

# The Missing Link:

## *An Analysis of the Work Programme performance*

### Introduction

The Work Programme (WP), which began in June 2011, has now been running for two years. It is the government's flagship employment programme and aims to support long term unemployed people back into work. The second year of performance data was released on 27 June 2013 and shows a mixed picture of performance in the capital. The release shows the number of referrals and job outcome payments made to Prime Providers (Primes) over the period April 2012 to March 2013. It also allows the build-up of a picture of performance since June 2011 (22 months). This extended commentary outlines performance and comments on the implications for London boroughs.

The government awarded the Department for Work and Pensions (DWP) £5 billion to deliver the WP over a five year period until 2016. The programme aims to:

- help the most vulnerable, long-term claimants back into the labour market
- transfer the financial risk from the taxpayer to companies via a 'payment by results' model.

Every adult who has been claiming Job Seekers Allowance (JSA) for 12 months or longer is mandated onto the WP. People with particular challenges to getting a job such as disabled people, people with physical and mental health problems and ex-offenders can be referred to the programme earlier. DWP pays the Primes for a sustained job outcome that reflects the difficulty of helping long-term claimants back into work - six months or more for most JSA claimants, or three months for those with particular challenges to getting a job.

Operational delivery of the programme in London has been contracted to six Primes. Three are located in West London Contract Package Area (CPA) and three in East London CPA. Appendix 1 shows the borough breakdown by CPA in London.

The latest data covers the period from April 2012 – March 2013. It shows mixed performance across the boroughs, Primes, payment groups, ethnicity and age. Overall there has been an improvement in the programme's performance. However significant underperformance in the Employment and Support Allowance (ESA) claimant group (often made up of those individuals with the most barriers to gaining work) is a cause for concern.

Concerns have also been raised over how performance on the programme is measured. The contractual measures - Minimum Performance Levels (MPLs) - have come under criticism for not accurately reflecting how well the programme is delivering employment outcomes for Londoners. This commentary will also discuss the different ways performance can be measured to provide a holistic picture of the performance in the capital.

### Performance Measures

There are different ways to measure performance of the WP. This report uses a mixture to analyse performance of the programme.

**1. Minimum Performance Levels** are the official DWP measure of performance. They represent the proportion of people referred to the programme in that year compared to the total sustained job outcomes achieved in the year. These are calculated by DWP's estimations of what would have happened in the job market without intervention (non-intervention levels) plus 10 per cent. MPLs are annual figures (rather than cumulative) and are only measured against three of the payment groups, JSA 25+, JSA 18 – 24 and ESA. The most recent MPLs are for April 2012 – March 2013. Table 1 shows the MPLs for this period.

**Table 1: MPLs for year 2 of the Work Programme**

| Payment group         | MPL   |
|-----------------------|-------|
| JSA age 18 – 24 years | 33%   |
| JSA age 25+           | 27.5% |
| ESA                   | 16.5% |

- 2. Cumulative performance** is the aggregated figure of sustained job outcomes across the entire programme duration (currently 22 months); often expressed as a percentage of overall referrals onto the programme.
- 3. Job Outcome Measure** is the average proportion of customers achieving a job outcome within a year on the programme.
- 4. DWP Business Plan Measure** is the proportion of each monthly cohort of referrals for whom providers have achieved a job outcome payment within 12 months.

## The Work Programme in London

It is critical that the WP performs effectively in London. The government is currently investing approximately £78 million annually in employment support in the capital, of which almost a third (£24 million) is spent on the WP. Despite its relatively resilient job market, London has historically struggled to bring its unemployment rate below the UK average and rates of long term job seekers are increasing.

London’s labour market faces a number of distinct challenges such as intense global competition for jobs, weaker work incentives due to the higher costs of living, a lack of integration between skills provision and jobs and a centralised approach to employment support which does not take the diverse needs of London’s residents and employers into consideration.

### Work Programme performance in London

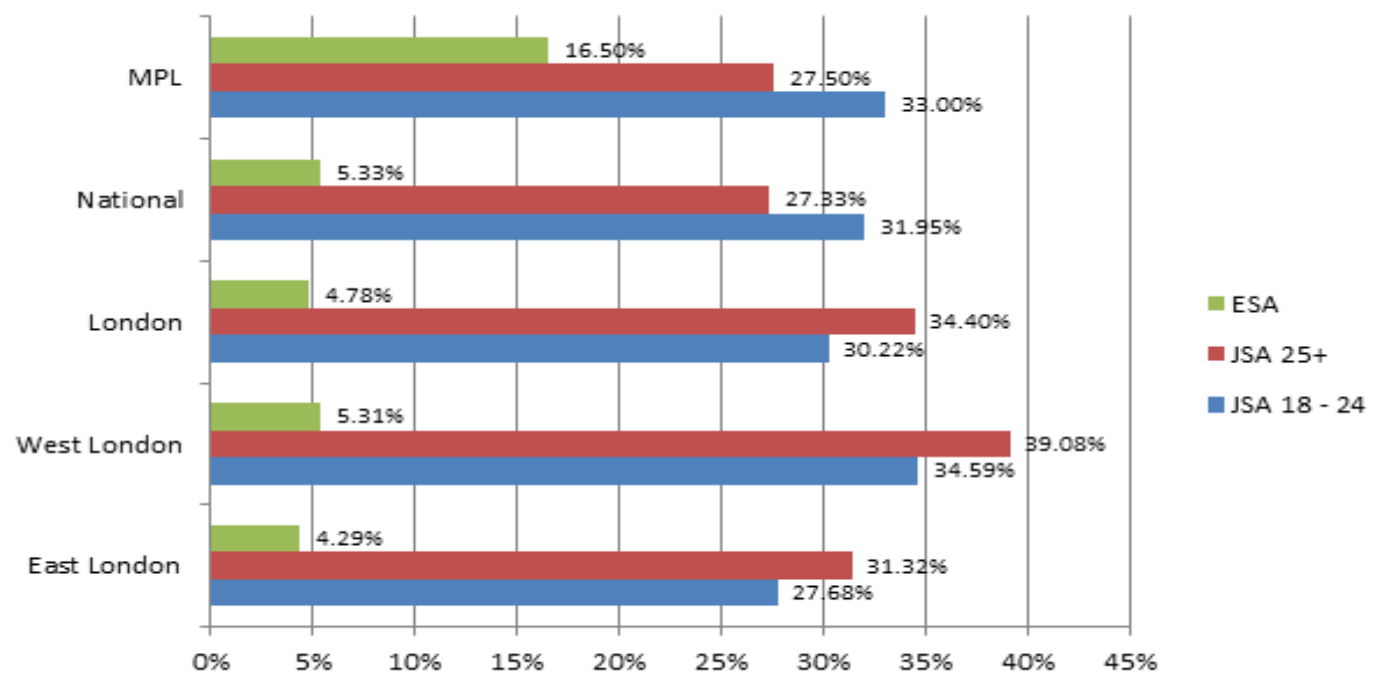
#### Data and performance

In London the WP has had 70,470 referrals and has achieved 18,500 sustained jobs. The following section provides a breakdown on performance across London and at borough level by geography, benefit type, age, ethnicity and disability.

All data used in the following sections are based on the MPL data, unless stated otherwise.

#### 1. Benefit type

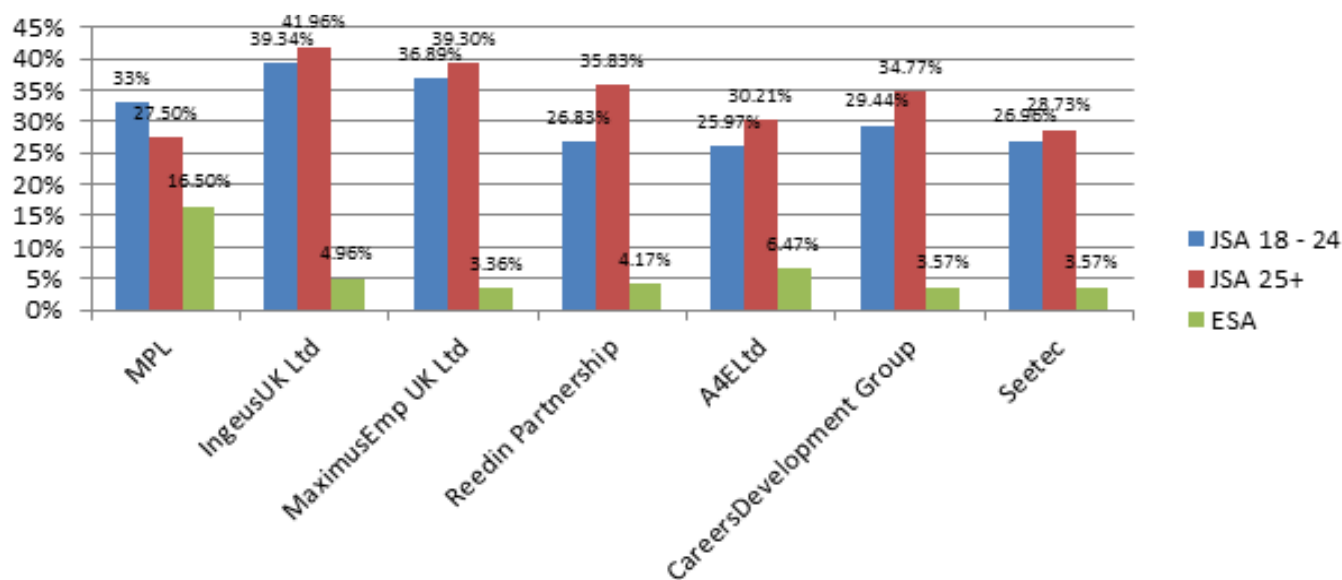
**Figure 1: Percentage into sustained jobs by benefit type at the National, London and CPA level, April 2012 – March 2013**



Both CPAs are considerably underperforming against MPL targets for ESA claimants. However performance on both JSA groups is mixed. CPA West is overperforming against both the national average and MPLs for both JSA groups whereas CPA East is underperforming in JSA 18-24. This mirrors data released in November 2012 which demonstrated better performance in CPA West.

London is underperforming in comparison to the MPL and to national performance on JSA 18 – 24. It is overperforming on JSA 25+ and is significantly below target for ESA claimants.

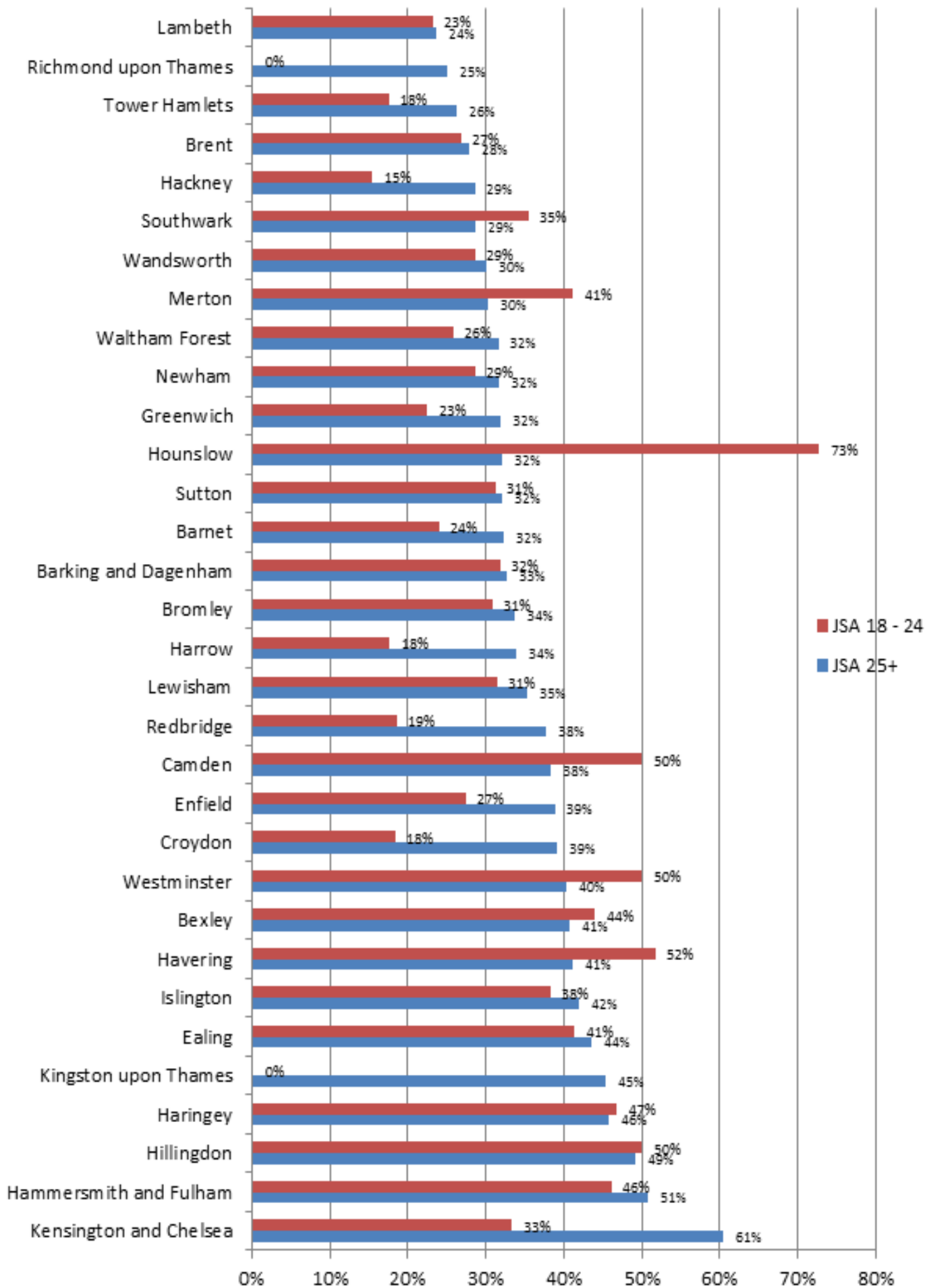
Figure 2: Percentage into sustained jobs by benefit type at the Prime Provider level, April 2012 – March 2013



The performance of the Primes in London also shows variation. All the Primes display underperformance with ESA claimants. However two of the Primes are performing above the MPL for JSA 18 – 24 and all of the Primes have exceeded their targets on JSA 25+.

2. Performance by borough

Figure 3: Sustained job outcomes JSA 25+ and JSA 18 - 24 claimants at the borough level, April 2012 – March 2013



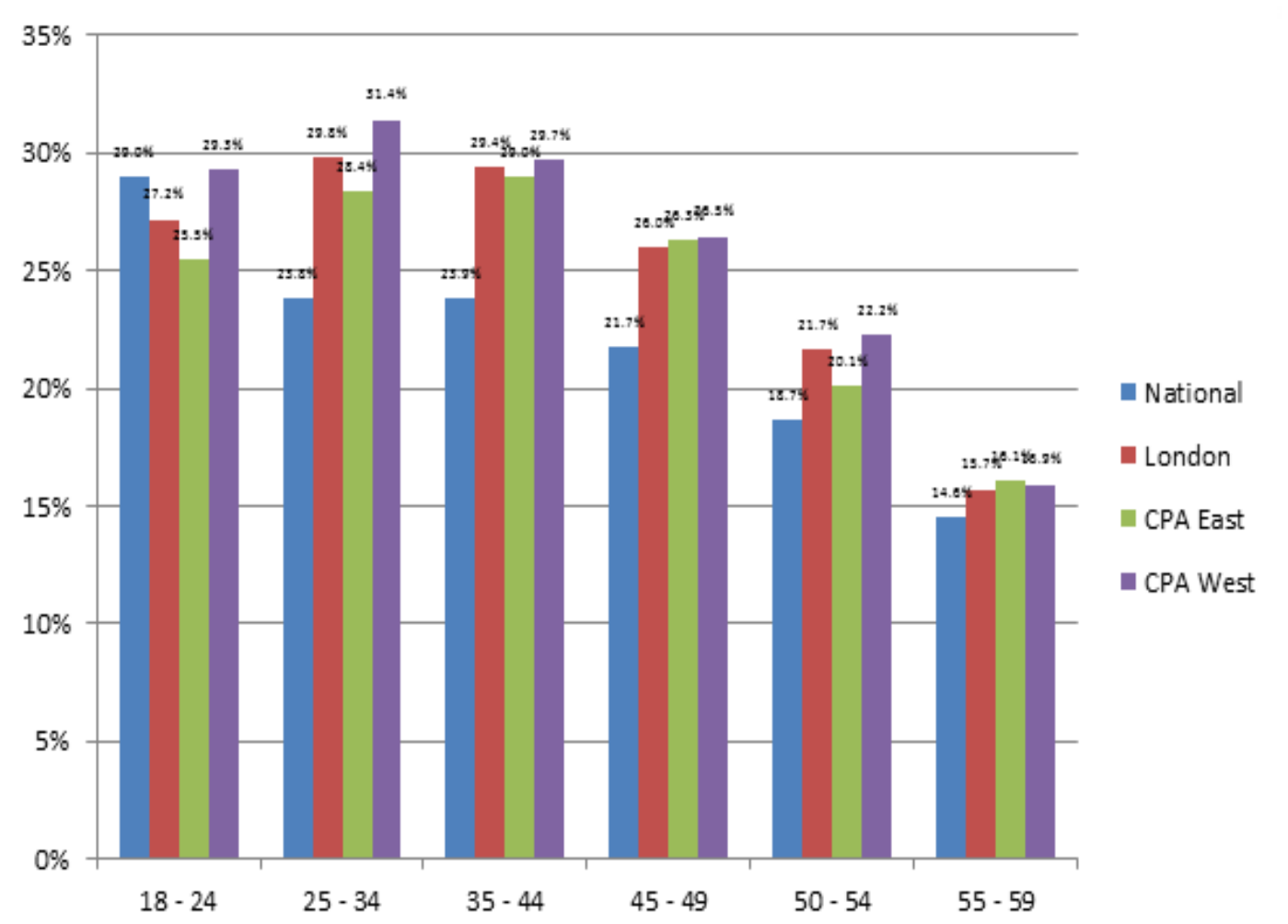
Across the boroughs, job outcomes vary for both JSA 18 – 24 and JSA 25+. For example Hounslow has sustained job outcomes for JSA 18 – 24 of 72.7 per cent compared to Hackney that has outcomes of 15.5 per cent. The City of London is not included in this analysis as the numbers are too small to be reliable.

There does not appear to be any obvious pattern for good or poor performance at the borough level. For example, boroughs with high deprivation levels do not correspond with low job outcomes. Discussions between the Primes and boroughs felt that a factor supporting good performance may be whether the providers had previously worked in the area and had established local links and an understanding of local circumstances.

The borough data does not display the results for ESA claimants as DWP rounds figures to the nearest 10. Therefore any figure below 5 in the data was rounded down to zero. This meant that the borough level data for ESA was unreliable. Overall in London 370 ESA job outcomes were achieved in the last year.

### 3. Age

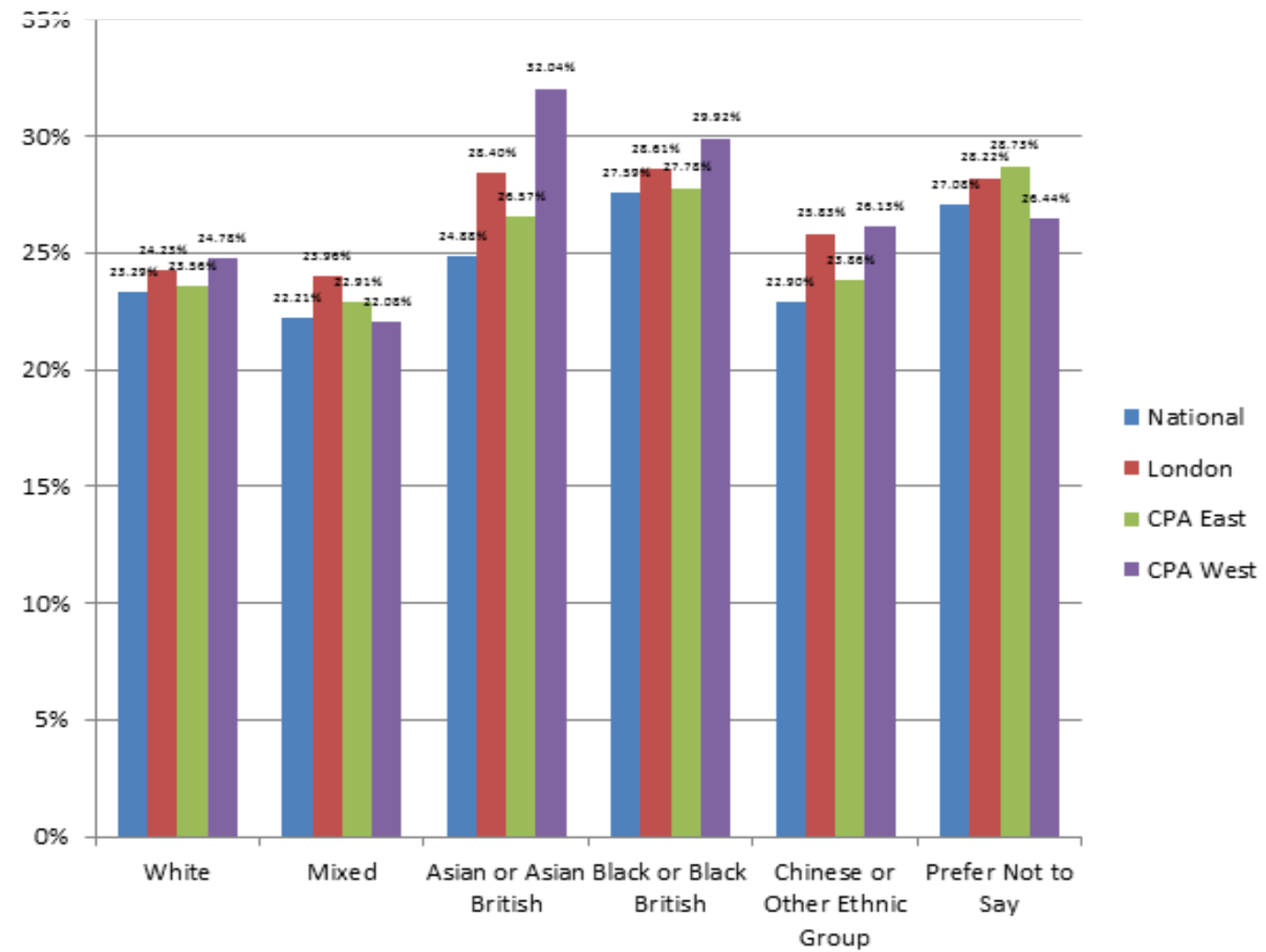
**Figure 4: Percentage of sustained jobs by age at the national, London and CPA level, April 2012 – March 2013**



London performed better than the national average in all groups apart from the 18 – 24 age group. Overall it was the second best performing region. There is some variation across the contract package areas, with CPA west outperforming CPA East in all but one age group (55 – 59). Data from the 60+ age group cannot be displayed as the numbers are too low to be statistically accurate (at regional, CPA and borough levels). In London 8.6 per cent of 60+ referrals achieved a job outcome compared to a national total of 6.8 per cent.

4. Ethnicity

Figure 5: Percentage of sustained jobs by ethnicity at the national, London and CPA level, April 2012 – March 2013



Overall the Work Programme is performing better in London with all ethnic groups than the national average. The trends show better performance in CPA West and poorer in CPA East compared to the London figures. Although the accuracy on the level of outcomes in relation to ethnicity is difficult to achieve at the borough level (due to small numbers and rounding errors), trends show that in nearly all London boroughs Asian people are most likely to have achieved a job outcome and White people least likely to have achieved a job outcome.

5. Disability

Figure 6: Percentage of sustained jobs by disability at the national, London and CPA level, April 2012 – March 2013

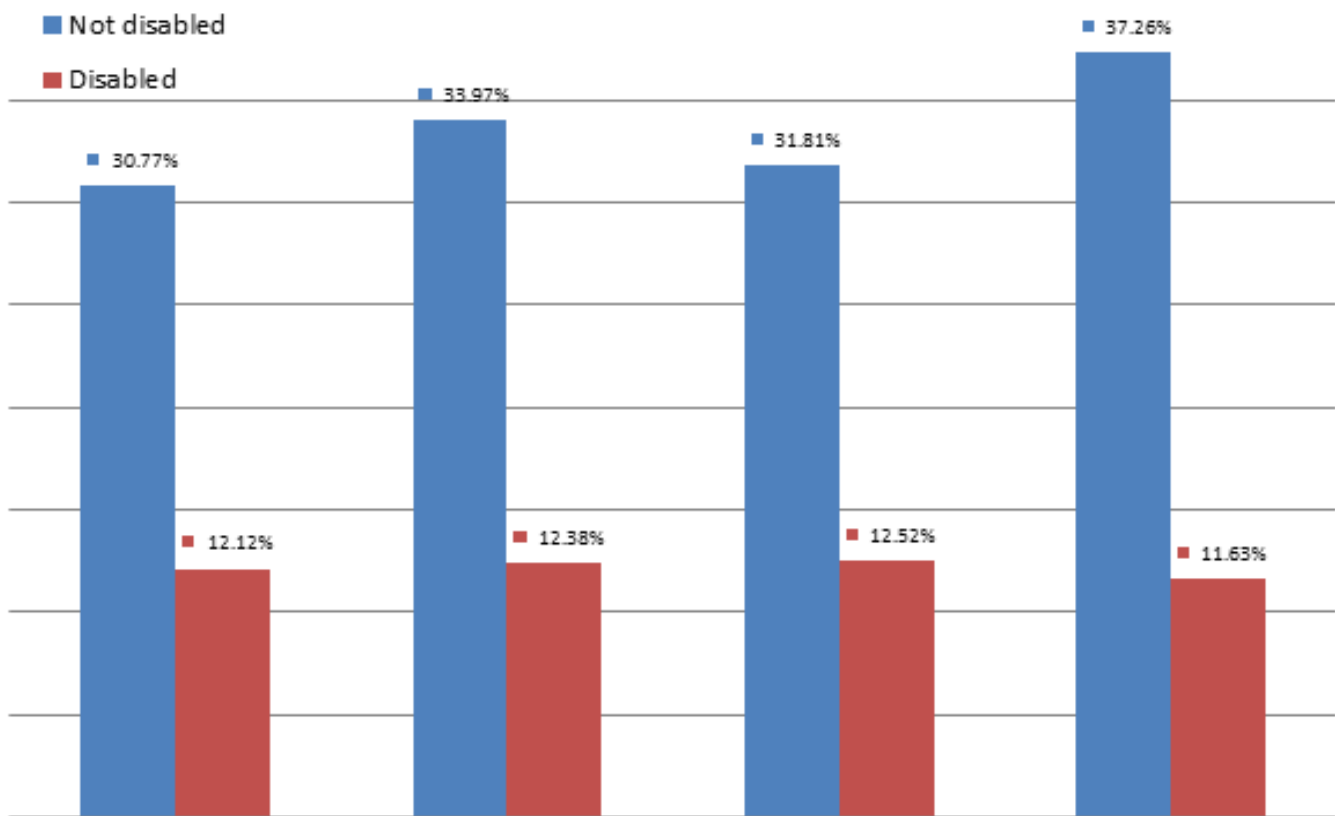
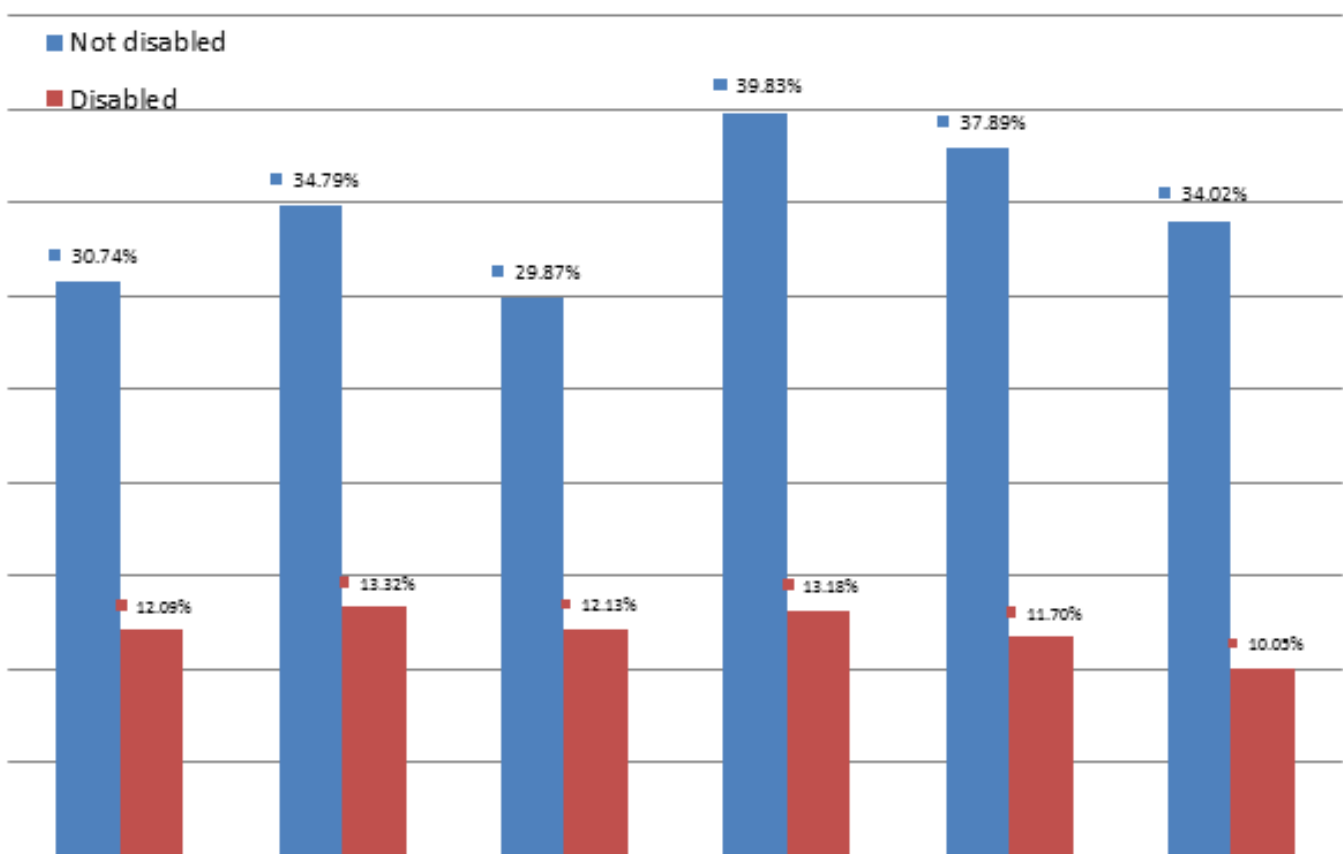
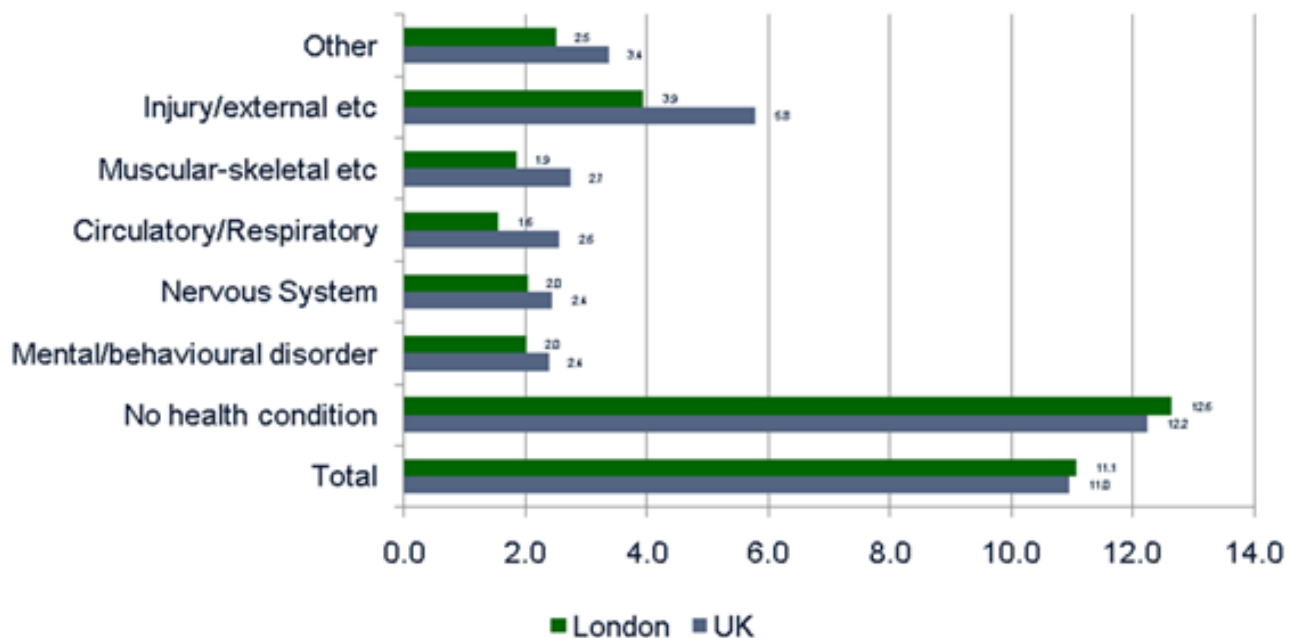


Figure 7: Percentage of sustained jobs by disability at Prime Provider level, April 2012 – March 2013



**Figure 8: Percentage of sustained job outcomes by primary health condition at London and National level, June 2011 – March 2013, (Cumulative data)**



Nationally the WP is not getting as many people with disabilities into work as those without a disability. Based on this year's performance (April 2012 – March 2013) London is performing slightly better than the national average. It is important to note that many of the customers identified as having a disability will be in the JSA claimant groups rather than ESA. ESA is for those which are considered to be 12 months away from entering the labour market. There is greater variation across Primes with Careers Development Group supporting 13.32 per cent of people with a disability back into work, and Reed in Partnership only supporting 10.5 per cent.

When analysing primary health conditions (fig 8), the cumulative figures show poorer performance in London compared to the national average, with pronounced differences in supporting people with external injuries and respiratory problems. People suffering with mental and behavioural disorders are the least likely to find work.

## 6. Alternative measures of performance

There have been concerns raised about the DWP's MPLs. Because the MPL comes from dividing all job outcomes achieved in one year<sup>1</sup> only by referrals in that year, it is very sensitive to changes in the level of referrals. There are a number of alternative ways to measure performance:

**Job Outcome Measure:** The Centre for Economic and Social Inclusion (CESI) suggests that a more accurate measure of performance is a Job Outcome Measure. This is the average proportion of customers achieving a job outcome within a year on the programme. Taking into account the 'economy effect' CESI has suggested that based on this measure the WP should be achieving an 11 per cent job outcome rate. For all participants who were referred to the WP between June 2011 and March 2012, 10 per cent had achieved a job outcome within a year on the programme. This shows underperformance against an alternative (and more accurate) measure.

**DWP Business Plan Measure:** This measure considers the proportion of each monthly cohort of referrals for whom providers have achieved a job outcome payment within 12 months. The national average (at 22 months) on this measure is 13.5 per cent, CPA West achieved 12.2 per cent and CPA East 12.3 per cent. The trend on this measure is generally upwards, for example at 12 months into the programme CPA West had achieved 9.7 per cent outcomes and CPA East had achieved 7.5 per cent. This provides evidence that whilst the programme is underperforming against some of its performance measures; the trend is that outcomes are improving in London.

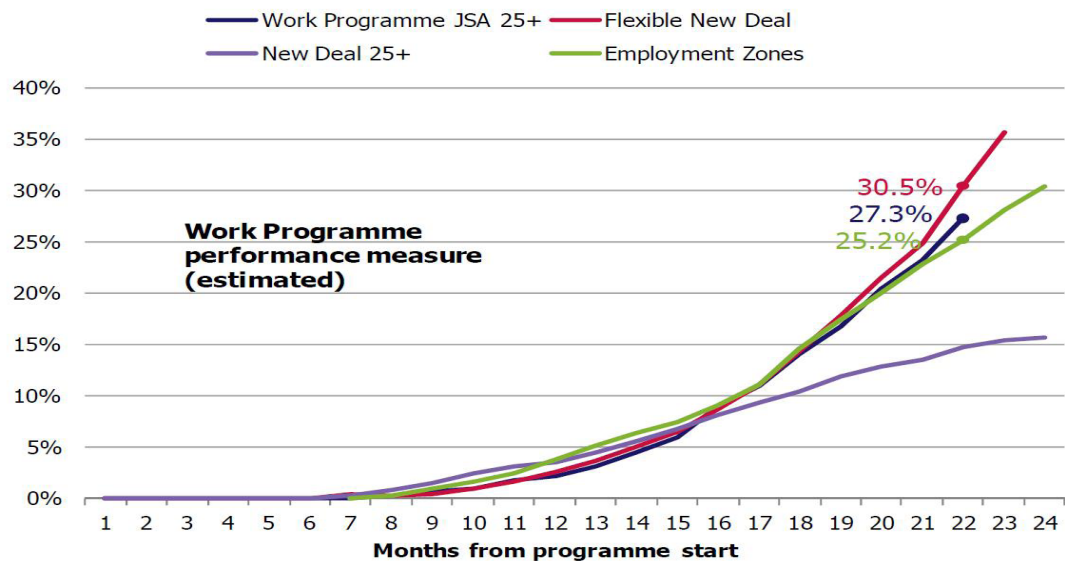
<sup>1</sup> This includes job outcomes for people who were referred earlier onto the Work Programme, who are not counted in the referrals for that year. The WP works with claimants for two years.



Performance compared to other programmes:

CESI analysed the WP’s performance compared to previous government employment programmes. Figure 9 below shows that the WP is currently out performing Employment Zones, but is not performing as well as Flexible New Deal. It is important to note that the Work Programme has a lower cost per referral than previous employment programmes.

Figure 9: Start-up of programmes: outcomes adjusted to Work Programme measures for over-25s



The WP can also be compared against local programmes. Using cumulative data across the duration of the programme to date and focussing on two London boroughs trends demonstrate that local programmes can provide better job outcomes for Londoners.

**Table 2: Comparison of employment programmes in Haringey**

|                            | <b>North London Pledge<br/>(Haringey)</b> | <b>Work Programme<br/>(Haringey)</b> |
|----------------------------|---|--------------------------------------|
| Period for data collection | February 2010 – July 2012 (18 months)     | June 2011 – March 2013 (22 months)   |
| Economic climate           | Recession                                 | Recession                            |
| Target group               | Long term claimants (6 months)            | Long term claimants (12 months more) |
| Sustained jobs at 6 months | 32.4%                                     | 12.8%                                |

**Table 3: Comparison of employment programmes in Brent**

|                            | <b>Brent in2Work</b>                       | <b>Work Programme (Brent)</b>        |
|----------------------------|--|--------------------------------------|
| Period for data collection | 2009 – 2011 (24 months)                    | June 2011 – March 2013 (22 months)   |
| Economic climate           | Recession                                  | Recession                            |
| Target group               | Working age people on out of work benefits | Long term claimants (12 months more) |
| Sustained jobs at 6 months | 70%  | 9.8%                                 |

There are some differences between these schemes and the Work Programme, in terms of cohort size, cost per referral and whether they are voluntary or mandatory. However, we believe comparison should start somewhere. The local schemes profiled here worked in a similar financial period, supported a similar demographic of client and, although the unit cost may be higher, have achieved in some areas up to seven times as many sustained job outcomes.

Appendix 2 shows the number of referrals and cumulative job outcomes by London borough.

# Commentary on performance

Without effective programmes of support, Londoners seeking work may struggle to access employment opportunities. While the most recent WP data shows improvement, there are on-going concerns with performance of employment programmes in the capital. Reasons behind the underperformance of nationally commissioned programmes can be split between concerns with the operational delivery and concerns with how the programmes have been set up:

- **Lack of local integration** – at the operational level nationally commissioned programmes of support do not show adequate integration with local services and provision. This is missing an opportunity to develop a coherent, effective employment offer for local people responsive to local need and employment opportunities. Boroughs have limited mechanisms to align national employment programmes with local services such as childcare, housing and physical and mental health services and as a result customers are not receiving the personalised and holistic support most likely to move them into work.
- **Payment structures** – there have been concerns as to whether the hardest to help clients on the WP are being ‘parked’ due to the higher costs associated in supporting them<sup>2</sup>. Others, such as the Centre for Social and Economic Inclusion, suggest that there is no evidence of parking due to a constant job outcome rate for participants throughout their time on the programme. Yet performance with the hardest to help group (ESA claimants) is significantly below where it should be. The Employment Related Services Association (ERSA) has told ministers the costs of helping sick and disabled job-seekers into employment cannot be met under the scheme<sup>3</sup>. Furthermore, in some cases the payment structures have resulted in local charities and social enterprises, who are often specialists in dealing with the hardest to help clients, withdrawing from the programme<sup>4</sup>. Infrequent referrals and lack of support with upfront costs have been cited as reasons for this problem. As the programme progresses this may negatively impact on the ESA client group as the supply chain best suited to support them is being priced out of provision.
- **Complexity and duplication** – the landscape of employment support is increasingly complex despite the aim of the government to simplify provision with the introduction of the WP. The London Borough of Enfield identified 19 different employment programmes operating locally. Multiple programmes mean a variety of referral routes, leaving boroughs with an unclear picture about the support their residents are accessing. This can lead to overpayment for outcomes, high levels of deadweight, double funding and duplication of provision. Furthermore, employers are faced with an array of organisations trying to fill their vacancies; this can deter employers from engaging with public sector employment support.
- **Data sharing** – the complexity of employment support is not helped by stringent rules around data sharing on the performance of programmes and who is accessing them. Boroughs require data sharing protocols that allow them to understand the other local services individuals may be accessing and the performance of employment provision to help provide the best integrated packages of support for their residents.

London Councils is encouraged that overall performance of the WP is improving, but the data shows it is still failing to reach minimum performance levels for ESA claimants. Critically the WP underspent by £248 million in 2012/13, at this point this money is not being invested into employment support provision, especially for people furthest from the labour market. There are also concerns on performance with young Londoners and poor performance around support for people with external injuries, respiratory problems and mental and behavioural disorders.

## ESA outcomes and Londoners with disabilities

Significant underperformance in ESA clients and people with disabilities in the JSA claimant groups suggests that providers could still be ‘parking’ harder to help clients and have not successfully aligned their employment provision with other services such as health services and drug and alcohol teams. Some of these services are provided by the local authority and closer integration is vital to ensure a better service. Our recent report, ‘Getting London Working’, found local council involvement can increase effectiveness because boroughs have local knowledge and ability to align services such as drug and alcohol support services.

Boroughs have a proven track record of supporting clients with disabilities into work. For example, Wandsworth’s Workright programme supports people with physical and mental health problems into employment and has achieved a 37.5 per cent success rate for sustained job outcomes.

A further concern around the low number of job outcomes for ESA claimants is that specialist voluntary and community sector organisations may be being forced out of the market. Previous criticisms of the WP have suggested that in some cases the pay-

<sup>2</sup> For example; Third Sector Research Centre (2013) ‘Does sector matter? Understanding the experiences of providers in the Work Programme’ and Public Accounts Committee (2013), ‘Work Programme Outcome Statistics’

<sup>3</sup> Easton, M. (2013) ‘Work Programme not doing enough for sick and disabled, providers say’

<sup>4</sup> Buchanan, M. (2013) ‘Work Programme under fire as charities shut down’.

ment structures have resulted in local charities and social enterprises, who are often specialists in dealing with the hardest to help clients, withdrawing from the programme. Infrequent referrals and lack of support with upfront costs have been cited as reasons for this problem. If ESA claimants are being 'parked' it is likely this pattern of under referrals to specialist providers is continuing and this could further damage the support network needed by the hardest to help groups.

### **Supporting Young Londoners**

This target group has some of the fewest barriers to employment out of all those supported by the Work Programme. Therefore it is worrying that the WP Primes are currently not providing an adequate service for young Londoners. The effect of long term unemployment on young people can be detrimental to their opportunities in later life, leading to long term reductions in wages, increased chances of subsequent periods of unemployment and poorer health outcomes.

The Ealing Pathways programme, which works with an age group of 16 – 24 year-olds who are either looked after children, young offenders, have a disability or are long term NEET, has achieved 48 per cent sustained outcomes into either full-time work or apprenticeships.

### **Work Programme completers**

The first cohorts of clients who have not found sustained employment are now starting to leave the Work Programme. Leavers will not be referred back to the WP and JCP will be responsible for supporting these individuals. There are concerns over the adequacy of the arrangements put in place to support these leavers. In some cases these will be people have been out of work for at least three years. The arrangements include:

- up to five specialist advisors per jobcentre dedicated to Work Programme leavers
- each leaver given an 'end of term report' assessing the progress they have made and their on-going needs
- weekly sign-on at the JCP
- increased mandation and sanctions through loss of benefit to attend training or any other provision deemed appropriate.

By looking at previous employability programmes it is possible to predict the demographic characteristics of WP leavers. It is more likely that they will be male, older, have a disability and have cycled in and out of work. Specialist, targeted and locally relevant support is needed to work with this group.

## **8. The Work Programme 2013 – 2014**

The next release of WP data will provide a fuller picture of performance on the programme. This is due to the way MPL is measured. This tranche of data may have been slightly distorted by the high levels of referrals in year one of the programme. Primes have been able to claim job outcomes from year one referrals in the second year. However, the number of referrals has decreased since the start of the programme meaning Prime providers have a smaller cohort of people to work with and may struggle to maintain improved performance.

London Councils suggests the following to improve performance on the Work Programme:

### **More frequent, transparent and accurate data:**

- Data should be reported against both MPLs and CESI's Job Outcome Measure.
- DWP should free up data sharing rules that inhibit Primes from sharing information about programme operation with boroughs. Without the ability to share this information there is the possibility of duplication of provision and wasted public money.

### **Local involvement**

- There is a lack of local input into the WP. A survey undertaken by London Councils between June and July 2012 demonstrated that engagement between the Primes and boroughs was patchy.
- Local collaboration would be especially beneficial for people with multiple barriers to work as boroughs have existing experience of supporting these groups, for example through integrated drug and alcohol teams.
- While we want to see greater local involvement in the delivery of the Work Programme, fundamentally London Councils is calling for devolution of the Work Programme, and other employment support programmes, to a single funding pot managed by groups of boroughs that is responsive to local need and labour markets. This could provide an integrated service to both claimants and employers and result in better outcomes.

Appendix 1 Work Programme Contract Areas in London



## Appendix 2 Work Programme performance to March 2013: cumulative job outcomes and referrals

| <b>Borough</b>       | <b>Job outcomes</b> | <b>Referrals</b> | <b>%</b>    |
|----------------------|---------------------|------------------|-------------|
| City of London       | 20                  | 90               | 22.2        |
| Hillingdon           | 560                 | 4,020            | 13.9        |
| Haringey             | 1,170               | 9,150            | 12.8        |
| Havering             | 510                 | 4,000            | 12.8        |
| Hounslow             | 390                 | 3,170            | 12.3        |
| Ealing               | 800                 | 6,530            | 12.3        |
| Croydon              | 1,060               | 8,710            | 12.2        |
| Hammersmith & Fulham | 480                 | 3,950            | 12.2        |
| Camden               | 560                 | 4,620            | 12.1        |
| Kensington & Chelsea | 330                 | 2,740            | 12.0        |
| Bromley              | 510                 | 4,300            | 11.9        |
| Bexley               | 440                 | 3,710            | 11.9        |
| Southwark            | 1,040               | 8,840            | 11.8        |
| Redbridge            | 550                 | 4,680            | 11.8        |
| Islington            | 690                 | 6,000            | 11.5        |
| Waltham Forest       | 870                 | 7,600            | 11.4        |
| Sutton               | 310                 | 2,710            | 11.4        |
| Enfield              | 990                 | 8,720            | 11.4        |
| Harrow               | 310                 | 2,770            | 11.2        |
| Merton               | 320                 | 2,870            | 11.1        |
| Kingston upon Thames | 140                 | 1,290            | 10.9        |
| Wandsworth           | 520                 | 4,960            | 10.5        |
| Westminster          | 450                 | 4,370            | 10.3        |
| Hackney              | 800                 | 7,840            | 10.2        |
| Lambeth              | 1,000               | 9,810            | 10.2        |
| Barking & Dagenham   | 590                 | 5,800            | 10.2        |
| Lewisham             | 890                 | 8,820            | 10.1        |
| Brent                | 750                 | 7,640            | 9.8         |
| Greenwich            | 600                 | 6,200            | 9.7         |
| Newham               | 850                 | 8,790            | 9.7         |
| Richmond upon Thames | 120                 | 1,270            | 9.4         |
| Barnet               | 500                 | 5,350            | 9.3         |
| Tower Hamlets        | 790                 | 8,510            | 9.3         |
| <b>London</b>        | <b>19,910</b>       | <b>179,830</b>   | <b>11.1</b> |

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