

## **Employment Related Services Association Meeting – 9<sup>th</sup> September**

Chris Grayling (CG) and Lord Freud (LF) met with ERSA members and financiers to discuss provision of the Work Programme.

1. CG began by setting out the financial requirements of the delivery of the Work Programme including the necessity to save money for the taxpayer while ensuring providers could make a reasonable profit. He highlighted that decisions regarding the shape of the Work Programme could not be finalised until after the October Spending Review. He also outlined that there were additional commercial rules to abide by as tendering for the Framework was underway, so some questions could not be answered and all discussions would be published online.
2. CG also briefly discussed the opening up of welfare-to-work markets across the EU, the cost-saving effects of the Framework for Employment Related Support Services, and the need to deliver the Work Programme collaboratively, including via sub-contractors. The chair then opened up the floor to questions.
3. A number of funding related questions were raised by providers, including the need for substantial up-front funding as a result of the outcome focussed funding model. There was agreement that a soft-start to outcome funding might be necessary, but that it should not result in excessive profits.
4. LF indicated that a soft start would need to include a reduction in margins later in the process, to deliver savings to the tax payer, and that providers should be expected to limit their spending as a way of managing lower than expected profits. CG indicated government would not become the lender of last resort to providers.
5. There was some discussion among providers regarding outsourcing benefits payments, and providers using this as a way to guarantee income to secure lending. CG confirmed that there were no Work Programme related plans to alter the current services provided by Jobcentre Plus.
6. Providers stressed the need to have accurate volume expectations in order to limit risk, and the associated higher costs of lending. CG asked that providers write to him to set out their ideas of how this could be done. LF mentioned a stock of JSA claimants for referral would have built up at the start of the Work Programme, which could guarantee volumes in the early days.
7. Providers raised the issue of an 'accelerated funding' model which would give providers additional rewards for helping harder to help groups, and the possibility of attachment fees. CG indicated the differential pricing model would deal with harder to help customers, and that he was reluctant to follow the FND funding model of attachment fees, given the limited additional employment outcomes it generated.

8. LF indicated that it would not necessarily be required for providers to have capital in place when competing for delivery of the Work Programme – given the constrained timescales.
9. Providers asked what would happen to customers who came out the other end of the Work Programme without a job, and CG indicated the Work Programme and Mandatory Community Activity was likely to work as a loop – so that people may re-enter the Work Programme after a spell on MCA, if it was deemed appropriate.
10. Providers asked whether the government intended to reduce benefit payments to incentivise people to return to work. LF indicated that the 21<sup>st</sup> Century Welfare reforms would help to incentivise people, including the removal of the 16 and 30 hour cliff-edge benefit reductions, and that we should expect a Bill in 2011. CG also indicated benefit conditionality would change to ensure that people would engage with work related activity, and accept jobs where they were offered. He indicated that this change to conditionality would include use of sanctions and possible Mandatory Activity.
11. CG concluded by welcoming ideas and questions from providers. The chair then closed the meeting.