



House of Commons  
Work and Pensions Committee

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# The Work Programme

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## Oral Evidence

**19 March 2012**

*Rt Hon Chris Grayling MP, Alan Cave and Chris Hayes, Department for Work and Pensions*

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# Oral evidence

## Taken before the Work and Pensions Committee

on Monday 19 March 2012

Members present:

Debbie Abrahams	Glenda Jackson
Harriett Baldwin	Brandon Lewis
Andrew Bingham	Stephen Lloyd
Karen Bradley	Teresa Pearce
Sheila Gilmore	

In the absence of the Chair, Harriett Baldwin was called to the Chair

### Examination of Witnesses

*Witnesses:* **Rt Hon Chris Grayling MP**, Minister of State for Employment, **Alan Cave**, Contracted Customer Services Director, and **Chris Hayes**, Labour Market and Conditionality Director, Department for Work and Pensions (DWP), gave evidence.

**Chair:** Good afternoon, everybody. Our Chair is, sadly, still in hospital recovering from her accident, and our acting Chair is in another Committee meeting at the moment. Apparently, the rule is that the chair then goes to the oldest elected person in alphabetical order.

**Karen Bradley:** Longest serving, not oldest elected.

**Q1 Chair:** And probably the oldest. I am therefore chairing the meeting this afternoon. Minister, perhaps I may start by asking you to introduce yourself and your officials.

**Chris Grayling:** Thank you. It is a great pleasure to serve under your chairmanship. On behalf of all three of us, we send our best wishes to Anne Begg to whom we all wish a speedy recovery. I am Chris Grayling, Minister for Employment.

**Alan Cave:** I am Alan Cave, the Director for contracted customer services in DWP.

**Chris Hayes:** I am Chris Hayes, the labour market strategy director.

**Q2 Chair:** I start with my own declaration of interest. I am on the Board of the Social Investment Business, which has some clients who have contracts under the Work Programme. Does anyone else have any declarations of interest they wish to make at this point? We have a lot of questions and interest in how the Work Programme has been settling in. Minister, is the research of the Centre for Economic and Social Inclusion and its opinion about the higher than expected number of referrals to the Work Programme a reflection of the current weaker labour market, and is it proving to be a much bigger challenge for Work Programme providers?

**Chris Grayling:** There is no doubt we have seen a higher number of referrals, not by a massive amount. Our projections are that about 670,000 people will join the Work Programme this year compared with an initial projection of about 620,000, but there is no doubt that the labour market in the last nine months or so has been quite difficult. We went through the first part of last summer with some good month-on-month figures. We then went into a period through the

course of last summer and into the autumn where the figures were much less good. We have seen an increase in Job Seekers' Allowance (JSA) claimants and unemployment overall. Inevitably, that has some degree of feed-through into the Work Programme, simply because in a more competitive labour market where people are losing their jobs, more people are making it to that 12-month point than would otherwise have been expected.

As a result of the figures we published last week on Incapacity Benefit (IB) reassessment, we also believe that we are seeing more three-month JSA entrants come through than we originally expected. We think that is one reason. Another is simply that we had a big block of people coming through the system last summer who had been through previous programmes and entered the Work Programme. There is clearly additional pressure. I do not know whether Alan wants to say anything about how that is impacting on individual providers.

**Alan Cave:** I think all of the providers would say that the labour market conditions they are dealing with are difficult. They are not saying they cannot place people into work. Many of them posted quite early stories about the numbers of job entries they had managed to achieve. I think they are working very hard on their relationships with employers to make sure they can give the people on the Work Programme the best possible advantage.

**Q3 Chair:** You mentioned the Incapacity Benefit (IB) reassessment process and said it is now progressing on time. According to the published timetable, we were expecting about 300,000 to have been completed by the end of October, but it seems that by the middle of November about 190,000 had been completed. Can you update us on what accounts for that difference?

**Chris Grayling:** To update you on where we are now, essentially the Incapacity Benefit reassessment is on time in terms of numbers of people assessed. I cannot remember whether it is slightly above or below but it is very close to the expected total at this stage. We have built up a backlog on new claims for Employment Support Allowance (ESA). That is, as

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far as we can see, due to two factors. Firstly, there has been an increase in the number of ESA claims in the last few months. Secondly, alongside that, the introduction of one part of the Harrington reforms had an unexpected impact on the amount of time it took to carry out assessments. That is the introduction of the short statement that was to be prepared by each health care practitioner to explain why they had reached the individual decisions.

For the first couple of months, this caused health care practitioners to disappear into a side room and spend about half an hour doing it, and that delayed the process. We now have that back on track. The amount of time they are taking to do the full assessment, including that paragraph, is back to what it should have been, and we are in the process of working with Atos to catch up. We are on track to catch up by the summer. So, it was an unexpected glitch that caused a backlog in new claims, but we are working very hard to sort that out. The reason for it was the personalised statement.

**Q4 Stephen Lloyd:** Minister, you have already answered part of the question I was going to ask. Is it correct that that was the specific bit of Harrington that required further medical data from the applicant's GP or consultant?

**Chris Grayling:** It was not that. Basically, Harrington recommended that, instead of having simply a formulaic system where you end up with a score, we also have a short explanation written by the health care practitioner about what they thought were the key reasons for reaching their views. Probably, to people not necessarily used to doing that, in the early stages it took much, much longer for them to sit down and prepare that statement than it does now. Now they are more used to it; they sit down and do a very quick summary, and it all happens within the time allotted, but in the early days it took much, much longer than expected.

**Q5 Stephen Lloyd:** That has now been addressed and Atos have the system working. It was a good part of Harrington because it went in the direction of a social model, which is so important. Moving on, in percentage terms how many Work Capability Assessment (WCA) are now being carried out each week for new ESA claims, and how many for IB reassessments?

**Chris Grayling:** As to the actual numbers, I will have to refer to the notes because I cannot give them off the top of my head. At the moment each month we are clearing just over 100,000 cases. If I am not mistaken, that encompasses both new and existing ESA and IB claims. That number has risen. Just to give you an indication of how we are working to clear claims, last August/September, when we were dealing with the issue I described, we were clearing only about 65,000 to 70,000 a month; we are now clearing 113,000 a month in the most recent month for which we have available figures. We have really ramped up. Just before the introduction of the Harrington reforms we were doing 90,000-odd a month. That dipped, and it has gone back up again. It was one of those unforeseen operational issues that came out of left

field. We are now working very hard to sort it out. We know that health care practitioners are now used to doing it. It was purely due to the fact that, because they had not done it before even though they were trained to do it, they sat down and took much more time and were much more exhaustive than they needed to be. We now have the right balance.

**Q6 Stephen Lloyd:** In that area, but slightly off piste, referring to the figures you announced on Friday, are you confident or not, as the case may be, that with the Harrington changes to the WCA, the level of appeals will be lower than they were, say, nine months ago when, depending on how you look at it, 40% of appeals overturned decisions of the WCA? How confident are you that the Harrington changes have made that difference?

**Chris Grayling:** It is too early to be certain because, with the timetabling, we started doing the assessments last June. We now do a reconsideration in virtually every case. People would have started to receive decisions in late June/early July. There is a period of nine weeks before the reconsideration deadline is reached, which is about September. Then you have a wait of about 24 weeks for an appeal to be heard. So, the appeals data have only just started to come through, and we do not have statistically accurate data yet. What I have done is ask Malcolm Harrington to watch over that early flow of appeal data.

We have looked at this quite carefully on the ground. You will remember that one of Malcolm Harrington's concerns was that very substantial amounts of new medical evidence were coming forward at the appeals stage. There is now virtually no new medical evidence coming forward at the appeals stage. We now have to watch carefully over the Tribunals Service. We have done everything we think we can. We have tried to improve the quality of decisions and the availability of evidence to the decision makers, but probably we will not be able to give you detailed figures until the next time we meet.

**Q7 Stephen Lloyd:** What is the ETA for when the Department thinks it will have more robust figures? Would it be one, two or three months?

**Chris Grayling:** Probably another three months. If I may touch on last Friday's figures, which were the first official stats publication about where we had got to, those covered the first 144,000 people who were assessed. The statisticians tracked all of those people right the way through to see the outcome of their assessments. Some were done early at the paper-sift stage; some were done later. So it was a full sampling of the 144,000, which we think will be representative of the whole reassessment, because it is 10% of the total randomly spread around the country.

We have found three important things. Firstly, the number in the fit-for-work group was much higher than expected. Even if we make no progress on the appeals at all—I hope we will—that would imply a post-appeal fit-for-work rate of about 30% compared with the original estimate of 23%. That is one big variation from what we expected.

The second big variation, which was partly expected and partly not, is that there was a significantly bigger

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support group. In part, that is due to policy decisions. You may remember that in the past we have talked about the internal review of WCA and its consequences. A number of the charitable groups said they thought we were creating a much harsher test that would lead to fewer people needing unconditional support in those groups. That is not what has happened. As a result of those changes we have seen a bigger support group, but that support group has proved to be even bigger than we expected the biggest support group to be. As the mix of people has come through, we have had a higher number of people who need ongoing unconditional support. I am very comfortable about that. Apart from the fact I wish those people were not in that position in the first place, I would much rather we erred on the side of caution and had a bigger rather than smaller support group. The third variation, which has particularly affected the Work Programme, is that we have both a smaller work-related activity group but also the prognosis times for those in the work-related activity group are significantly longer than had been projected. We have been basing our estimates on new claims, but the prognosis times are much longer. That has also had an impact on Work Programme flows.

**Q8 Stephen Lloyd:** On planned start to IB reassessments, it has been slower than we anticipated. There were no claimants referred for reassessment in February of last year and there were fewer than planned in March to May. What caused that slow start?

**Chris Grayling:** We did not have a slow start. We started sending out a small number of letters to people for reassessment. We did the Burnley and Aberdeen pilots, and on 1 March we started sending out a few hundred letters a week to get the other 11 centres handling the reassessment process up to speed. We almost did their own localised pilots. The full flow of letters started going out in April, and those people would have started to be assessed about 10 weeks later, which was the end of May/early June. You will remember that we had the Harrington recommendations in place by then. All of that is right, isn't it?

**Alan Cave:** Absolutely. It has averaged 53,000 a month since June, so I think it has been on track.

**Q9 Stephen Lloyd:** If we have a lack of clarity from our perspective, that is fine. Sticking with the reassessment process, it seems certainly to be on track by June/July, but there had been only about 700 ex-IB/ESA claimants attached to the Work Programme by the end of October.

**Chris Grayling:** This is where one has a mix of impacts on the Work Programme. Firstly, there are a number of people who appeal and who would not, therefore, enter the Work Programme until the decision was or was not upheld, as the case may be. In terms of people flowing through to the Work Programme, the number coming off incapacity benefit and on to Job Seekers' Allowance and entering the Work Programme is, on our current projections, where we expected it to be.

The issue is that we have a group of people who are less ready than we had projected to make a return to work. When somebody has a prognosis of six months or less, each WCA will set a time for the individual that, for those in the work-related activity group, is the estimated period it will take before they can make a return to the workplace. The proportion of the work-related activity group—which in any case is smaller than expected—who are within that six-month period is much, much smaller than for new claims. For new claims it is two-thirds; for this it is less than one-fifth. That is the big variation that has proved to be the unexpected element in all of this.

**Q10 Stephen Lloyd:** You talked about how the support group ended up larger than you anticipated. Do you have any data for the success rates for encouraging claimants to participate voluntarily in the Work Programme? If your support group is to be even larger than you anticipated, clearly there needs to be some sort of system or process where they can be encouraged to volunteer themselves for the Work Programme; otherwise, you will have a large group of people that will consistently stay quite substantial.

**Chris Grayling:** You have to bear in mind that the support group are the people we do not expect to be able to work again, or for the foreseeable future. While the Work Programme is open to them, in reality we are not putting effort into trying to encourage support group people in.

For the work-related activity group, we had quite a slow start on the volunteering. Most of the Work Programme providers had said to us on more than one occasion they wanted the opportunity to recruit volunteers to the Work Programme, so, from the start of November, when somebody is assessed through the WCA and put into the work-related activity group, as a matter of routine they now attend an induction session organised by the Work Programme provider, which gives the provider the opportunity, effectively, to sell their services to the volunteers. Effectively, we have passed the volunteering responsibility to the providers and said, "Look, if you're good and you can offer these people help, here they are; sell yourselves to them."

We are getting a mixed picture. Some love it and have been getting quite a lot of volunteers; others less so. We will not get the full picture for a bit yet because it is still relatively recent.

**Q11 Sheila Gilmore:** One of the proposals by Harrington, which I think everybody thought was very good, was that the decision making should lie with the decision maker, not the test. I have a constituent who has been waiting since November to hear the outcome of her test. As of this week, she still has not had the outcome. You talked about the delay with the personal statement, but is this a complete one-off, or is there a delay in the process going back to the decision maker?

**Chris Grayling:** Not that I am aware of.

**Chris Hayes:** We are not detecting any delays on a large scale. Individual cases can sometimes be quite complex, as the Minister has explained. There is a sense that we sometimes need additional evidence, so these decisions can take a while. The decision maker

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can call for different evidence from the GP and the individual. That sometimes leads to an extended decision-making process.

**Chris Grayling:** But if you want to write to me, we will check it out, because in most cases it should not happen.

**Q12 Chair:** On the statistics, you said you were quite surprised about the number of people who were being referred to the work-related activity group. I think you said that 34% was a little higher than you expected.

**Chris Grayling:** Bear in mind that a lot of these are guesstimates within the Department, because we are dealing with an IB cohort about which we know very little.

**Q13 Chair:** But I seem to recall that the Aberdeen and Burnley trials were broadly similar.

**Chris Grayling:** The fit-for-work level has been higher in the overall package. We were originally expecting 23% fit for work; 19% in the support group, and the rest to be in the work-related activity group. Before appeals, we have ended up with 37% and 34%, so you see the combination of the two. The work-related activity group is much smaller than expected, and the support group is nearly twice as big. Part of that is due to conscious policy decisions we have taken, but, leaving those aside, we have found far more people appropriately put in the support group than we expected.

**Q14 Chair:** The Aberdeen and Burnley trials gave results quite similar to the ones we have had across the whole 144,000, didn't they?

**Chris Grayling:** It is certainly true that they are closer than our original estimates, but, even so, they are more pronounced than even the Burnley and Aberdeen ones. I cannot remember the final figures for Burnley and Aberdeen in terms of the work-related activity group, but it was not as low as it has turned out to be nationwide.

**Q15 Glenda Jackson:** I am going to do a little coat-tailing on some of the questions Stephen asked. We had a great deal of evidence before the scheme came into place of concern by applicants about the speed with which Atos went through their assessment process: the fact that it was not possible for additional medical evidence to be able to be presented in some instances, and the individual was not allowed to take someone with them when they went through that assessment. Do you say that that additional medical evidence is just out of the window; there is now no additional medical evidence that can be put forward?

**Chris Grayling:** No.

**Q16 Glenda Jackson:** Is that part and parcel of the reason there seems to be an almost automatic reassessment post the initial assessment? I do not understand that.

**Chris Grayling:** There has been no barrier on medical evidence—just the opposite. Effectively, we have rebalanced the process away from over-reliance on the work capability assessment to make sure our decision makers look more holistically at the situation of an

individual. That is done in a variety of different ways. It is done through the initial contacts, which are now by telephone rather than letter, to explain to people what kind of evidence they can submit; we have done it by giving our decision makers much more freedom and encouragement to ask for new information at the decision stage; we have done it by effectively putting every case that is going to appeal, or where a person is not happy with it, through a reconsideration where we look for additional evidence, with the result that, from the very early numbers of appeals we have studied, there is almost no new evidence coming forward at that stage anymore.

You will remember that one of Professor Harrington's criticisms of the process as we inherited it was that too much information was emerging only for the appeal judges to see, and Jobcentre Plus never had access to that information when they took their decisions. As far as we can establish from the work we have done, that is no longer the case, and that is certainly a good thing. The impact of that is something we will be able to see only when the statistics come in due course.

**Q17 Glenda Jackson:** I am bemused as to why, if that information is available certainly to the decision makers, there are still so many cases going to appeal.

**Chris Grayling:** In a nutshell, if you are saying to people that currently they are getting £90 a week for your benefit and it will be £67, they will always choose to appeal. You must also bear in mind that we are putting people through a difficult period in their lives. These are people who have been on benefits for a long time. I met a woman a few weeks ago in a Work Programme centre who had been on Incapacity Benefit and had been off work for 14 years with depression. She freely admitted to me that she had been almost hysterical the first day she came to the Work Programme, but a few weeks later she said she still had low confidence but she had started to do a day a week in a charity shop and had applied for jobs. For some people it is a very difficult journey, but if we do not help them on that journey, the alternative is that they spend the rest of their lives on benefits, and I do not think that is of any help to them at all.

**Q18 Glenda Jackson:** No one would want to see that, but the evidence presented to the Committee by some of the providers, markedly by the voluntary sector, was that the voluntary and charity sector, whom we were assured would be the experts in assisting the most difficult people into work—because they had mental health issues, or had been out of work for a considerable period of time—would take the slack and be the most effective in assisting people back into work. Yet the evidence they presented to this Committee is that they are not being asked at all. There is no work going down the line to them, and the bulk of people are still being put on ESA.

**Chris Grayling:** As we sit here today, there are well in excess of 100,000 people on the Work Programme receiving support from the voluntary sector. It is difficult to make exact comparisons through history, but we believe this is the largest programme of welfare to work ever carried out by the voluntary

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sector. There are organisations involved across a wide range. I was in Cornwall a couple of weeks ago. The Cornwall bureau of volunteering was organising work experience placements for one of the primes down there and being paid to do so. Groundwork, one of the bigger voluntary groups, was organising what I thought was an inspirational session for some of the hardest-to-help jobseekers, presided over by some of our Afghan veterans—people who had lost limbs—who talked about how they had overcome barriers in their lives. I can assure you that there are very substantial numbers of people receiving support from the voluntary sector at the moment.

In the next six, nine or 12 months we should all expect something of a shake-out in the Work Programme supply chain. We are now nine months down the road and it is starting to become apparent who is good and who is not. The Work Programme is all about helping the long-term unemployed into work. I will be very surprised if we do not see a significant number of organisations fall away because they are not good enough at what they do.

**Q19 Stephen Lloyd:** Including some primes, potentially.

**Chris Grayling:** Potentially. We have mechanisms that we shall use later this year to move market share towards the better performing primes and away from the less well-performing primes. I have absolutely no sentiment in all of this. This is about helping the unemployed into work, and we want the best people to do it.

**Chair:** Thank you, because we have quite a few questions about the contracts and how each area is performing, the voluntary sector and so on. Glenda, do you have any further questions on the IB reassessments?

**Q20 Glenda Jackson:** Absolutely. Apparently there were 7,600 claimants referred for reassessment before the end of July last year. They still had not had an assessment by the end of February 2012. What are the main reasons for this?

**Chris Grayling:** I would guess—and Alan will confirm—it is due to the fact that there are people we cannot get hold of because they have changed address and so on.

**Alan Cave:** I think so, yes.

**Q21 Glenda Jackson:** What is the follow up?

**Chris Grayling:** The answer is that, if in the end we cannot identify people, we cannot get people into the system. Ultimately, if we could not justify their claims, we would terminate them. You have to be very careful when you do that because you may also be dealing with people who have serious mental health problems who are just not responding. That is one reason why those cases have not been closed. In the end, we would go in one of two directions. We would either put somebody in the support group, which would identify the fact they were incapable of going through the process, or terminate the claim because they were hiding from us.

**Q22 Glenda Jackson:** What was the average length of time between referral for reassessment and decision for cases referred up until July 2011?

**Chris Grayling:** I will have to check the numbers. It takes about 11 weeks to get to the assessment, and typically another four or five weeks before the decision comes through. I will get my colleagues to check that and provide it in a moment.

**Q23 Glenda Jackson:** Will they check and give us regional variations, if there are any?

**Chris Grayling:** Yes.

**Q24 Glenda Jackson:** In how many cases have appeals been lodged in the tribunal system?

**Chris Grayling:** At the moment, about half the cases lodge an appeal. We do not know the outcomes of the appeals, but typically that is the number. That is pretty much in line with what you would expect, because it is one of those situations where people are being put into a situation they may not necessarily want to happen. The appeal process is there, so they choose to take it.

**Q25 Glenda Jackson:** You gave the impression in an earlier response that the decision for people on ESA who will never be able to work is comparatively easily taken, so in that sense they are out of the system. So, what is the drag back?

**Chris Grayling:** As to ESA, you have two sets of appeals. You have those people who are in the work-related activity group and would rather be in the support group. As to those people, our expectation is that, when they are in the work-related activity group but not being mandated to the Work Programme, they will attend periodic work-focused interviews with Jobcentre Plus. We will work with them to ensure we can move them step by step towards a point where they can start to look for work again. People will appeal against that decision. People will also appeal against the fit-for-work decision and argue they should be eligible for ESA.

**Q26 Chair:** To clarify it, as to the 144,000 cases where 29% have been put in to the support group, presumably there is no appeal, but as to the remaining 71% about half choose to appeal.

**Chris Grayling:** Not half of the total. A lot of people are perfectly happy to be in the work-related activity group, so of those we might expect to appeal I guess it is about half the fit-for-work decisions.

**Q27 Chair:** It is about half of the fit-for-work decisions, and for the work-related activity group you find that people are not appealing.

**Chris Grayling:** There are some appeals there. If you pick an absolute number, it is slightly below half. Of the 144,000, if you look at the 37% who are fit for work, typically the total number of appeals will be about half that level, but in fact it is slightly lower; it is topped up by work-related activity group appeals, if that makes sense. If you are looking at the raw numbers, you are talking of one-third of about 150,000, which is 50,000, so it is 25,000 to 30,000 appeals.

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**Q28 Glenda Jackson:** Is the length of time it is taking for those appeals to go through lengthening?

**Chris Grayling:** It is reducing step by step.

**Q29 Glenda Jackson:** By how much?

**Chris Grayling:** It is coming down steadily each month. To give you a specific answer is quite complicated because, rather bizarrely, the statistics have always been calculated on the basis of the average time to clearance. If we are clearing a number of old cases, it has the effect of increasing the average time to clearance. What appears to be getting better is actually getting worse, or what appears to be getting worse is actually getting better. The backlog is slowly being reduced, and we are reducing in overall terms the amount of time people have to wait for an appeal.

**Alan Cave:** That is the key thing. Over each of the last three or four months we have cleared a chunk of the backlog, so the net amount of activity going on has more than coped with the new inflows. We feel confident that we are on track to clear that backlog by about July.

**Q30 Glenda Jackson:** But what is the time scale for the new appeals? You are clearing the backlog. How long will it take to clear the new cases?

**Chris Grayling:** At the moment it is about five months.

**Q31 Glenda Jackson:** It is not that much better, is it?

**Chris Grayling:** It is a slow improvement. We have a combination of increased numbers, new ESA claims and IB reassessments, and we are dealing with a backlog that goes back many years. We are bringing it down step by step, but there is not an instant solution that would eradicate it overnight. I wish there was.

**Q32 Glenda Jackson:** Such as additional support for it?

**Chris Grayling:** We have already brought in additional resource to bring down the numbers, and that is beginning to have an effect.

**Q33 Karen Bradley:** I want to talk about the statistics, but, just to clarify it, of those out of the 144,000 found fit for work, do they include people who perhaps have not completed the WCA appropriately and, therefore, have gone straight onto JSA? They may be people who would have qualified for the work-related activity group if they had completed the process properly.

**Chris Grayling:** The number we published last week is net of people who have never been assessed. It is about the small number of people who do not turn up for the assessment for various reasons. It may be that they have dropped out because they were doing something else, or whatever, but it is the net figure. Those are the 144,000 people who go through the full process.

**Q34 Karen Bradley:** So, those constituents who say to us that, for whatever reason, they fell through the process are not included in the stats.

**Chris Grayling:** No.

**Q35 Karen Bradley:** That is helpful. Looking at the statistics overall, one of the comments we received as a Committee from Work Programme providers was that, although there was information at the top level, they wanted to see more drilling down to subcontractor level, particularly the voluntary sector. Based on the discussions we have had so far, that information would be incredibly useful. Is that something you are considering putting in the public domain when we go into the statistics later on?

**Chris Grayling:** Everything I have said to you we have done with Work Programme primes to communicate to their subs. Over the months we have had a number of discussions. I regularly go to conferences attended by primes and subcontractors, so we have tried to be very clear to people. What I have told you about the mix of IB claimants I have said two or three times to the industry. I make regular attempts to go out and talk to them. Alan also has a team of account managers who work across the prime network and also with subs.

**Alan Cave:** There is an issue about what we are doing by way of performance management and who publishes what information. As the Minister says, every week there is very active discussion in every contract package area with the primes, people from Jobcentre Plus, local authorities and so on to get under the skin of what is happening performance-wise. That will entail a detailed look at what is being done at various stages in the supply chain.

As far as official statistics are concerned, what we publish reflects our contractual relationship. We will be publishing in detail the performance figures for each of the prime contractors with whom we contract. We do not prescribe their delivery model; we do not tell them which subcontractor to work with. We incentivise them so they are very clear that they need the best performance from every single one in the supply chain.

I know that it is already the practice, which is a growing one, on the part of quite a few prime contractors to create their own management information and share that widely. I do not think there will be an issue of transparency here; it will be widely clear where the best and worst performance is. We take the position that to keep things really clear we hold the prime contractor accountable, and it is their overall performance that we put into the official statistics.

**Q36 Karen Bradley:** So, the statistics we see going out to the general public will be those related to the contractual relationship between the Department and the prime contractors, and what goes on below the prime contractors is their business, as far as you are concerned.

**Alan Cave:** Yes, quite literally.

**Q37 Karen Bradley:** Would we expect to see them starting to publish that information shortly?

**Alan Cave:** Absolutely so. I know that under Flexible New Deal,<sup>1</sup> for example, a couple of the prime contractors who are delivering the Work Programme

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<sup>1</sup> *Note by Witness:* Flexible New Deal no longer exists and was replaced by the Work Programme.

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produce certainly a monthly report that has in it a lot of detailed MI at every level. That is probably in the planning for the majority of them.

**Chris Grayling:** We would encourage them to do that, because the more pressure we put on people throughout the network to perform, the better.

**Q38 Karen Bradley:** So, there is no contractual constraints upon them in publishing that information?

**Chris Grayling:** No. There has been a lot of chatter about contractual constraints, gagging, etc. It might be helpful to explain exactly where we stand. First, we are subject to the rules of the ONS<sup>2</sup> about what, when and how we publish statistics. If we published anything that remotely strays from that area, we are lambasted, ironically not just by the Statistics Authority but by the Labour Party for misusing statistics. Next week they will ask why we are not publishing the statistics. We have to be very careful.

With the Work Programme there is a constant tail of people who have not been on it for very long. That is one of the challenges of demonstrating the performance of a programme like this. If today you took a raw percentage of the number of people who had completed six-month job outcomes in the Work Programme compared with the number of those on the Work Programme, you would say, "Oh, my God; this is awful; it's 0.00%", or whatever is the percentage, because you will be judging somebody who joined the Work Programme last summer in exactly the same way as somebody who joined yesterday. In addition, the Work Programme has been going for just over six months, and so the first six-month placements have been coming through only very recently, so you get a totally distorted figure.

That means that inevitably to get a true picture you have to wait. Our intention is to publish in July the first substantive statistically validated early performance data about the Work Programme, which is about as quick as we can do it, because that will enable us to track the first people who joined last summer and what has happened to them nine months later. Our prime providers have said they will publish in April a further update of the kind they published a few weeks ago showing what has happened in terms of job entries for last summer.

**Q39 Stephen Lloyd:** Published to you?

**Chris Grayling:** No—generally. There will be a second update in April. The first update was published about six weeks ago. It showed that, depending on which prime contractor it was, between 18% and 23% of people who started the Work Programme in the early days of last summer had entered jobs. What we do not know is whether they have completed the six-month job outcomes, whether they have dropped out of work and so forth. That was just a raw indicator. Both they and we thought it was about on track with where we would have hoped to be at that point. We will get a further update in April, and we will do our first statistical publication in the summer and a more detailed statistical publication in the autumn. Believe me: as soon as we can, we will get statistically validated evidence out there.

There have been a couple of occasions—this is one reason the rules are tight—when subcontractors have gone to the media and published data themselves. That gets us into all kinds of issues with the Statistics Authority, because it is the raw release of unrepresentative data about the programme as a whole, and that is what you cannot do. Believe me, we are absolutely not trying to hold back; I want transparency and to hold providers' feet to the fire, but we have to do it in a way that statistically passes muster. If we do not do that, we get into trouble in a variety of different ways.

**Q40 Debbie Abrahams:** I am sure the Minister did not mean to be partisan in his remarks. I just wonder why it has taken so long to publish your intentions about what data would be made available. I absolutely understand, as a former director of research, the points you make about ensuring the data you publish are valid, but why couldn't you have done this earlier?

**Chris Grayling:** I apologise if I appear to be partisan. It is simply that Stephen Timms attacked me last week twice: once for not publishing data about the Work Programme; and, secondly, for misusing statistics. You cannot have it both ways. We set out very carefully from the start what the timetable would be, and that it would not be until this autumn that we would be able to publish statistically valid data that gave a true picture of Work Programme performance and gave us the mechanisms to start to manage the market and so forth. We always said that we would publish figures for the numbers entering the Work Programme, as we did in February. We continue to publish that on a quarterly basis.

As to the other elements, we have done our best to accelerate that in response to a lot of people asking us to give more information. What we publish in July will be only a statistical snapshot. The statisticians will probably still be saying it is okay up to a point, and the data coming through in terms of job entry does not reflect the performance of the Work Programme itself, which is about employment sustainment, not just job entry. We are doing our best to give as much information as possible without creating something that is totally misleading.

**Debbie Abrahams:** I am sure you can always publish confidence intervals. I will wait for the other questions about evaluation.

**Q41 Glenda Jackson:** Will this new statistical drilling down also give details of the types of people who are being employed, or will we simply get a bland figure showing this number of people have been put on this programme and they have got either part-time or full-time work? Will we look at and discover whether this programme is working for those for whom it is most difficult to find work?

**Alan Cave:** Very detailed and regular data will be released in the quarterly statistics. It will look at the population of participants according to the usual breakdowns: age; gender; benefit type, which is reflected by the payment group; disability markers; and ethnicity. It will go down to a very local level, so you will be able to look at all those things by

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<sup>2</sup> Office for National Statistics

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constituency and borough. There will be a great deal of transparency.

**Q42 Chair:** Presumably, you will also be able to bring it back to the cash payments that have been made, because there is the attachment fee, the job-finding fee and the ongoing fee for two years. Presumably, your budget includes an expectation of what you will be paying out and there will be a variance that the Committee will be able to look at.

**Chris Grayling:** Yes, absolutely.

**Chair:** We are now moving to the section dealing with Work Programme contracts that we started to talk about earlier.

**Q43 Sheila Gilmore:** The payment model is based on an assumption about non-intervention levels. If there are likely to be ongoing higher levels of unemployment and difficult labour market conditions, do you think there might be a need to recalculate the non-intervention level?

**Chris Grayling:** I think the key about non-intervention levels was less about the performance of programmes than simply negotiation with the Treasury about the dividing line between DEL and AME<sup>3</sup>. Effectively, we agreed with the Treasury that the Department's DEL budget would bear the cost of the Work Programme up to the non-intervention level, and beyond that AME payments would kick in.

From the point of view of the providers, you can look at it two ways. We have a non-intervention rate that is based on the best estimate of statisticians in the DWP and Treasury as to what would happen if there was no intervention. The truth is that is a subjective judgment by them. What matters in terms of the providers is that we set a minimum performance standard in excess of the performance of previous programmes. What we are saying is that we will give them all that commercial freedom, but in return they must commit to doing better than has been done before. That is what they have done. From their point of view, their commitment relates less to what a putative non-intervention level might be than what they say they can achieve.

My view is that they have signed up for seven years. They have economists who can judge ups and downs economically, and it would be very surprising if over a seven-year period all the sailing economically was smooth. They will have taken their decisions on the basis of what they believe they can achieve, and I see no reason to vary the underlying assumptions of our commercial relationship with them, whatever the theoretical impact might be of the non-intervention level.

**Q44 Sheila Gilmore:** Both the NAO and Social Market Foundation (SMF) have expressed doubt as to whether providers will be able to meet these minimum performance standards.

**Chris Grayling:** This one keeps coming back. The SMF were the first people to publish this. In doing so they described themselves as one of the organisations that had been architects of the Work Programme. That

was news to me since I had no knowledge that they had ever been involved in welfare to work. I was baffled by that, and I still do not understand what expertise they have to form that judgment today.

As to the NAO, we had a lengthy discussion with them about their estimate that only 26% of people in the easiest-to-help groups rather than the 40% assumption would get into work through the Work Programme. These are the conventional JSA claimants, not the hard-to-help groups. What I would say in response to the NAO is that they are entitled to their opinion, but I think they are wrong. If you want to form a judgment about whether they are right or wrong, look at the early job entry data provided by the Work Programme providers, which showed an average of 21% of people in the first six months of a two-year programme. That was across not the easier-to-help but also the hard-to-help groups, and yet the NAO are effectively saying that only 26% would be achieved over two years.

I think they have got it wrong. I do not understand why the NAO thought it appropriate to make forecasts because, surely, they are there to audit. Crucially, the bit that both the NAO and SMF missed was that these numbers had been pored over by bankers, analysts and accountants of 18 prime contractors, plus everybody else who bid. They have all decided this is something for which they are happy to put money on the table. They are investing £580 million this year of their own money. If the figures are completely wrong, how come they are doing that?

**Q45 Sheila Gilmore:** Isn't it the case that the NAO's view was that some of this was the result of a short period of gestation, and that people had a very brief time in which to perform those calculations?

**Alan Cave:** The NAO reported, though not in terms of headline numbers, that when they talked to providers they had been told that they thought the performance assumptions in the Work Programme were challenging but achievable. That was the view that the NAO themselves gathered in their inquiries of prime contractors. We found it odd that the NAO formed their own view irrespective of what providers themselves had been saying.

**Chris Grayling:** The Public Accounts Committee and the NAO have spent the past 20 years criticising Government for giving soft deals to contractors. It is somewhat bizarre to find yourself being criticised for being too tough on contractors. But the contractors themselves were willing to put their money on the table, and this is not a climate in which people invest money without good reason. I am confident in what we have got. They have taken their decisions, and they now need to see it through.

**Q46 Sheila Gilmore:** I think it was the former director of Serco Welfare to Work who said that in his view so much emphasis on competition on price could lead to exactly the situation that you say you want to avoid, which is creaming and parking in order to get as much as possible out of these contracts.

**Alan Cave:** To put that in perspective, the NAO report quantified the impact of price discounting that had taken place in the bidding and said that, across the

<sup>3</sup> Departmental Expenditure Limit and Annually Managed Expenditure

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whole of the Work Programme, it represented a 6% discount, which I think in commercial terms one would say is a pretty respectable deal. That is not commensurate with the view that this has been wholesale cutthroat price discounting.

**Chris Grayling:** It was clearly in the public forum that, when the Flexible New Deal was first proposed by the previous Government, the former managing director of Serco said this was not viable, it would not work and they would not bid. As a result, the previous Government adjusted the financial terms of the Flexible New Deal. When we presented the Work Programme in the public forum and the former managing director of Serco stood up and said, "This is not viable; it will not work. If we weren't already in the industry, we wouldn't bid," I said, "Well, that's tough. We've been through the figures exhaustively, and I think it is investable." They did bid, and so did everybody else.

**Q47 Sheila Gilmore:** In terms of price discounting, I heard the average figure that was given. I do not know whether you want to comment on the view taken that certainly one of the providers in Scotland had under-bid by a considerably greater sum than 6%. Is there quite a variation across the different primes?

**Chris Grayling:** There is certainly a variation. The bids were not on the full maximum payment. To help a conventional, adult 25-plus jobseeker into work, the maximum they can receive is approximately £4,000 over an 18-month period. The amount of the attachment fee and the sustainment payment was fixed. They bid against a payment of approximately £1,200 so discounting was certainly there, but it was against the £1,200 element, not the full fee. In terms of the performance so far, we see no correlation between performance and price paid; if anything, just the opposite. Some of our most competitive primes are the best performing ones.

**Q48 Sheila Gilmore:** Given the comments you have already made about the SMF, I suspect you do not accept the figures they gave as being the likely amount they would have for each jobseeker when it is averaged across the successful and unsuccessful. They give the average figure for funding a jobseeker under the Flexible New Deal as being about £1,600 and £1,200 under the Work Programme, which would go down to £900 in the fourth year. Do you recognise those figures? Is there an issue about the quality of service that can be provided?

**Chris Grayling:** I certainly recognise the Flexible New Deal figures. It is on record that the Flexible New Deal cost £770 million and 450,000 people took part in it, of whom 50,000 achieved a six-month job outcome. That is a cost across the whole programme of about £15,000 per six-month job outcome. It is certainly the case that we have sought to do a better deal for the taxpayer under the Work Programme than Flexible New Deal did.

The amounts of money available to someone in the Work Programme will vary enormously depending on performance. Some substantial payments are available. We have talked a little about the £14,000 group, the ex-IB and ESA claimants, who have been

coming through in smaller numbers than expected, but for the middle group, who are all of the harder-to-help people apart from that one, for whom there is a £6,000 fee, if self-evidently the providers are good at getting that group into work they can make considerably in excess of the numbers you are talking about. Therefore, it is impossible to assign a fixed amount to the funding available through the Work Programme. It is how good the providers are. The more successful they are, the more money they will make.

**Q49 Sheila Gilmore:** But it is also about the quality of service that can be provided for the different categories. I do not know whether other people have had this experience, but recently I received a complaint, which may or may not be fully validated, that an autistic adult had been placed in a large group. That was all that appeared to be available. When he and his parents complained about it, he was put in a smaller group of 20 for a week and then returned to the larger group of 40. It did not sound like a very personalised form of support.

**Chris Grayling:** It is very difficult to comment on individual examples without knowing the circumstance. What I would say is that the formal complaint mechanism to the Work Programme goes through the Independent Case Examiner. We are expecting 670,000 people to be placed in the Work Programme in the current financial year. We have published figures only up to last October, but, given we are in the middle of March, most of those people are already in the Work Programme. So far, there have been 11 complaints to the Case Examiner. We and providers will not always get it right; there will always be stories, which is unavoidable in something this large. Where things have gone wrong we will always take every step we can to ensure that does not happen. It is worth saying that the hard reality is that, with the best will in the world, the Work Programme will not succeed in getting everybody into work. NAO suggested that we would get a quarter into work; we think it will be rather more than that, but we will not be able to do something for everyone. I wish I could say otherwise. The programme has yet to be invented anywhere in the world that will deliver a 100% outcome. We have to be realistic and say that some people will be disappointed.

**Q50 Stephen Lloyd:** Presumably, we are dependent on the DWP being absolutely ruthless in sifting out the best primes from the worst primes.

**Chris Grayling:** Absolutely.

**Q51 Stephen Lloyd:** If some primes have much lower statistics for getting people in work, we would expect DWP a few months down the line to publish it and shame them and, if they do not improve, to move them out.

**Chris Grayling:** We should be absolutely clear that I am entirely relaxed about changes in the system at both prime and subcontractor level. If we lose primes because they are not good enough, there are others who are doing very well to take their place. We have to be very clear that what we are about is the best in

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the industry. The whole way the Work Programme has been designed is to bring best practice to the fore.

**Q52 Sheila Gilmore:** About a month ago the Select Committee heard evidence from the NCVO (National Council of Voluntary Organisations) that a number of smaller voluntary organisations were not getting any referrals; there were still problems in taking it down to that level. Minister, you thought that currently about 100,000 claimants were placed with voluntary sector organisations. There seems to be a substantial discrepancy here, unless you are talking predominantly about the larger ones, for example the two voluntary sector organisations which are prime contractors, rather than the smaller voluntary organisations.

**Chris Grayling:** We now have three because Prospect has migrated into being a social enterprise. It would not take account of Prospect's figures. What I can tell you is that when just before Christmas we did an audit about the level of support being provided in the voluntary sector for people on the Work Programme it was about 20% of the total, which would amount to a little over 100,000, if we meet the year's targets. One expects it will be just under 120,000. A number of providers have journeys for claimants—bear in mind it is a two-year journey—where they will spend the first few months with the prime contractor and then move on to more specialist provision. It is by no means certain that the models of each prime will result in those people arriving with specialist help on day one.

I should go back and say that the Work Programme has been designed to make sure we get the best possible intervention levels. I had a conversation in the last 24 hours with a voluntary sector group who said they were really good at what they do but they had not yet persuaded their prime that they had the right solution for them. What do they do? My answer was they should work harder at demonstrating they were really good at what they did. Every bit of incentivisation in the Work Programme is about finding best practice and the way to get most people into work. Some really good work is being done by the voluntary sector now. I was at a great project in East London a few days ago; it was a Work Programme provision aimed at Muslim women, who face a particularly big challenge to get into employment.

I was impressed by what I saw being done by a local voluntary sector community group on behalf of the prime contractor CTEC. It was a very good example of the Work Programme at grass roots level doing a good job. The first one or two of those groups, who are among the hardest to help, are beginning to get employment. There are some great plans for work experience; there is talk about setting up market stalls as a social enterprise on which participants can work. We will see innovation and new ideas come forward. There will be ups and downs on the way. The Work Programme is dealing with an exceptionally difficult labour market. This time last year the Office for Budget Responsibility was forecasting that by last autumn unemployment would be coming down. It has not; it has been going up. For them it is a much more

difficult environment in which to operate; it is challenging them more than was expected; and they have slightly more people than expected. We have to be realistic about what we can expect, but my sense is: so far, so good.

**Q53 Sheila Gilmore:** Do you think the NCVO figures are simply not right, or is it a matter of lack of concern? A lot of these organisations are saying that they were doing this kind of work previously with funding from previous Government programmes, or indeed local government programmes. I know that in my city the council, which itself funded various welfare-to-work programmes, ceased to fund the sort of things being done by the Work Programme because they did not want to duplicate it. We have voluntary organisations who have been working in the field whose other sources of funding have gone, and nothing much is coming through. I am not clear if you are saying it does not really matter whether or not these organisations get the work, or that you do not accept the NCVO's figures.

**Chris Grayling:** The NCVO are not publishing figures in that respect. What I am telling you is that we did a statistically valid audit before Christmas, which we published, and it showed that approximately 20% of the people in the Work Programme were being supported in the voluntary sector. I know from all the conversations I have had around the country that that is being done by a mix of organisations. At one end of the scale there are organisations like Tomorrow's People and Groundwork, which are very substantial charities, and, at the other end, there are local organisations with small groups of Work Programme participants.

The important thing to remember is that the Work Programme is not and never was designed to be a funding mechanism for any part of the welfare-to-work sector. Every organisation that is involved has to prove it can deliver and do the job. Quite often, organisations that come to me and say, "What do I need to do to get Work Programme referrals?" obviously have not managed to convince the prime contractors of the value they can add. There is absolutely no reason why, in a payment-by-results world, if you go to the primes in a convincing, sensible way and say, "I can get another block of people into work that you would not be able to do", you will not be welcomed with open arms. The NCVO have raised various issues, but we have said to them, "Look at the block of people who are being supported by the voluntary sector." As far as I believe, it is as big as has ever been the case in any welfare-to-work environment in this country.

**Q54 Chair:** In terms of working capital requirements, do you expect there to be any provider failures, particularly in areas where perhaps the labour market is harder than in other areas?

**Chris Grayling:** I certainly hope we do not see provider failure. We are capable of dealing with it if it happens. My impression, to which Alan and Chris may wish to add something, from visits round the country is that it is not obvious there is a significant

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regional variation between different parts of the country, though there are minor variations.

**Alan Cave:** There were a number of factors taken into account in drawing up the geography of the Work Programme. One was to try to ensure there was a balance between them in terms of the overall labour market conditions. Our estimation is that there is more variation within each of the contract package areas than between them in terms of severity or ease of labour market conditions. If you think about contract packages like those in the north-west or London, they contain a lot of labour market variations.

**Chris Hayes:** There is not any one area where we think the variation within it is greater than the variation between areas. So far we are not seeing any significant signs of providers struggling because of local labour market conditions.

**Q55 Debbie Abrahams:** I have to say I am astounded by that, given that in my own constituency 13 people are chasing every job, but I put that to one side.

**Chris Grayling:** Let me give you an example. Of all the places I would have expected to find a Work Programme office presenting to me what they were doing as among the best, Skelmersdale would not have been top of my list, but one of the most successful offices I have seen in moving people into work is Skelmersdale. It is not always the obvious places.

**Q56 Debbie Abrahams:** I am sure they will be delighted to hear that. Minister, I think you said earlier that you intended to shake up the supply chain in terms of those who would provide under the Work Programme. My question is about evaluation. To do that you will need to have done some form of formative evaluation that is not just quantitative number crunching but also looks at qualitative aspects. Could you tell us a little about your evaluation framework, for example whether it includes evaluating differential payment models, and whether the price per person, if you will, is at an appropriate level?

**Chris Grayling:** We are now doing both qualitative and quantitative work on people participating in the Work Programme and their experience. Our intention is to publish that together with the first in-depth statistical analysis in the autumn. I want to be able to demonstrate variations in both performance and activity. Therefore, if the customer experience in one area is more intense and the performance level is higher, I want the whole industry to be able to see that. Ultimately, what we are trying to foster, for want of a better way of expressing it, is rampant industrial espionage in the welfare to work sector. We want everybody to be nicking everybody else's best ideas, because that is what drives up performance across the industry, so we will bring the two together. In terms of moving market share, they will be very much direct comparators within the area. If provider A is in geographic area A and is doing better than provider B in geographic area A, we will start to move market share to the local prime that is doing better. Therefore, you will not be competing between the South-West

and North-East; you will be competing in the North-East. We want to respect the fact that you are both in the same labour market and face the same challenges, but, if you are doing much better than they are, I want you to be doing the business for us.

**Q57 Debbie Abrahams:** Will that include some evaluation about the differential payment model?

**Alan Cave:** Yes, and the basis for the market share will be customer group by customer group. If you are provider A in the North East who is better at getting, say, some of the ESA groups into work, we will direct more ESA groups to your organisation, even though perhaps you might not be quite so good for the JSA groups. It will reflect the different conditions of the different participants.

**Chris Grayling:** To some extent the prime contractors are already doing that. I was in one location recently where the sub had just lost their ESA claimants. Clearly, the decision had been taken by the prime that they were good at JSA but not ESA people, and a specialist disability organisation had been brought in to work with the ESA people. Therefore, at a sub level that is already happening.

**Q58 Debbie Abrahams:** Do we have your assurance that what you said before about the shake-up of the supply chain would not happen until you had done the initial or formative evaluation?

**Chris Grayling:** Certainly, if not encouraged by us. We will not move market share until we have hard data on which to base it. We cannot do that until later in the year anyway, and we will look quite carefully at the picture before we do anything. I think there will be a shake-out in the supply chain over the course of this year. We are already aware of a small number of cases where subcontractors who have been under performing have had their workload either reduced or removed altogether. That is right and fair. Over the next few months you should expect to see some quite challenging discussions in the supply chain. Before a subcontractor is dumped altogether, the prime contractor has to come to us and explain why, so there is a safeguard to avoid inappropriate behaviour, but if a prime contractor comes to us and says, "We will get rid of them and move everything to somebody else because they are three times better", we will not stand in their way.

**Q59 Debbie Abrahams:** You have included prison leavers in the Work Programme; I wonder if you have an estimate in terms of the numbers you estimate will be using the Work Programme?

**Chris Grayling:** It is about 90,000 over the Spending Review period.

**Q60 Debbie Abrahams:** I understand there is an additional cost inbuilt in that model and you anticipate they might have additional support needs.

**Chris Grayling:** The price we set for first day prisoners is about £400 below the hard to help groups such as the JSA three months, the JSA ex-IB and so forth. The reason for that is there is an element of dead weight in that prisoner group. There are a number of people who do get into work anyway soon after

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leaving prison. Frankly, I am very much a believer in this because I think that actually we have a significant problem with prisoner rehabilitation. One of the best ways we can deal with the pressure on our prisons, and avoid some people who ought to be going to prison walking free when they should not be, is to have a much more effective system of rehabilitation than what we have at the moment. We are working quite closely with the MoJ<sup>4</sup> on this. We see the entry of new release prisoners into the Work Programme as an important part of that. The MoJ is looking at work they will be trialling shortly alongside the Work Programme to do more in-depth life based intervention with released prisoners post-prison. However, in terms of the hard numbers, there was an element of dead weight in that group, which caused us to adjust the price downwards slightly so we got the best value for the taxpayer.

**Q61 Debbie Abrahams:** Minister, could you possibly update us on the status of the various investigations that are ongoing into alleged fraud around A4e?

**Chris Grayling:** There are two specific investigations around A4e. One is a matter relating to an ESF<sup>5</sup> contract, which took place under the previous Government. The police became involved in that a little under a year ago. The allegation refers to the possibility of payments having been obtained by putting people into nominal positions for a short period of time without actually placing them in work. I cannot say a lot more about the investigation because it is a police matter. We will clearly not be able to do anything about that specific issue until the police have completed their investigations.

There is a second investigation, which is the first and only one relating to a contract put in place by the current Government, which is into the Mandatory Work Activity contract. As the Committee knows, that is a relatively small-scale contract across the country to provide, at the discretion of JSA advisers, a one month period of full time activity. That investigation follows an allegation made to us by someone involved in the programme. We now have a team of internal auditors from the DWP investigating that specific allegation. In the wake of both those allegations, however, we have put a full internal audit team into A4e. We will be carrying out a detailed trawling of their systems. We have been absolutely clear that if what manifests itself suggests systemic failing in the company I will have no hesitation at all in terminating their contract with us. I have said before to this Committee and elsewhere that we will not tolerate fraud against the DWP.

It is worth making two other points in terms of context. The first is that over the period since 2005 there have been around about 125 specific allegations of issues related to welfare-to-work contracts with the DWP. In almost all those cases no significant substantive action has followed. It has involved a wide range of providers, current and past. Almost all of these have been eliminated as accounting errors or similar. A small number of cases related to employee

malpractice, and over those years there have been a very small number of prosecutions. That happens to any big industry or any big organisation. Within the DWP from time to time we have cases of employees behaving fraudulently, as does every big organisation. The issue becomes a serious one if we identify systemic fraud that goes beyond a rogue employee. That is where we are at the moment: we are looking very hard to make sure that we understand what lies behind these issues and whether there is a systemic problem.

**Q62 Debbie Abrahams:** Could you possibly indicate a timescale around your investigations?

**Chris Grayling:** In a sense there is no timescale because we are not waiting to complete a report. If the internal auditors come back tomorrow and say, "We have found a major issue" we will act tomorrow.

**Q63 Debbie Abrahams:** You cannot let it go on indefinitely can you?

**Chris Grayling:** It cannot go on indefinitely, but all I am saying is we are not going to wait until a report has been completed to form our judgement. If in a few weeks' time we have trawled through everything and established there isn't a problem, then we have established there isn't a problem. If in the next few days, in the early stages of investigation, we discover there is a problem I would not wait a few weeks before doing something about it.

**Q64 Debbie Abrahams:** Ideally in the next few days you will be able to say that everything is fine and dandy; how long would be the worst case scenario?

**Chris Grayling:** There are two elements to this: we have to look at the individual allegation, and I expect the investigation into that to be quite quick. Looking in more detail at the organisation as a whole I would suspect is a matter of a few weeks. I really would not want to put a timetable on it because it is like asking: how long is a piece of string? What I would say is that we are not going to wait until the end if something has emerged before that.

There is one other thing I should say in relation to the typical type of allegation that has been made in that period since 2005. Very often it is about whether somebody has been stuck into a job for a couple of days to create the semblance that you have got them into employment and therefore claim an outcome payment. That has been a much floated issue around the fringes of the industry over that time. The way the Work Programme has been structured—and there have been no allegations of fraud in relation to the Work Programme—is that there is a minimum of three, and for most jobseekers six, months, before any payment is made, so you cannot just stick somebody into a job for a couple of days and claim a job outcome payment; it is just not possible to do it. So the Work Programme is in a very different territory to some of the previous programmes over this kind of issue.

**Q65 Glenda Jackson:** If fraud is discovered and you act as speedily as you have said you will, what happens to those people who are in the Work

<sup>4</sup> Ministry of Justice

<sup>5</sup> European Social Fund

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Programme? Who takes up the slack for them; or are they just tipped out on the street?

**Chris Grayling:** We have put in place transition arrangements that will ensure the individual experience will not change, and the contracts would be retendered, in a worst possible case, and let elsewhere. But let's cross that bridge when and if it happens. I would rather it did not happen, but I would reassure the Committee that we have of course thought through all eventualities. That is not particularly in relation to A4e, because one of the things you would have expected us to do at the start of this process, when talking about a competitive environment, is ask what we would do if one of the providers fell by the wayside. So we have not done anything new in relation to A4e beyond taking a look to ensure we have plans in place in case we are forced into a position where we have to terminate contracts. There has not been any great new work done because we always knew how we would end up dealing with a situation where one of our prime contractors disappeared in a puff of smoke.

**Q66 Glenda Jackson:** There is no linkage between a prime contractor and a potential employer as far as you can tell.

**Chris Grayling:** In terms of the allegations?

**Glenda Jackson:** Yes.

**Chris Grayling:** It does not relate to the Work Programme. The specifics of the allegations in relation to Mandatory Work Activity do not involve an employer as such because that is not the nature of the programme.

**Q67 Teresa Pearce:** I am interested in your saying you would terminate any contract in the event of fraud, which is what one would expect you would be able to do. Earlier you said that, as the Work Programme goes on, you will be able to see who is good and who is not, and you will be able to review those contracts. Last year, when we took some evidence, I asked a specific question about what the sanction would be if a prime does not perform; we were told the sanction would be, when their contract was up for renewal, it would not be renewed. Are you saying that you have flexibility within those contracts so that, where people do not achieve certain standards, you can actually terminate or reduce the contract?

**Chris Grayling:** There are two mechanisms available to us. One is that for under-performance we can simply move market share. If we have somebody who is proving to be very good at getting people into work and somebody proving less good, you would clearly want and expect us to be able to send more people to the former person. If they fall below the minimum level of performance they committed to in their contract, we can terminate. I expect the industry, as the contract goes through, to start to look different to what it looks like today. I do not know to what degree, but I am absolutely certain that we will see a shake out of some sort. It could only be at subcontractor level or it might be at prime contractor level, I do not know. All I am saying is that I will be very surprised, as we go through the Work Programme, if there is no shake out at all, because it is all about letting the best

rise to the top. That is a good thing, and it is what we have always anticipated. I have also been very clear in saying that, in the event we were to discover a prime contractor or a subcontractor defrauding the DWP—although the relationship between us and subcontractors is very different now, so that is unlikely to happen—we would have no compunction about terminating contracts if we needed to. We can terminate contracts for serious under-performance as well.

**Q68 Teresa Pearce:** So you have flexibility within the contract to reduce their market share if they do not meet targets.

**Chris Grayling:** Yes.

**Q69 Teresa Pearce:** I go back to preventing fraud. The IT system, Provider Referrals and Payments—PRaP—was not up and running when the Work Programme began; is it up and running now?

**Chris Grayling:** It is due to be; is it next week?

**Alan Cave:** Next week. Just to correct that; it is up and running. The PRaP has been in operation for about two years

**Q70 Teresa Pearce:** It was not fully functioning though.

**Alan Cave:** It was necessary to develop it so it could mirror the payment structure developed specifically for the Work Programme, which was different from before. We timed the development so it would be available—as it will be in the next week—before we get to the point where we get the large volumes of outcome payments coming through. They come through from six months onwards after the programme is started. So that is on schedule for next week.

**Chris Grayling:** One of the things that rather surprised me about the NAO Report on fraud is that this is not a system where we are handling benefit claims for hundreds of thousands of people. This is an accounting system for our commercial relationship with 18 prime contractors. Those are 18 prime contractors who, if they did not know then, certainly know now that, if they were found defrauding us, we would terminate their contracts. We will be doing a retrospective audit of claims made so far as well as using the system from next week onwards to track all new claims. On a selective basis, we will cross-reference all the claims they make to us against benefit records to make sure these people actually have come off benefits. So it is actually a situation where our prime contractors would just be plain daft if they were not playing straight with us, because the mechanisms we have in place to check them out, and the measures we can take against them, are so clear that it would just make no sense. So this is not a situation that exposes us to fraud in the same way we might be exposed to fraud in a system that was paying benefits to hundreds of thousands of people without proper audit.

**Q71 Teresa Pearce:** You are saying that it does not expose you to fraud. However, at the moment, until

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you do that backtrack, you will not know whether it has.

**Chris Grayling:** It could well be that in two months' time we will look back and discover that Provider B has been ripping us off for the previous six months. But Provider B will have its contract for about two minutes beyond that if it does so, so it is not in their commercial interest to do that.

**Q72 Teresa Pearce:** How much did the PRaP contract cost?

**Chris Grayling:** It is about £10 million isn't it?

**Alan Cave:** Yes, about £10 million. No, actually I think it is slightly less than that. It is part of a general uprating of our IT capability.

**Q73 Teresa Pearce:** So why was it not ready at the beginning of the Work Programme? Is it their fault or was it just not what you wanted?

**Alan Cave:** If you think back to 2010, months that are etched in my memory, we were developing the Work Programme in a very speedy way. It was not really until after the Spending Review in the autumn of 2010 and right up until January 2011 that all the design features of the Work Programme were established: how many payment groups there were going to be; what proportion of payments would be in the form of an attachment fee; the definition of a job outcome.

**Q74 Teresa Pearce:** So it was not that they failed to meet the target. It was just that the parameters were different, and moving.

**Alan Cave:** That is right.

**Chris Grayling:** There would have been no point in delaying the Work Programme for nine months to have the IT system ready because it was a 12 month project to do it. We would have had to delay the Work Programme by nine months and, the truth is, because we were not making any payments for the first six months, it would have just delayed help for people, and we would have had to keep on the Flexible New Deal, which as I said earlier was disastrously expensive. So it was just a sensible, pragmatic decision to take.

**Q75 Teresa Pearce:** I just want to dip back to something said earlier on about contracts. You said about Atos and the Work Capability Assessment, and the fact they now do this additional statement that has taken much longer than they thought. Atos are paid per number of people they see. Have they tried to renegotiate their contract at all for increased payment?

**Chris Grayling:** We have made a small additional payment, purely at cost, to Atos to cover an element of the catching up exercise because that was prompted by the Harrington Review and changes we had asked for, rather than a decision at their end. We did that on the basis of them taking no profit margin from the extra work.

**Q76 Teresa Pearce:** So it was just their marginal cost?

**Chris Grayling:** Yes, we have literally just paid for the marginal cost of bringing in extra doctors for a

few months on a short term contract basis to do a shift here or there and help us catch up.

**Q77 Stephen Lloyd:** Was that audited by DWP rather than just taken as read from what Atos said?

**Chris Grayling:** Yes.

**Chair:** I am very sorry to say that we have a Division now. The Committee will adjourn for 10 or 15 minutes and we would be delighted if you could come back and answer the last section after we have voted.

**Chris Grayling:** I do not have any urgent time pressures so I am quite happy to finish off.

*Sitting suspended for a Division in the House.*

*On resuming—*

**Q78 Teresa Pearce:** In 2010 the DWP undertook to establish a format for an annual report on contracted employment provision to set out, in real detail, right down to the individual cases, volumes and trends. Do you still plan to do that?

**Alan Cave:** Yes, we were on track to do that and then, with the election and post-election period, we had a complete change of the whole contracting landscape. We went from the 12 programmes we were currently running into the Work Programme, introduced Work Choice, we had a new controls mechanism coming in around PRaP, and so it seemed sensible to put a pause on that while we got the new system up and running before returning to that. We absolutely still intend to return to that.

**Q79 Teresa Pearce:** Do you know when that is likely to be?

**Alan Cave:** From June onwards we will have had the Work Programme in place for a year, so I would think in the second half of this year we would be looking to put that out.

**Q80 Teresa Pearce:** I just want to go back to what the Minister said earlier about fraud, and that with this system there is a six month lag—so it is longer before someone is placed into work, and then they have to be placed into work for a longer amount of time—and you cannot just pretend someone has a job one day and not the next. You said you thought it would be “impossible” under the Work Programme. Do you think it is impossible or unlikely?

**Chris Grayling:** You can never say never to anything, but if you take a conventional six month jobseeker we would be paying out about £1,200 after six months. You would struggle to make it worthwhile employing somebody at the national minimum wage, which you would have to, for six months. Really, the same applies even for the three month entry people; you would struggle, even at three months' entry, to create a sum that is worth managing, overseeing and doing. Of course, in the meantime, you are giving somebody a three month job placement, so it is not a question of being able to say, “You go and sit in the corner there, we will put you on PAYE (Pay As You Earn) for a day and that is our job payment”. You actually have to do it for three months and have something worthwhile for them to do, otherwise you are in breach of contract with us.

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**Q81 Teresa Pearce:** Do you not think, given the inventiveness of business, it is a dangerous thing to say you think fraud will be impossible? Does that not give the impression that you will not be checking as rigorously as you should?

**Chris Grayling:** No not at all, just the opposite: we will be checking very carefully. When I talk about “impossible” I am not talking about fraud generally, because nothing is ever fraud free, I am talking about the specifics of an example where you could place somebody into a job for three or four days and claim a job outcome payment. You could not do that through the Work Programme; that kind of fraud is impossible. I am not saying no fraud is possible; there is a difference between the two.

**Q82 Teresa Pearce:** What percentage of job outcomes will you be checking? Is it going to be random?

**Alan Cave:** At one level it will be 100%. The old type of programmes paid on the basis of a job that was expected to last for a period of time, and then evidence was collected about that expectation. If you think about it, it is not surprising that was exploited. What we pay for now is a job that has lasted for six months, and we do not make a payment until we have done an automatic electronic off-benefit check for everybody. We do not pay for any outcome where *prima facie* there is somebody who has not been moved into work. In addition to that, we then do a sample; I cannot quite remember the exact percentage, but it is a significant percentage of all payments. We drill down to the individual people on the programme and an individual employer so we know that they are off benefit, and can then check whether they are in work. If we find there is a discrepancy, so a provider has been paid where somebody is not in work, we will extrapolate that error across the whole population. So if we find that, in our statistically significant sample, there is a 10% discrepancy, then we would take 10% off the value of all job outcomes in that contract.

**Q83 Teresa Pearce:** That is like the way HM Revenue and Customs (HMRC) do PAYE reviews. They do a statistical sample, find one percentage and then extrapolate it across six years.

**Alan Cave:** That was the recommendation from the Public Accounts Committee inquiry two years ago, and we have moved exactly to that. I would just make one other point in relation to your earlier question about the interim payment process before the PRaP system comes out. In that interim period, we are still checking. So when people have been making claims, we have been looking to see how consistent that pattern of claim is against the number of referrals, number of attachments and the trend in the rest of the industry. We will have challenged any that look out of line, though we have not had that experience, actually. Every single one of those interim payments will be validated retrospectively, because they will all be put through the PRaP system. So it is not as though we have a batch that have not been checked properly; every single one of those will go through.

**Q84 Teresa Pearce:** I have one final thing, because we have to move on. The good thing about a black box system is that it is a black box, but the bad thing is that it is a black box as well. Is there any facility or set-up for users of the Work Programme, or possibly employers, to actually ring up and report bad practice? Is there a hotline?

**Chris Grayling:** There are mechanisms to tell us about bad practice, but I think there is a difference between bad practice and something that does not work. The whole point about the black box approach is that we have tried employment programmes designed in Whitehall, and they have not really succeeded. What we are doing this time is saying, “We will give you complete commercial freedom but it will be backed by payment by results.” There will be people who do things that do not work; there will be people who try things that do not work; and I want to encourage innovation. If somebody has a great idea that might make a difference, sometimes it may work and sometimes it may not, but we should have an environment where people are free to try. So I would describe a difference between malpractice and bad practice, and something that does not work.

**Q85 Teresa Pearce:** Where you are dealing with people coming through the Work Programme, some of whom are quite vulnerable, and with employers in an area where they might feel that some of them are being treated better than others or receiving a better quality of people, there needs to be somewhere that people really at the roots of this can report it back to the people who are paying.

**Alan Cave:** There are two ways for that. One is that, for the individual participant on the Programme, as part of their contract each provider has a statement of minimum service standards: what the offer is in terms of frequency of being seen; the conditions in which they are being seen; the type of intervention they can expect. That has force; if an individual says, “I am not being treated like that; there is a breach here” there is a staged process. At first they take that up with the provider. If that does not work, it can go all the way up to the Independent Case Examiner. It is made clear to every individual who goes onto the programme that those rights are there. You raise a good point about employers: we do not have quite such a clear route, but in actual fact that contact would be through the Jobcentre Plus district.

**Teresa Pearce:** Maybe it is something that you could look at when the Work Programme is further rolled out. From the employer’s point of view, if they think they are getting a commercial disadvantage for a relationship reason, that needs to be looked at.

**Q86 Chair:** Can you give us an idea of the percentage sample size that you check for fraud?

**Alan Cave:** I am again going to have to say that it is statistically significant. I am afraid I cannot remember what the percentage is.

**Q87 Chair:** Is it 1%, 10% or more?

**Alan Cave:** I think it is between 5% and 10%.

**Chair:** We will now move onto our last section, on the Jobcentre Plus Work Experience scheme.

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**Q88 Brandon Lewis:** I will try not to re-rehearse the debate of last week, which Members can read in *Hansard* if they wish to catch up. Over the last few weeks you have had an awful lot of media coverage. Some of it is arguably better than others, to the point that, even in the notes provided to this Select Committee, there is information that is not entirely accurate because it is based on what has been put in the media, and it refers to the media. This means even Select Committee Members are given the wrong information. Could you comment on how you felt that media coverage has gone and the reaction you have had to that?

**Chris Grayling:** I believe there has been a deliberate attempt by those opposed to what we are doing to muddy the waters. There are two parts to what we are doing: there is the positive, constructive voluntary support provided to jobseekers through Jobcentre Plus. That encompasses Work Experience and the work academies programme, which are basically two sides of the same coin: work experience on its own, or work experience with a training module attached to it and a guaranteed job interview. It was always the intention, and has always been the case, that participation in these schemes is voluntary. Indeed, it would be impractical to do otherwise because no serious employer would take a pressed man or woman, because the consequences for their own organisation would be too disruptive and unwanted. All the arguments about this somehow being slave labour were nonsensical.

On the activity front, to date we have put into place two elements, and one third is in development, that are mandatory. I am setting aside the Work Programme, for which participation is mandatory but is a more intense job search. The two elements we have today that are mandatory are Mandatory Work Activity, which is where a Jobcentre Plus adviser believes that somebody is either struggling, not pulling their weight, or genuinely would benefit by being put into a month's full time activity. That is something where people have no choice but to participate, otherwise their benefits will stop until they do. We would only mandate somebody to a form of activity that was for a community benefit. We are currently trialling an extended period of mandatory activity for those who are unsuccessful at getting jobs through the Work Programme, but that will have a combination of job search and fulltime community benefit activity attached to it. So there is a philosophy emerging in what we are doing about some jobseekers being in a position where we need to get them out of their homes every day in intensive long-term or short-term activity.

Alongside that, we are now also increasingly mandating people to training courses where we identify a skills need. So, for example, for somebody who does not have adequate IT skills and does not know how to use email, Jobcentre Plus will mandate they take part in training courses. They will lose their benefit if they do not attend those.

We have always tried to explain very simply that we have some things that are voluntary and some that are mandatory. The Work Experience scheme is voluntary. One or two of the people who took part in interviews

with protestors reported back that there was indeed an intentional attempt to muddy the waters and create the sense that the Government was trying to force everybody into slave labour schemes, which is absolutely not the case. What we are trying to do is help people get into work, using different ways of doing that. Sometimes they are purely voluntary; sometimes something mandatory needs to happen, and we need to give somebody that push that will get them there.

**Q89 Andrew Bingham:** I think most of the media coverage was lamentable: both the way it was covered and the way separate schemes were conflated. Do you recognise that? I know ERSA<sup>6</sup> have a good outline of the different schemes. I do not like to use the word "lazy" on behalf of the media, but do you think it was media tardiness or do you think there is some confusion over the DWP messages?

**Chris Grayling:** First of all let's be clear: we are doing some difficult and sometimes controversial things in the DWP at the moment. The Work Experience scheme is not one of them. It literally does what it says on the tin. It is oversubscribed, it is voluntary and it never seriously crossed my mind that we would have the Socialist Workers Party on the streets protesting against it. There are some things we are doing that I can imagine they might protest against, but this was not one of them. If I could turn the clock back and had I known everything then that I know now, I might have called the scheme something else, but sadly there are some things you cannot predict.

I do think there has been a laziness in the coverage. I think some parts of the media took a frankly very bizarre approach to covering this. I was very disappointed with some of the coverage by the BBC. I think *The Guardian* newspaper got some things wrong, but I think the BBC had more of a duty to get things right and I do not think it made the effort to do so. At the end of the day, all of this created a situation where we could have lost something that was making a real difference to young people. That is reprehensible. Some parts of the media did a good job in trying to reflect the truth.

One of the words that kept reappearing was "workfare", and nowhere in any of the titles or principles of any of our schemes at the moment is workfare. It is all about job search, and sometimes intensive activity designed to stimulate job search. The one thing we have not done is said, "You are going to work for your benefits and that is that, full stop, nothing else".

**Q90 Brandon Lewis:** Your mention of the risk of losing schemes leads me neatly on to my next question. The scheme initially had sanctions that were used in a small number of cases, which gave some protection to employers who are putting quite a lot into it. Because of the media, there was a meeting with some of the business leaders that led to the sanctions being refined. Could you just outline what led to that meeting, how that was refined, and what

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<sup>6</sup> Employment-Related Services Association

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the changes actually are, from what it was to what it became after that meeting?

**Chris Grayling:** First of all the thing to be clear on is that the sanctions were not a big part of this scheme; it is voluntary and oversubscribed. We had sanctioned 200 people out of 34,000, of whom only 60 or 70 had been sanctioned for failure to turn up after their first week. The scheme was voluntary and the sanction rules that applied were that, once you had decided to go, we expected you at least to turn up, because if you did not you were depriving somebody else of a place. However, for that first week you had the right to drop out. After that if you dropped out you could, depending on the circumstances, face the lowest level sanction we have, which is two weeks' loss of benefits, which is what we do if you do not turn up for your fortnightly interview.

The challenge we faced was that a number of the major employers running the scheme had come under pressure from the media and protestors and said to us, "We cannot carry on if you sanction people for non-appearance". So it was a very straightforward choice: do we have a scheme where we lose the vast number of opportunities for young people who want them in order to protect 70 sanctions, or do we go along with their wishes? I decided that at the end of the day it was a decision I just had to take: it was better to keep with the scheme and keep those employers on board. This was never intended to be a punitive scheme and it never has been, so it was not a great issue for us. We have kept in place the ability to sanction people for acts of gross misconduct, which covered most of the sanctions administered anyway. I was very clear about this. There was one employer who that said they did not want any sanctions at all, otherwise they would not participate, and I said, "If that is the case we will just go on without you". I am not having a situation where we cannot sanction somebody for gross misconduct in the workplace. Of course, that would only arise if the employer lodged a complaint about that individual anyway.

This has been a politically motivated campaign, not by any of the politicians in this room but by those in the trade union movement and the political fringes who dislike intensely the idea that anybody would be asked or offered the opportunity to do anything active for their benefits. I think there has been a disgraceful approach from them. I am particularly annoyed about the court cases that are being brought, which to my mind waste the time of public servants. It is a ludicrous situation where people are claiming that their human rights are being infringed if we ask them to do something in return for their benefits that will help them get into work. I very much hope the courts will not give credence to those court cases; we will fight against them all the way. I hope very much that the courts will not seek to overrule politicians and effectively say that people have to be left on benefits doing nothing. It should not be the case, but the idea that we have law firms operating on behalf of benefit claimants to try and argue we should not be providing them with intensive support and trying to get them into work is totally wrong.

**Q91 Debbie Abrahams:** We all agree that a good quality Work Experience programme can only benefit somebody in the ultimate goal of getting a job. The difficulty, and perhaps you can clarify this, is when you read of certain cases. For example, when somebody who is doing work experience in a museum related to an undergraduate course they have completed, which is going to help them in their future job search activity, is being made to give that up to clean and stack shelves for three weeks, the credibility of what is being offered is put into question. Do you think that particular case that has gone through the courts is just a blip or is it something you are concerned about?

**Chris Grayling:** I am going to have to be quite careful about what I say because that case has not gone through the courts; it is due to be held shortly. The rules of job search that have existed under both the previous Government and the current Government are that you have a period of time when you are able and free to look for a job in whatever sector you want. Once that time has passed, effectively after three months, we expect you to start to look for a broader range of options. In the case of a Work Experience scheme or sector-based work academy, which is the training plus work experience, we would talk to a claimant, explore different areas of interest where they are potentially interested in working and identify a work placement for them in one of those sectors. In the specific case concerned, I cannot give details about the circumstance, but I think it is a matter of record that there has never been any suggestion of any sanction being applied in that particular case.

**Q92 Debbie Abrahams:** I obviously misread the report in the papers today. As a matter of principle then, if that was to occur, would you be very concerned?

**Chris Grayling:** Yes, because that goes against the principle of the system. We do not have, and would not wish to have, the power to apply any kind of mandate to work for a commercial organisation like that because if we did, and it went wrong, we would lose the opportunity for other people in the future and there would be no point.

**Q93 Debbie Abrahams:** Absolutely, and particularly if they are already doing some work related activity; if they are being made to give up something that could enhance their work potential.

**Chris Grayling:** Let us suppose that somebody wants to be a postman, they have work experience in their local post office and are doing unpaid work there. Once several months have gone by and they have made no progress in getting a job in a Post Office, Jobcentre Plus has to sit down and say to them, "It is not working; you will have to find something else". That is simply the way the system works. Even at that stage we would not force them into a particular area, but they do have to start looking more broadly.

**Q94 Karen Bradley:** Is there anything else you want to say about challenges under human rights to the Work Experience programme or any of the other programmes?

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**Chris Grayling:** I think the Committee would expect us to fight those vigorously. I do believe the purpose of the Human Rights Act is not to leave people at home on benefits doing nothing. I am very disappointed that we have law firms out there willing to operate in the way they are, looking for excuses to bring cases against the Department. I very much hope the judge who considers this matter in a couple of months' time will throw it out. I would be very disappointed if the judges thought it sensible to have no ability to ask people to do anything as part of their job search.

The whole thing is an act of irresponsibility because this is all about helping people into work. It is better to have people in jobs. Whatever your ambition in life might be, you are better off pursuing that ambition from a place of employment than from unemployment. There are different routes to where you want to go, but one thing you should not do is think that by sitting on unemployment benefits month in, month out, you are better off than you are trying to get there from being in employment.

**Q95 Glenda Jackson:** But there is undoubtedly the potential here for employers to exploit people. So what are the requirements upon the employers who are part of this scheme to ensure the work training they are providing is precisely that?

**Chris Grayling:** I do not accept the premise that there is scope for exploitation. In order to prevent the possibility of exploitation, we very consciously set the scheme up on the basis that there should be a maximum amount of time that anyone could spend on a work experience placement. I do not believe that in the first eight weeks when somebody is in a work placement they develop the knowledge and experience to enable them to be exploited. Indeed, almost every employer will say to you that, in that first eight weeks, they cost money rather than save money because you have to go through the induction process, teaching them the organisation and teaching them the nature of the business. Eight weeks was designed as a maximum. It was only a maximum; not every employer takes somebody for that long. The Tesco placements were four weeks. It was designed specifically to have a pragmatic balance, giving somebody the opportunity to get into a work placement and show what they could do, but not keeping them there long enough that they could be used simply as a replacement for existing labour. I stand by the decision we took on that.

I believe the evidence we have now on the success of the scheme shows it does really help get young people into work with employers who might not have been intending to hire them in the first place but, having seen what they can do, do so.

There is one other point I would like to make. I do not think any of this would actually have arisen in the first place if the computer glitch in Jobcentre Plus had not happened to one of our supermarkets, particularly one that has on occasions found itself in controversial circumstances. There is a real snobbery about supermarkets, which I think is reprehensible. Our supermarkets are very big international employers. The manager of your local superstore is probably

managing a business worth tens if not hundreds of millions of pounds. I met a middle-aged jobseeker in a branch of Asda in Birmingham 18 months ago who said he had been long-term unemployed and had come into Asda in the most low level job in the store. A year later he was running the fruit and veg department with a staff of 20. There was a woman who used to work for my local Asda store and had a brilliant job doing outreach in the community. I used to meet her in local schools talking about healthy eating and so forth. You have people doing logistics and people doing IT. You have the opportunity to pursue international careers since you have firms like Tesco operating in other countries. We must not just look and say that, because part of the job involves making sure there is stuff on the shelves when you go in to shop in the supermarket, working in a supermarket is a bad thing. That is a big mistake. It is one of the biggest criticisms I would make of the protestors, particularly the trade unions. Look at the Right to Work campaign; it is significantly backed by local trade union branches. For those trade union branches to say, "It is a bad thing for young people to be given a helping hand to get into the retail sector" is just mad.

**Q96 Glenda Jackson:** I do not want to burst your bubble but I just want to voice my real concern. I have no problem whatever, it is just that I would like guarantees that that Work Experience is genuinely work experience. With big supermarkets we have no problem. My constituency has very small supermarkets; that is my point.

**Chris Grayling:** And indeed you have one-off businesses taking people. What we have done is put in place—and already had done so last summer—a code of conduct for good work experience, which we circulate to our participants and was developed by the CIPD<sup>7</sup>. No, I cannot absolutely guarantee that every single Work Experience placement will always be a success but overwhelmingly the scheme is proving to be effective. I absolutely commit to you that, if we were to discover any evidence of an employer actually exploiting the scheme, we would drop them and never use them again.

**Q97 Sheila Gilmore:** I do want to put on the record that the first person contacted me about this last summer, long before the advert the Minister claims gave rise to concerns about this. I know some of my colleagues also had complaints about this all through last autumn and winter. That person felt the work experience she had been asked to do repeated the skills and experience she already had; that was her objection to it. She had also felt it was part of the conditionality; she certainly had not been aware that she had been free to say no. On that regard, I wonder if the Minister would comment again on the part of the Decision Makers' Guide, which says that "JSA may not be payable or it may be payable at a reduced rate to claimants who are entitled to JSA and have ... after being notified by an Employment Officer of a place on a Work Experience scheme, refused without good cause or failed to apply for it or to accept it when offered, or ... neglected to avail themselves of

<sup>7</sup> Chartered Institute for Personnel and Development

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a reasonable opportunity of a place on Work Experience.” So there appears to be a conditionality in the Decision Makers’ Guide. Is that now being removed?

**Chris Grayling:** You will not be surprised to learn that we have gone back carefully and rewritten just about everything in relation to Work Experience, so there is absolutely no doubt. Let me go back to where I started and set out the rules for you: the expectation was that, if you volunteered to take part in the Work Experience scheme, you would sit down with an adviser and talk through different options. I can never give a guarantee that in every single situation everything will go perfectly and according to plan, but the advisers will sit down with an individual and say, “What other sectors might you find a job in; where are there opportunities?” If that person says, “Yes, okay, fine, I will do a Work Experience placement” and we then arrange one for them condition number one is just that they turn up for five minutes to start the placement. If they have taken that placement somebody else has not. They then have a week to change their mind and walk away if they do not like it. After that conditionality kicked in. That was a system that worked, and what you have just read is entirely consistent with that. We have gone back and rewritten everything so there is absolutely no doubt whatsoever, and we have also made the changes I said to Mr Lewis earlier.

**Q98 Sheila Gilmore:** So my constituent had picked up the wrong end of the stick.

**Chris Grayling:** Was your constituent sanctioned for non-appearance?

**Sheila Gilmore:** She was not sanctioned because she went on it, because she understood that her benefit would be withdrawn if she did not.

**Chris Grayling:** Has she got a job now?

**Sheila Gilmore:** At the time I last spoke to her she had not got a job, no.

**Q99 Brandon Lewis:** Glenda asked exactly the question I was going to ask. However, I do have a separate question on the same issue coming out of that. I had a company approach me following the publicity and asking me about the scheme. There is a really good PDF on the DWP website giving an outline for companies being involved. One effect of the publicity is that a couple of hundred extra companies have offered to get involved in the scheme. In that sense, would you say there is something to be thankful for from the media because it has actually made more people more aware this is out there? Is that therefore giving you an issue around supply, because I am assuming more young people will become aware of the opportunities there as well?

**Chris Grayling:** We certainly have a supply issue because our goal is to increase the number of Work Experience placements to 100,000 from the 50,000 we were planning per year. That will be a lot of effort. Ironically, yes you are right, as a result of all the noise that has been made a lot more people are aware that we want to do it. Most people think it is sensible and we do have people coming forward and saying they are interested in being part of it. It is also the case that, when we knock on someone’s door and ask if

they would like to be part of the Work Experience scheme, they are actually much more receptive now.

That being said, I could probably have done without the scale of the protest because it certainly unsettled a number of our employers in a way that was not at all fair. Many of them came under significant pressure, which I think was reprehensible. Some of the protests that sought to close retail outlets were wholly inappropriate at a time when other people’s jobs were put in jeopardy as a result of that. It is certainly the case that we have a supply issue. At the moment, when I talk to Jobcentre Plus advisers, they still say they are not yet in a position to offer a Work Experience placement to everyone who wants one. So, the more firms that come forward the better.

Just to reassure Sheila Gilmore—although she heard me say this last week—one of the most enlightening conversations I have had with Jobcentre Plus staff recently was about 10 days ago. I was up in the Midlands and talking to a team of Jobcentre Plus staff about a session with a group of unemployed young people to tell them about Work Experience placements. One young woman in that group had said, “Well I am not doing that, it is slave labour”. The staff did not have to say anything; the rest of that group of young people turned on her and she was given serious grief for about five minutes until she said, “Well actually maybe I should do it after all”. This is something that young people want to do. I cannot and do not claim that, with any programme we do, we will always get it 100% right, but this programme is a really good thing. It is cost effective for the taxpayer, it is good for young people and the more employers we can get coming forward to take part the better. Airbus is really exciting; I am really pleased to have Airbus on board. Center Parcs, Hewlett Packard and others are in the pipeline. I hope we can achieve the goals of expanding it and getting as many of these young people as possible into work.

**Q100 Andrew Bingham:** You have actually answered a question I was going to ask you. In terms of the Youth Contract, will the Work Programme providers be paid the same job outcome and sustainment fee for jobs arranged through the Youth Contract as for other jobs?

**Chris Grayling:** Yes they will. The reason we took that decision is that we want to keep this as simple as possible. The aim is to give young people a leg up in the labour market. The challenge they face is that very often you have somebody coming out of school, college or university without experience coming up against somebody who may well have come from Eastern Europe who is five years older, has more work experience and has the get up and go to come several thousand miles looking for a job. They are at a disadvantage in the labour market. The aim of the Youth Contract wage subsidy is to try and rebalance their position in the labour market. We decided that the nature of the Work Programme contract is that the full fee is only payable over 18 months; the provider cannot get the full £4,000 until somebody has been in work for 18 months. The wage subsidy only covers part of the salary for the first six months of employment. Therefore, it does not change the

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incentivisation of the Work Programme provider to get somebody into a sustained job and keep them there for 18 months. That will not change at all because they have no benefit in them dropping out early. So having that incentive means it is more likely that the Youth Contract delivers not just a short-term placement; we do not want to go back to six-month placements, but for this to actually be an incentive to hire someone permanently. Our judgment was to create something simple that meant everybody was given the right incentives to participate. This was the best way of doing it.

**Q101 Andrew Bingham:** So while it could be seen as a double subsidy, it is not. The two dovetail together to put extra focus on getting young people into work.

**Chris Grayling:** That is the aim, yes.

**Q102 Teresa Pearce:** I agree with what has been said: everyone who can work should work, and those who cannot should be helped, and there was a lot of confusion. However, the Jobseeker's Allowance Mandatory Work Activity Scheme Regulations 2011 is the mandatory aspect. This place works in an ever strange way. It went through in negative legislation, and went to the Lords. The Lords have something called the Merits of Statutory Instruments Committee, which picked out this particular Statutory Instrument because it said, "This is confusing, people will not understand it and it is not clear." It warned of all the things that happened, and it recommended that more detail should be put in. It said there was very little clarity and was not transparent or fair. They really looked at it in great detail. Do you wish now that maybe the Lords had been listened to a little before this was pushed out? This is a very small scheme that applies to very few people, and it is on the basis of somebody at Jobcentre Plus saying, "This person is refusing to cooperate; they won't comply with their contract for Jobseeker's Allowance; we need to do this". That is when it is applied; it is not for the Work Experience. Do you not wish the Lords' advice had fallen on other ears?

**Chris Grayling:** As I said, if I had known everything that was going to happen with the Work Experience scheme I might have given it a different name. Let's be clear about Mandatory Work Activity: there are people out there who fundamentally disagree with what we are doing. We have strong opposition in the trade union movement and from some of the experts who study these things. I am quite happy to listen to that opposition and to disagree with it.

**Q103 Teresa Pearce:** Do you not think that it made it easier for people to conflate them all together? This is a very clear different regulation to Work Experience and work trials; work trials have gone on for a long time.

**Chris Grayling:** Those who are trying to challenge a new approach we are taking will try and conflate the different things we are doing in order to create a confused picture and make everybody believe we are doing something very different. I think the Mandatory Work Activity scheme is one of the best things we

have introduced. It gives our Jobcentre Plus advisers the opportunity to weed out those they think are working in the black market. It gives them the opportunity to put pressure on those they think are not trying. It is not an entirely negative thing; it is also an opportunity to give a helping hand to those who would really benefit from a month's full time activity. I have met people who have been through it, and it had turned their lives around. I met one young man in particular who went as a very reluctant, pressed man and had such a good time he ended up staying with the social enterprise where he had done the placement as a full time employee and he was loving it. It has both carrot and stick in it, and I think it is a really good scheme.

**Q104 Chair:** Can I ask about another possible area for confusion, at least for me? Say you are in the Work Programme and are in one of the black boxes; is it possible that some of those black boxes contain mandatory work experience and that is where some of the media confusion is coming from?

**Chris Grayling:** There is no evidence to suggest that has happened, and indeed all of our Work Programme providers said to us, "What would be the point of forcing somebody to go and work for one of our commercial partners, because if we did we would lose the opportunity to send other people in the future?" What we have done since the Work Experience row is sat down with our Work Programme providers and agreed with them that they will pursue exactly the same strategy as us nationally for the Work Experience scheme. They have the power to mandate but they will only mandate to community benefit projects. All participation in work experience with commercial organisations will be done on a voluntary basis in the Work Programme as well as through Jobcentre Plus. So we have exactly the same rules applied across the board and we are making sure all the guidance is in line with that.

**Q105 Chair:** I have heard it said that, of a survey of 1,300 people who have done Work Experience, 51% have been off benefit after 13 weeks. How would that compare with what is normal without Work Experience? Have you measured that against non-intervention?

**Chris Grayling:** We are looking at this at the moment. At the risk of getting my wrists slapped by the statisticians, I cannot tell you the numbers, but I can say that the emerging evidence, which we will publish shortly, suggests there is significant additionality from the Work Experience scheme compared with non-intervention. We will publish the detailed numbers shortly but it is pretty clear that that additionality is there. We will also publish updated figures before too long about the scheme. It has varied slightly since the last figures, because the figures that were published were for 18 to 21-year-olds and over the course of last year we have expanded it up to 24 year olds. That may vary the numbers a little bit because some of those are people who have been longer term unemployed; I do not know yet. We will produce more data shortly.

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**Q106 Chair:** As you can see, this has been a very interesting session for colleagues. Is there anything you feel we ought to have asked you that we have not asked you?

**Chris Grayling:** No, I do not think so. It is a pleasure doing business with you all as always.

**Chair:** I will then close this meeting; thank you very much Minister.

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