

# **Welfare to Work and reaching the hardest to help**

Written evidence to the Work and  
Pensions Committee from the  
Centre for Economic and Social  
Inclusion and NIACE

**28 August 2015**



This is a joint submission from *Inclusion* and NIACE. We announced this summer our intention to merge from next year – creating a new organisation that will champion employment, skills and learning for all.

## Objectives

We consider that an effective welfare to work system has five key objectives:

1. To **maximise employment** (and then earnings) for participants – with clear incentives to support those further from work
2. For those that do not find employment, to ensure that participants **move closer to work** – with improved skills, confidence and motivation
3. To be **cost-effective** – through effective targeting, doing ‘what works’ and delivering services efficiently and without duplication
4. To be **responsive to the economic cycle** – ensuring that during downturns, there is support to maintain attachment to work
5. To encourage **innovation, investment and long-term planning** – with incentives to innovate, and resilience to future changes

## How we measure up

### Performance and efficiency

The introduction of the **Work Programme** in 2011 continued but accelerated a direction of travel that began in the last decade, first with Employment Zones and then the Flexible New Deal.

By consolidating multiple programmes, introducing longer contracts with less prescription and using a highly-gearred ‘payment by results’ model, the Work Programme was intended to maximise employment, improve cost-effectiveness and encourage longer-term investment and planning – so addressing three of the objectives above. However the black box model also removed any central service requirements around frequency and intensity of support, increasing the risks that those who did not find work would move further from work (i.e. would be ‘parked’).

*Inclusion* publishes regular, detailed analysis of the performance of the Work Programme. The most recent report covers the period to March 2015.<sup>1</sup> Overall, we consider that the Work Programme has achieved employment outcomes that are

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<sup>1</sup> Available at: <http://cesi.org.uk/responses/dwp-work-programme-how-it-performing-5>

comparable with the programmes that it replaced (the Flexible New Deal and Pathways to Work) – meeting the minimum expectations that the Department set. And adjusting these for the weaker than expected economy, we consider that it is performing slightly above those minimum expectations.

Importantly, we estimate that the programme is delivering this performance at a much lower unit cost (perhaps around half the cost, on a per participant basis, than the programmes it replaced). **So it has been highly cost-effective, and moderately successful in increasing employment.**

However this average performance masks variations for different groups of people. The programme is performing near or above expectations for Jobseeker's Allowance claimants, but for Employment and Support Allowance claimants performance has long been below expectations (for a combination of reasons set out in other Inclusion research<sup>2</sup>). Our analysis also finds that **key disadvantaged groups – and in particular older people and disabled people – are substantially less likely to find work** through the programme than other groups.

The most recent official evaluation of the Work Programme did not find conclusive evidence of 'parking' of these groups, but there were concerning signs around variations in the frequency and quality of support. As they put it,

*"Combined, the different waves of data suggested that those individuals who experienced infrequent meetings were often disadvantaged in some way (but there was no clear consistency in these patterns over time). Conversely, participants who appeared most job-ready experienced frequent meetings and were required to attend offices to undertake job search activities."*<sup>3</sup>

## **Funding pressures and consolidation**

A key driver of the increased efficiency and possible parking within the Work Programme has been the 'payment by results' (PBR) model. In any PBR model, there is a bias towards commissioners (i.e. government departments) setting targets high so as to reduce the risks of over-spending. Potential bidders are then strongly incentivised to say that they can hit or exceed these targets at the lowest possible price. But if they fail to do so then funding will fall, leading to lower performance and still lower funding – a vicious circle.

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<sup>2</sup> Riley, T., Bivand, P. and Wilson, T. (2014) *Making the Work Programme work for ESA claimants. Analysis of minimum performance levels and payment models*, Centre for Economic and Social Inclusion

<sup>3</sup> Meager, N., Newton, B., Sainsbury, R., Corden, A. and Irvine, A. (2014) *Work Programme evaluation: the participant experience report*, DWP Research Report 892

In the case of the Work Programme, performance and funding for JSA claimants has been in line with minimum expectations. However for ESA claimants, our research<sup>4</sup> suggests that this vicious circle is exactly what has happened – with DWP targets set too high, providers over-promising, then under-achievement leading to lower investment and likely lower performance. We estimate that **funding for ESA claimants has been fully £500 lower than intended**, per participant, as a consequence.

Across the market as a whole, this has likely been a key factor in the significant reduction both in the breadth and depth of support being provided by smaller organisations – in particular those providing more specialist support, and often in the voluntary and community sector.

Linked to this, the limitations of the PBR model appear also to have limited the scope for innovation. The official evaluations point to evidence of *procedural* innovations in how services are delivered – i.e. doing things differently – but found virtually no evidence of genuine innovation and testing of new models – i.e. doing different things. This has been further inhibited by the performance management regime within the Programme and a lack of systematic support to test, learn and evaluate within contracts.

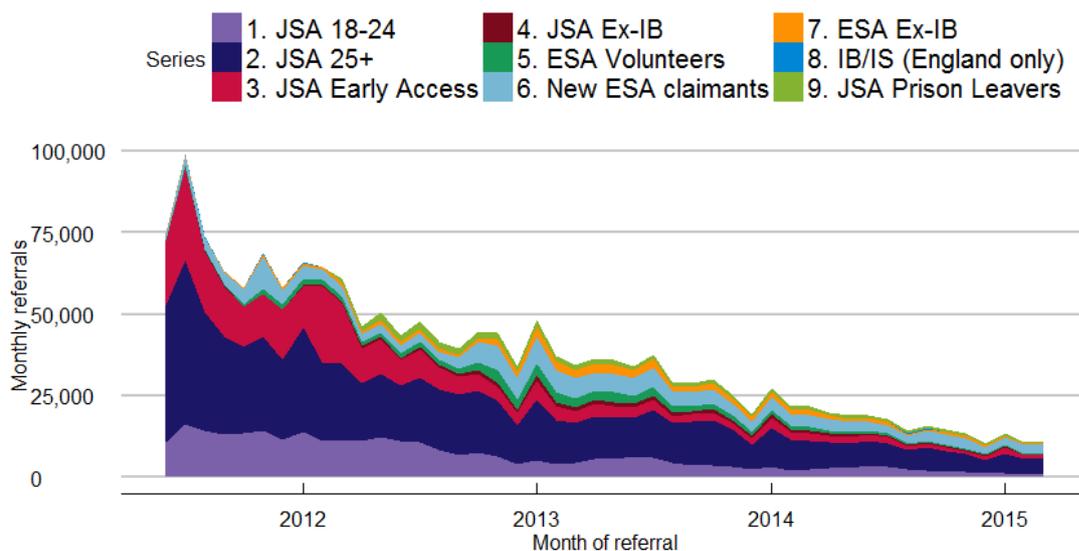
## Coverage

As Figure 1 below sets out, the Work Programme has significantly reduced in coverage over the last five years, as the numbers of long-term unemployed (claiming JSA) have fallen.

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<sup>4</sup> Riley, T., Bivand, P. and Wilson, T. (2014) *Making the Work Programme work for ESA claimants. Analysis of minimum performance levels and payment models*, Centre for Economic and Social Inclusion

**Figure 1: Monthly referrals to the Work Programme by Payment Group**



Source: DWP data and Inclusion analysis

This has also led to a significant change in the composition of those joining the programme – with a far higher proportion being ESA claimants. Looking ahead, we consider that it is likely that **at some point before March 2017, ESA referrals will outnumber JSA referrals.**

However, despite this the Work Programme has reached only a small proportion of ESA claimants overall. In total, 305 thousand<sup>5</sup> ESA or IB claimants have enrolled on the programme over the last four years, against a caseload of 2.53 million<sup>6</sup>. Even allowing for Work Choice, the government’s specialist disability programme, we estimate that **fewer than one in ten out of work disabled people or those with health conditions receiving any form of structured employment support.**

Beyond the Work Programme, the last five years as seen a similar consolidation and dissipation in employment support – with:

- Some key players significantly reducing their activity in response to lower funding – including many Councils and training providers;
- Pockets of growth serving particular groups and often outside of mainstream DWP provision – including Housing Associations and some NHS Trusts;

<sup>5</sup> Source: DWP Work Programme statistical summary

<sup>6</sup> Source: DWP Statistical Summary

- Limited local funding directed through the Jobcentre Plus 'Flexible Support Fund' – but with no reporting of where and how the money is spent, and with what results;
- Some highly targeted but often small scale initiatives – only very few of which proceed to rollout (the 'Help to Work'<sup>7</sup> scheme being the main example); and
- The Work Choice programme supporting disabled people, but with low volumes and often geared towards those on JSA or not on benefits.

## Learning and skills interventions

Unemployed people as a group have lower educational attainment than people in work. 31% of unemployed people have either no qualifications or unclassifiable qualifications and only around half of people with no qualifications are in work. Skills needs remain a stubborn barrier to employment but there is a growing evidence base of effective interventions. A report on the impact of provision by NIACE<sup>8</sup> adds substance to data from the Department for Business, Innovation and Skills (BIS)<sup>9</sup> that 46% of people achieving a Level 1 Award in Personal Development gained sustained employment. Research by NIACE<sup>10</sup> has also shown how skills solutions can be personalised, innovative and delivered at a community level.

Despite this evidence, welfare to work providers are increasingly concerned that **further cuts to the adult skills budget within BIS will make it harder to work in partnership** with learning and skills providers. Budget cuts often limit the provision on offer to single and low level courses – which are insufficient for the many unemployed adults that have multiple barriers which might include English, maths, ICT, employability and relevant vocational skills.

To address this, NIACE and the Behavioural Insight Team are working with ERSA to develop an innovative new learning and skills delivery model for ESA claimants. The aim is to test whether a tailored 'Citizens Curriculum' programme-of-study approach can be more cost-effective way to provide people with the skills and qualifications required to gain sustained employment.

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<sup>7</sup> <https://www.gov.uk/government/news/help-to-work-nationwide-drive-to-help-the-long-term-unemployed-into-work>

<sup>8</sup> Gray, R. and Lockhart-Smith, A. (2015) *Personal and social development provision: Content, format and impact*, NIACE

<sup>9</sup> BIS (2015) *Outcome based success measures: National qualifications data*

<sup>10</sup> NIACE (2015) *Case studies describing skills provision for welfare to work participants*

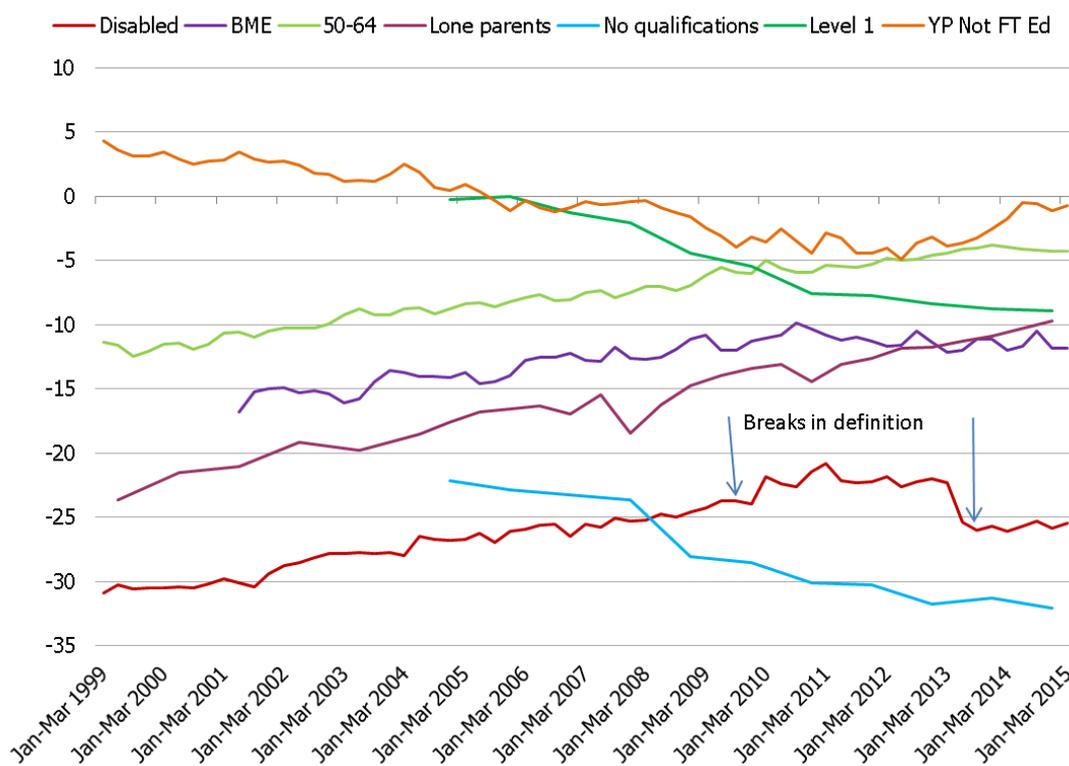
## Future reform

We believe that there should be eight priorities for reform of the welfare to work system in this Parliament.

### 1. A renewed focus on the most disadvantaged

Long-term unemployment has fallen by more than one third since its peak in 2013 – with the number of long-term JSA claimants joining the Work Programme falling from 447 thousand in the first year of the Programme to 100 thousand in the last year. Meanwhile, numbers claiming ESA or IB have remained virtually unchanged in the last decade, while the gaps between the employment rates of many disadvantaged groups and the overall average have remained stubbornly high.

**Figure 2 – Gaps between the overall employment rate and employment rates for selected disadvantaged groups (16-64)**



Source: Labour Force Survey and *Inclusion* analysis

We welcome the government's commitment to halving the disability employment gap, and consider that in this Parliament the top priority should be to extend and improve support for the most disadvantaged.

We believe that this requires a **separate employment programme for disabled people and those with health conditions**. We have set out our approach in our

report Fit for Purpose<sup>11</sup>, where we propose more tailored and intensive support underpinned by a common gateway and assessment process. We would justify separate programmes for a number of reasons:

- The combined model through the Work Programme has not worked for this group – the programme has not led to substantially more personalised or intensive services for those with health conditions and disabled people
- The official evaluation has found that the differential payments model (higher outcome payments for harder to help participants) has not led to different services and not prevented parking
- A separate programme is more likely to attract service providers that have specialist capacities and capabilities to support these groups
- A separate programme also opens up the opportunities for a far greater focus on integration and alignment with other health and employability support, operating local or through health services (explored further below)

In short, **we believe that a separate programme is more likely to achieve the first three objectives set out above: increasing employment, moving participants closer to work, and improving cost-effectiveness.**

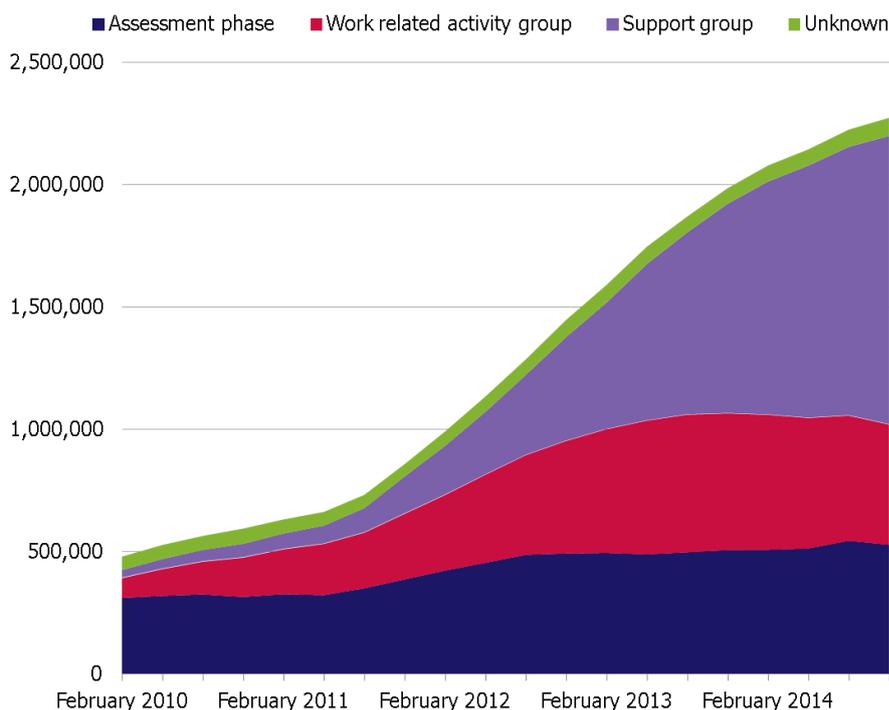
As Figure 3 below shows, much of the growth in ESA volumes has been in the Support Group. We consider that any new employment programme for those with health conditions and disabled people must also seek to engage and support claimants in the Support Group on a voluntary basis, and that government should work with health services and local government to co-design improved employment and health support for these groups.

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<sup>11</sup> Purvis, A., Foster, S, Lanceley, L. and Wilson, T. (2014) *Fit for Purpose - Transforming employment support for disabled people and those with health conditions*, Centre for Economic and Social Inclusion

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**Figure 3: ESA claimants by claimant group**



Source: NOMIS and Inclusion analysis

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## 2. A separate programme for the long-term unemployed

Given the relative success of the Work Programme for long-term JSA claimants, we would support a separate, shorter programme specifically targeting these groups. Consideration should be given to widening eligibility for this programme to **all jobseekers reaching nine months on JSA**, so as to ensure that there are sufficient programme volumes to realise economies of scale.

## 3. A focus on activation as well as employment

There is compelling evidence that some disadvantaged groups have been 'parked' in the Work Programme, and are therefore not being supported to stay close to work even where they do not find work. The root causes of this lie in a number of factors: the 'black box' approach; the exclusive focus on employment outcomes both in performance management and incentive payments; the 'vicious circle' that led to disinvestment for ESA claimants; the two-year service period; and the removal of external assessment of the quality of services.

To address this, the new system must:

- **Have clear 'service guarantees'** that specify a minimum level, quality and frequency of adviser contact; and access to appropriate services – tailored to different groups. Both Australia and Northern Ireland have successful models in

operation, with the NI model being delivered by three companies that currently deliver the Work Programme.

- **Be underpinned by independent assessment of service quality and standards.** Welfare to work is unique in being the only contracted-out public service without any independent inspection or assurance to ensure that services are meeting their objectives and delivering value.
- **Have a stronger service user voice** – we would propose a system similar to that which has been used in Australia in the past, with regular satisfaction surveys that then inform the quality assessment of provision.

#### **4. Going further on improving earnings as well as employment**

The introduction of longer 'sustainment payments' in the Work Programme has likely improved the incentives to ensure that those that move into work are kept in work. In our view, as we set out in our joint paper with NIACE *Ten Policies for Ten People*, there is a case for going further in improving progression from low pay – in particular through **a new Careers Advancement Service**.

Commissioning such a service alongside the replacement to the Work Programme would allow for a far greater alignment between employment entry and progression. Going further, there would be value in looking at options to reward earning progression, particularly under Universal Credit.

#### **5. A framework for devolution and alignment of support**

Employment budgets are being devolved to the Scottish Government and there are ongoing discussions with the Welsh Assembly Government. In England, future City Deal discussions are likely to lead to further devolution or co-commissioning of programmes.

There are strong arguments for devolving support. Primarily, this rests on the urgent need to integrate health and other services that can contribute to improving employability, which is best done at the local level. There are also clear benefits to improving integration and alignment – through health, housing, skills, 'troubled families' and so on. DWP and local government should therefore work together to:

1. Develop a strong **national framework for co-operation** between national and local levels – with protocols for how this can be delivered. For example this could include aligning commissioning timetables; aligning programme objectives, measurement and monitoring, with improved information sharing between partners; removing barriers to co-locating services; and creating arrangements for joint oversight of local provision.

2. Devolve the commissioning of the new programme for disabled people and those with health conditions to those areas that are willing and capable, while in other areas increase the involvement of local partners in commissioning so as to ensure that local health provision is closely aligned.

## 6. Improve the assessment of participants' needs

In principle, we believe that entry to programmes should be based on the extent of the needs of a claimant rather than the benefit they are claiming. However achieving this would require both earlier and better assessment of need.

There are a number of international examples of early assessment or 'triage' models. In the UK, there has been some experimentation with assessment tools, but this has not yet led to a model that is considered robust enough for wider rollout.

NIACE has supported DWP to develop a screening tool and guidance to enable Jobcentre Plus Work Coaches to identify jobseekers' with English speaking ability below entry level 2. The screening tool has now been incorporated into a suite of guidance that is available to Jobcentre Plus Work Coaches when considering claimants' skills needs.

We will be publishing further research on assessment models in the coming months, but in the short term we would recommend that the Department reviews its 'early entrants' category in the Work Programme and develops this as a referral channel into the new programme for disadvantaged claimants.

In the longer term however, **we believe that DWP should develop an assessment tool for all new claimants**, including ESA, which can help determine the timing, extent and nature of interventions that claimants receive.

## 7. A reformed approach to payment by results

As set out above, the PBR model in the Work Programme has likely led to lower investment than was intended and has likely not led to improved targeting of those hardest to help. We strongly support the principle of payment by results – as it focuses on performance and should improve efficiency – but believe that there is a need for reform.

First, we recommend moving to a '**cohort based' payment by results model** in future national programmes, where **additional outcome payments are made based on the additional impact of the programme** for defined cohorts or groups of participants. This would better reflect how savings accrue to the Exchequer, and would open the possibility of increasing outcome payments as performance increases – with the highest rewards for highest performance, and

stronger incentives to support those furthest to work. DWP has in the past designed but not rolled out such a model in the 'Personalised Employment Programme'. In some ways this was far simpler than the Work Programme – as the model meant that there were no distinctions between different claimant/ payment groups. This is summarised further at **Annex A**. It was not rolled out largely because DWP's payment systems could not support it.

Secondly, future programmes should be underpinned by a **delivery fee** – paying a proportion of total contract value to providers in regular instalments. This should be paid as long as providers are meeting contractual requirements on service delivery, quality and performance – but would not be PBR. The Department is proposing to use this in its European Social Fund commissioned programmes. This delivery fee should be set at less than half of the contract value in all cases, but with a higher fee payable in the programme for the most disadvantaged.

## **8. A commitment to innovation, testing and learning**

Finally, there are three important steps that could be taken in order to better achieve the fourth objective set out above, around creating a market that can innovate and plan in the longer term.

1. An **innovation fund** should be established in order to 'de-risk' initiatives that DWP wishes to support. In order to access the fund, proposed innovations would need to be signed off by the Department, who would then provide technical support in their design, development and evaluation – with results shared publicly.
2. A new '**What Works Centre for Employment**' should be established – with a central portal where evidence of what works is collated and presented, good practice is shared, and communities of practice are supported and promoted.
3. An **employment datalab** should be established – along the lines of the Justice Datalab, to enable practitioners, commissioners and researchers to 'match' their own data against (anonymised) benefits and employment data in order to improve how we evaluate programmes and understand impact.

**28 August 2015**

## Annex A – The Personalised Employment Programme

The Personalised Employment Programme (PEP) went to market in December 2009, with the intention of rolling out in two areas from March 2011. The programme was discontinued with the change of UK Government.

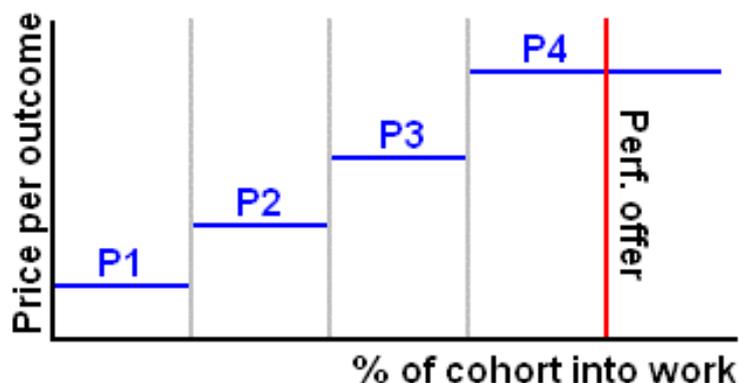
### Key features

Under the PEP model, all JSA claimants reaching twelve months on benefit, plus all new ESA claimants reaching three months, would be referred to a prime provider. Effectively, this was combining the “Flexible New Deal” and “Pathways to Work” programme groups.

Providers would be paid 30% of an agreed fee (which they would set out in their bids) on attachment, with all other payments being made for outcomes.

Uniquely, the outcome payments would increase as providers helped more people into work. There was no separate payment for separate groups. This was possible because the programme worked on a “cohort” basis – with payments linked to the proportion of claimants from a given monthly cohort of programme starts who moved into work.

Providers would bid on the basis of their “Price Offers” (P1-4) and a “Performance Offer” (what proportion that they would get into work). This is illustrated below.



The objectives of this accelerator model were to:

- Reduce parking
- Establish a better match between provider costs and outcome payment levels
- Incentivise the provider to engage with all customers

The PEP model also included a relatively high degree of prescription (compared with FND and Work Programme), with “minimum standards” to:

- Conduct an initial, in-depth assessment of the claimant’s circumstances and needs
- Ensure Work Focused Interviews are conducted with all mandatory customers on at least a quarterly basis
- At each interview, agree and review a work focused Action Plan, tailored to the individual

### **Why didn’t PEP happen?**

PEP was cancelled when the Work Programme was announced, as the Work Programme would itself be a single programme for JSA and ESA claimants.

The primary reason why the Work Programme did not use an accelerator model was that the DWP payment system to providers could not support its rollout.

### **Implications of PEP for an AME/ DEL model**

PEP did not use AME/ DEL funding, as it operated with a fixed budget drawn from existing FND and Pathways funding.

However a variant of PEP could be delivered with an AME/ DEL model by:

- Fixing prices at attachment and at “Price Offer” points up to the “non-intervention” level to ensure that at counterfactual performance the programme cannot overspend; and
- Setting price ceilings above that for further steps based on additional AME savings

### **Market appetite**

There was considerable appetite in some parts of the market for PEP, and extensive modelling by some large primes (who are now delivering the Work Programme). These tended to be larger companies who were used to managing outsourced contracts and supply chains.