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The workfare go-betweens - Part 1 August 12, 2011

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The coalition government's Work Programme, launched in early June, replaces previous employment programmes such as New Deal, Flexible New Deal and Pathways to Work, providing a "single package of support" for people claiming Jobseeker's Allowance, Incapacity Benefit and Employment and Support Allowance. While the stated aim of the £5bn scheme is to get 2.4 million benefit claimants into work over the next seven years, the reality is that the new reforms present even greater profit opportunities for the multinational corporations contracted by the government to administer them, and grant them unprecedented powers over unemployed people's careers and futures.

Old new trends

The trend to grant a small number of fat contracts to a handful of big multinationals, which would then subcontract to other smaller companies to actually provide services, had started under New Labour with the Flexible New Deal in 2010, but has increased significantly with the coalition's public services reforms. Almost 90 per cent of the [40 prime contracts](#) awarded under the Work Programme last month went to 16 private companies including Ingeus, A4e, Working Links, G4S, Serco and others. Only five of the new contracts went to voluntary or public sector organisations (three and two respectively). Compare this to the 16 voluntary organisations that shared the 121 New Deal contracts awarded in early 2000s with 35 private contractors (see [here](#)). Small local providers, as well as community and voluntary organisations, have thus been squeezed out of the employment services market or become dependent for their survival on these big multinationals.

Many critics have questioned the necessity of this two-tier contracting process, questioning how much security companies like G4S and Serco know about employment services. The government's reasoning is that the services needed to get jobless people back into work "already exist." What is missing, they argue, is "an effective structure for managing and coordinating this provision." Outsourcing giants like G4S and Serco are seen as having "the experience, capability and vision" to do this.

On top of that, the power granted to providers to 'innovate' and design programmes themselves – often presented as 'flexibility, which, again, started under New Labour's previous reforms – has also increased, especially with the new payment-by-results system, as opposed to fixed fees and targets. This, according to the Department for Work and Pensions (DWP), is justified by the need for designing "personalised support programmes" that address "the needs of the individual and the local labour market, rather than having to follow one-size-fits all processes dictated by Whitehall. In reality however, this often translates into bullying people into jobs they do not want to do and punishing those who do not comply by stopping their benefits (see the [accompanying article on unpaid work placements](#)).

Once referred to a provider by the Jobcentre, claimants may remain on the Work Programme for up to two years, or until the provider has claimed all available payments for the time the individual spends in employment. However, given the economic crisis and shrinking job market, many fear that the most disadvantaged people and areas will be 'parked' (not helped) even more than before, as there would be less funds, and thus less incentive, to meet their needs. Although there are no exact figures available yet, it is expected that the average payment to providers for each Work Programme client will be around £1,200 – at least a 20% reduction on previous programmes.

Contracts and contractors

Following a tendering process, the Work Programme contracts were

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procured by contractors through Employment-Related Services Framework Agreements with the Department for Work and Pensions (DWP). The highest number of regional contracts (seven, the maximum a contractor was allowed to bid for) was awarded to Ingeus UK Ltd, a relatively new company formerly known as Work Directions UK Ltd. Established in London in 2001 to benefit from the increasingly privatised welfare services market, it changed its name in August 2009 and is now 50% owned by accounting and consultancy firm Deloitte and 50% by the Ingeus Group of Companies.

The second-biggest number of contracts (five) went to A4e. Established in 1991, the Sheffield-based training company has grown steadily as a result of lucrative government contracts to become a small transnational company with operations in 11 countries across four continents. In 2009, the company's revenue was £146m, 63% of which derived was from employment and welfare services.

G4S, Working Links, Seetec and Avanta Enterprise Ltd were all awarded three contracts each, while Serco was awarded two. Nine smaller companies were awarded one contract each. The contracts are divided up between 18 regions covering England, Scotland and Wales, with at least one of the major companies in all but two of the regions (see the [full list here](#)).

Part 2 of this article will focus on Serco and G4S as prime contractors that do not have much experience in employment services and that have horrendous track records of abusing vulnerable people such as asylum seekers and immigration detainees (see [here](#) and [here](#), for example). Other, more specialist companies, such as A4e, have been dealt with elsewhere (for example, this [issue of the Corporate Watch Newsletter](#)).