



Paying by-result contracting

Work Programme

- Supporting claimants at risk of long term unemployment

Work Programme Objectives

- To support a wide range of claimants at risk of long term unemployment into sustained work.
- To develop a dynamic market where providers have the freedom to design and deliver services tailored to their participants needs.
- To deliver value for money by shifting the risk of underperformance from Government to providers.

Key Facts - Overview

- Launched in **June 2011** to help those at risk of becoming **long term unemployed**.
- Contracts run until **31 March 2017**.
- There are:
 - **40 contracts**;
 - Delivered across **18 Contract Package Areas**; by
 - **15 prime providers**.
- Expected to **support around 2 million** people over the life of the contracts.
 - **Nearly 1.7m starts** as of March 2015.
 - 90% of Jobseekers Allowance claimants will flow off benefits before reaching Programme eligibility.
- The majority of those supported by the programme to date are unemployed people claiming **Jobseekers Allowance, 1.4m**. The remaining **0.3m are on Employment and Support Allowance**, a disability related benefit.
- Estimated cost over the life of the contracts is **£3.3bn**

Key Facts – Performance

- **433k Job Outcomes** (a minimum of 3 or 6 months in employment) to March 2015.
- Industry Figures show that as many as **706,000 have started work.**
- **4.23m Sustainment payments** have been made for **417,530 people.**
- Over **188k participants have generated maximum number of sustainment payments** (meaning at least a year and a half in employment).
- Performance has **continually improved** since contracts began.
 - 8.4% of the first cohort achieved an Outcome within 12 months, compared with 17.1% of those who joined in March 2014.

Lessons learned

- Payment by results has **transferred more risk** to providers more than ever before
- **Innovation** brings additional risk to providers, with small charities and voluntary groups less able to absorb upfront costs
- Many of our claimants have issues which **cut across** Departmental boundaries
- Minimum Performance Levels provide a good baseline but being above the **line does not necessarily imply strong programme effect.**

Future Developments

- the next phase of the Work Programme

- **Who should be supported?**
 - Developing options for supporting harder to help groups
- **Investigating whether alternative payment models exist**
- **How long will participants receive support?**
 - Two years support for most claimants
 - Harder to help groups with multiple complex barriers may need longer support
- **Black box?**-Should providers be required to deliver certain core elements to every participant?
- **Localism**
- **Identify different ways of working with stake holders**
 - Many of our claimants have issues which cut across Departmental boundaries; there may be more we can achieve through **cross-Government working**

Supplementary Information

Annex A – Jobseekers Allowance Customer Journey

Annex B – Delivery Model

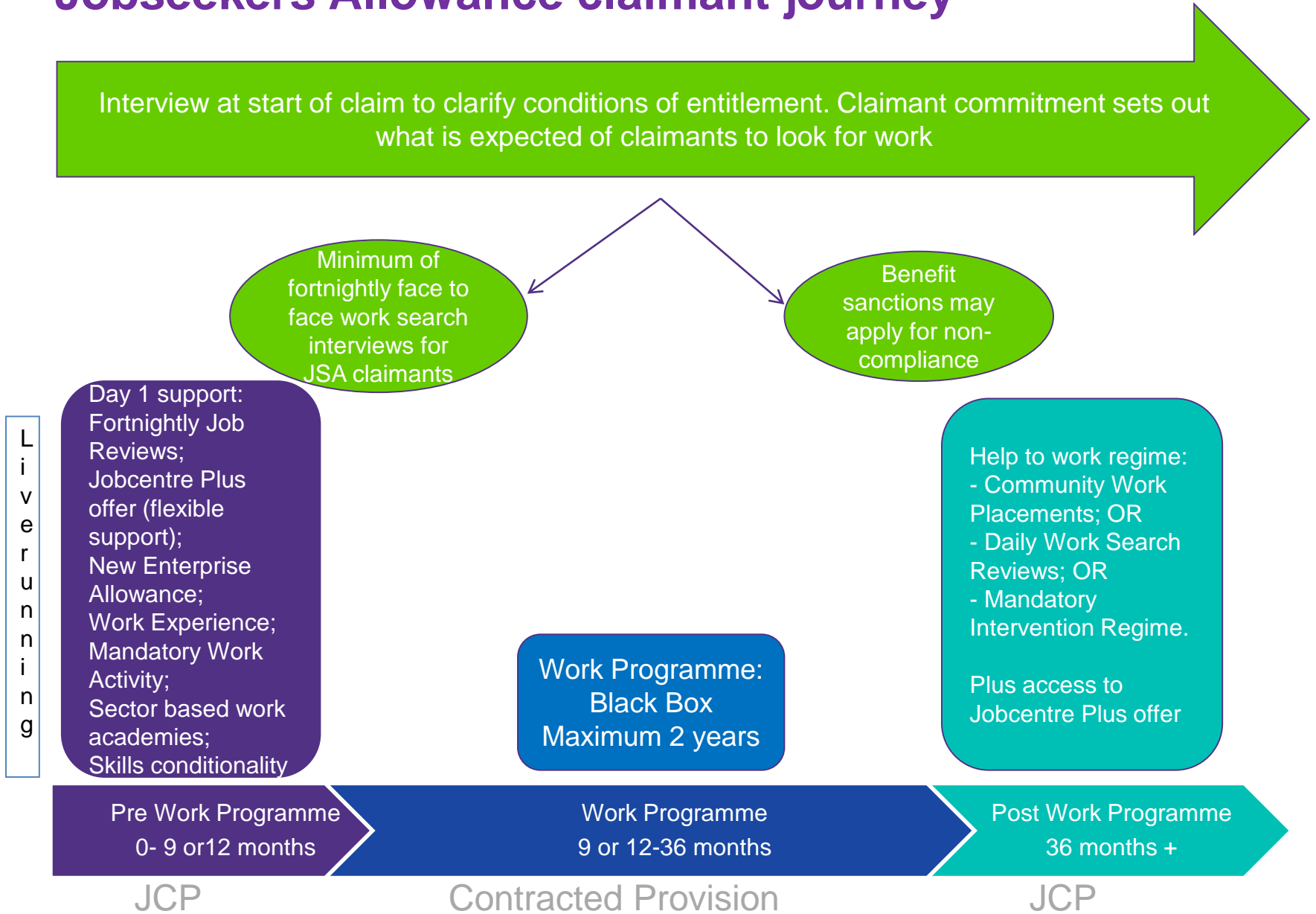
Annex C – Payment Model – Payment by Results

Annex D – Incentivising Providers

Annex E – Assessing Performance

Jobseekers Allowance claimant journey

Annex A



Delivery Model

The Work Programme is delivered by third party organisations from the Public, Private and Voluntary Sectors. The Department contracts to a “Prime Contractor” who in turn manages their own supply chain of specialist sub contractors.

Participants are grouped by characteristics such as benefit type, age and health status. These are known as Payment Groups. Each Group has a different entry point.

For most participation is mandatory. But some with health conditions can volunteer.

Payment Group	Group Supported	Entry Point
PG1	JSA 18 -24 year olds	9 months.
PG2	JSA 25 Plus	12 months.
PG3	JSA Early Access	3 months (care leavers 18-21 can volunteer from day 1).
PG4	JSA Ex-IB	3 months.
PG5	ESA Volunteers	Optional from WCA.
PG6a	ESA 3-6 month prognosis	Can be required or optional from WCA*.
PG6b	ESA 12 month Prognosis	From WCA.
PG7	ESA Ex-IB	Can be required or optional from WCA*.
PG9	JSA Prison Leavers	Required from day 1 of release from prison or the first date of claim if made within 13 weeks.

*Mandatory status depends on whether the participant falls within the Work Related Activity or Support Group and parental/caring responsibilities.

JSA = Jobseekers Allowance

ESA = Employment and Support Allowance

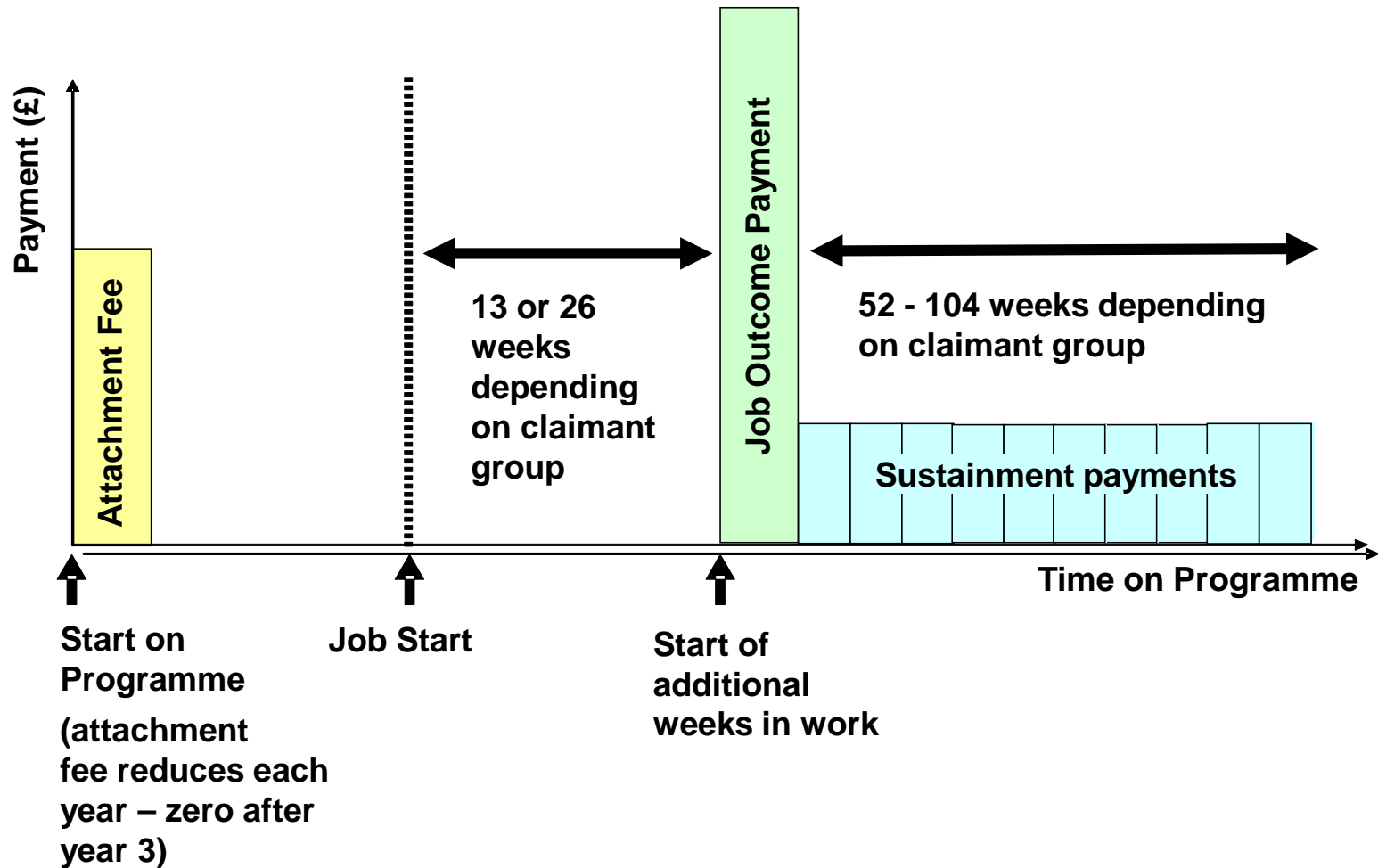
IB = Incapacity Benefit

WCA = Work Capability Assessment

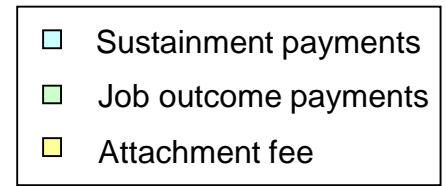
Delivery Model

- Each Contract Package Area has **2 or 3 providers**. This is intended to apply competitive market pressures.
- **Providers** have 2 years to work with the participant.
- **Black Box** approach means providers have freedom to design services specific to their participants and local labour market.
- **Differential payment model** meaning higher payments made to providers for supporting those groups which are considered hardest to help into work.
- Providers are **paid by results** for getting participants into sustained work (3 or 6 months) and keeping them there.
- Once a participant has achieved a Job Outcome **sustainment payments** are made to the provider every 4 weeks the participant stays in work. The **maximum number of payments varies by group from 13 to 26**.
- Participants who do not secure employment within the allotted **2 years are returned to Jobcentre Plus** and supported under the Help to Work Initiative.

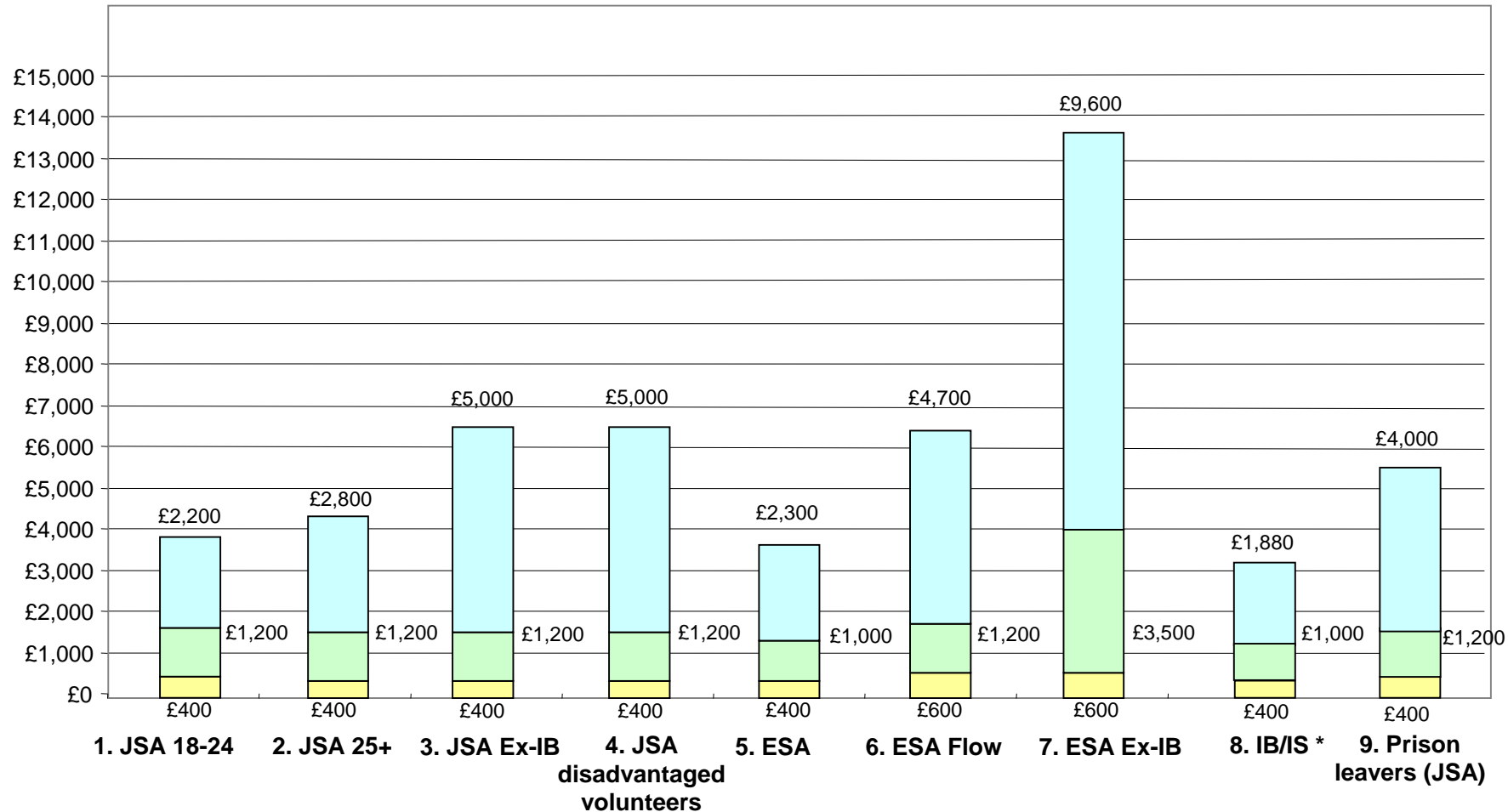
Payment Model- Payment by Results



Incentivising providers



Maximum payments



Assessing Performance

- Important to differentiate between **labour market impact** and **contractual performance**. The Work Programme does not have a control group so not possible to understand additional impact.
- There are two key measures for **monitoring contract performance**.
 - **Transparency Indicator** - The proportion of claimants who achieve a **Job Outcome within 12 and 24 months** of joining the Work Programme.
 - **Cohort Minimum Performance Level (MPL)** – Uses the distribution of actual referrals to calculate a minimum level of expected Job Outcomes.
- MPL is set at an estimated non intervention baseline level plus a 10% stretch.
- Against these measures Work Programme performance is strong and has continued to improve since contracts began.
- In the third and fourth financial years of the Work Programme, **all contracts achieved** the Minimum Performance Levels (MPLs) for the contractual groups.