

## **A MIOIR Case Study on Public Procurement and Innovation**

# **The DWP Work Programme - the Impact of the DWP Procurement Model on Personal Service Innovation**

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This is a case study of the UK government's Work Programme procurement process between 2011 and 2012 and is part of a larger Manchester Institute for Innovation Research Project on Public Procurement and Innovation, Underpinn funded by the ESRC/BIS/NESTA/TSB.

A House of Lords Report confirmed the importance of commissioning and procurement in capturing and embedding innovation; however, it also raised doubts about innovation procurement practice and the competence of procurers. Innovation policy is rarely underpinned by empirical research and is usually based on policy assumptions that all innovation procurement can be managed through conventional, top-down function institutional processes in a controlled and predictable fashion. Evidence suggests that public service innovations, such as personalised services for claimants, are less easy to *take to scale* through procurement. As the Department of Work and Pensions (DWP)'s Work Programme is one of government's key reforms and involves a huge, national *out-sourcing* process it is an obvious choice for a case-study on public procurement and service innovation.

The study draws on the views and experiences of relevant stakeholders and the impact of the Work Programme's two-tier procurement model on the capacity of companies to deliver personalised services to long-term claimants. It draws attention to the dynamics of the supply chain, the impact of financial of incentives to prime contractors, government's innovation strategies and business model. While it is too early to evaluate the Work Programme in terms of exact costs savings and numbers of long-term claimants returning to work; it is clear companies are finding returning claimants to work more difficult than anticipated, given the recession and paucity of jobs. Supply chain organisation and feedback suggests that locality commissioning might better deliver the web of relationships that underpin service innovation, especially within a context of financial Austerity.

The study is based on detailed interviews with DWP senior officials and procurement teams, local government officers, consultants, directors and board members of specialist suppliers and prime contractors.

The author would like to thank all interviewees and Jillian Yeow for their contribution to the research.

## 1. The DWP Case Study in Brief

There is across Party political support for Welfare Reform,<sup>1</sup> and the government introduced the Work Programme in June 2011. This was the latest of a long-series of welfare reforms; only controversial because mandatory for all long-term claimants. The Work Programme is complex and was the result of a merger of previous programmes. It is underpinned by multiple policy objectives:-

- A rationalization of government procurement and consequent efficiencies
- Personalised (innovative) services to ease long-term claimants into work
- Cost savings for by a reducing in the number of claimants

The government devised the commissioning framework to transfer financial risk from the taxpayer to the prime contractors and to incentivise innovative (personalised) service delivery through a ‘*payment-by-results*’ system. A *two-tier* procurement model of prime and sub-contractors was designed to both rationalize supply through a reduced number of prime contractors and give freedom to sub-contractors to stimulate service innovation. The model is neat and intended to give specialist sub-contractors the freedom to develop personalised support for vulnerable, long-term claimants<sup>2</sup>. The WP model is distinctive in that it incentivises social outcomes by a system of tapered payments, the majority being paid to prime contractors after claimants have stayed in a job for over three months. This sounds like a perfect model but is it working in practice? Early findings show that<sup>3</sup>

- Companies are finding supporting long-term claimants into work difficult within the recession, the figures remained static at around 442,000.
- There is a tension between delivering service objectives and achieving efficiencies wired into the model - the ‘two-tier’ model incentivises the larger primes and their relationships with central government rather than specialist suppliers and their inter-agency working at the local level.
- DWP commissioners are awarding contracts to the primes primarily on the basis of their financial assets and capabilities, service innovation capabilities secondary .
- Government policy of *marketization* and *payment by results* do not appear to be sufficient levers for *personalized service innovation*.
- WP could be transformative if medium sized suppliers were awarded contracts to develop local, horizontal, and relationships with both claimants and with employers.
- Devolved funding to local partnerships could better forge and sustain a closer connection between the needs of claimants and employers given the state of the labour market.
- There is too little alignment between DWP and locality partnerships.

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<sup>1</sup> One eighth of all public expenditure in the UK is on welfare benefits 2012.

<sup>2</sup> Radical Efficiency; different, better, lower cost public services. Sarah Wilkinson, Matthew Horne & Peter Baeck. NESTA research paper, June 2010

<sup>3</sup> The Guardian June 21 2012, Zoe Williams ‘Stakeholders and CEOs are benefitting from outsourcing’.

## 2. Welfare Reform and Government public procurement policy

### 2.1 Government Commissioning Policy Context

Across the OECD world the **public procurement of innovation** is becoming central to **innovation policy** as the mechanism by which governments can move from direct public sector service delivery to strategic commissioning and increased outsourcing of products and services (Marketization). Public procurement in the UK is regarded as advanced by other European countries, although, financial austerity has stalled its momentum. Since the financial crisis public procurement has become more focused on efficiencies and financial savings rather than on service innovation; and there is limited research on the impact of government's procurement processes on public service innovation in particular.

In March 2008 the Department for Innovation, Universities and Skills (DIUS), published a White Paper on Innovation '*Innovation Nation*' that drew attention to innovation in the public sector and to the role of government in stimulating innovation through commissioning and procurement<sup>4</sup>. Former Labour governments wanted public commissioners to respond to social innovation and the growing market of innovative suppliers, who complained about public procurement practices and the attitudes of procurers. Public commissioners were asked to stimulate a social market of more innovative service providers and make contracting processes more flexible.<sup>1</sup> DeAnne Julius's report (2008) for the former Department for Business, Enterprise and Regulatory Reform on the government's commissioning of public services reports that

*“Public sector commissioning is often inflexible.... Which stifles innovation over the course of the contract and, in the worst cases, may jeopardise its overall success.....in addition the costs of bidding are rising within an increasingly complex commissioning process<sup>5</sup>*

After the general election in May 2010, the Coalition government set up a Cabinet Office Efficiency and Reform Group and Government Procurement Services that replaced the Office of Government Commerce (OGC). Francis Maude became the Cabinet Office Minister responsible for '*Efficiency and Reform*' within the Cabinet Office, which had two objectives; to make government more efficient and to radically reform public services.<sup>6</sup>

*Step change is needed to ensure efficiencies are ensured ... to enable a culture change within government procurement and specific actions will be taken to renegotiate central contracts.*  
Cabinet Office website 2012<sup>7</sup>

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<sup>4</sup> Innovation Nation DIUS/BIS Whitehall Paper on Innovation.

<sup>5</sup> Understanding the Public Services Industry: How big, how good, where next? A review by Dr. DeAnne Julius <http://www.berr.gov.uk/files/file46965.pdf>

<sup>6</sup> It is this objective of transforming public services and shifting power from producers to the public that connects to public service innovation, although the term public innovation is never explicitly mentioned in any Coalition Cabinet Office statements, after 2011.

<sup>7</sup> [www.cabinet-office.gov.uk/efficiency](http://www.cabinet-office.gov.uk/efficiency) and reform April 2012

Ministers in the Cabinet Office and No. 10 report that they want small business (SME) to have much better access to public procurement and the Cabinet Office introduced a procurement pledge to suppliers of their commitment to improving procurement practice, their pledge is to:-

- provide greater certainty of future demand to potential providers, including SMEs<sup>8</sup>
- help providers meet future demand & develop supply chain capabilities
- open door policy for business to develop relationships with future providers
- simplify and streamline procurement processes
- back UK business when bidding for contracts overseas.<sup>9</sup>

The government's 2010 Comprehensive Spending Review reinforced a political commitment to delivered social outcomes through public procurement and necessary incentives.

*The Government will pay and tender for more services by results. The use more innovative payment mechanisms will be explored. ... This builds on payment by results in welfare to work; and the Government will look at setting proportions of appropriate services across the public sector that should be delivered by independent providers, such as the voluntary and community sectors and social and private enterprises.*

All political parties have been influenced by the social innovation movement and want to contract with those companies (social enterprise, mutual etc.) that have demonstrated the capacities to deliver personal, service innovation. The Public Service Social Value Act (2012)<sup>10</sup> promoted by social enterprise puts social outcomes at the heart of public procurement. There is a tradition of securing added-value from public procurement in the UK; local authorities have had the power of 'Well-Being' for some time and their powers are extended by the Localism Act (2012). The question is whether the assumptions about commissioning and procurement are the fit for diffusing or taking service innovation to scale?

### **2.3 Department of Work and Pensions, the Work Programme**

The Department of Work and Pensions was created when Social Security, Education, Employment and Employment Service Departments merged in June 2000 to become one of the biggest government departments, employing over 100,000 people and responsible for one eighth of all UK public expenditure. DWP scored highly in the Office of Government Commerce (OGC) Procurement Capability Reviews (PCR 2010) reported that the DWP's IT strategies were "*ground-breaking, innovative and efficient*" generating savings of £1.5 billion between 2005 and 2010, enabling the Department to achieve its Gershon targets. It was therefore unsurprising that DWP was seen as the government's favoured department and flagship for 'process' innovation and that Welfare Reform

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<sup>8</sup> The government is using direct awards to help SMEs gain access to supply chains and a cabinet office, official reported that this was driving some change in those departments where the transformation of procurement practices was being taken more seriously. However, few officials encourage Direct Awards and many think that the EU rules disallow them.

<sup>9</sup> [www.cabinet-office.gov.uk/procurement](http://www.cabinet-office.gov.uk/procurement). June 2012

<sup>10</sup> Social Value Act 2012 explained A Rocket Science Research report: from Best Value to Social Value, July. [www.rocketsciencelab.co.uk](http://www.rocketsciencelab.co.uk)

was one of the most significant pieces of reform for the government. In order to attract all Party support for the Work Programme, Iain Duncan Smith, the Secretary of State for DWP commissioned John Hutton (a former Labour Minister) to devise a business model that would meet the below requirements

- help the most vulnerable, long-term claimants back into the labour market
- rationalize the procurement process and number of key suppliers
- transfer the financial risk of delay from the taxpayer to companies
- devise results-based incentives for suppliers

The government awarded DWP £5 billion to deliver the Work Programme -

*The Work Programme will provide greater freedom for suppliers to give people the support they need rather than prescribing one-size-fits-all programmes..... We will also offer stronger incentives for delivery partners to work with the harder to help, paying out of the additional benefits they realised as a result of placing people into work.  
DWP Website, Dec 2011*

*If we could find a way of using the private sector to take more risk in the public sector for good social outcomes it would a great step forward, I would not suggest that we take large tracts of the public service would be put over to those contracts. It is for those areas that require intense intervention. The Work Programme is the biggest by far<sup>11</sup>.  
Jeremy Heywood, Cabinet Secretary 2012*

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<sup>11</sup> Cabinet Secretary call for kite marks. Patrick Wintour in the Guardian. March 2012

### 3.0 The Work Programme – How it works.

#### 3.1 The Delivery of welfare services

DWP services are delivered through a number of government agencies, the most significant being Job Centre Plus and the Pension and Disability Carers Service. Claimants are filtered through Job Centre Plus offices. Every adult over 25 who has been on JSA for longer than 12 months was to be allocated to the Work Programme. In addition all long-term claimants on incapacity benefits (IB) are to be reassessed and allocated to one of three categories –

- eligible for benefit (incapable of work)
- borderline and put on support training and Employment Support Allowance
- eligible for work and or training and allocated to the Work Programme

The government wanted to transfer financial risk to fewer prime contractors, previously DWP dealt with over 700 companies now they contract with 18 primes. The government decided not to publish results until the programme has had 18 months to bed down when the evaluation by the *Centre for Social Inclusion* will begin.

#### 3.2 The Business Model

The aim of the WP is to ease long-term claimants back to work through bespoke personal support. The result was the *two-tier* business model of ‘prime and ‘specialist’ sub-contractors where the primes were to be incentivised by tapered ‘*payment on results*’.

*The programme allows DWP to contract with a smaller number of Prime contractors; who have the responsibility for sub-contracting at the local level. ...The Primes will be held to account for the quality and effectiveness of the sub-contractor’s work. There is a lot of flexibility for the prime contractors some are reinforcing local contractors..... .....others are not taking up this opportunity. Adam Sharples, DG DWP Employment Programmes (until Sept 2011)*

KPMG helped DWP work on cost structures, targeting resources and claimant groups, finding inefficiencies and how to incentivise better outcomes. They analyzed, costs, the supply market, created shadow bids and ‘in-house’ modelling prior to awarding contracts. The resulting WP model assumes that if claimants move into work the government saves money that could be spent on benefit payments. DWP can claim savings to part-fund the payments made to providers. At the end of 2011 DWP will make the first attempt to draw down on that money.

*This has never happened before and the Treasury are nervous about it (DWP official)*

Ultimately, the effectiveness of the DWP business model is dependent on government finances, the economy, the commissioning framework design and internal capabilities. Currently, a government department is funded in two ways, through DEL money (department expenditure limit), which is an allocation of funds that departments can manage themselves and the AME (Annually Managed Expenditure) such as pension payments. Government departments find it difficult to manage AME because it’s subject to external economic factors, e.g. a recession increases your AME expenditure.

### 3.3 Selection of the Prime-Contractors

DWP selected eighteen prime contractors and allocated two or three to each region or city region (See Appendix Two). Most of the Primes have more than one regional contract; the maximum number of contracts for any one company is seven. The Primes were awarded seven year contracts to ensure service innovation. The criteria for contracts awards are companies'

- Financial capability and assets
- Experience in personalised service delivery
- A willingness and ability to collaborate with DWP, Local Authorities etc.

### 3.4 Incentives and contractual arrangements

DWP pays the prime contractors through tapered payments and a pricing schedule that reflects the difficulty of helping long-term the claimant back into work. After the Jobcentre Plus refers the claimant to the prime contractor, the latter receives an initial payment (attachment fee) of around £300-400 per person depending on the claimant group. If that person finds a job between 3 weeks or 26 weeks another payment is made of around £1200. Prime companies receive further payments for every consecutive month of employment. For example, if the claimant had been on incapacity benefit (IB) and they remain in work for two years, then the supplier could receive payment for up to 2 years, which gives a total maximum payment for an ex-IB customer of £13,500. The maximum payment for returning JSA claimants into work is closer to £4500. DWP tapers payments on the basis of how long a claimant remains in work.

DWP had originally expected results after 6 to 12 months, this timescale proved unrealistic and the expected time for social outcomes was extended to 18 months. The primes are currently negotiating for an even longer product cycle of 24 months, arguing that the current economic environment made return to work difficult for many long-term claimants and is very difficult for younger people.

Although, primes agreed to carry the risk of non-payment for some months, small charities and social enterprise do not have the assets to do this and financial incentives are not passed on to them, many of these are suffering cash-flow problems and a growing problem across the country. In Cornwall the local social enterprise network reports that the programme's delay in payment is the reason why smaller charities are withdrawing as sub-contractors.

### 3.5 Operational Figures

3-3.5 million people make a claim for job seekers allowance (JSA) every year; approximately 10% of these claimants are allocated to the Work Programme: now mandatory for all adults. Official figures<sup>12</sup> show that 370,000 long-term claimants joined the Work Programme in the first three months far more than projected by July 2012 this figure was 519,000.<sup>13</sup>

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<sup>12</sup> Guardian 22<sup>nd</sup> 2012

<sup>13</sup> DWP statistics. <http://research.dwp.gov.uk/asd/index.php?page=wp>

DWP expected a rise of 83% of claimants in 2012 and a further rise of 71% in 2013<sup>14</sup>, however, the recession and increase in joblessness in 2011 put pressure on the Work Programme making it increasingly difficult to predict claimant numbers with unemployment rising and job vacancies contracting.

DWP had originally estimated that the WP could return 40% of long-term claimants back to work, however, in February 2012 the NAO estimated that more likely the programme would support 25% of long-term claimants back into work.<sup>15</sup> In fact July figures report that only 24% of claimants had been off benefits for over 13 weeks indicating slow progress.

An additional pressure on contractors is that the numbers of claimants or job seekers placed with sub-contractors had reduced dramatically to a trickle because of the large number appealing decisions. The assessment process has been contracted-out to ATOS who are challenged by 40% of claimants who fail their assessment, 50% of these are winning their appeals according to MIND<sup>16</sup>, who also report that those with severe mental health problems are suffering considerable distress because of their anxieties about the assessment process.<sup>17</sup>

## **4.0 DWP Innovation Strategies**

### **4.1 DWP Innovation Objectives**

The Work Programme aimed to reduce the number long-term welfare claimants through a rationalization of the DWP procurement process and financial incentives such as '*payment by results*' to ensure the procurement of personal service innovation. However, the government was also seeking significant savings from the programme and its innovation strategy would have to support service, process and financial innovations. The question addressed in this case is whether far the Work Programme's procurement-model and innovation strategy have generated the service innovation necessary to return long-term claimants to work.

### **4.2 DWP Innovation Strategy**

Government departments are institutionalized and are not known for their innovation; by contrast the Department of Work and Pensions is viewed by politicians as an innovative department that has embraced new technologies, business processes and driven efficiencies and responsiveness. However, it is also highly controlled and functional and demonstrates an innovation model that is top-down (vertical) and determined by the DWP rather than locality needs and changing market conditions.

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<sup>14</sup> Guardian on Feb 1<sup>st</sup>2012

<sup>15</sup> Public Accounts Committee: Support to incapacity benefits claimants through Pathways to Work <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpubacc/404/40402.htm>

<sup>16</sup> Welfare Benefit Updates from MIND <http://www.mind.org.uk/publications>

<sup>17</sup> Reports from clinicians personal communication



The Work Programme innovation strategy articulated by officials is influenced by the business model developed by large retailers to drive efficiencies through constant feedback from customer sales. This innovation model is essentially logical and technical and driven by a corporate strategy and digital technology and is known within DWP as the TESCO based on:-

- high volume sales, turnover and profit-margins
- commitment to service quality and choice
- consistency between outlets suppliers across the country
- an expansionist business model

This model leads to a particular type of procurement that is

- highly centralized
- consistency of suppliers
- ability to predict demand
- standardized
- corporate, procurement systems

This model assumes that if procurement were devolved to local outlets the following would happen, there would be a -

- massive duplication of procurement staff, costs and contract
- absence of supply chain management
- patchy quality assurance
- inconsistency between stores (job centres)

DWP made the assumption that the TESCO model was a good fit for the WP and that service innovation and efficiencies could be managed through the same business model. They gave companies the freedoms and flexibilities to work in any way that they thought would deliver results; they were encouraged to deliver service innovation, given long-term contracts (7-9 years), tapered financial incentives to achieve social outcomes and no guideline on how to manage sub-contractors or staff through the Black Box approach.

## **5.0 The Impact so far**

Whether the WP will prove value for money is too early to say however, the capacity of the primes to deliver the sort of personal services to long-term claimants is varied, especially with young claimants and those who have been out of work for over two years. A NAO report published in January 2012 commented that while the WP timeframes for results was unrealistic given the rise in unemployment and the limited number of jobs, the system appeared to be working.

### 5.1 DWP process innovations

Many WP processes change appear to be improvements rather than innovations such as: -

- Payment by results
- Reductions in the numbers of prime contractors
- Tapered financial incentives
- The Merlin Standard, the DWP quality assurance scheme

More innovative changes include:

- Treasury repayments to DWP of some savings to the department as an incentive to policy-makers.
- The transfer financial risk from the taxpayer to companies – however, like many financial innovations may later be problematic for the taxpayer, by trading financial risk for a loss of governance.

### 5.2 The Employment, Unemployment and Claimant Figures

The Work Programme was devised to be an improvement on previous programmes in terms of its capacity to return long-term claimants to work. Yet, the first figures for the WP were also published in July 2012<sup>18</sup> and show that since June 2011 591,000 people have been taken on the WP and companies paid initial attachment fees for them, out of this number only 24% remained off benefits for over 13 weeks. While the employment figures released in July<sup>19</sup> show a fall in unemployment by 65,000 and a slight increase in jobs, 6,100 new people enrolled on Jobs Seekers Allowance and the number of long-term claimants rose by 441,000, the highest figure since 1997. Unemployment of 18-24 year olds decreased slightly, although 21.9% of younger people remain unemployed.

DWP analysis of the figures shows some regional variations among different types of claimant groups. The following week, quarterly unemployment figures were released with showed an increase in jobs (largely in London due to the Olympics) and a slight fall in unemployment; however, they also showed an increase in the number of people on JSA and an increase in the number of people who had been unemployed for over two years.

### 5.3 DWP response to initial impact

Senior DWP officials responded unenthusiastically to the findings published in July 2012. They recognised that the recession was playing a large part in making the programme slow to produce savings and a reduction in claimants' numbers<sup>20</sup> but they also expressed frustration with the performance of contractors and their lack of innovation. The DWP lead said that companies would have to improve their performance over the next year and in particular improve their relationships

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<sup>18</sup> <http://research.dwp.gov.uk/asd/index.php?page=wp>

<sup>19</sup> Financial Times 19<sup>th</sup> July

<sup>20</sup> Alan Cave CESI conference July 2012 Birmingham

with local authorities and labour markets. When asked whether ‘Black box’ approach would remain, he replied “*yes, definitely*” but that initial payments to prime contractors would be reduced.<sup>21</sup> Some local agencies are withdrawing from the WP because they do not see how they can work with claimants in the way that they think will lead to results within the current DWP supply chain and time-frames. The Primes are worried by the state of the labour market, which makes it difficult for them to deliver the outcomes specified. The response of some companies has been to increase their reporting of non-compliant claimants to DWP asking for a cut in benefits in ever increasing numbers. Capgemini referred the most cases (11,910) of which DWP cut 6,210, A4e referred the second largest number (10,120). This is worrying as the whole point of the procurement process is that companies support claimants back into work.

#### 5.4 Work Programme Supply Chains Information Sheet at 30 January 2012

The most recent stock take by DWP shows the balance between supplier ownership and the proportion in the supply chain – however, it does not show their status in the supply chain

Sector	Number of Organisations		Proportion of Supply Chain	
	30 Jan	12 Aug	30 Jan	12 Aug
Private	306	295*	36%	35%
Public	137	133	16%	16%
Voluntary or Community (VCS)	412	420*	48%	50%
<b>Total</b>	<b>855</b>	<b>848*</b>		

Tier	No of Opportunities		Number of VCS opportunities		Proportion of Supply Chain	
	30 Jan	12 Aug	30 Jan	12 Aug	30 Jan	12 Aug
1	387	375	168	170	43%	45%
2	980	990*	515	523*	53%	53%
<b>Total</b>	<b>1,367</b>	<b>1,365*</b>	<b>683</b>	<b>693</b>	<b>50%</b>	<b>51%</b>

This information was correct as at 30 January 2012. A further stock take is planned for July 2012 and every 6 months thereafter. Simply adding the organisations in the supply chains and tiers for each Prime contract will give a falsely inflated total. There are numerous not take account of the many third sector and specialist organisations used to provide ad hoc services to meet individual claimant needs

<sup>21</sup> Alan Cave DWP at CESI Welfare to Work Convention, July Birmingham 2012

## 6. Supply Chain Issues

Interviews with stakeholders <sup>22</sup>illustrate common supply chain issues:

### 6.1 DWP perspective

The political desire for the Work Programme to be put into place quickly resulted in it being rushed (award to delivery 10 weeks). The procurement model appeared to have a neat logic to it, delivering targets of savings and service innovation through a two-tier system. It reduced number of large prime contractors and transferred financial risk to them from the taxpayer while devolving the responsibility for service innovation to sub-contractors.

The Work Programme has caused unease even among its own officials that a lack of strategic commissioning, inter-departmental working or cross- government commissioning equivalent to the previous government's Total Place Programme.<sup>23</sup> Former, employment officials within DWP<sup>24</sup> recognized that service personalisation would be dependent on a complex, web of relationships within localities. The DWP co-design pilot evaluators came to similar conclusion, that getting claimants back into work depended on local relationships and responsive job centre staff.

However, there is little appetite for Work Programme regulation or devolved budgets within DWP. The attitude of senior government officials continues to be an obstacle to serious debate about devolved commissioning and budgets. Few take devolvment seriously. One senior DWP civil servant thought officials were fearful of devolved budgets because devolvment would diminish the status of the department. Self-preservation is that the heart of a departmental resistance to locality innovation strategies.

### 6.2 DWP procurement team

The procurement process relies on good relationships across the supply chain. The DWP Sheffield-based procurement team appeared to be responsive to primes and sub-contractors. They regularly review capacity, mediate between suppliers and encourage relationships with the labour market. A governance and quality assurance framework called MERLIN has been piloted within the WP to embed better practice and relationships across the supply chain. Merlin reports are published. If companies fail assessments they could suffer reputational damage and penalties, although DWP is likely to only close a contract as a last resort given the costs involved.

### 5.1 Specialist Sub-Contractors

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<sup>22</sup> A full list of interviewees in the Appendix Four

<sup>23</sup> The Total Place Programme, HM Treasury, London (2009) <http://www.localleadership.gov.uk/totalplace>

<sup>24</sup> Interviews with DWP DG and senior officials

Most sub-contractors are small businesses, local charities or social enterprise with few assets and many are reliant on government contracts.<sup>25</sup> These sub-contractors had common complaints and some are withdrawing from the programme because: -

- \* Many sub-contractors and specialists felt squeezed between prime contractor demands and DWP's desire for service innovation i.e. working intensively with people. Some said that they had anticipated which was why they been doubtful about becoming a WP contractor.
- \* WP is not structured to tackle long-term unemployment in rural areas where new jobs are rare. In Cornwall EU Convergence money is being used to develop jobs, training, and relationships and motivate vulnerable, unemployed people.<sup>26</sup> The supply chain in the County is three-tier but integrated through a social enterprise consortium.
- \* Sub-contractors reported that being registered as a sub-contractor with prime contractor did not ensure work – even locality consortia with a range of suppliers reported that primes did not necessarily give them work.
- \* Those experienced in service innovation with vulnerable people were doubtful that primes' had the experience and leadership to protect the 'safe-space' and time that personal service innovation demands, and that there is a tension between business model and personalisation service innovation.
- \* Smaller contractors continue to complain that prime contractors are poor at communicating with them, which is hampering service innovation with people with complex needs (ex-offenders, with mental health problems or families with history of unemployment).
- \* The chair<sup>27</sup> of one sub-contractors reported that they withdrew from initial award process to become a prime because they could not reduce their costs by the 8% as the larger companies were doing to win 'prime' contracts from DWP.
- \* Financial incentives are not passed on to subcontractors – even though they are carrying the risk of delay in payments, some for over a year, this is resulting cash-flow problems.
- \* Some specialist providers thought locality commissioning would stimulate more creative relationships between training providers, business and work programme contractors and suppliers.

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<sup>25</sup> Communication with Greater Manchester Centre for Voluntary Organisations, Chief officer 2011, November

<sup>26</sup> Mid Cornwall Social Enterprise Consortium co-ordinates level one and two suppliers, such as the Eden Project, IDEAS, Fifteen and Paragon ( Prospects) who work together to support personal development and job creation within the county. This is only possible because of EU Convergence Funds funding.

<sup>27</sup> Matthew Taylor CEO of RSA & Chair of Pinnacle People. April 2012

- Most stakeholders endorse *outcome-based commissioning* and *payment by results* but many that they are not often put into practice.<sup>28</sup>
- A major problem of *payment by results* is that smaller specialist suppliers do not have the equity to wait for a year for payment - the current system is causing cash-flow problems and even bankruptcy for some small suppliers.

The above frustrations are worrying for DWP commissioners because they are voiced by so many agencies around the country and because both the primes and DWP are reliant on specialist sub-contractors to deliver the personalised service innovation. Many of the social enterprise sub-contractors were the very agencies that alerted politicians to personalised services as a way of returning vulnerable people back to work in the first place. Sub-contractor, cash-flow problems are growing. A suggestion to remedy this was for ‘credits’ to be introduced as a payment mechanism for SMEs that would ensure that specialist sub-contractors remained within the programme and stem the gearing within the procurement system towards larger companies.

### 5.3 Prime Contractors.

Interviews were conducted with directors with prime contractors such as A4e, SERCO, 4GS, Paragon Consortium (2<sup>nd</sup> tier) for Prospects and more informal conversations were held with Reed, Ingeus and medium sized companies. Primes are very different companies in terms of their experience but the comments below are common and reinforced by many in the supply chain.

- All prime contractor directors welcomed *outcome-based commissioning & payment by results*.
- They said that while they were committed to getting claimants back to work delivering the social outcomes during a recession difficult.
- Many also reported that there was not enough finance in the system for delivering results with the most vulnerable long-term claimants, because it is such a lengthy and unpredictable process.
- The volume of work expected at the on-set has not materialised, due to the current ESA assessment process & the unpredictability of claimant volumes.
- Some had good relationships with sub-contractors others reported being squeezed in between DWP and specialist organisations.
- Some were cutting corners and putting pressure on sub-contractors, sending job seekers as volunteers to third sector volunteer centres with no payment attached<sup>29</sup> and were reporting more claimants for poor attendance.
- ‘Gaming’ was also evident, such as over-claiming results (A4E) and exaggerating relationship building (various).

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<sup>28</sup> Guardian report of a recent case against A4e staff who were paid by DWP for results which were not real Feb 22 2012

<sup>29</sup> Guardian report case against A4e staff who were paid by DWP for results which were not real Feb 22 2012

- The DWP team were anxious that supply-chain knowledge exchange would be difficult given commercial sensitivities. However, prime contractors report that they already meet to discuss market fluctuations. *“When we bidding we may be competitive, the rest of the time we’re very collaborative.”*
- Primes are sub-contracting with each other (Maximus and CDG).
- Many directors reported that the government was too focused on the capacity and performance of suppliers and were not paying enough attention to government’s siloed funding streams, strategic commissioning and inter-departmental working.

They pointed to the fact that various government departments <sup>30</sup>were funding companies to work with the same vulnerable people demonstrating a lack of cross-government working.

*We see integrated local services and relationships with local authorities as the future. DWP could support more innovative services by pooling their resources with other departments and leaving commissioning to local partnerships that are better placed to purchase integrated services. There are savings to be made from joint commissioning by government depts. - At the moment four or five depts. including DWP are funding back to work schemes and opportunities for vulnerable adults. SERCO executive, former director of education*

Directors challenged the DWP belief that civil servants were better able to identify innovation gaps and innovative suppliers. Many thought that innovation strategies should be linked to locality economic strategies and locality commissioning encouraged.

*The Cornwall Works programme has been a national exemplar for this 'single purse' approach where the support has been tailored to the individual and aligned with local economic development, skills and labour market strategies. Indeed, the Convergence ESF programme is an example of such a strategy that is geared to a commissioning approach from local suppliers. This has proved highly successful and the Cornwall programme is acknowledged as the most successful ESF programme in the country. Head of economic development, Cornwall CC 2012*

Most were doubtful that the procurement model and current funding were adequate for working with the most vulnerable, long-term claimants and that there was a need for more differentiation between claimants. Older claimants report that the model works better for younger people with fewer skills than it does for those over 40 who have experience and might be better advised to start their own business rather than wait for low-paid, part-time jobs to be created. In other words those who are easy to place in work are returning to work and those who are more difficult are not.

Primes are working closely with national companies recognising that their relationships with employers is critical to achieving results. For instance, C-Text trained claimants for the Olympics; they’ve harnessed an extra £1m and are managing the relationships. At the moment it is the supplier’s choice as to whether and they invest in jobs at the local level or nationally. DWP viewed this activity as an encroachment into Job Centre Plus territory in the early stages, now they are encouraging primes and sub-contractors to engage locally in the labour market. Prime contractors are valuable resource business intelligence within the supply chain but they

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<sup>30</sup> SERCO has contracts with the MOJ, HO, DH, BIS, and DWP and DCMS as well as many local authorities.

are also criticised by DWP for not being active enough in developing relationships with local authorities.

Primes felt that they were much maligned in the press whilst also acknowledging that the management problems associated with A4a and G4S were common across WP companies. Reports of incompetence by companies managing huge public contracts and providing out-sourced services to government are increasing. Many companies have grown too fast and have huge turnovers of billions of pounds and provide a range of services that they lack expertise in. DWP was heavily criticised by Margaret Hodge, Chair of the Public Accounts Committee<sup>31</sup> in February 2012 who said that A4e should have their contracts suspended after four former staff were found to have made fraudulent claims about the numbers of people they had returned to work. Many of the Primes have multiple contracts with DWP and other department in excess of £200 million, A4e have over £200m worth of contracts with DWP along. Primes are themselves doubtful that the current contracting process is value for money- especially, when investment in stimulating jobs could be a better intervention in the current climate.

The capacity of company directors to commission innovative services from sub-contractors is varied. Those directors previously employed by local authorities appeared more aware of the complexity of the relationships between government and local public services and were more critical of the government's lack of departmental funding alignment and poor inter-departmental collaboration.

## 7 Systemic Analysis

Early findings suggest that the WP procurement model works against the grain of service innovation (personalisation) in favour of efficiencies. Many interviewees agreed that gearing of the WP procurement process towards large companies was undermining the innovative, social enterprise that government wanted to support. The lowest bidders such as SERCO, G4S Capita, etc. won the original contracts on the basis of price and the size of their financial assets and turnover. Even medium sized companies cannot afford to bid for the prime contracts.

In spite of government support for social enterprise and *mutuals*<sup>32</sup> the WP procurement award system favours companies with sizeable financial assets to carry the financial risk of the delayed results. It would appear that the innovation strategy based on marketization and the transfer of the financial risk of working with vulnerable people is becoming more problematic for government and the companies involved. Specialist suppliers are carrying the risk of non-payment and the responsibility of the more difficult service innovation: and the primes are reacting to WP dynamics in a context of too few jobs and too many '*difficult*' claimants by asking the Job Centres to stop the benefits of those not complying with the programme. This is a real departure from delivering public service innovation.

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<sup>31</sup> Margaret Hodge, Chair of the Public Accounts Committee – 23 Feb 2012 reported in the Guardian 24/02/12

<sup>32</sup> Francis Maude, Cabinet Office announcement on policy to support *mutuals*, 12<sup>th</sup> August 2012



Many of those interviewed thought that the energy of well-intentioned people was wasted because their efforts were being squeezed into a procurement model that is too corporate and formulaic. The *black box* approach gave companies flexibilities that are unquestionably innovative for government procurement, but not necessarily sufficient for delivering service innovation during a recession and for developing the relationships service innovation requires.

Evidence shows that centralization can reduce costs of transactions<sup>33</sup> however it can also undermine local engagement and service innovation. Committed leadership and human capacities are significant drivers of service innovation<sup>34</sup>. This is unsurprising when service innovation flow is *viral* and moves between people rather through controlled, highly functional systems. Innovation intermediaries such as the Whitehall Innovation Hub<sup>35</sup>, the Design Council<sup>36</sup>, Innovation Unit<sup>37</sup> and former Cabinet Office<sup>38</sup> redefined the innovation journey because there was growing evidence that innovative services demanded on a leadership, innovation capabilities and an ability among staff to engage in co-design, rather than coercion. Personal service innovation is unlike product innovation does not fly to market through advertising.

## 7.2 Public Service Innovation

Public service innovation is unpredictable and therefore hard to control. Holistic, personalized services are shown to delivered by organisations that are social-value driven, flexible, lift people's aspiration and collaborate across agencies<sup>39</sup>. The early stages of service innovation usually involve a network of agencies and champions who forge new relationships and enterprises. Geoff Mulgan<sup>41</sup> suggests that innovative services spread through: inter-agency working, diverse relationships and a quest for innovative solutions. He highlights the role of 'connectors and brokers who work in the interfaces and on the boundaries between organisations.'<sup>40</sup>

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<sup>33</sup> Elvira Uyarra, *Opportunities for Innovation through Local Government Procurement*. MIOIR: NESTA, 2010

<sup>34</sup> IFG analysis of data available at:  
[http://www.ogc.gov.uk/ogc\\_transforming\\_government\\_procurement\\_procurement\\_capability\\_reviews.asp](http://www.ogc.gov.uk/ogc_transforming_government_procurement_procurement_capability_reviews.asp)

<sup>35</sup> Whitehall Innovation Hub Strategy (2009)

<sup>36</sup> The Design Council, 34 Bow St, WC2E 7DL [www.designcouncil.org.uk](http://www.designcouncil.org.uk)

<sup>37</sup> Innovation Unit. [www.innovationunit.org.uk](http://www.innovationunit.org.uk)

<sup>38</sup> Capability Reviews: refreshing the model of capability Cabinet Office 2009  
[www.civil.service.gov.uk/assets/model%20report%20final-tem6-8285](http://www.civil.service.gov.uk/assets/model%20report%20final-tem6-8285)

<sup>39</sup> Maddock, S *Creating the Conditions for Innovation*. (2009) [www.nsg.gov.uk/creating the conditions for innovation](http://www.nsg.gov.uk/creating_the_conditions_for_innovation).

Smaller, socially innovative contractors have connections with a wide range of people and organizations; and social intermediaries are active broker between innovators and often act as catalysts for innovation networks and locality innovation ecosystems. Social innovation intermediary staff are motivated to address difficult challenges in a collaborative fashion something both large companies and public institutions find difficult.<sup>41</sup> Such qualities are difficult to replicate in larger companies and in public institutions.<sup>42</sup>

### **Marketization, Innovation Model**

While centralized, systems can be designed to ‘*take-out*’ costs from services, supplies and operation, they frequently fail to engage staff in radical, service redesign. In spite of this the Work Programme is underpinned by based on the belief that the marketization of services<sup>43</sup> is an adequate and sufficient driver of service innovation, which even prime contractors agree is not of itself conducive to personalised service innovation. Within the UK, US and other European countries there has grown up a ‘*one size fits all*’ innovation strategy based on a marketization strategy and a liberal market framework that assumes that innovation thrives on very little regulation or governance. This is in spite of the fact that industries such as biotechnology, pharmaceuticals, digital communications and defence all depend on receive huge injections of public finance to support rapid research application<sup>44</sup>. An innovation framework based on *commercialization of research* and the ‘*science to business*’ knowledge transfer pipeline is increasingly being shown to be poor at driving service innovations that depend on human capacities and collaboration.<sup>45</sup> Hall and Soskice<sup>46</sup> report that the rapid transfer, model of innovation is counterproductive to innovations dependent on human-capacities, i.e. services.

Such is the dominance of the marketization framework within government innovation frameworks which not only ignore those human relationships involved in service innovation, they also ignore the role of the state in necessary supply chain connectivity and capabilities conducive to innovation.<sup>47</sup> There are few studies unpacking the influences underpinning government innovation strategies and procurement frameworks, but a growing number on

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<sup>41</sup> John Kay (2010) *Obliquity- why are goals are best achieved indirectly*: Profile: London

<sup>42</sup> Geoff Mulgan (2007) *Ready or Not?* Taking innovation in the public sector seriously, NESTA Provocation

<sup>43</sup> Dodgson, Foster, Hughes & Metcalfe (2009) *Systems thinking: market failure and the development of innovation policy: the case of Australia*. Centre for Business Research, University of Cambridge. Working Paper No. 397.

<sup>44</sup> Dodgson et al (2009) *System, Market failures and the development of Innovation policy* Centre for Business research, University of Cambridge Working Paper No 397

<sup>45</sup> Maddock, S (2009) *Change your can believe, the Leadership of Innovation*. National School of Government (archived)

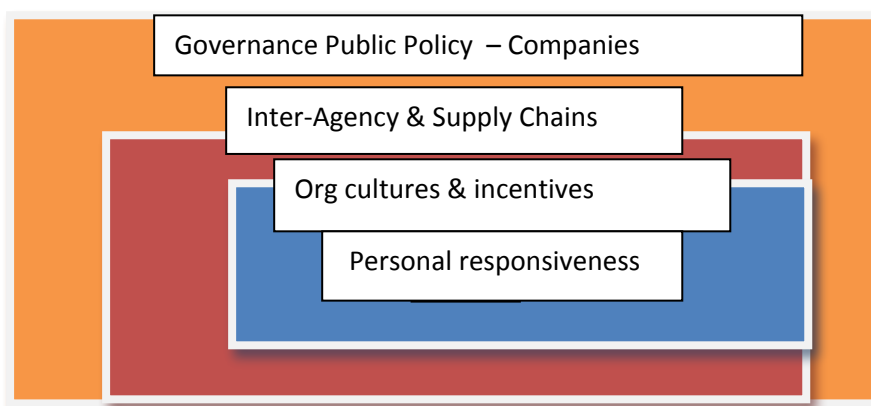
<sup>46</sup> Hall, P A, D & Soskice (Eds) 2001 *Varieties of Capitalism: the institutional foundations of competitive advantage*, Oxford: Oxford University Press

<sup>47</sup> Marsh, I & Edwards, L. (2008) *The development of Australia’s Innovation Strategy: can public sector system access new policy frameworks?* Occasional paper, Sydney: Australian Business Foundation.

locality models of innovation demonstrate a connective, collaborative and evolutionary approach to innovation.<sup>48</sup> Dodgson et al suggest that the reason why evolutionary frameworks have not been adopted by any government's policy is that they are little researched. The question is why when there is growing evidence of the importance of collaborative capacities and connective networks and systems for innovation across a wide range of public services.

### **A Place Based Innovation Model**

Diffusing innovative personal services (taking to scale) is a question of creating an environment for innovation where respective relationships between service provider and citizen emerge and where providers and commissioners can connect. There are alternative innovation strategies that acknowledge the dependence of public service innovation on human capabilities, connectivity and sustained relationships within defined eco-systems. Almost all innovation depends on a journey of collaboration and connectivity to spread, a view endorsed by the former Nobel Prize winner, Elinor Estrom<sup>49</sup>.



Public Innovation System, Adapted from Andrea Westall 2007<sup>50</sup>

Public leaders in cities in the UK have grown in confidence and are driving more collaborative forms of governance and in some places new ecosystems for innovation<sup>51</sup>. They have a growing interest in human and digital connectivity, whole system budgeting, locality supply chains and third-sector consortia<sup>52</sup>. Inter-agency working is most evident at the local level and where partnerships are strong there is a strong argument for locality commissioning of welfare

<sup>48</sup> Akkermans et al (2009) Policy Research 38(1):181-191

<sup>49</sup> Elinor Estrom, Nobel Prize Winner presentation on systems that acknowledge complexity and scale.

<http://www.nobelprize-org/mediaplayer/index-php?id=1223>

<sup>50</sup> Andrea Westall, (2007) How can innovation in social innovation be understood, encouraged and enabled? A social enterprise think-piece for the Office of the Third Sector, Cabinet Office. Available [http://www.eura.org/pdf/westall\\_news.pdf](http://www.eura.org/pdf/westall_news.pdf)

<sup>51</sup> Manchester Innovation Journey

<sup>52</sup> Maddock & Robinson (2010) Place-Based Innovation. National School of Government (closed 2012)

benefits<sup>53</sup>. Many stakeholders in this study also agreed that locality commissioning would be a better procurement framework for developing a market of suppliers able to deliver holistic services and future work placements, because of their connectivity within locality systems. Implementing service innovation is as dependent on a virtuous circle between innovation strategies, business and welfare, training and education as one technical supply chains. It is also the case that when viewed through a public system lens it becomes obvious that the commissioning and governance role in marketisation (outsourcing) is as critical to service innovation as are suppliers. In this study it was the prime contractors who were calling for a clarification of who should accept the financial risk of working with long-claimants, companies or government? Some primes wanted more involvement than others in locality economic and innovation strategies, few thought the DWP procurement model was helpful to locality inter-agency working.

Governance is becoming increasingly important to public procurement, which is not only a matter of technical processes and corporate templates but requires specific capabilities, organisational forms and alignment with local and national governance. No matter how far marketization expands, wider governance systems will be necessary to determine contractual values and practice for the supply chain. Policy makers in the New Zealand and Australia are increasingly recognizing locality commissioning as a more effective and efficient way of taking service innovations (such as personalization) to scale.<sup>54</sup> A recent EU Regional Monitor report also stressed that locality commissioning that would stimulate demand for innovation through public procurement at the local and regional level.

## 8. Conclusion

The on-going recession in the UK has undermined the initial enthusiasm that the Work Programme would deliver significant savings for the taxpayer and meaningful work for long-term claimants. Reducing the number of people out of work for over two years is proving much more difficult than policy-makers had anticipated.

The study challenges DWP the current top-down, *two-tier* procurement system, which is neat, but inadequate as a framework for service innovation. There is a tension between the vertical supply chain model and the necessary horizontal relationships within localities that underpin inter-agency working and personalised, service innovation. The WP gearing towards primes and financial incentives are undermining the creative capacity of all contractors to engage with local specialists and business.

The consequences of pursuing efficiencies through out-sourcing to fewer companies to achieve reduced transactions costs is evident by increasing number of cases of companies with huge public contracts unable to deliver the services they have taken over. There are daily stories in the press about the failure of companies to deliver the services paid for. However, it is the

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<sup>53</sup> Leadbeater, C (2009) Manchester's journey to innovation and growth. NESTA provocation 11, Sept

<sup>54</sup> Dec 2011, NZ government report from The Better Public Services Advisory Group  
<http://www.dPMC.govt.nz/better-public-services/index>

government's commissioning framework that is responsible for the WP procurement process. The transfer of the financial risk to companies will increasingly become problematic for good governance and for the companies involved, who say that they cannot afford to pay for social development for the most vulnerable claimants. The government has traded a lessening of financial risk for good governance.

At present the WP commissioning framework prioritises financial assets over service outcomes and incentivises the larger companies at the expense of smaller, specialist suppliers. Government determines the DWP commissioning model, but a business model more appropriate to single companies where corporate, performance incentives reward profits and growth, rather than a system capacity to integrate and orchestrate complex supply chains within a place or public service network underpins the WP procurement process.

The assumption that business models from the retail sector will necessarily overcome inherent tensions between financial and service innovation appears wishful thinking. There are trade-offs and tensions arising from adopting technical, management and business models. The neat, simplicity of the top-down (vertical) procurement model may be a attractive driver for financial efficiencies, but if savings are dependent on long-term claimants finding work and this outcome depends on locality (horizontal) inter-agency, the process is not working. By contrast Place-based<sup>55</sup> innovation strategies that nurture inter-agency working and skills in communities are more likely to be effective because they provide a foundation for personalized service innovation.

*Government should allow much greater freedoms for innovators at the local level, radically simplify outcome and resist codifying 'best practice' to allow more flexibility in local service design and delivery... to create a virtuous circle in public services, and learning from experimentation would build confidence and capacity for more locally determined solutions. Bunt, Harris and Westlake. 2010<sup>56</sup>*

The most pressing gap in the system is DWP's poor alignment with locality partnerships, when it is these that could integrate welfare, training and work strategies under the umbrella of locality economic strategies. They have the intelligence about local capacities and the leadership capacity to align budgets, inter-agency working with government policies and service innovation with strategic governance. If given the opportunity locality (city/regional) partnerships could forge more dynamic innovation eco-systems, whilst also ensuring SME access to the supply chains and government procurement. The policy-making focus only on the supply of individual services has obscured the need for public governance frameworks that create connectivity between the small and large companies within supply chains.

Supply and demand stakeholders were interested in more analytical debate on the role of government and the role of companies; introducing social values into 'out-sourcing'; stimulating growth through local consortia, jobs, start-ups; and easing long-term claimants into voluntary work etc. Their study demonstrated a strong commitment among suppliers to

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<sup>55</sup> Maddock & Robinson Place Based Innovation, 2010 National School of Government :London

<sup>56</sup> Bunt, Laura, Harris, M & Westlake, S. (2010) Schumpeter Come to Whitehall A NESTA Discussion Paper

transforming the Work Programme to help people change their lives and get back into the labour market. People are hungry for debate on how procurement practices, business models, financial innovations and innovation strategies all impact on service innovation and the values and relationships that underpin it.

There would appear to be four challenges to transforming the Work Programme; devising a commissioning framework that incentivises service innovation and inter-agency working, procuring from medium sized suppliers, devolved budgets and government confidence in locality commissioning and enough finance in the system to support investment in vulnerable, long-term claimants.

A better strategic alignment between government's welfare reform strategy and locality commissioning could stimulate innovative services for all claimants in spite of austerity.

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**August 12<sup>nd</sup> 2012**

## Recommendations

### Key messages to government are:

1. Revise Innovation strategy to account for service innovation and the growth of local ecosystems for all types of service innovation.
2. Rebalance criteria for contract awards and incentives for service innovation outcomes and financial assets criteria: give medium-sized, service providers with locality connections a chance to bid for larger contracts to deliver personalised services for marginal, under-employed people.
3. Devolve budgets and support locality commissioning to incentivise inter-agency relationships, personal service innovation and locality resilience in the jobs market in conjunction with local consortia, partnerships, LEPS and creative suppliers.
4. Find efficiency savings from inter-departmental commissioning for vulnerable and unemployed people.
5. The Cabinet Office to drive inter-departmental funding and alignment with local innovation strategies.

### Public procurement practice

1. Rebalance contract criteria so that medium-sized providers can become prime contractors within specific localities in conjunction with locality governance bodies.
2. Payment credits and incentives for smaller specialist suppliers delivering service innovation
3. Extend good governance into financial management systems.
4. Share impact of existing practices
5. Research the impact of business models and commissioning frameworks on social outcomes.
6. Nurture locality consortia of suppliers as opposed to relying on two-tier model.
7. Work with locality partners to create relationships between suppliers and jobs market and innovative services that add public value.

### Locality Leaders and Partners

1. Connect welfare reform, enterprise and training strategies
2. Work with local jobcentres and DWP procurement teams
3. Stimulate locality supply chains to involve social market of holistic personal services for vulnerable people and claimants

## ANNEX ONE

### DWP and Local Authority Co-Design Pilots

- Swindon’s pilot was business led; involving over 500 businesses that put young people them in contact with employers. While the Swindon pilot was employer focused and resulted in business partnerships with large employers such as banks and BMW: but is also said to have a positive impact on high-cost families’ n the town.
- Birmingham, South Tyneside and Bradford aim to address inter-generational worklessness. Those involved report that “*it’s taken a lot longer to establish working relationships that policy-makers think*” Bradford for example was working with the Audit Commission to understand how the cost and benefits of pooling their resources together are actually going to deliver better results. Bradford’s pilot has been slow to advance because of LA cuts in expenditure but they have recently found £100K from other sources.

#### Impact of the pilots

- Improved relationships between local Job Centre Plus staff and DWP head office as well as with local authorities.
- Local JCP staff engaged in joint working with other local services, made possible by DWP head office endorsement of the pilots, in future Job Centres should not “wait for central government to tell them what to do.”<sup>ii</sup>
- Energized staff. In Swindon, a district manager said that initially staff were scared when the rulebook was taken away but they quickly responded and came up with more innovative thinking. [DWP Worklessness Co-Design Pilots 2011]

While few would claim that the pilots were a good example of co-design as they did Encourage local Job Centre Plus staff into local inter-agency working to good effect; however this was little noticed by DWP in London.



## APPENDIX TWO

### Prime Companies and regional contracts

<b>Scotland</b>	Ingeus UK Ltd	Working Links	
<b>Wales</b>	Rehab JobFit *	Working Links Wales	
<b>North East</b>	Avanta Enterprise Ltd (TNG)	Ingeus UK Ltd	
<b>North East Yorks &amp; Humber</b>	<b>G4S</b>	Newcastle College Group**	
<b>West Yorkshire</b>	Business Employment Training (BEST) Ltd	Ingeus UK Ltd	
<b>South Yorkshire</b>	<b>A4E Ltd</b>	<b>Serco Ltd</b>	
<b>North West (Mersey, Cumbria and Lancs)</b>	<b>A4E Ltd</b>	<b>Ingeus UK Ltd</b>	
<b>North West (Gtr Manchester, Ches &amp; Warrington)</b>	Avanta Enterprise Ltd (TNG) & 4GS	Seetec	
<b>East Midlands</b>	<b>A4E Ltd</b>	Ingeus UK Ltd	
<b>West Midlands (B'ham, Solihull &amp; Black Country)</b>	FourstaR Employment & Skills Ltd	Newcastle College Group**	Pertemps
<b>West Midlands (Coventry, Warwick, Staffs &amp; Marches)</b>	ESG	<b>Serco Ltd</b>	
<b>East of England</b>	Ingeus UK Ltd	Seetec	
<b>West London</b>	Ingeus UK Ltd	Maximus Employ UK Ltd	Reed in Partnership
<b>East London</b>	<b>A4E Ltd</b>	Careers Development Group (CDG) *	Seetec
<b>South East (Thames Valley, Hampshire and IOW)</b>	<b>A4E Ltd</b>	Maximus Employ UK Ltd	
<b>South East (Surrey, Sussex and Kent)</b>	Avanta Enterprise Ltd (TNG)	<b>G4S</b>	
<b>South West (Glocs, Wilts and West of England)</b>	JHP Group Ltd	Rehab JobFit *	
<b>South West (Devon, Cornwall, Dorset and Somerset)</b>	Prospects Services Ltd	Paragon	Working Links

## **APPENDIX THREE**

### **Interviewed for this case study**

Adam Sharpies DWP DG responsible for the Work Programme until Sept 2011  
& Co-design Team

Shia Khan DWP Economist in Job Seekers, Disability and Work Programme

Alan Cave, DWP Strategic Director for the Work Programme

Derek Frost, Operational Manager for the Work Programme

Bernie Mudie - DWP Head of Account Management in the Provision Management Division,

Paul Mooney - DWP Local Area Policy and Delivery in the Partnerships Division,

Mark Harvey 3SC consultants

Rebecca Hepplestone - DWP Area Analysis and Strategy Team,

Patrick Hughes, DWP Senior Official

Paul Maude - DWP Merlin Standard Project in the Provision Performance Division

Alex Whinnom GMCVO, Third Sector Manchester CX

Sally Rowlands, Project Director, Bradford Co-Design Pilot

Jonty Oliff Cooper A4e Strategy Policy Director

Sally Collier, Executive Director for Government Procurement, GPS, Cabinet Office

Elaine Sampson Director of Children's /Personalised Services SERCO

Tom Flanagan, Head of Economic Development Cornwall CC

Dan James, Social Enterprise Lead, the Eden Project

Nigel Curry [nigel.curry@helices.co.uk] Procurement Consultant

Matthew Taylor, Chair of Pinnacle, sub-contractor

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<sup>i</sup> Good Commissioning Principles and practice – Commissioning Support Programme for children's services 2009. [www.commissioningsupport.org.uk](http://www.commissioningsupport.org.uk)

<sup>ii</sup> DWP Worklessness Co-design – Final Report June 2011 DWP