

8 Implementation

The Department for Work and Pensions' Spending Review settlement for the three years to 2010-11 was agreed at the time of the Budget 2006. The Department will be operating within an envelope of minus five per cent per year real terms below the baseline of 2007-08 for that three year period. This makes effective prioritisation all the more important, especially when considering new policy initiatives. The Department and its agencies have also absorbed an enormous amount of change over the last few years, and there are real capacity issues to be addressed in delivering more change in the short term.

I therefore recommend that my reforms should be phased in over a reasonably long period. Although the thrust of the reforms will reduce expenditure in the medium to long term, through lower benefit rolls and a permanent increase in national income, short term investment will be required in terms of setting up contracts in a sensible way and increasing conditionality for certain groups. This part of my report recommends a phasing for that investment and for making changes that can reasonably be delivered by the Department.

Implementing the contracting proposals

It will be valuable to build up the outsourcing model through an expanding series of pilots. This report suggests phasing the contracting over a period of years. This will allow the specific lessons to be applied to the subsequent phase. Well advertised as a programme, it will also attract great interest and attention from the private and voluntary sector, who will be fully aware of first mover advantage and are likely to bid for contracts in the early rounds at keen prices.

There are a series of practical questions that need to be resolved if this is to come to fruition. The Department has a large number of existing contracts which are scheduled to come to an end at various points over the next few years. There may be scope for drawing together some of these contracts to provide an opportunity to start to test some of the ideas outlined in this report in a limited way.

The Department is in the process of contracting for delivery of the Pathways to Work service by the private and voluntary sector, on an outcome focused basis. This needs to be in place to ensure delivery of the Employment and Support Allowance from 2008, so this process cannot be disrupted. I propose that these contracts are let as planned and allowed to run for some years before changes are incorporated.

Other preparatory work can in the meantime be undertaken by the Department. A version of the assessment which advisers use at the point of handover to the private and voluntary sector will could be developed and tested (as described in Part 7). At a regional level, private and voluntary sector organisations could be drawn together to establish how they might best work together with a prime contractor to deliver all that the region needs in terms of labour market outcomes. This regional work would also be an opportunity to think in more detail about how cities consortia would influence these contracts.

In setting these initial contracts up, a number of considerations need to be taken into account, including the amount of money which the Department has available to invest in them, the amount of risk which both the Department and individual contractors are prepared to take on, and the implications for future competition of the way that they are established.

The implementation timetable for this part of the proposals could therefore begin with the setting up of some prototype contracts, as the Department's existing set of contracts expire. This set up might take a year or so, from which point the contracts could be piloted. Later, if these pilots are successful, lessons would be incorporated into other contracts, as and when they came up for renewal. Over a period of years it might then be possible to consolidate all of the Department's contracts.

Implementing the funding model

The funding model proposed in this report will require the Department to operate in a new way. It will have to gather extensive information on the characteristics of individuals and their likelihood of returning to work, in order to establish a proper pricing mechanism. Ideally, this would allow for the contract price to be fully responsive to the changing labour market and claimant composition.

Recommendations for rolling out this model are set out in Part 4. For this approach to work, the Government may need to ensure that adequate funds are available to reward contractors in proportion to their success in moving more people into sustained work than the benchmark.

The system also relies on the private and voluntary sector being able to track people consistently for a period of three years, and the Department being able to verify this information. This is much longer than is currently required, and will need some different ways of operating.

The implementation timetable for this part of the process would initially involve setting up an expert centre within the Department for Work and Pensions and commencing regional work in more detail. This information would then be used in the prototype contracts described above.

Implementing rights and responsibilities

The increased conditionality, in particular for lone parents, recommended in this report, will come with a short term price tag attached. The Department will need to come to a view about how and when this conditionality is affordable. The removal of eligibility to income support for lone parents with older children needs to be tied into the availability of childcare, and consulted on widely. I would also propose that this change is phased in, with the age of the youngest child reducing to twelve as soon as is practicable and gradually thereafter.

Implementing benefit reform

Significant change to the benefits system will require a change to legislation, for which parliamentary time would need to be found. There are significant lead times to developing a consensus on reform and on the necessary changes. Any work would clearly need to begin with consultation and evidence gathering on the longer term shape of the benefits system. These proposals would then need to be consolidated into a Government paper or papers, and a design phase could then begin. Legislation would follow, and then the development of IT systems and detailed delivery mechanisms. From start to end this process would probably take at least a decade.