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Department
for Work &
Pensions

Review of Work Programme Minimum Performance Levels

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Biography

Paul Lester CBE is Non-Executive Chairman of Peverel, Parabis, Greenergy International Ltd, John Laing Infrastructure Fund, Norland Managed Services and Survitec.

Paul has extensive experience working in industry, most recently as the Chief Executive of VT Group, which he transformed into a diversified support and business services group. Before that, he was Group Managing Director of Balfour Beatty plc.

Paul is a member of the HM Treasury Major Projects Review Group and was previously the President of the Society of Maritime Industries, the British Services Association (BSA) and the Engineering Employers Federation (EFF). Paul, BSc(Hons), CEng, FIMechE, was awarded an honorary Doctor of Law degree at Portsmouth University.

Introduction

Mark Hoban, the Minister for Employment, asked me to conduct a review of the Work Programme, looking in particular at minimum performance levels. This is because the first statistical release on job outcomes in the Work Programme proved to be confusing to the public; in particular, the minimum performance levels used by the Department are not intuitively easy for people to understand.

As part of my review I spoke to a wide range of providers, stakeholders and Departmental officials, to develop a clear understanding of provider performance and the way it is measured.

I identified key steps that the Department could take in order to increase transparency and understanding of Work Programme performance. In particular, from June this year the first groups of claimants will complete their time on the Work Programme. This will give the Department the opportunity to present minimum performance data in a far clearer way, which will increase the public's understanding of how the Work Programme is performing, and allow for fairer comparisons to be made between providers.

I have also identified concerns around the way minimum performance levels are calculated for claimants on Employment and Support Allowance (ESA). ESA is a relatively new benefit, which means that the Department had far less data to use when calculating what levels performance providers should be achieving. We now have almost two years of additional information, reflecting how ESA claimants move into work; the Department should therefore take the opportunity to review whether minimum performance for this group is set at the right level.

Background to the Work Programme

The Work Programme was introduced in June 2011, to support benefit claimants at risk of long-term unemployment. It is delivered by 18 providers across 40 contracts, with at least two providers delivering support in each contract package area.

The Work Programme supports a wide range of claimants with differing needs. Because of this, claimants are referred to different payment groups depending on their personal characteristics and benefit history.

The Department set minimum performance levels (MPLs) for three payment groups, and Work Programme providers are required under their contracts to deliver at least this level of performance.

The payment groups for which minimum performance levels are set are as follows:

Payment group 1 – Jobseeker’s Allowance (JSA) claimants aged 18-24

Payment group 2 – JSA claimants aged 25+

Payment group 6 – ESA claimants

The Annual MPL

One way in which minimum performance is measured is through an annual Minimum Performance Level (MPL). This sets out the number of job outcomes a provider must achieve in a year, as a proportion of the number of referrals the provider receives in that year.

This measure has the advantage of providing a timely measure of performance for the Department. However, in the first statistical release on job outcomes in the Work Programme it also proved to be confusing to the public, as the period covered by the statistics did not precisely match the period covered by the performance year. Further, the fact that a claimant must be in work for 6 months to achieve a job outcome meant that, in the first year of a programme attended by claimants for two years, annual MPLs would ‘feel’ low to members of the public.

In addition, the annual MPL figure also has limitations, in that changes in referral patterns can impact on the comparison between actual performance and the annual MPL; a pattern of declining referrals will make performance appear better, and a pattern of increasing referrals will make performance appear worse.

Lastly, the annual MPL figure does not take into account the implementation phase, in which providers are putting in place infrastructure and learning how best to meet contract requirements. From my experience in industry, I would expect the implementation phase on contracts such as these to last between three and six months – a period in which I would not expect providers to be able to deliver outcomes at full capacity.

I believe the Department will find it difficult to communicate the true performance position using only the annual MPL, and that there is a clear case for publishing additional information.

What further information should be published?

From June 2013, the first monthly intakes of Work Programme participants will complete their two years on the Work Programme. Publishing this data, to show the performance of each monthly intake at the two year point, will allow people to see performance trends over time.

However, at the moment the Department does not publish the level of performance that it expects these monthly intakes to achieve; this will be necessary to allow a more complete understanding of Work Programme

performance. The Department, therefore, should take the opportunity to publish further performance expectations based on monthly intake performance at the twenty-four month point (cohort performance).

The information could be presented as in figure A, below. To note, the information in the chart is randomly generated, and does not indicate actual Work Programme performance.

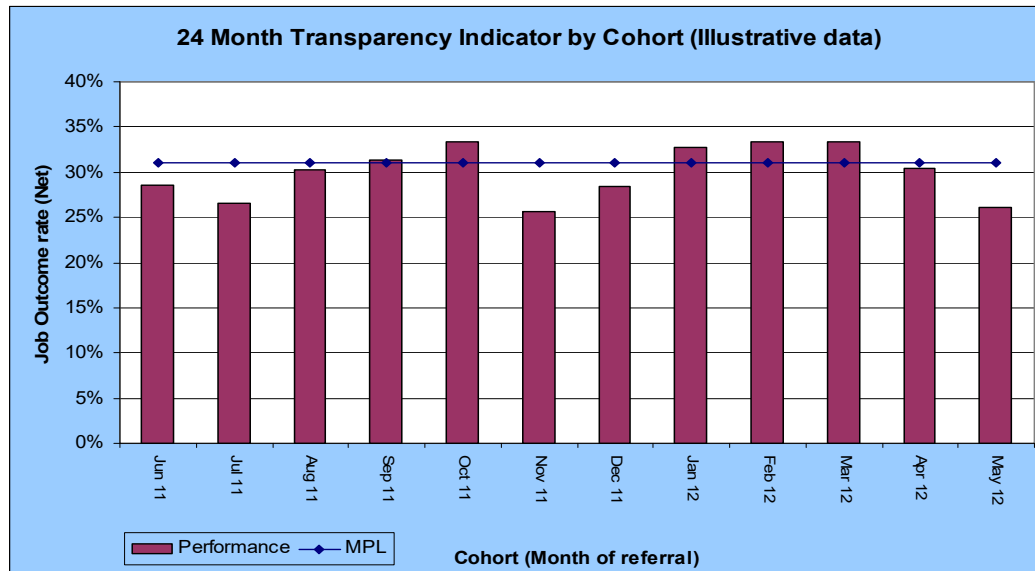


Figure A – cohort performance, including performance expectation

The performance expectations chosen should be derived from the same information as annual MPLs, but should also take account of experience in live-running. For example, once a claimant has spent long enough in work to achieve a job outcome, there is a lag before providers actually claim the outcome; this lag only became apparent in live-running, and so was not taken into account when the original minimum performance levels were set.

Information presented in this way would give people a clear understanding of how providers were performing in comparison to the Department's expectations.

It should be noted that monthly intake data also has limitations – in particular, if a provider has been showing strong performance improvements (or performance declines) in recent months, then it may take a long time for these changes to show up in this data.

It will also take time for a data series to build up, showing enough monthly intakes for a clear understanding of trends and performance to develop. Early intakes, for instance, will show the impact of the implementation phase on providers' performance; we will need to wait for later intakes to see how the programme performs when providers' have had time to settle in, in order to get a true picture of performance.

As such, I would recommend that the Department also continues to use annual MPLs for the time being, to give an indication of more recent changes in performance.

The performance expectation figures would improve understanding of the Work Programme; however, they would not change the contractual obligations and current MPLs under which providers operate.

Employment and Support Allowance MPLs

Employment and Support Allowance (ESA) is a new benefit, introduced in 2008. It is clear that both the Department and welfare to work industry have less experience in dealing with these claimants. The Department also has considerably less data on the employment prospects of these claimants than it does on Jobseeker's Allowance claimants – at the point Minimum Performance Levels were being set, it had only 9 months of data for each intake of ESA claimants studied, whereas each intake of claimants will spend 24 months on the Work Programme.

From the published figures, it appears that providers are further from achieving annual MPLs with ESA claimants than they are with JSA claimants. The Department also now has a further two years of data to consider.

It is right that ESA MPLs should be stretching for providers; however, if the next statistics release does not demonstrate a clear improvement in provider performance in relation to ESA MPLs, then the Department should review the levels at which they are set.

Conclusion

In my conversations with providers, stakeholders and officials I found much to be positive about, with regards to the Work Programme. I also found opportunities for improvement; it is beyond the scope of this report, but I think the Department could achieve further improvements with a better IT system for capturing provider's management information.

Changing the way the Department reports MPLs will not fundamentally change the programme; however, it will give people a better and fairer understanding of how well it is doing.

The Department will also face challenges with the Work Programme going forward, such as the performance of providers in dealing with ESA claimants. Reviewing the minimum performance levels for this group is fair, given that the Department and industry are still learning how best to support them. However, this cannot be done in isolation, and the Department should consider what other steps can be taken to improve performance.

Annex – People and Organisations

I met or received information from a number of individuals and organisations, including:

Providers:

Interserve, ESG, G4S, JHP Training, Seetec, Eos, Ingeus, CDG, G4S, Avanta, Maximus, Serco

In addition, I attended a provider forum, with representatives of all providers.

Provider-related organizations:

Kirsty McHugh, ERSA
Richard Aiken-Davis, Chair, Provider Forum
Matchtech, a recruiter for the welfare to work industry
Business Services Association

Within the Department:

Meetings with Mark Hoban, the Minister for Employment, and meetings at Director level with Julia Sweeney (Contracted Customer Services - Interim Director), Chris Hayes (Labour Market and Conditionality Director), Neil Couling (Work Services Director) and David Smith (Commercial Director), and meetings with policy and operational leads.

External service providers:

MooD, a data management company
KPMG