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Contracting out employment services to the third and private sectors: A critique

Abstract
As part of its welfare reform strategy, the government has made increasing use of the private and third sector in the provision of employment-related services. Ministers claim that this results in better service for users and better value for money for the taxpayer. This article examines these claims for third and private sector superiority in service provision and, using the government's own evaluative reports, challenges this view. The article contends that there is little evidence to support the government's case for the wholesale embrace of contracting out employment services. Based on reviewing experience of previous projects, it argues that given the same flexibilities and financing routinely offered to contractors, in-house provision would match or surpass contractor performance.

Key words: New Labour, privatization, voluntary organizations, welfare

Introduction

In the 1997 election campaign New Labour promised that it would 'get the unemployed from welfare to work' (Labour Party, 1997) and welfare reform has remained one of its priorities through three governments. In New Labour's period of office ministers have repeatedly emphasized their view that 'the best welfare policy of all is work' (Department for Work and Pensions, 2006: iv). In aspiration there is nothing very different here to every previous Labour government. However, where New Labour parts with its social democratic past is in its embrace of a version of the active 'work first' or 'employment first' welfare strategy (Finn, 2003) developed in Michigan in the mid 1990s (Sandfort, 2000); its orientation of welfare policy to support

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the market and the goal of competitiveness (Taylor-Gooby et al., 2004: 574); and the increased involvement of the private and third sectors in both policy development and the provision of employment services (Farnsworth, 2006; Griffiths, 1998).

Although, as Bryson (2003) notes, there are continuities between New Labour's welfare policy and that of the Conservatives in the 1980s in terms of the broad institutional framework, there are also clear differences. The latter's policy was a combination of laissez-faire economics and punitive politics – the Conservatives made over thirty cuts in entitlement for the unemployed between 1979 and 1988 (O'Brien, 2005). While supporting a broad shift from a bureaucratic or hierarchical model to a market approach to public service provision, New Labour also aims to confront the perceived pressure on the welfare state from globalization, unemployment, an ageing population, tax competition, slow growth and low productivity (Gatti and Glyn, 2006; Jensen, 2007; Taylor-Gooby, 2003) through a supply side policy of labour market 'activation' (Ditch and Roberts, 2002), driven by both carrot and stick.

Its growing use of 'independent' providers of employment services (from the private and voluntary or 'third' sectors) has been a key part of the welfare reform strategy. This development is not confined to the UK, with similar initiatives in Australia, the Netherlands and, Denmark for example (Struyven and Steurs, 2005). Soon after the 1997 election, the new government signalled its intention to develop the relationship with the voluntary sector and in 1998 the Compact was published by the Home Office (1998) setting out how the two should work together. In 2001, as part of the Prime Minister's public service reform agenda, Mr Blair proclaimed that one of the four key principles is 'the promotion of alternative providers and greater choice' (Blair, 2001). For the 2002 Spending Review, the Treasury announced seven cross cutting reviews, of which one produced a report on the role of the voluntary and community sector in service delivery (HM Treasury, 2002). The Gershon Efficiency Review (HM Treasury, 2004) made a series of recommendations as to how government should fund the third sector in the context of improving public services.

The 2005 Labour Party manifesto declared that 'the voluntary and community sector has shown itself to be innovative, efficient and effective. Its potential for service delivery should be considered on equal terms' (Labour Party, 2005). In March 2006, then Chancellor Gordon

Brown announced that the lead-in to the next Comprehensive Spending Review would include a national debate about how public services should respond to the challenges ahead and a 'review of the third sector's future role in social and economic regeneration, involving the largest consultation with the third sector ever conducted by the government' (Brown, 2006). This followed his earlier call for 'a new debate on the vital role of the voluntary, charitable and community sector' (Third Sector, 2006). Related to this process, the Department for Work and Pensions (DWP) began consulting on its Green Paper, *A New Deal for Welfare: Empowering People to Work* (DWP, 2006). It included a section on voluntary sector participation in employment services.

In 2006, the DWP commissioned David Freud to review the government's Welfare to Work programme since 1997, and to present recommendations on how to reduce inactivity and in-work poverty, moving toward the government's 80 per cent employment target. Freud recommended, among other things, that Jobcentre Plus (JCP) should concentrate on those closer to the labour market with 'support for the hardest to help being delivered through the private and voluntary sector' (Freud, 2007: 10).

The increased involvement of the third sector in public service provision has been described as 'a revolution every bit as far reaching as the privatisation of nationalised industries under Margaret Thatcher' (Mathiason, 2005). Many commentators have also noted that while the public often remains sceptical about the supposed benefits of moving public service provision over to the profit-making private sector, charities and not-for-profits retain a considerable amount of public trust (Caulkin, 2006; MacErlean, 2005; Mathiason, 2005). The emphasis on the voluntary and community sector also plays better within the Labour Party than highlighting privatization. Ministers appeal to Labour's historic association with the co-operative movement. Together these obviously present political possibilities for public service reform that would not exist if the only option on the table were private sector provision funded by taxpayers' money.

This article critically analyses the relevant literature and, drawing primarily on evaluations commissioned by the DWP itself, examines the government's claims for third and private sector superiority in the provision of employment services. The article first sets the scene by setting out the government's proposal to expand the role of the

third and private sectors, and outlines some of the background to the current debate. The second part concentrates on the issues of third and private sector performance and value for money in contrast with Jobcentre Plus provision. In particular, the section assesses evidence relating to Employment Zones, Action Teams and New Deal for Disabled People (NDDP).

Politics: Mixed objectives

The starting point for the government is that UK unemployment today is essentially a supply side question (Webster, 2006). As the Green Paper puts it: 'The problem is not a lack of jobs' (DWP, 2006: 18). The government also views the public sector as trapped in a 1945, one-size-fits-all model, desperately in need of reform (Blair, 2002). The consequence of this is that while it has a policy of active intervention on unemployment, it is geared to 'identifying people's labour market handicaps and helping to remedy them' (Webster, 2006: 114) and the preferred vehicles for this are the private and third sectors. Public services are redefined as services funded by the public purse, rather than necessarily *delivered* by the public sector (Blair, 2006), and integrating the third and private sectors in the provision of public services is an important part of New Labour's concept of joined up government (Clark, 2002).

However, in their enthusiasm for reform in general and the third sector in particular, ministers often mix up several different elements. Not only are third sector organizations supposedly more efficient and innovative than in-house public service providers but it is also claimed they bring additional benefits related to: their advocacy role, their influence on policy development and their beneficial effects in strengthening civic society and deepening democratic engagement. There are tensions between the different roles urged on the third sector by government, which many organizations have recognized, but which the government appears to view as unproblematic. In addition the government also collapses the involvement of private sector, for-profit providers into the discussion about voluntary and community organization provision of public services. This too has created tensions and contradictions which are ignored by ministers.

Producer interest: Third and private sector providers in employment services

Stephen Bubb, the chief executive of ACEVO (the Association of Chief Executives of Voluntary Organisations), complains that opposition to third sector provision of public services reflects the dominance of 'producer interest' within the public sector (Bubb, 2006). However, the real producer interest may lie elsewhere. Together with the lobby group for the 'independent' sector – Employment Related Services Association (ERSA) – ACEVO has been campaigning strongly for the adoption of the Australian model of provision of employment services (Bubb, 2006). In Australia, the DWP equivalent presides over a contested market of employment and training service providers, in which provision is divided roughly equally between the third and private sectors (Eardley, 2003).

ERSA embraces both private and third sector providers and has thirty-three members.[1] They receive over £500 million of government funds – mostly Jobcentre Plus contracts (ERSA/ACEVO, 2006). This represents a substantial slice of JCP's £1 billion annual budget for Welfare to Work employment programmes (Leitch, 2006). In all, about a third of Welfare to Work provision is delivered by the private and third sectors through over 1000 contracts (Leitch, 2006).

The government's intention to expand the involvement of the third and private sectors will substantially boost the funding available through contracts. In his report to the government, David Freud remarked that the 'scale of the potential market is large' and that 'this will be an annual multibillion pound market' (Freud, 2007: 75). Perhaps not surprisingly, he observed that such a market 'would attract commitment from a wide range of private sector providers and voluntary groups' (Freud, 2007: 75).

While ministers emphasize the role of the third sector in opening up employment service provision, many of the organizations involved are far from the voluntary and community bodies lauded in government press releases. A third of the members of ERSA are for-profit private sector companies and obviously geared to maximizing returns to shareholders above and beyond any commitment to the government's welfare reform strategy. In fact the *Economist* (2003) chided those politicians who rely on business in public policy, reminding them of the real priorities of business:

> The job of a chief executive is to make profits for his company and, no doubt, feather his own nest; it is not to make public policy – especially in his own industry, for that is where his selfish interests will be greatest. Inviting him to advise government, or listening to his views about promoting share options to help his industry, is sure to divert public policy to private ends. This is not the fault of executives or their companies; it is the fault of government.

The second point of interest is that many of these organizations are large with a considerable income and apparatus (this applies to many of the charities as well as the private companies). One small charity – the Wheatsheaf Trust – complained of the 'undue influence' with government of the ERSA 'cartel' and that its minimum annual subscription of £2500 effectively excludes smaller providers (House of Commons Work and Pensions Committee, 2007: Ev 318). Because of the increasing reliance on government funding of both third and private sector employment service providers, there is a clearly identifiable 'producer interest' developing. Thirdly, for the charities at least, there is also a growing conflict between their role as advocates and their role as service providers. Finally several of the charities have very strong links with business (some involved in privatization or contracting out) drawing many of their trustees from this sector. It is difficult to believe that this does not play a part in influencing their attitude towards public services and the drive to contract out more of the core work of Jobcentre Plus.

Many of the charities involved in employment services have substantial operations. In 2006, the Shaw Trust for example reported total incoming resources of £65.57 million (an increase of £1.59 million on 2005's total of £63.98 million, in itself an increase of £18.36 million on 2004). This was 'mainly due to the continued growth of Job Broking across the country' (Shaw Trust, 2006: 14). Of the £65.57 million in income received by the Trust, £38.87 million came from Jobcentre Plus, with just £459,000 from fundraising activities. In other words, almost 60 per cent of its entire income now comes from Jobcentre Plus (it is also in receipt of other funding from UK central and local government and European Union sources). Several of the charities also now identify among their aims as becoming a bigger provider of government funded employment services. The Shaw Trust states that in 2003/4 it

sought and achieved its aim of becoming the main provider of employment services for disabled people, partly 'by increasing our market share of the Government's two main programmes of assistance: New Deal for Disabled People (NDDP) and Workstep' (Shaw Trust, 2005: 5).

Claims of superior third and private sector performance in employment services: An examination of the evidence

It is not the intention of this article to suggest or imply that the service provided by Jobcentre Plus in-house could not be improved. That would be impossible given the well-publicized problems (for example, House of Commons Work and Pensions Committee, 2006a) with its IT, the contact centres, the staffing cuts, top-down-imposed rigidities on service provision and low morale. However, ministers, contractors and contractors' lobby groups (like ERSA and ACEVO) routinely claim that third and private sector providers could or already do deliver a higher quality service than in-house provision (for example, ERSA/ACEVO, 2006; House of Commons Work and Pensions Committee, 2007; Mansour and Johnson, 2006), and this is highly questionable. In their joint submission on the Green Paper, ERSA/ACEVO claim in three separate places that the voluntary and private sectors have 'inherent' advantages over JCP (ERSA/ACEVO, 2006: 4, 6, 12) – particularly in relation to trust, assisting hardest-to-help groups, time available with individual clients, innovative approaches and so on. ERSA/ACEVO claim that 'evidence shows that independent providers are producing better results and better value for money than existing statutory providers' (House of Commons Work and Pensions Committee, 2006a: Ev 125). In their own evidence to the Work and Pensions Committee, submitted after the publication of the Green Paper, one of ERSA's members (the Shaw Trust) confidently predicted that the private and voluntary sectors 'will out-perform the back to work rates achieved within existing Pathways pilots' (House of Commons Work and Pensions Committee, 2006c). Sometimes, the advocates of contracting out simply quote each other in a peculiarly circular way, such as when ERSA/ACEVO (2006) approvingly quote the Green Paper's unsupported assertion that Employment Zones have a better record than JCP.

The vehemence of the claims of private and third sector superiority in performance would come as a surprise to those who followed the development of welfare reform from the creation of Jobcentre Plus. The ONE service preceded the integration of Benefits Service and the Employment Agency into JCP and contracts were given to Private and Voluntary Sector organizations (PVS) 'to innovate and test different ways of delivering the ONE service to meet its four main aims' (Lissenburgh and Marsh, 2003: 9). The PVS model did not perform well compared to the basic model (Kirby and Riley, 2001) and so did 'not feature in the design of Jobcentre Plus Pathfinders offices' (Lissenburgh and Marsh, 2003: 9).

However, the contractors' lobbyists like ERSA claim that things have changed and that by introducing client choice and competition between providers, the contracting regime has brought with it innovation, better customer service and improved performance (ERSA, 2007: 8). DWP research suggests that experience is not so straightforward and that such claims are premature at the very least. In their review of the range of provision available, Hasluck and Green (2007: 98) found that 'at an individual level the facility of "choice" of Job Broker has not really worked'. Another study remarked that 'client choice is not working particularly effectively' (Lewis et al., 2005: 9). And although 'contestability' in the provision of services is frequently cited as a driver for improved quality of service and innovation, a study of Multiple Provider Employment Zones found no such correlation. According to the authors (Hirst et al., 2006: 88) providers downplayed the influence of competition, emphasizing instead the length of contract. Another report on the Multiple Provider Employment Zones noted that the 'current model does not yet appear to be fulfilling its potential to stimulate innovation in service provision' (Policy Research Institute, 2006: 101). Despite the close relationship that contractors claim with local employers, Hales et al. (2003: 139) found 'little difference' in the experience of participants or in the relationship between programme and employers.

One of the key claims made by contractors is that they are better equipped than JCP to assist those furthest from the labour market (e.g. ERSA, 2006: 2). Related to this is the assertion that contractors are able to spend more time with clients than JCP advisers. Such claims (as in ERSA/ACEVO, 2006) appear to be based on very little evidence. So much so, that the National Audit Office (NAO) referred to third party perceptions that JCP advisers only spend 10–15 minutes

with each client. The NAO commented that this 'indicates there may be some confusion externally . . . as the average interview length with a Personal Adviser is 41 minutes' (NAO, 2006: 14). Other reports have shown Personal Adviser support to be beneficial and personalized (Moss and Arrowsmith, 2003: 27) and valued by customers, particularly when they see the same adviser regularly (NAO, 2006: 13). The NAO compared JCP advisers' methods of work with those from other providers (including a private sector and third sector provider in the UK and the Dutch equivalent of JCP). Perhaps surprisingly, given the criticism from some third sector bodies, the NAO found that 'many of the features of the Jobcentre Plus approach are replicated within these other organisations' (NAO, 2006: 14).

The later section on Action Teams provides some evidence on assisting 'hardest to reach' groups but evidence exists that outcome-based funding for contractors may not be the best mechanism for dealing with such customers. Griffiths et al. (2005) found that although the Employment Zone (EZ) model had a positive record in many respects (about which more below), it was less effective with those requiring a longer-term intervention. This is because the financial model depends on 'customers being willing and capable of work within a relatively short period' (Griffiths et al., 2005: 101). Bredgaard et al. (2005: 14) suggest that this may be an inevitable result of market-based welfare, with the 'creaming' of those easiest to place in work and thereby gain the payment, and the 'parking' of those most difficult to place. This is not a particularly new insight. In questioning whether the New Deal would assist ethnic minorities, Ogbonna and Noon (1999) drew out lessons from the previous Conservative administration's programme. They noted that:

> . . . when it is considered that ethnic minorities have greater difficulty in getting jobs, it is little wonder that a TEC or training organisation faced with the prospects of decline in profitability or even potential bankruptcy may choose not to recruit ethnic minorities. (Ogbonna and Noon, 1999: 169)

The constant recycling of a few headline figures and chunks of soundbite sized analysis requires a little more probing. Early on in the programme, Robinson (2000: 22) noted that 'work programmes run by non-profit organizations claim high success rates, though they

have not been subject to the same rigorous evaluation as other interventions'. However, the Green Paper (DWP, 2006: 74) draws attention to three specific examples of use of contractors for which there have been evaluations: Employment Zones, Action Teams and New Deal for Disabled People. The next subsections consider the evidence in relation to these three programmes.

Employment Zones

The proposal to set up Employment Zones (EZs) was included in the Labour Party's 1997 manifesto. It was seen as a flexible way of targeting resources to those areas with persistently high levels of unemployment despite a national decline in jobless rates (Beale, 2005b). After running prototypes under existing legislation, the Welfare Reform and Pensions Act 1999 was passed with provision for EZs with greater funding flexibilities. The government then introduced EZs in April 2000 in 15 parts of the country with particularly high concentrations of long-term unemployed people. Their target groups were later expanded to include unemployed individuals aged 25 and over claiming Jobseeker's Allowance (JSA) for at least 18 months, lone parents in receipt of Income Support (IS), young unemployed people aged 18–24 returning to New Deal, and JSA claimants entitled to early entry to the EZ due to the disadvantages they face in the labour market (Griffiths et al., 2005). The number of EZs was subsequently reduced to 13 – both single and multiple provider – delivered by contractors.

As Finn (2002) notes, the Prime Minister endorsed the EZ experiment before any formal evaluation had taken place. This approach has continued to date. The Green Paper asserts – without reference to any evidence – that the EZs 'deliver significantly better job outcomes than for comparable New Deal 25 plus participants' (DWP, 2006: 74). ERSA and Working Links make similar claims (House of Commons Work and Pensions Committee, 2006d) referring to a study by Hales et al. (2003). In his evidence, John Hutton, Secretary of State, told the Committee that 'in the Employment Zones, for example, the private and voluntary sector providers have a very good track record . . . I think their performance actually exceeds Jobcentre Plus in a number of very important respects. So there is some evidence

Table 1 Single provider Employment Zones

Single provider Employment Zones	*Contractor*	*Legal form*
Brighton	Working Links	Private Limited Company
Doncaster and Bassetlaw	Reed in Partnership	Public Limited Company
Heads of the Valleys, Caerphilly and Torfaen	Working Links	Private Limited Company
Middlesbrough, Redcar and Cleveland	Pertemps Employment Alliance	Private Limited Company
North West Wales	Working Links	Private Limited Company
Nottingham City	Work Directions	Private Limited Company (part of the Australian-owned Ingeus group of companies)
Plymouth	Working Links	Private Limited Company

Source: Beale, E. (2005b) *Employment and Training Programmes for the Unemployed. Volume II: Other Programmes and Pilots*. House of Commons Library Research Paper 05/62. 30 September 2005; and Companies House database.

there to that effect' (House of Commons Work and Pensions Committee, 2006d: Ev 247).

A joint memorandum from ERSA/ACEVO to the Committee's hearings on JCP efficiency savings also pressed this point: 'Research shows that 10 per cent more of the long-term unemployed secure work in Employment Zones than under existing provision' (House of Commons Work and Pensions Committee, 2006a: Ev 125). Again the research cited was that of Hales et al. (2003). A further joint submission from ERSA/ACEVO (House of Commons Work and Pensions Committee, 2006d) to the same Committee inquiry simply quotes the government's unsupported assertion on EZs contained within the Green Paper as though this is itself 'evidence'. So although the point

Table 2 Multiple provider Employment Zones

Multiple provider Employment Zones	*Contractor*	*Legal form*
Birmingham	Pertemps Employment Alliance	Private Limited Company
	Working Links	Private Limited Company
	Work Directions	Private Limited Company (part of the Australian-owned Ingeus group of companies)
Glasgow	Working Links	Private Limited Company
	Reed in Partnership	Public Limited Company
	The Wise Group	Private, limited by guarantee/charity
Liverpool and Sefton	Reed in Partnership	Public Limited Company
	Pelcombe Training Ltd	Private Limited Company (part of the Sencia Group)
	Pertemps Employment Alliance	Private Limited Company
Tower Hamlets and Newham	Working Links	Private Limited Company
	Pertemps Employment Alliance	Private Limited Company
	TNG Workzone	Private Limited Company (part of the Avanta Enterprise Group)

Continued on next page

Table 2 continued

Multiple provider Employment Zones	*Contractor*	*Legal form*
Brent and Haringey	Reed in Partnership	Public Limited Company
	Working Links	Private Limited Company
	Work Directions	Private Limited Company (part of the Australian-owned Ingeus group of companies)
Southwark	Reed in Partnership	Public Limited Company
	Work Directions	Private Limited Company (part of the Australian-owned Ingeus group of companies)

Source: Beale, E. (2005b) *Employment and Training Programmes for the Unemployed. Volume II: Other Programmes and Pilots*. House of Commons Library Research Paper 05/62. 30 September 2005; and Companies House database.

about better performing private sector-led EZs is repeated many times by those advocating the extended use of contractors, the evidential base is rather slim. In relation to EZs it seems to amount to one figure extracted from a substantial study. On closer examination, the evidence from this report is far less conclusive than the impression given by the contractors.

ERSA/ACEVO (House of Commons Work and Pensions Committee, 2006b) focus on the figure of 10 per cent more of the long-term unemployed securing work in EZs than under existing provision. Hales et al.'s study certainly found that *at the wave one interviews* 'the estimates were that 460 people (34 per cent) in the Employment Zones had been in work, compared with 330 people if the programme was New Deal 25 Plus. This difference of 130 people was equivalent to 10 percentage points' (Hales et al., 2003: 83). However, by the time of the wave two interviews (7 to 10 months later), there was still a difference for entry to full-time jobs, but for all jobs 'the difference was no

longer statistically significant' (p. 83) and 'the evidence points to the impact of the two programmes having become more similar as time went on' (p. 83). In fact the formulation used by the authors is very striking. They say:

> Putting together the results for full-time jobs and 'all jobs', we may conclude that the Employment Zones had been at least as effective as New Deal in getting its participants into jobs over the period observed by the study. (Hales et al., 2003: 112)

Although the authors conclude that the EZs *were* more effective in helping people into work if the programme had been New Deal 25 Plus, their study is not the hymn of praise to private sector enterprise and innovation that ERSA seem to think. They argue that the better performance was 'due to a different funding regime which emphasised job entry and which rewarded jobs that were sustained for 13 weeks' (Hales et al., 2003: 139). Further contextual evidence is supplied in other research reports commissioned by DWP. An early evaluation of EZs (Hirst et al., 2002) noted that Employment Service District Managers envied the flexibilities available to Zone contractors, and pointed out that EZ performance was based on a broader definition of job entry than was available to them. Another study of EZs (Griffiths et al., 2005) reported the complaints of New Deal for Lone Parents (NDLP) advisers that EZs engaged in 'unfair competition' because they had more flexibility and received more money to spend on clients while JCP worked under various budgetary restrictions. More recent research into EZs (Policy Research Institute, 2006: 91) observed that it 'is difficult to compare Jobcentre Plus and EZ performance' and 'findings concerning the relative merits of private and public providers were mixed' (Policy Research Institute, 2006: 95). However, it noted that where better performance existed among EZs, the most important factors were the greater freedoms and finance available to EZs.

Advocates of the superiority of EZs rarely acknowledge that they have been built to a considerable extent on the basis of secondees from the public Employment Service. Hirst et al. (2002: 22) noted that for most Zones secondees provided 'the backbone of staff resources', that their knowledge of administrative and benefit processes and procedures was 'essential' and that there is 'little doubt that the ability to take secondees from ES helped greatly in the vast majority

of Zones' (p. 22). A study of Personal Advisers (PAs) in New Deal 25 Plus and EZs (Joyce and Pettigrew, 2002: i) noted that many were on secondment, and that both sets of PAs:

> . . . used a similar combination of tools and strategies to deal with clients – one-to-one interviews and informal approaches; benefit advice; knowledge of the labour market; and job search advice.

There is further comparative evidence available from the Working Neighbourhoods Pilot. This was set up in 2004, piloted in 12 sites in England, Scotland and Wales, and delivered by a combination of JCP and private sector EZ contractors (WNP/EZ). On a whole series of measures (job entry rates; help and support; customer satisfaction; success with 'hard to reach' groups; degree to which customers stayed in work) there were 'few major differences' between JCP and WNP/EZ providers (Dewson et al., 2007: 94). Although EZs were allowed greater flexibility and financial resources and the approaches were different, the outcomes were similar:

> The evidence from this study certainly seems to show that some Jobcentre Plus pilots can perform at least as well as some WNP/EZ pilots, even though they may do so in more difficult operational circumstances. (Dewson et al., 2007: 96)

Although the work of Hales and colleagues is repeatedly cited, it is the conclusion of their comparison of EZs and New Deal that is most interesting. They suggest that managers and Personal Advisers in the New Deal comparator areas would have achieved a similar rate of job entry to that of external EZ providers if they had been 'operating in the Employment Zones with the same financial incentive structure and the same flexibility about responding to the needs of participants' (Hales et al., 2003: 139).

Action Teams for Jobs

The thinking behind Action Teams for Jobs (ATfJs) has some similarities with Employment Zones. Action Teams focus on long-term unemployed and inactive people in deprived areas with the aim of increasing employment rates among them. They operate in 64 areas

of the UK in areas with high unemployment, lowest employment rates and a high proportion of people from ethnic minority backgrounds. ATfJs were announced in the 2000 Budget and started in some areas later that year. ATfJs focus on those furthest away from the labour market facing particular barriers to employment, such as people with health problems, ex-offenders, people with serious and long established drug and alcohol problems, people lacking basic skills, rough sleepers and refugees and asylum seekers (Beale, 2005b).

The Green Paper (DWP, 2006) refers to the work of 24 Action Teams as an example of the effectiveness of private sector delivery. There are, in fact, 64 teams operating. Of those, 40 ATfJs are led by Jobcentre Plus; the other 24 are led by the private sector (Casebourne et al., 2006). The contrast between the results achieved by the Jobcentre Plus led teams and the Private Sector Led (PSL) teams is striking, especially as PSL teams are consistently held up as delivering higher quality services.

The PSL teams as a whole only met 78 per cent of their job entry targets in year one of Phase 3, compared to the Jobcentre Plus teams, as a whole, which achieved 140 per cent of their job entry targets. This underachievement by the PSL teams and overachievement by Jobcentre Plus teams becomes even clearer when some of the results are disaggregated. In its evidence to the Work and Pensions Committee, ERSA claimed that private and voluntary sector providers were 'particularly effective when dealing with the hardest to help' (House of Commons Work and Pensions Committee, 2006d: Ev 21). Yet the DWP's own research provides evidence to the contrary. Casebourne et al. (2006: 2) note:

> Jobcentre Plus teams worked with clients from more traditionally 'harder-to-reach' groups than PSL teams, who had a greater proportion of clients that have been unemployed for less than six months and claiming Jobseeker's Allowance (JSA).

Jobcentre Plus teams, as a whole, achieved 76 per cent of their outcomes from non-JSA customers (comfortably over the target of 70 per cent). On the other hand PSL teams, as a whole, achieved only 69 per cent. Teams were required to have no more than 30 per cent of all job entries from JSA claimants. Of the clients that the PSL teams had contact with, 34 per cent were claiming JSA. For Job-

centre Plus led teams, the figure was just 26 per cent of JSA claimants (Casebourne et al., 2006).

Jobcentre Plus led teams had proportionately more clients who had been unemployed for over three years (25 per cent of all contacts) compared with 17 per cent for PSL teams. Jobcentre Plus led teams were also more likely to work with clients with two or more of the target characteristics of disadvantage. Sixty-three per cent of the clients of Jobcentre Plus led teams had two or more of the characteristics against only 45 per cent of PSL teams' clients (Casebourne et al., 2006). In particular Jobcentre Plus led teams had proportionately more contact with lone parents or those with health problems than the PSL teams. Jobcentre Plus led teams gained job entries for a higher proportion of Income Support and Incapacity Benefit claimants than PSL teams.

Casebourne et al. (2006: 65) point out that those who have been unemployed for a relatively short period 'are likely to be relatively easier and quicker to help place into work, and under the funding arrangements more "cost effective" to work with, given that a flat rate of £2,000 was paid for each job entry, regardless of the nature of the client.' Conversely those who have been jobless for longer are likely to find it more difficult to return to employment. Perhaps not surprisingly given these facts, the authors (Casebourne et al., 2006: 67) note that 'the longer a client had been out of work, the less likely they were to be helped into work by the PSL teams'. The distribution of likelihood of clients being placed in work was more equitable for Jobcentre Plus led teams.

Interestingly, the authors found that PSL teams identified the outcome-related funding system as the reason for their poor performance in helping those most in need: it incentivized 'working with easier-to-help clients, as there was little incentive to help those with multiple barriers' (Casebourne et al., 2006: 94). It encouraged 'cherry picking' to get 'quick wins'. As the authors point out, this works 'against the policy intent of Action Teams to work with the most disadvantaged' (Casebourne et al., 2006: 94).

New Deal for Disabled People

The network of New Deal for Disabled People (NDDP) Job Brokers is cited in the Green Paper as another example of the advantages of contracting out to the private and voluntary sector. As its name suggests,

the NDDP is targeted specifically at people with disabilities and long-term health problems, especially those receiving incapacity benefit. A range of providers deliver the programme. The Chancellor announced his intention to introduce the scheme in the 1997 Budget and in 1998 the NDDP was brought in on a pilot basis and extended across the country in 2001. The Job Brokers network was introduced in July 2001. Brokers tender for the contract to provide services in a particular area, and in some areas there is more than one option for clients (Beale, 2005a).

Despite the claims made, the experience has not always been a good one. The Public Accounts Committee reported that although there are over 500 contractors delivering disability programmes for JCP, quality and value for money vary considerably. As an example they point to the Workstep programme in which, between 2002 and 2005, 50 per cent of the learning offered 'was judged unsatisfactory by the Adult Learning Inspectorate' (House of Commons Committee of Public Accounts, 2006: 4). In evidence to the Work and Pensions Committee, ERSA used the experience of the NDDP to argue the case for using the 'independent' sector. They refer to DWP research which they claim 'demonstrated that NDDP job brokers had advantages over Jobcentre Plus in being able to spend more time with people, providing a more in-depth service, working more flexibly and being independent of government systems' (House of Commons Work and Pensions Committee, 2006d: Ev 21). ERSA also say that there was some support for this view among Jobcentre Plus.

In fact the research to which they refer (Lewis et al., 2005) does not actually say this. The study is based on interviews with clients, Job Broker staff and Jobcentre Plus staff. The authors are careful to say that Job Brokers *felt that* they were able to spend more time with clients. By subtly changing the way the researchers describe their results, ERSA transform an opinion held by the Job Brokers into a 'factual' statement from the research team. The study made no such straightforward observation. Although ERSA report that there was some support for this view among Jobcentre Plus staff, they neglect to add the report's rider that 'not all agreed' (Lewis et al., 2005: 7). Further, the study reports that although some Jobcentre Plus staff recognized that more time was available to Job Brokers, a number also felt 'that some Job Brokers, keen to maximise numbers of registrations, neglected some of their clients and that some Job Brokers were

limited in the time they could give by high caseloads' (Lewis et al., 2005: 130).

The report does suggest that Job Broker organizations have a useful contribution to make, complementing the work of Jobcentre Plus but as only 'one element in a concerted multifaceted strategy' (Lewis et al., 2005: 173). The authors also drew attention to some potential problems, including the view that Job Broker funding and targets has led them to concentrate more on 'job-ready' clients. They report that 'there is a growing perception among Jobcentre Plus staff that Job Brokers principally, or only, deal with such clients' (Lewis et al., 2005: 173). This runs counter to the claims of ERSA, ACEVO and others that 'independent' providers not only focus on harder-to-help groups but get better results than Jobcentre Plus (House of Commons Work and Pensions Committee, 2006b). Finally, Lewis and colleagues report that their 'findings suggest that there is no single "type" or set of "types" of effective Job Broker, nor a single aspect of the service which is central to performance' (Lewis et al., 2005: 155) and that:

> . . . public, private and voluntary sector organisations were found across all the patterns of performance among the in-depth study Job Brokers; there seemed not to be any association between sector and effectiveness. (Lewis et al., 2005: 145)

Although it is often claimed that contractors bring innovative new approaches, another study of NDDP commissioned by DWP (Corden et al., 2003) is far less emphatic. The authors report that there were conflicting views among those they interviewed (JCP staff, Job Broker staff and clients) and 'little evidence from the research so far to suggest that the NDDP extension had generated innovation in services provided by Job Brokers' (Corden et al., 2003: 110). The report went on to note that Job Broker staff seemed to work very much like JCP staff, particularly Disability Employment Advisers (DEAs). They all used techniques like the provision of one-to-one support, vocational guidance, and facilitating training or work experience. Corden et al. (2003: 110) explain:

> The key point for many DEAs and other Jobcentre Plus staff was that they felt they could provide what Job Brokers were providing if they had sufficient resources of staff and money.

ERSA/ACEVO also highlight NDDP as an example of the effectiveness of using the 'independent' sector compared to Jobcentre Plus. They say (House of Commons Work and Pensions Committee, 2006a: Ev 125) that it not only has achieved 'the highest job outcome rate of all New Deal programmes' (60.8 per cent) but is also the most cost-effective. They specifically point at New Deal 50+, described as 'Jobcentre Plus' in house service' as a more expensive (and presumably less effective) option.

Comparing outcomes and costs from different programmes with different budgets, and different conditions aimed at different target groups may not be very productive. As pointed out by Hasluck (2000: vii) in relation to the different New Deal programmes, the 'difference in clients and provision across programmes suggests that comparisons of evaluation results should be treated with caution.' This is underlined by Hasluck and Green's (2007) study in which they point to the different characteristics of participants in programmes which may or may not be mandatory and which have varying types of eligibility criteria. They argue that attempting to compare advice and guidance offered to one group with another 'is not comparing like with like' (Hasluck and Green, 2007: 14).

However, it is simply not correct to imply that New Deal 50+ is ineffective. An early evaluation (Atkinson, 2001) found that there was a generally positive assessment from participants and that the job outcomes in the first survey was 63 per cent and in the second, 59 per cent. An analysis of job retention for New Deal 50+ customers (Grierson, 2002: 20) reported that after the expiry of the Employment Credit, retention 'is high – 84 per cent were off benefits at the 52 week stage, with 77 per cent of customers staying off benefits for the entirety of the 52 weeks.'

A later DWP report (Atkinson et al., 2003) found that 80 per cent of a sample of people who had found work through New Deal 50+ were still in work two years later. This is an impressive level of sustained employment and led the authors to comment: 'In comparison with other "New Deals" and indeed with active labour market programmes generally, this seems to be a very high proportion' (Atkinson et al., 2003: 2). Even the OECD (2004: 141) noted the effectiveness of New Deal 50+ and said that the UK 'should be commended'.

An NAO study (2002) of the effectiveness of another New Deal programme – one delivered by both contractors and in-house

provision – is a more appropriate place to examine the differential performance. In 2002 the NAO produced a report on the New Deal for Young People. Most 'Units of Delivery' were led by the then Employment Service, but ten were led by private sector organizations. The NAO reported:

> We examined the relationship between Units' status in this regard and performance. We found no significant difference in performance between the Employment Service led Units and private sector led Units. (NAO, 2002: 42)

A much more recent study suggests that despite the government's support for private and third sector provision, 'NDDP had its largest impact on benefit dependence for registrants served by public sector organizations' (Orr et al., 2007: 81). These were followed by private sector providers but 'voluntary sector brokers were less successful in terms of additionality' (Orr et al., 2007: 81). Hasluck and Green comment that among the various providers of NDDP (voluntary and not-for-profit agencies, private sector companies and public sector organizations) 'no single model of delivery is associated with effectiveness' (Hasluck and Green, 2007: 109).

Conclusion and discussion

In a memorable passage, the 1997 Labour Party manifesto described New Labour as 'a party of ideas and ideals but not outdated ideology. What counts is what works' (Labour Party, 1997). Tony Blair returned to this theme in one of his first public speeches as Prime Minister, contrasting his objectives with that of his predecessors and saying that government needed to be 'pragmatic and rigorous about what does and does not work', that New Labour would 'find out what works, and we will support the successes and stop the failures' (Blair, 1997). The 1999 White Paper, *Modernising Government* (Cabinet Office, 1999a: 15) emphasized that:

> . . . government must be willing constantly to re-evaluate what it is doing so as to produce policies that really deal with problems; that are forward-looking and shaped by the evidence rather than a response to short-term pressures.

The centrality of evidence-based policy making was further driven home in a report on professional policy making from the Cabinet Office's Strategic Policy Making Team (Cabinet Office, 1999b) with an entire chapter on 'Use of evidence'. The Green Paper (DWP, 2006: 50) notes that 'given the significant resource commitment that these reforms represent, we will clearly wish to ensure that we base our reforms on the best possible evidence'. Very few would dispute this as a goal in policy making. However, as Wells (2004) notes it raises a number of questions: for example, how evidence is collected, what evidence is used and how that evidence is used.

Although great claims are made for the third sector in terms of superior performance, better results in job placement and value for money compared with in-house provision, the evidence for this is rather thin. Just how thin can be gauged by the fact that whenever such claims are made, the same limited set of references appear. Occasionally, the contractors' advocates accept that there is little evidence on third and private sector performance but make a virtue of its absence by demanding that the DWP collect the necessary data so that the '*success* of the private and voluntary sectors can be measured in comparison to Jobcentre Plus' (my emphasis, ERSA, 2006: 4).

In fact, as this article has shown, there already exists a great deal of relevant evidence collected in research commissioned by the DWP. The data suggest that, given the right support, funding and flexibility, the in-house provision could make further progress in assisting people back to work. The assessment of the JCP-run Pathways pilots is generally positive from almost every source: the DWP (2006), research commissioned by the department (Barnes and Hudson, 2006; Blyth, 2006), the IMF (2005), the OECD (2005), even, in a rather grudging way, ERSA and ACEVO (ERSA/ACEVO, 2006; House of Commons Work and Pensions Committee, 2006d). As Hasluck and Green (2007: 145) put it:

> There is little robust evidence that the nature of the provider of services, be it Jobcentre Plus, a private sector provider or some other organisation, has a systematic impact on effectiveness. What does appear to be important is the quality, enthusiasm, motivation and commitment of the staff providing the service.

It is simply not true that either the private or the third sector has a consistently better record in the provision of employment services than in-house staff. Wherever Jobcentre Plus has been allowed the same flexibilities and funding as private sector companies or charitable organizations it has been able to match, if not surpass, the performance of contractors. If the government pushes through the promised large-scale shift to private and third sector provision, it will have abandoned any claim to evidence-based policy making in favour of exaggeration and assertion deployed on behalf of a political agenda of privatization and vested producer interest.

Note

1. ERSA's membership as at 23 January 2007: A4E, Action for Blind People, Agens International, Breakthrough UK, Carter and Carter Group, DISC, Employment Opportunities for People with Disabilities, Enham, Inbiz, Instant Muscle, Maatwerk, Mencap, OSW, Papworth Trust, Pecan, Pluss Organisation, Rathbone, RBLI, Reed in Partnership, Regenerate Glasgow, Remploy, RNIB, RNID, Salvation Army, Seetec, Sencia Group, Shaw Trust, TNG, Tomorrow's People, Turning Point, Working Links, WTCS Ltd, YMCA Training (ERSA, 2007).

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