	2.0	1.8	0.6	27.8	35.6	6.2	78.4	62.6	34.5	94.9	88.9	66.2
Ingeus UK	West Yorkshire	0.6	1.3	0.2	29.2	35.2	10.3	64.1	48.2	41.3	102.9	75.3	45.6
Interserve Working Futures	West Yorkshire	0.5	0.9	0.2	25.0	26.6	6.0	71.5	48.4	35.6	114.9	71.0	41.1

Source: DWP, Work Programme Official Statistics to September 2015

### 3. Payment model

The Work Programme is delivered by service providers (also known as prime providers) who are given freedom to introduce and implement their own ideas and schemes intended to help unemployed participants find work. Providers receive payment upon placing and keeping individuals in work, rather than receive all payment upfront. Different levels of payment apply for each of the nine claimant groups (listed in section 1) with higher payments for those customer groups judged harder to help.

There are four main ways a provider gets paid by the DWP under this payment-by-results system, as described by the National Audit Office:<sup>9</sup>

- An **attachment payment**. For taking a claimant on to the [Work] Programme. The attachment fee reduces to nil by the start of the fourth year.
- A **job outcome payment**. When a claimant has been in work for either a continuous or cumulative period of employment, as defined by the Department. Job outcome payments for some claimant groups will be reduced in the later years of the contract.
- A **sustainment outcome payment**. A further payment every four weeks for keeping a claimant in employment.
- An **incentive payment**. For jobs delivered beyond a given performance level – defined by the Department as 30 per cent above non-intervention – the number of claimants who would have found employment without a programme.

The payments available to providers for individuals in different customer groups are set out in the Work Programme [Invitation to Tender \(section 3\)](#). However, when bidding for contracts service providers could offer a lower value for these payments. These offers were assessed as part of the tendering process.<sup>10</sup>

Job outcome payments for the JSA 18-24 and JSA 25 and over customer groups are made after the participant has completed 26 weeks in employment. Job outcome payments for the other customer groups are made after 13 weeks. The payment structure is summarised in the diagram below (taken from a DWP document):<sup>11</sup>

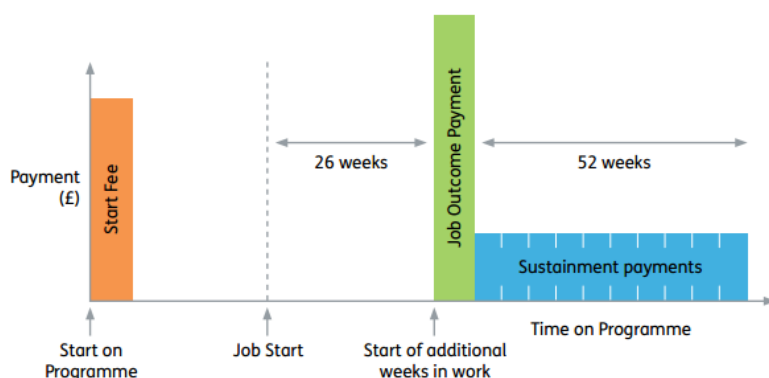
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<sup>9</sup> NAO, [DWP: The Introduction of the Work Programme](#), HC 1701, 2010-2012, 24 Jan 2012, paragraph 1.8

<sup>10</sup> DWP, [The Work Programme](#), August 2011

<sup>11</sup> DWP, [The Work Programme – information for advisers and intermediaries](#), page 5

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



### 3.1 Minimum performance levels

Providers are expected to meet minimum levels of performance for participants in three payment groups: JSA claimants aged 18-24, JSA claimants aged 25 and over, and new ESA claimants. The minimum performance level has been set at an estimated level of non-intervention, plus 10% (i.e. 1.1 times the estimated proportion of participants who would have achieved job outcomes in the absence of Work Programme provision). *Incentive payments* will be made to providers from the fourth year of the contract if they achieve job outcomes for these payment groups of 30% more than the estimated non-intervention level.<sup>12</sup>

The Work Programme *Invitation to Tender* states, “DWP expects that Providers will significantly exceed these minimum levels.”<sup>13</sup>

**Minimum performance levels: ratio of job outcomes to referrals**

Payment group	Year of contract						
	1	2	3	4	5	6	7
JSA 18 to 24	5.5%	33.0%	44.0%	44.0%	44.0%	33.0%	11.0%
JSA 25 and over	5.5%	27.5%	33.0%	33.0%	33.0%	27.5%	5.5%
New ESA claimants	5.5%	16.5%	16.5%	16.5%	16.5%	11.0%	5.5%

Minimum performance levels are calculated using estimated non-intervention levels published in DWP *Work Programme Provider Guidance*, Chapter 12

In the first year of contracts (June 2011 to March 2012), providers failed to meet minimum performance levels for any of the relevant three payment groups. In the second year of contracts (April 2012 to March 2013), some providers exceeded the minimum performance levels for the JSA 18-24 and JSA 25 and over customer groups. However, no provider came close to meeting minimum performance level for the new ESA claimants customer group. In year three, some providers exceeded minimum performance levels were met in all payment groups.

<sup>12</sup> DWP, [The Work Programme - Invitation to Tender: Specification and Supporting Information](#), Annex 4

<sup>13</sup> *Ibid*, para 3.18

## 3.2 Managing provider performance

### Market Share Shift

In the first two years of the Work Programme, providers in each contract package area received an equal share of referrals to each customer group. From the third year of contracts, DWP has started giving more new referrals to higher performing providers. This market share shift occurs where there is a difference in provider performance (as measured by the ratio of job outcomes to referrals in the twelve months to 31 March) for a particular customer group of at least three percentage points.

Market share shift only applies within individual contract package areas and within the relevant customer group. Where market share shift occurs, the provider who is performing more poorly loses five percentage points of their share of new referrals to that customer group.<sup>14</sup>

Based on performance in the twelve months ending 31 March 2015, DWP has implemented market share shift in eighty-seven cases across ten contract package areas, starting from September 2015.<sup>15</sup>

### Contract termination

The Minister for Employment, Esther McVey, announced on 6 March 2014 the termination of Newcastle College Group's contract to deliver the Work Programme in the North East Yorkshire and the Humber contract area. The Minister stated that this contract was the lowest performing when assessed against a range of measures. Other low-performing providers were being put on an "enhanced performance management regime":<sup>16</sup>

It is now the right time to focus on those contracts which are not doing as well as their competitors. While all contracts are on track to hit their contractual JSA targets, there is significant variation in performance. Accepting only the best for claimants, I have reviewed the performance of the bottom 25% of contracts against a range of performance measures. As a result, the providers delivering these contracts have been put under an enhanced performance management regime, driving them to up their game further.

Following this review, I have also decided to terminate one contract—the lowest performing when assessed against this range of measures. Today I have issued a notice of termination to Newcastle College Group in respect of their contract for the provision of Work programme services in north-east Yorkshire and the Humber. The notice of termination has been issued under the voluntary break clause in the contract and not for any breach of contract by Newcastle College Group.

Following the contract termination, no individual on the Work programme will be left without support. Not only do other providers operate as competitors in the area already, but Newcastle College Group are required to operate within the terms

<sup>14</sup> DWP, [Work Programme: Provider Guidance](#), Chapter 11 [accessed 1 July 2013]

<sup>15</sup> DWP, [Work Programme providers: market share shift](#), 21 September 2015

<sup>16</sup> [HC Deb 6 Mar 2014 c68-70WS](#)

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of their contract while the Department appoints a replacement provider within the next 12 months. To ensure continuity of service for those currently on the Work programme in the region, before making that appointment, we will rigorously assess bids to determine who can best deliver the quality of service and results we require. The Department will also support the provider's supply chain during the transition of services to the replacement provider.

## 4. Cost of the Work Programme

DWP estimates that the value of the Work Programme contracts will be between £3 billion and £5 billion up to 2017.<sup>17</sup> Instead of funding this directly via departmental expenditure (as has always been the case with past welfare-to-work programmes), the Work Programme is funded from the money saved from future benefit spending as people find work. This is known as the DEL/AME switch as the funding will come from Annual Managed Expenditure (AME), which is used to pay benefits, instead of the Departmental Expenditure Limit (DEL).<sup>18</sup>

Up to December 2015, it is estimated that a total of £2.2 billion had been paid to Work Programme providers, including:<sup>19</sup>

- £510 million in attachment fees
- £546 million in job outcome payments
- £1,143 million in sustainment payments.

Since the Work Programme operates on a payment by results basis, this total will increase as more participants spend the necessary length of time in employment to qualify for job outcome or sustainment payments.

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<sup>17</sup> DWP Press Release, "[Massive boost for the Big Society as almost 300 voluntary sector organisations named as part of the Work Programme](#)", 1 April 2011

<sup>18</sup> Work & Pensions Committee, [Work Programme: providers and contracting arrangements](#), 27 April 2011, HC718 2010-12, paras16 and 20.

<sup>19</sup> Learning & Work Institute, [Work Programme Statistics](#), 17 March 2016

## 5. Work Programme best practice group

The Work Programme best practice group was established in March 2013 to see what could be achieved within three key areas with the constraints of the current Work Programme contracts:<sup>20</sup>

- Setting up a framework for the sharing of best practice between providers;
- Reviewing the application of Minimum Service Levels (MSL); and
- Considering how the Voluntary and Community Sector (VCS) can become better involved in supporting and delivering the Work Programme.

The group's [final report was published](#) in December 2014 and made 26 recommendations. The Government [accepted](#) many of the proposals in principal including increasing the length of the tendering period and introducing a code of conduct for contractors and subcontractors.

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<sup>20</sup> DWP, [Work Programme: Building best practice report](#), December 2014, p 4

## 6. How the Work Programme works for unemployed people

### 6.1 Referral

If a person meets the requirements for mandatory participation (see section 1), they will have an interview at Jobcentre Plus explaining how the Work Programme will operate. They will then be assigned to one of the prime providers that operate in their area.

The provider will contact the individual when they join, to explain what help will be available and what is expected of the participant. The provider will also begin to develop an 'Action Plan' which is intended as a joint discussion that will assist the unemployed person in their job search.<sup>21</sup> The participant will also receive the provider's '[minimum service delivery standards](#)', setting out what the participant can expect in terms of service from the provider.

### 6.2 Duration of Work Programme support

The unemployed person will remain with the provider for two years after referral.

During the time they are on the Work Programme and are still eligible for JSA, individuals must continue to sign on at Jobcentre Plus. If ESA claimants are required to attend Work Capability Assessments, then they must do so.

### 6.3 What happens when individuals leave the programme?

Jobcentre Plus will use an 'Exit Report' prepared by the Work Programme provider to help determine what support a participant should receive upon leaving the programme. The Exit Report should include information on activities undertaken while on the Work Programme, along with recommended next steps for the individual.<sup>22</sup>

#### Help to Work

From April 2014, JSA claimants leaving the Work Programme will be referred to a new 'Help to Work' scheme, as confirmed in the 2013 Autumn Statement:<sup>23</sup>

Autumn Statement 2013 confirms that **the government will invest £700 million over 4 years in a new Help to Work scheme.** This will require all JSA claimants who are still unemployed after 2 years on the Work Programme to undertake intensive, often daily, activity to improve their employment prospects, or put something back into their community, with swift and severe sanctions for those who fail to comply.

<sup>21</sup> DWP, [Work Programme: Provider Guidance](#), Chapter 4 [accessed 26 June 2013]

<sup>22</sup> DWP, [Work Programme: Provider Guidance](#), Chapter 10 [accessed 26 June 2013]

<sup>23</sup> HM Treasury, [Autumn Statement 2013](#), Cm 8747, para 1.285-1.287



Advisers will be given the power to mandate claimants to community work placements if their time out of the labour market has left them short of basic employment skills, experience and motivation – working full time for 6 months to maintain local green spaces, clear up litter or work for a local charity. A third of claimants will be required to intensify their job search by signing on daily for up to 3 months. For those with underlying problems, like homelessness and illiteracy, there will be an intensive regime of help.

Help to Work will provide the long-term unemployed with the experience and motivation they need to move back into work, and will particularly benefit those at the bottom of the income distribution. The different options for support will allow advisers to provide tailored help to individual claimants, while sending a clear message that every claimant must do everything they can to find work in return for their benefits.

Prior to the introduction of Help to Work, JSA claimants who have not found employment after completing two years on the Work Programme receive 'intensive support' led by 'specialist advisers' based in jobcentres, for a duration of six months. A DWP press release (June 2013) announced that individuals leaving the Work Programme "will be targeted by a hit squad of specialist advisers as part of a tough approach to get them into a job" and outlined what provision would entail:<sup>24</sup>

Claimants will be expected to be on a training scheme, Mandatory Work Activity placement or intensive work preparation within days of finishing on the Work Programme – losing their benefit if they fail to comply. An extra £30m will be available to pay for extra training and specialist help to prepare them for work, for instance counselling for people dependent on drug and alcohol.

Claimants will also have to attend the Jobcentre far more frequently than other jobseekers, with weekly signing on being routine and some people being required to meet their adviser every day.

### 6.4 Complaints

Providers are required to inform participants of their complaints procedure. If an individual has a complaint or feels that they are not receiving the levels of services that were promised to them as part of the provider's minimum service standards, they should follow this process. If they are not satisfied with the way the provider has dealt with the complaint the individual may then complain to an Independent Case Examiner (ICE) who may investigate further.<sup>25</sup>

### 6.5 Interaction with the Youth Contract: Wage Incentives

A subsidy of up to £2,275 is available to businesses who hire young unemployed people, as part of the Government's [Youth Contract](#) (a package of measures to help young unemployed people into work). To

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<sup>24</sup> DWP press release, [Work Programme leavers targeted by specialist advisers as part of a tough approach to get them into a job](#), 3 June 2013

<sup>25</sup> DWP, [Work Programme: Provider Guidance](#), Chapter 16 [accessed 23 May 2012]

be eligible, an individual must be aged between 18 and 24 and have been claiming benefits for at least six months through Jobcentre Plus. The scheme is also available to young people after they enter the Work Programme.<sup>26</sup>

For an employer to get the full payment of £2,275, the jobs must be at least 30 hours a week and last for at least 26 weeks. Reduced payments of £1,137.50 are available for part-time jobs lasting between 16 and 29 hours a week. Payment will be made at the end of the 26 week period, although small firms with fewer than 50 employees may get some payment (£700) after eight weeks. It is up to Work Programme providers to identify suitable employment opportunities which could attract wage incentives.<sup>27</sup>

Enrolments for this scheme ended on 6 August 2014.

The Library's Standard Note on the [Youth Contract](#) provides further information.

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<sup>26</sup> DWP website, [Youth Contract: Wage incentives section](#) and DWP, [DWP wage incentive scheme – Terms & Conditions](#)

<sup>27</sup> DWP, [Work Programme: Provider Guidance](#), Chapter 20 [accessed 24 June 2013]

## 7. Service delivery

### 7.1 Prime providers and the 'black box'

The Work Programme is delivered by prime providers, who hold contracts from government to run the programme in their contract package area.

There are 18 prime providers who between them hold a total of 40 Work Programme contracts (some providers hold multiple contracts in different parts of the country).<sup>28</sup> 15 prime providers are from the private sector, one is from the public sector, one from the voluntary and community sector (VCS), and one mixed private/VCS. The Work Programme's outcome-based payment model requires providers must have sufficient capital to provide services upfront across a large contract package area. The model therefore lends itself to having large private companies as the prime providers.

The Work Programme is designed to allow prime providers freedom to introduce and implement their own ideas and schemes intended to help unemployed participants find work, the so-called 'black box' approach. Providers are required however to set out their *minimum service standards* for all participants in a document that Jobcentre Plus will provide to individuals upon referral, so that individuals understand what to expect from the programme.<sup>29</sup> Minimum service standards for all providers are published on the [gov.uk website](http://gov.uk).

The Work and Pensions Committee has given its support to the black box approach but has pointed out the need for "clear and measurable" minimum service standards:<sup>30</sup>

Currently prime providers' Minimum Service Standards vary greatly in detail and measurability. Some Minimum Service Standards are so vague as to permit providers to virtually ignore some participants if they so choose. We understand the difficulties of establishing a single set of standards which could be applied by all providers but we believe it is achievable. For example, it would be perfectly possible for all providers to be required to have a face-to-face meeting to assess all participants' needs; to produce an employment action plan within a certain timeframe; and to have a face-to-face follow-up meeting, also within a specific timeframe. We recommend that DWP develop a core set of basic minimum standards applicable to all providers, and to which all Work Programme participants are entitled.

Prime providers will continue to receive new referrals under Work Programme contracts until 31 March 2017. Providers will continue to

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<sup>28</sup> A [map](#) showing who the prime providers are in each contract package area is available on the gov.uk website.

<sup>29</sup> DWP, [Work Programme: Provider Guidance](#), chapter 14

<sup>30</sup> Work and Pensions Committee, *Can the Work Programme work for all user groups?*, 21 May 2013, HC 162 2013-14, para 124

deliver services to participants already on the Work Programme for two years after this date.<sup>31</sup>

## 7.2 How prime providers were selected

In order to become a Work Programme provider, organisations were first required to bid to join the Employment-Related Support Services (ERSS) Framework, a group of DWP-approved providers for employment services. Providers who were accepted on to the Framework were then invited to bid for the 40 Work Programme contracts.

DWP states that the ERSS Framework will last until 2015 and “is intended as the default vehicle for sourcing all DWP employment related support services”. It also notes, “Once established, no further organisations will be accepted onto the Framework.”<sup>32</sup>

## 7.3 Supply chains and subcontractors

Prime providers use subcontractors to help them deliver Work Programme services. Primes may refer participants to **Tier One subcontractors** who will support participants for the whole of the time on the Work Programme. **Tier Two subcontractors** on the other hand may be used to deliver specialist interventions for certain types of claimant. Most primes deliver some services themselves, but four out of eighteen direct all their provision through a network of subcontractors.<sup>33</sup> Subcontractors may hold contracts with multiple prime providers and some primes may act as subcontractors in other parts of the country.

DWP’s Invitation to Tender for Work Programme contracts encouraged potential prime providers to work with local groups if they secured contracts. Proposals for working with local partners were described as “a key factor in the tender assessment process”:<sup>34</sup>

**4.07 Working with strategic and local Partners:** Partnerships are central to the delivery of DWP objectives and statutory duties and DWP believes that effective partnership working will be key to effective delivery of the WP. As a result, Providers are expected to work, with a wide range of local partners and partnerships. Our track record in working with voluntary sector organisations within existing Welfare to Work supply chains is an excellent one. Currently, some 30% of sub-contracts are with voluntary sector organisations - and we are confident the WP will build on this to ensure the best possible experience for every WP customer. We will therefore be closely scrutinising each bidders' partnership proposals when evaluating the tenders, particularly when considering the supply chain and service requirement criteria, to ensure that the level of community involvement is commensurate

<sup>31</sup> DWP, [The Work Programme - Invitation to Tender: Specification and Supporting Information](#), para 1.08 & BBC, [Smith Commission: DWP accused of U-turn over work programme](#), December 2014

<sup>32</sup> For more information see the DWP website’s section on the [Framework](#).

<sup>33</sup> Pippa Lane et al, [Work Programme Evaluation: Procurement, supply chains and implementation of the commissioning model](#), DWP Research Report 832, March 2013, p14

<sup>34</sup> DWP, [The Work Programme - Invitation to Tender: Specification and Supporting Information](#), paragraph 4.07 pp16-17

with the needs of the WP's customers. This will be a key factor in the tender assessment process.

DWP estimate that as of September 2013, there are 858 organisations acting as subcontractors for the 40 Work Programme contracts. Around three-quarters of these are Tier Two subcontractors only. Around two in five subcontractors (42%) come from the Voluntary or Community Sector.<sup>35</sup> However, previous research has suggested that the number of participants referred to these smaller suppliers varies significantly, as discussed in section 6.1.

### 7.4 Merlin Standard

The Government requires prime providers to comply with the [Merlin Standard](#) in order to ensure prime providers treat their smaller suppliers fairly. Chris Grayling, the then Employment Minister, explained the aims behind the Merlin Standard in a Written Answer:<sup>36</sup>

The Merlin Standard provides a mechanism to measure that Primes are following through on the commitments signed up to with their supply chain partners; it does not directly set the parameters or define the content of those discussions.

DWP has implemented the Merlin Standard to ensure fair treatment of sub-contractors by prime providers. Providers will be penalised for non-compliance with the standard.

A subcontractor can raise a complaint against a prime provider by sending a “Merlin Standard Complaint Report” to DWP. The DWP will consider the complaint and if it is deemed “a specific Merlin issue” it will be referred to an Independent Case Examiner (ICE). The ICE will then conduct an investigation.<sup>37</sup>

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<sup>35</sup> DWP, [Supply chain details by contract package area – Work Programme](#) [accessed 17 March 2014]

<sup>36</sup> [HC Deb 9 Nov 2011, c325W](#)

<sup>37</sup> More information on the procedures is available from the [Merlin Standard website](#).

## 8. ESA claimants and the Work Programme

As noted in section 2, JSA claimants on the Work Programme have been more successful at finding work than ESA claimants. In the early months of the programme, referrals of ESA claimants fell short of original forecasts while referrals to the JSA 18-24 and JSA Early Access group were much higher than had been expected.<sup>38</sup> The primary reason for this was the results of individuals' Work Capability Assessments, as identified by the official DWP evaluation. The Employment Related Services Association (ERSA), the trade body for welfare to work providers, described the low numbers of ESA referrals as "the number one problem the government needs to solve".<sup>39</sup>

DWP expanded the eligibility conditions for the 'new ESA claimants' customer group (the largest of the ESA customer groups) on two occasions. Initially claimants expected to be ready for work within three months were required to join the programme; this was extended to claimants expected to be ready to work within six months from October 2011 and within twelve months from November 2012.<sup>40</sup> Consequently, higher numbers of claimants are now being referred to the 'new ESA claimants' customer group. However referrals to the other ESA customer groups (ESA 'volunteers' and ESA claimants who formerly claimed Incapacity Benefits) are still lower than forecast.<sup>41</sup>

### 8.1 How have changes in referrals impacted on funding?

Although referrals to the 'new ESA claimants' group now exceed original forecasts, the needs of claimants in this group differ to original expectations. Inclusion point out that the changes to eligibility conditions mean participants are "often significantly more disadvantaged (and therefore less likely to find employment) than had previously been the case".<sup>42</sup> As providers are likely to face higher costs in supporting harder to help claimants into work, this could affect the level of service providers are able to offer.

Inclusion estimates that the shortfall in referrals and performance compared to initial expectations means that DWP is spending less per ESA participant than was anticipated at the Invitation to Tender (ITT):<sup>43</sup>

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<sup>38</sup> Pippa Lane et al, [Work Programme Evaluation: Procurement, supply chains and implementation of the commissioning model](#), DWP Research Report 832, March 2013, p34

<sup>39</sup> [ERSA response to NAO report into the introduction of the Work Programme](#), 3 February 2012

<sup>40</sup> DWP, [Work Programme Equality Impact Assessment](#), October 2011 and [Work Programme: Provider Guidance](#), Chapter 2 [accessed 23 June 2014]

<sup>41</sup> Tim Riley, Paul Bivand and Tony Wilson, [Making the Work Programme work for ESA claimants](#), Centre for Economic & Social Inclusion, April 2014, pp13-14

<sup>42</sup> Ibid, p13

<sup>43</sup> Ibid, p26

Overall, our modelling suggests that over the course of the Work Programme, DWP's **actual** spend on ESA customers is likely to be 40% less than the levels implied by the Work Programme ITT. Our modelling suggests that, based on current performance, **per participant spend is likely to be £690, compared to £1,170 based on ITT data**. This shortfall is the result of lower performance.

However, providers are spending more on ESA claimants than they are receiving from DWP, by drawing on income received for placing easier-to-help JSA claimants into work:<sup>44</sup>

The analysis above presents modelled estimates of what support would be affordable within a funding envelope of £690 per participant. However, this is not the same as the amount that organisations actually spend on ESA participants. The organisations engaged as part of this project – who hold over 80% of Work Programme prime contracts – report that they **spend more than they are being paid** for supporting ESA customers, by cross-subsidising internally from income from other, more job-ready Payment Groups. The extent of this cross-subsidy is not fully known, but we do know – from the Work and Pensions Committee and to a lesser extent the first evaluation of the Work Programme – that caseloads are significantly below the 370 level given above [that would be feasible given funding of £690 per participant only] (and are likely to be around 120 to 180 participants per adviser).

This cross-subsidy, clearly, has not been sufficient to substantially increase performance – nor is likely to be restoring spending to the levels that the Government had intended. However it may have enabled a minimum level of support to be maintained for this group.

## 8.2 Impact on subcontractors

Changes to referral volumes have also had implications for prime providers' subcontractors. Differences between actual referral volumes and those that were forecast have impacted upon Tier 1 and Tier 2 subcontractors in different ways.

The first report of the Work Programme official evaluation (for which fieldwork was conducted in late 2011 and summer 2012) found that Tier One subcontractors were more likely to have agreed a minimum number of referrals with the prime provider: 58% of Tier One suppliers had a set or minimum number of referrals on at least one contract, compared to 17% of Tier Two suppliers. Tier One subcontractors reported they had received many more referrals than expected (although fewer referrals to ESA customer groups). However the opposite appears to be true for Tier Two suppliers:<sup>45</sup>

It was common for Tier Two subcontractors to have received no referrals or far fewer than they were expecting. For some, lower than expected volumes had led to cuts in staff and, in a small number of cases, to organisations having gone out of business.

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<sup>44</sup> Ibid, pp31-32

<sup>45</sup> Pippa Lane et al, pp32-34

Research by BBC's Panorama programme (January 2013) on voluntary organisations' involvement with the Work Programme reached a similar finding. 184 out of 341 voluntary organisations listed as part of prime providers' supply chains replied to a BBC survey. 40% did not consider themselves part of the Work Programme. Of those who did, 73% had received fewer referrals than expected and 41% had received no referrals at all.<sup>46</sup>

It is possible that changes in referral volumes since October 2012 will have affected the number of ESA claimants referred to Tier Two suppliers, although financial considerations may lead prime providers or Tier One subcontractors to provide services themselves rather than pay Tier Two suppliers. The Work Programme official evaluation (second report; fieldwork conducted in spring and summer 2012) found that end-to-end providers preferred to keep provision in-house or to use services that were already freely available.<sup>47</sup>

Wherever possible, however, end-to-end providers tended to make provision available in-house and, where spot provision was required, to make use of local providers whose services could be obtained free of charge (e.g. because they drew on funding streams outside the Work Programme). It was not clear how far the relatively low use of paid-for spot providers was due to a lack of participants with specialist needs or due to providers minimising external costs.

A study by the Third Sector Research Centre at the University of Birmingham attributes this to the Work Programme's outcome-based payment model. Paying Tier Two providers to deliver specialist services means end-to-end suppliers have to take on extra financial risk:<sup>48</sup>

The general 'resource squeeze' within the Programme, initially exacerbated by the effects of price discounting by Primes, unpredictable and under-target flows, and the difficult economic conditions, all meant that advancing funding for specialist interventions was viewed as too risky by most end to end providers from all sectors.

Few tier 1 end to end providers were referring customers to specialist providers – either their own partners or the tier 2 providers listed by their Prime. Essentially they argued they could not afford to pay for their services. The back ended payment regime meant there simply wasn't enough money in the system.

The Work and Pensions Committee noted a concern among some specialist subcontractors that they had been used as 'bid candy' by primes, to make prime providers' contract bids look more impressive to DWP. However, the official evaluation suggests most subcontractors do not feel this way but rather attribute the absence of referrals to other reasons.<sup>49</sup> Chris Grayling, the then employment minister, said in [oral](#)

<sup>46</sup> BBC, [Panorama: the Great Disability Scam](#), 28 January 2013

<sup>47</sup> Becci Newton et al, [Work Programme evaluation: Findings from the first phase of qualitative research on programme delivery](#), DWP Research Report 821, November 2012

<sup>48</sup> James Rees, Rebecca Taylor and Chris Damm, [Does sector matter? Understanding the experiences of providers in the Work Programme](#), TSRC Working Paper 92, February 2013

<sup>49</sup> Pippa Lane et al, p19



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[evidence](#) to the Work and Pensions Committee in March 2011 that if a provider had won a contract based on a bid which included subcontractors from the third sector but had then not used them once the Work Programme began, he would remove the prime provider from their contract.<sup>50</sup>

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<sup>50</sup> Work and Pensions Committee, [Work Programme: providers and contracting arrangements](#), 8 May 2011, HC 718 2010-12, Qq173-4

## 9. Smaller suppliers and financial risk

DWP expected that organisations bidding to join the ERSS Framework would have an annual turnover of at least £20 million, in order that they can carry the financial risk associated with a programme based on payment by results. However, it appears that financial risk was being passed down the supply chain to Tier One subcontractors, as noted in the second report of the official Work Programme evaluation:<sup>51</sup>

This research found that almost all Tier One subcontractors were paid on roughly the same outcomes basis as primes or a modified version of this model (such as a higher attachment fee or ongoing attachment fees once these finished for the prime). Primes typically deducted a 10 to 20 per cent 'management fee' from payments made to Tier One subcontractors.

This was previously raised as a concern by the Work and Pensions Committee in May 2011, when it highlighted the risk to the financial viability of smaller suppliers should prime providers fail to pass on sufficient upfront funding.<sup>52</sup> The Committee's May 2013 report found that some smaller suppliers were indeed taking on considerable financial risks, while noting that "alleged imposition of unfair financial terms" does not come under the current remit of the Merlin Standard.<sup>53</sup>

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<sup>51</sup> Pippa Lane et al, [Work Programme Evaluation: Procurement, supply chains and implementation of the commissioning model](#), DWP Research Report 832, March 2013, p35

<sup>52</sup> Work and Pensions Committee, [Work Programme: providers and contracting arrangements](#), 8 May 2011, HC 718 2010-12, para 129

<sup>53</sup> Work and Pensions Committee, [Can the Work Programme work for all user groups?](#), 21 May 2013, HC 162 2013-14, para 153-67

## 10. Concerns over creaming and parking

The differential payments model, where harder-to-help customer groups attract higher levels of payment, is intended to discourage providers from 'creaming and parking' (focusing resources on easier-to-help individuals at the expense of those who are further from employment). DWP argue that in order to remain profitable, providers will have to engage with "substantial numbers of people well beyond the easy-to-help".<sup>54</sup>

The range of needs in each customer group means creaming and parking could still potentially happen within individual groups. The first report of the official Work Programme evaluation (published November 2012) commented on the possible occurrence of creaming and parking, but noted it was too early to draw firm conclusions:<sup>55</sup>

Definitive conclusions on this and other topics will await fuller information from the quantitative strands of the evaluation. However, the available evidence to date suggests that providers are engaging in creaming and parking, despite the differential payment regime. Providers routinely classify participants according to their assessed distance from work, and provide more intensive support (at least as measured by the frequency of contact with advisers, for example) to those who are the most 'job-ready'. Those assessed as hardest-to-help are in many cases left with infrequent routine contact with advisers, and often with little or no likelihood of referral to specialist (and possibly costly) support, which might help address their specific barriers to work. Alongside this, it is worth noting that some providers at least, took the view (perhaps surprisingly, given the design and remit of the Work Programme) that it was inappropriate for the hardest-to-help to be referred to their services at all.

In March 2014, Channel 4 News reported that further DWP-commissioned research had found creaming and parking to persist despite the differential payments model. The DWP research report had been completed in September 2013 but was yet to be published by the Department:<sup>56</sup>

The September 2013 report, two years into the work programme, suggests that "creaming" and "parking" are still significant problems.

The authors report "participants with health conditions and disabilities ... being seen less often and being offered less support than other groups."

The whole payment-by-results contract structure didn't seem to be doing what it was meant to do.

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<sup>54</sup> Public Accounts Committee, [Department for Work and Pensions: Work Programme outcome statistics, 22 February 2013](#), HC 936 2012-13, Q34

<sup>55</sup> Becci Newton et al, [Work Programme evaluation: Findings from the first phase of qualitative research on programme delivery](#), DWP Research Report 821, November 2012, p124

<sup>56</sup> Gary Gibbon, [Work programme needs more work](#), Channel 4 News blogs, 12 March 2014

The authors report “no clear relationship between an individual participant’s work programme payment group and the nature and intensity of support that participant received, which suggested ... that the differential payment regime was unlikely to have effectively mitigated creaming and parking.”

A lack of referrals to specialist providers, as discussed in section 6.2, may also reflect decisions by end-to-end providers to park some hard-to-help claimants. A study by the Third Sector Research Centre found that some providers saw parking “as a rational response to Payment by Results since a proportion of customers would always be very unlikely to get a job.” The study comments that the need to fund future provision from job outcome payments actually presents providers with an increased incentive to concentrate resources on some individuals, while parking others.<sup>57</sup>

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<sup>57</sup> James Rees, Rebecca Taylor and Chris Damm, [Does sector matter? Understanding the experiences of providers in the Work Programme](#), TSRC Working Paper 92, February 2013

## 11. After 2015

Referrals to the Work Programme will end in April 2017 – the procurement exercise to renew or replace them is expected to begin in Spring 2016. Payments to providers under Work Programme contracts are due to continue (in small amounts) into 2020/21. There will be larger amounts in earlier years after 2017 as 75% plus of current payments are sustainment payments for job outcomes gained in the preceding two years.<sup>58</sup>

In the Spending Review and Autumn Statement 2015, the Chancellor announced that the Government would be introducing a new Work and Health Programme after the Work Programme and Work Choice contracts end, to “provide specialist support for claimants with health conditions or disabilities and those unemployed for over 2 years”<sup>59</sup>

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<sup>58</sup> Personal communication with the Learning and Work institute

<sup>59</sup> HM Treasury, [Spending review and autumn statement 2015](#), p 37 para 1.129

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