

The PEP Accelerator Model

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Key questions

- What is PEP?
- Why are we proposing an accelerator model?
- What are the objectives of the PEP accelerator model?
- How will the model work?
- What is the shape of the accelerator curve?
- Where are we in producing the model/working assumptions?
- Cohort composition
- How does the accelerator impact upon evaluation of bids?
- What are the outstanding issues and next steps?

Strategic intent is to Pilot:

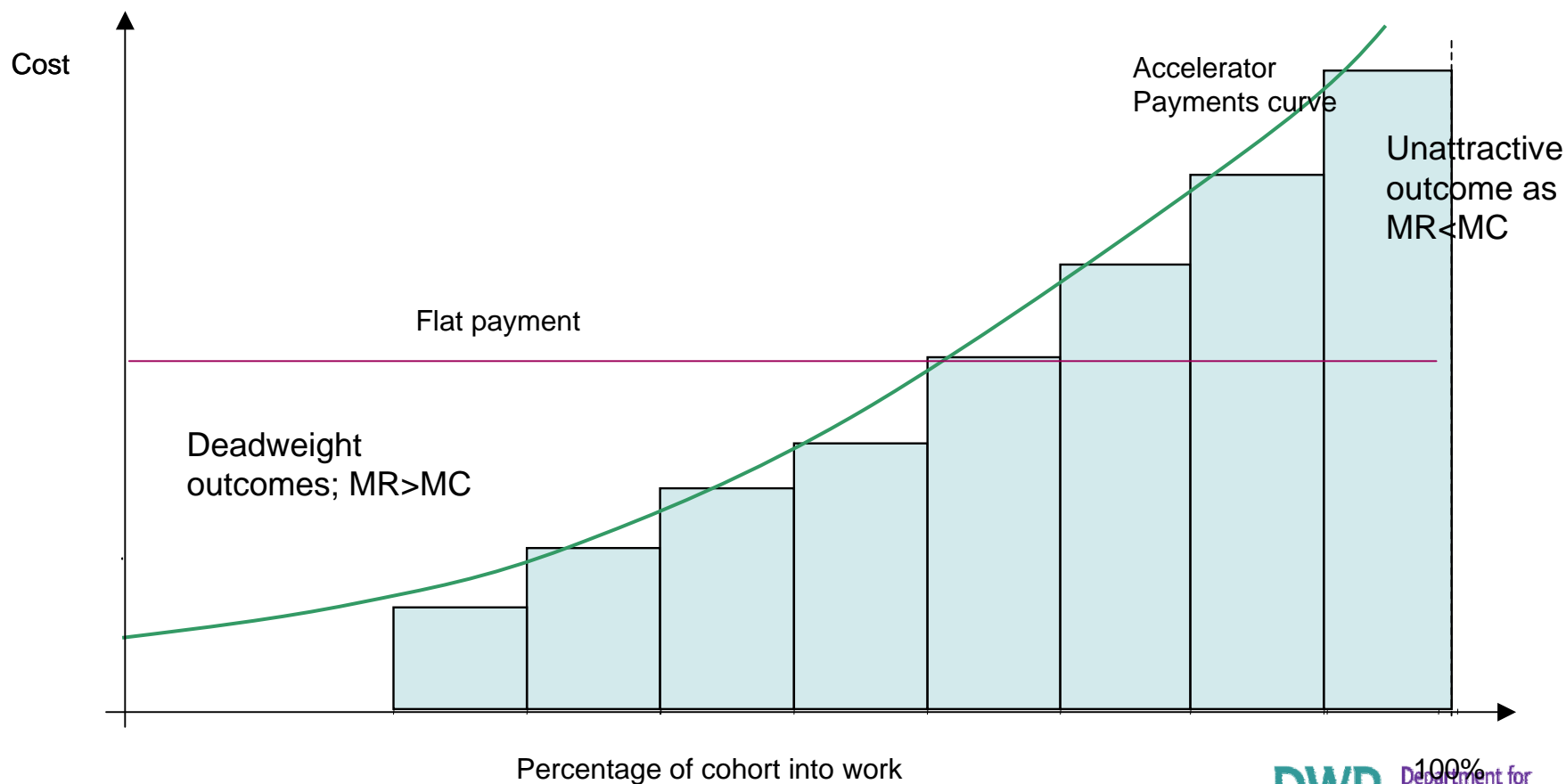
- Single multi-client group contract
- Single funding stream for all customer groups
- Gregg's proposed ESA conditionality
- Accelerator funding model

PEP customer journey

- All customers access provision based on needs rather than benefit claimed
- Minimum of quarterly WFIs for all customers otherwise "Black Box"
- Lower specification allows greater tailoring of support
- Customer groups may be referred to PEP at different times

Why are we proposing an accelerator model?

- Current programmes use a flat payment system
- This can have unanticipated and unwanted outcomes such as creaming and parking
- The accelerator model seeks to reduce this and incentivise the provider to engage with the whole cohort



What are the objectives of the PEP accelerator model?

- Incentivise providers to help more people to enter sustained employment
- Use competition to drive value for money and performance
- Establishes a better match between provider costs and outcome payment levels
- Does not drive perverse provider behaviour
- It is simple to understand and implement
- Is viable in the current market

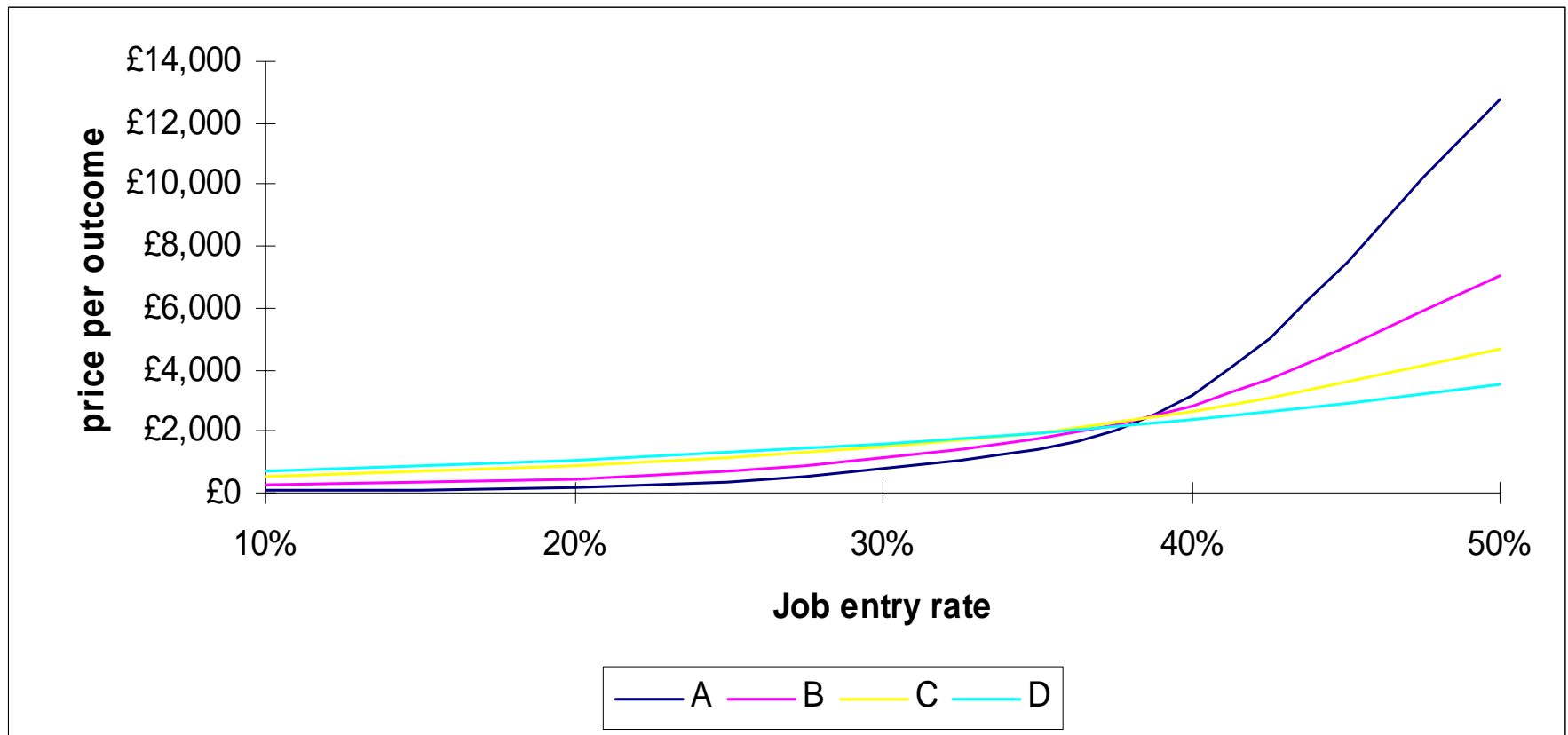
How will the model work?

- Fixed Budget – drawn from existing FND, Pathways to Work and JCP Support Contract allocations
- All customers enter a mixed cohort with outcome payment dependent on position in cohort rather than benefit claimed
- For a cohort of 100 people and a performance offer of 50% we would expect to pay through the following pricing scheme



What is the shape of the accelerator curve?

- The shape of the curve will depend upon the level of risk the provider is willing to take and how their supply chain is incentivised

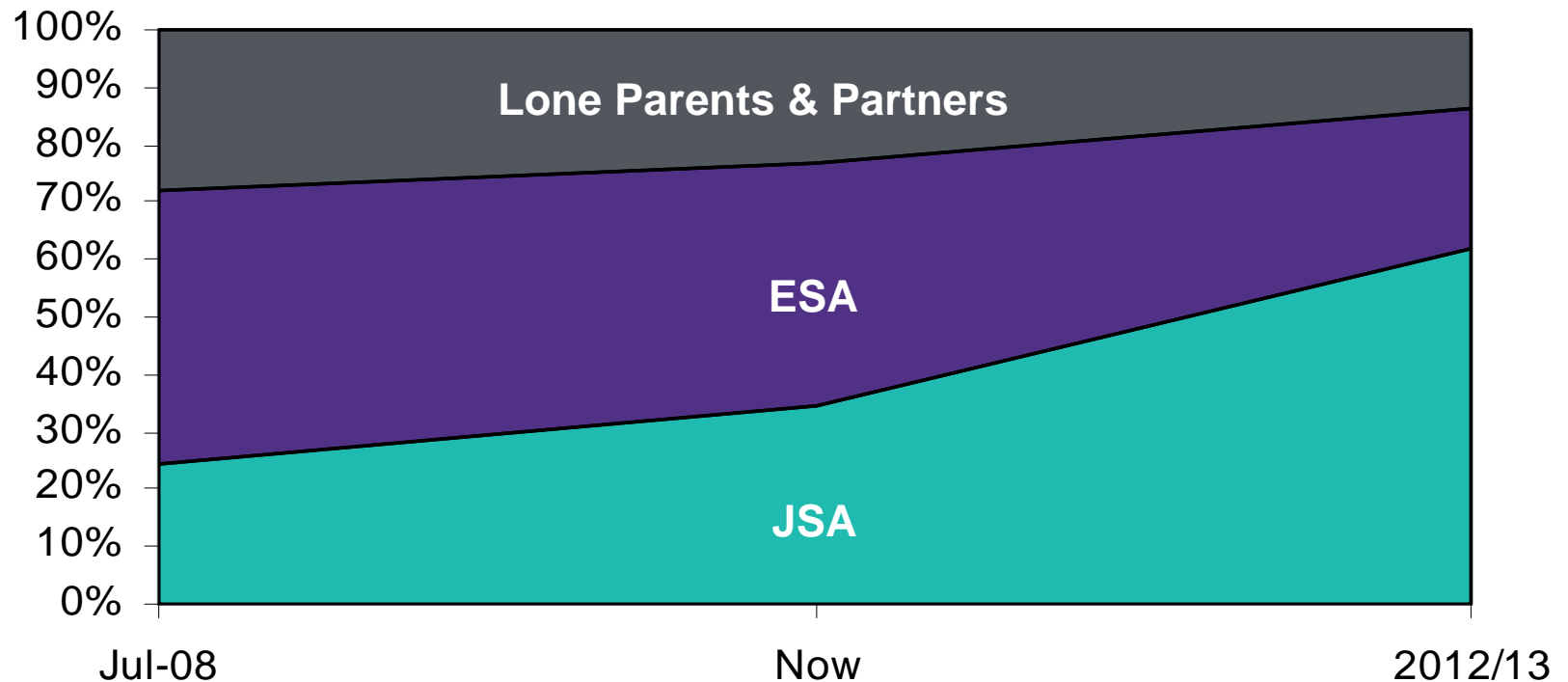


Current working assumptions

- Each cohort will be broken in to several segments/steps of a fixed width.
- Price offers should be increasing (steps should go up).
- Bidders compete on price offers (height of steps) and the performance offer.
- Maximum price we pay will be consistent with the performance offer.
- Each bidder will propose 4 different prices for their performance offer. The first 25% of their outcomes will be paid at P1, the next 25% at P 2 and so on.

The cohort mix

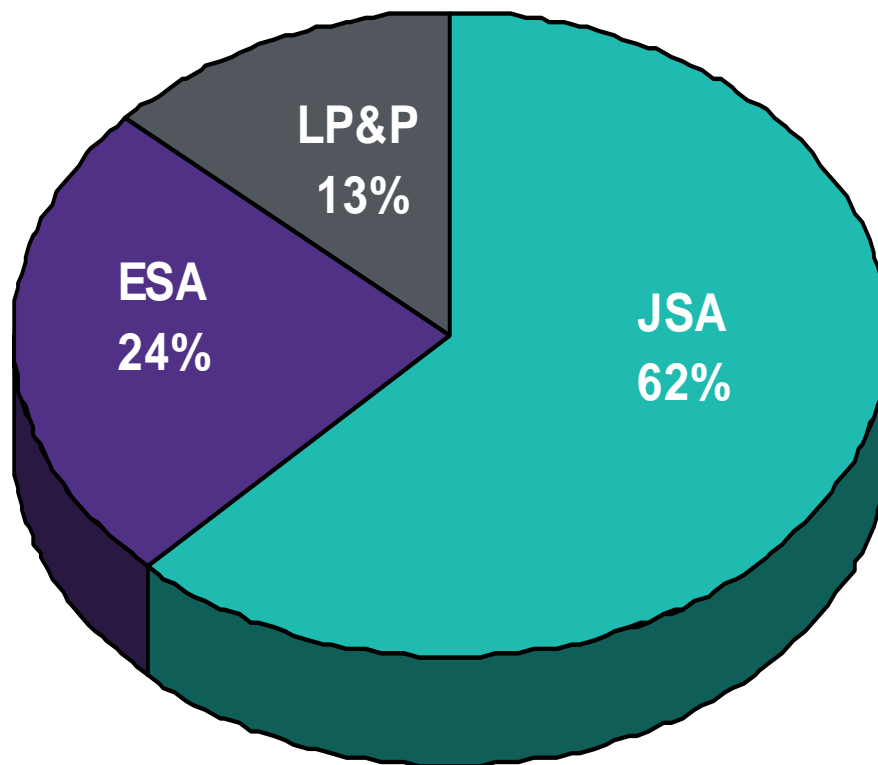
- PEP cohorts will be made up from 3 existing customer groups - JSA, ESA, and Lone Parents & Partners.
- This is how the mix of customer groups has changed over time and what we expect the cohort mix to be when PEP contracts begin
- The proportion of JSA customers increases because of the economic downturn.
- These are our current planning assumptions and so could change between now and go live



The cohort mix when PEP begins

- On our current planning assumptions the cohort would be a majority of JSA customers for the life of pilot

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- How long do customers remain on PEP?
- How and at what rate do outcome payments vary over a cohort? (shape of the accelerator curve)
- Definition and size of cohorts?
- Performance expectations
- Service fee/outcome payment split
- What proportion is front loaded?