The role of the third sector in contracted out employment services in the UK

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Part 1

A general overview of our research on the Work Programme

Our research

1. What do third sector providers do and is it different to what other providers do?

2. How have providers experienced the early delivery of the work programme?

3. What are stakeholders’ views of the value and distinctiveness of third sector provision?

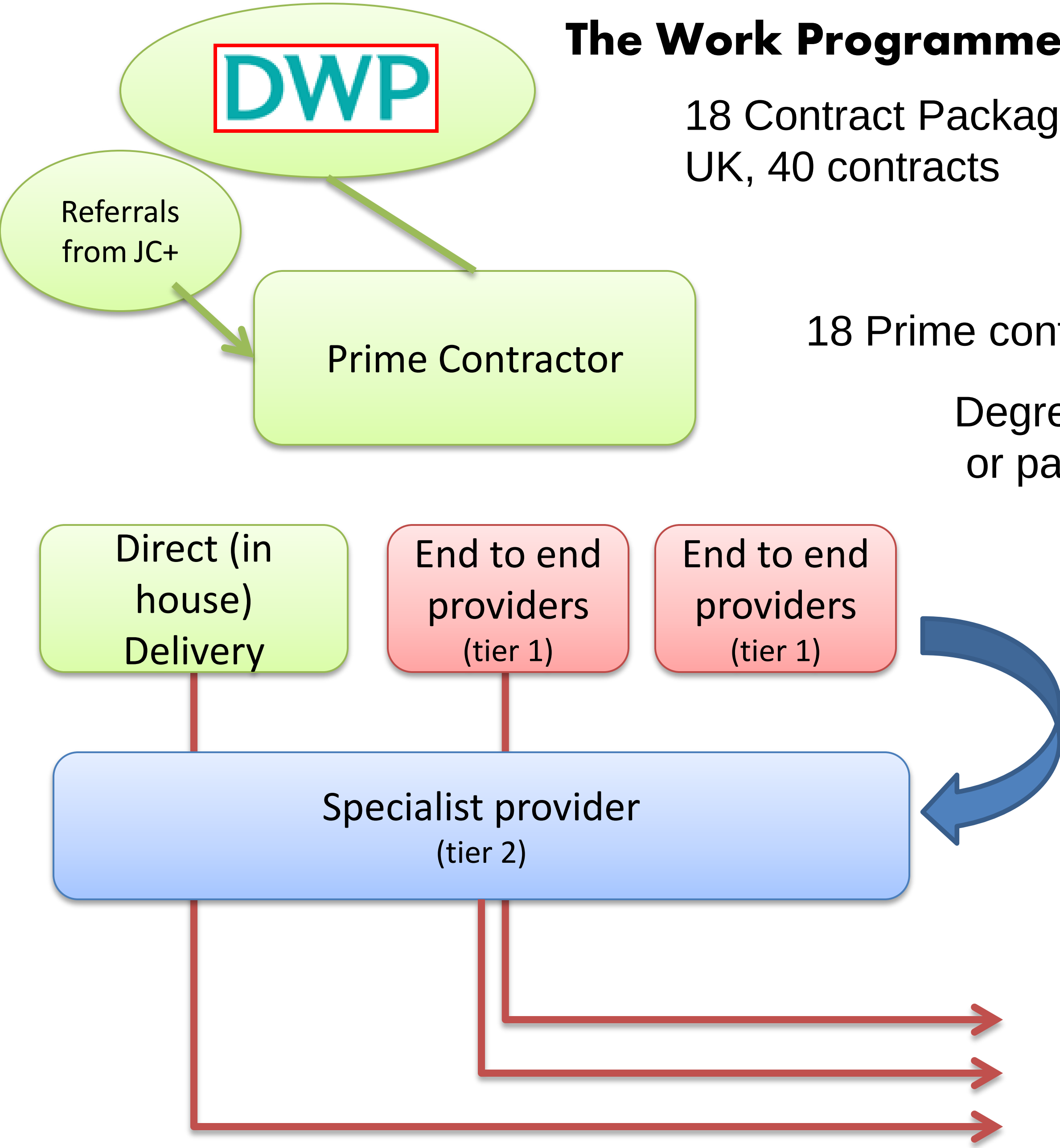
Methodology

- Evidence review; policy papers, literature, W2W evaluations – summer/autumn 2011
- Stakeholder interviews; sector infrastructure, w2w commentators, Primes – winter 2011/12
- Focus on 2 areas (CPAs) capturing different labour markets profiles and supply chain models
  - Subcontractor mapping, phone survey and focus groups; providers from all sectors in supply chains – March-May 2012
  - Subcontractor case studies, all sectors; May –June 2012

Evidence Review

- Published as TSRC Working Paper 70 (www.tsrc.ac.uk)
- Main themes:
  - A third sector ‘squeeze’ in commissioning;
  - Potentially unfair relationships;
  - The hardest to help customers could lose out.
- Consistent lack of evidence of distinctiveness of sectors

The Work Programme



18 Contract Package Areas (CPAs) covering UK, 40 contracts

18 Prime contractors (2 TSO, 1 Statutory)

Degree of referrals retained or passed to subs varies greatly

Estimated 19% delivered by TSOs (vs 30% rhetoric)

Partnership?
Or call-off contracts

Delivery / Job Outcomes

General principles / issues

- Differential payments, ‘customer groups’
- Payment by results, back-ended profile to reward ‘job outcome’ sustainment
- Price discounting
- Performance management, shift market share between primes

Complexities of the delivery model

- 2 main models of Primes:
  - – Specialist welfare to work providers (mix of direct delivery and subcontracting)
  - – Outsourcing specialists (100% subcontracted)
    - Plus non-profits (2) / hybrids
- Tier 1 (end to end, typically national TSOs)
- Tier 2 (specialist, call off contracts, 75% of TSOs)
- Issues for providers heavily influenced by ‘flows’ of clients into system

Part 2

Some emerging findings from the stakeholder interviews

Discourses of distinctiveness

- TSOs saintly and special
  – Closer to communities and customers- more established, reach, trusted and engaged
  – Motivated by mission not profit - person centred holistic work supporting the hardest to help, ‘its in our DNA’ vs ‘chasing the money’, specialist vs generic provision
  – some Primes had borrowed this language - legitimacy
- …Or unprofessional and naive
  – not ‘commercially minded’ or entrepreneurial, ‘a big challenge’ for Primes, Not outcomes focused

Structural distinctiveness

- Third sector organisations seen as structurally distinct
  - Smaller in size, differently constituted, less able to access capital,
- But others found third sector orgs difficult to define…
  - No absolute definition - ‘I don’t think you can start with any a priori arguments’
  - Organisational hybridity and isomorphism render sector less relevant than other factors…?

Are any work programme issues sector specific?

- Financial risk of being a contracted provider
  - All providers but degree differs
- Flows not as expected (complex welfare changes)
  - Impacts mainly on Tier 2 – TSOs, private and public sector…
- ‘Creaming and Parking’ within customer groups
  - All providers - Model (pbr) encourages convergence of approaches…?
- Programme failure
  - Risks to all orgs but specifically those for whom the WP is main source of income

Conclusions

- Sector is not a key explanatory factor in the work programme – it is intersected by size, 'tier', Prime (strategy and practice)
- Provider experience of programme very variable: not easy to read-off from sector or organisational position
- Isomorphic pressures and hybridity – blurred boundaries between sectors
- Discourses around sectors value and distinctiveness but difficult to evidence…
- Third sector language of ethos and mission have currency across sectors – denotes legitimacy?
- Has ramifications for public, policy and academic debates about diverse provision

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