

Briefing paper: Measuring Work Programme performance

This paper sets out the background and key information on Work Programme performance in advance of the publication of official Work Programme performance statistics on 27 June 2013.

The statistics release on 27 June will cover 'job outcomes' for the Work Programme to the end of the second contract year (the year ending 31 March 2013). The **minimum expectations** set by the Department for Work and Pensions (DWP) for year two performance were:

- Job outcomes should be **33%** of referrals for the Jobseeker's Allowance (JSA) 18 to 24 group.
- Job outcomes should be **27.5%** of referrals for the JSA 25 and over group.
- Job outcomes should be **16.5%** of referrals for the new ESA claimants group.

We expect to see a performance improvement in the statistics published this month compared to the last publication (November 2012), some of which will be owing to statistical quirks. For this reason, **we think the contractual measure that DWP uses to benchmark performance is poor, and should be replaced.**

For the upcoming statistical release, **we believe that performance should be assessed using a one-year job outcome measure: the average proportion of customers achieving a job outcome within a year on the programme.** In future, when data is available, we recommend primarily using an overall job outcome measure (the proportion of people who achieve a job outcome at any time on the programme).

We estimate that **the equivalent of DWP's minimum expectation on our one-year job outcome measure is 13%.**

So if the statistics published on 27 June show performance higher than this, we would conclude that the programme is performing above the thresholds that were set for it when it was commissioned.

Launched in 2011, the Work Programme is the government's flagship initiative to help long-term unemployed people into work. The first official performance statistics were published on 27 November 2012, and the second set will be published on 27 June 2013.

This briefing paper tries to simplify some of the complexity around how performance is measured, and to explain what we expect to see in the statistics released this month.

Background

The Work Programme aims to deliver flexible support to help long-term claimants of Jobseeker's Allowance (JSA), and some claimants of health-related benefits, to move into sustainable jobs. Providers (or 'primes') from the private, public and voluntary sectors have payment-by-results contracts with DWP. Primes then manage networks of sub-contractors who deliver some or all of the services on their behalf. Claimant eligibility for the Work Programme is set by DWP and managed by Jobcentre Plus.

The first release of Work Programme statistics in November 2012 showed performance falling short of DWP's expectations, as [our analysis](#) explained.

What statistics will be available on 27 June?

DWP will publish statistics from the beginning of the Work Programme in June 2011 to the end of March 2013. This is a period of 22 months, covering the first two contract years of the Work Programme.

The statistics will give:

- The number of customer **referrals** to Work Programme providers by Jobcentre Plus, and the number that actually started on the programme
- The number of **job outcome payments**¹ that have been made to providers
- The number of **sustainment payments**² to providers, and the number of individuals for whom at least one sustainment payment has been made.

It will be possible to analyse these statistics by:

- Each of the nine groups of claimants that can be referred to the Work Programme (the 'payment groups')
- Provider contracts
- Local authorities, regions and parliamentary constituencies

- The age, gender, disability status, ethnicity and lone parent status of customers.

DWP will also release information on the **proportion of customers who have achieved a job outcome within a year on the programme.**

How does DWP measure performance?

For the second contractual year of the Work Programme (April 2012–March 2013) DWP’s contractual **minimum performance level** is that:

- Job outcomes should be **33%** of referrals for the **JSA 18 to 24** group.
- Job outcomes should be **27.5%** of referrals for the **JSA 25 and over** group.
- Job outcomes should be **16.5%** of referrals for the **new ESA claimants** group.³

These are likely to be the key figures that performance will be compared with on 27 June.

The average minimum performance level for these three key customer groups in year two of the Work Programme is 27.5%.

There are no contractual minimum standards for other customer groups; instead DWP provided illustrative benchmarks,⁴ which we can use to set the standard it expects for the Work Programme as a whole.

We estimate that DWP’s minimum expectation, for all participants, is that job outcomes should be a minimum of 22.5% of referrals over the period April 2012–March 2013.

More detail on how the MPL was arrived at is set out in the box below.

The minimum performance level

When DWP first issued [the invitation to tender for the Work Programme](#), it set as its **key performance measure** the number of job outcomes achieved in the previous 12 months compared to referrals in the same period:

$$\text{DWP key performance measure} = \frac{\text{Total job outcomes over 12 months}}{\text{Total referrals over the same 12 months}}$$

Using this measure, the DWP set a minimum benchmark at 10% higher than the level of outcomes it would have expected in the absence of the Work Programme (the ‘non-intervention level’). It called this the **minimum performance level**.

DWP made clear that it expects providers to **significantly exceed** these minimum levels, and that failure to achieve them is punishable by contractual action, including contract termination.

For the first operational year of the Work Programme the MPL was set at 5.5% for all of the three key groups. This is the level that performance was compared to when the first set of statistics was released in November 2012.

Is DWP's measure a good one?

We have consistently argued that **DWP's key contractual performance measure is poor and should be replaced by a more responsive and accurate measure**, and the UK Statistics Authority has [recently come to the same conclusion](#). There are a number of reasons for this:

First, **the DWP performance measure is partial** in terms of its expectations for the whole programme, only setting benchmarks for three of nine customer groups.

Second, **the DWP performance measure is not comparable over time**. Only a proportion of job outcomes will occur in the year a customer is referred. For this reason, performance on the DWP measure will naturally be highest in the middle years of the programme, and thus the key performance measure cannot be used to track performance improvements.

Third, **the DWP performance measure is affected by referral numbers**. If referrals to the programme suddenly increase or decrease, the key performance measure can be driven downwards or upwards with no change to the number of customers achieving job outcomes. **In fact, we expect to see this artificially inflating the year two DWP performance measure that will be published this month, driving the key performance measure upwards by around 10%, or about three percentage points, with absolutely no change in the number of customers achieving job outcomes overall.**⁵

Is there a better way to measure Work Programme performance?

Yes, and DWP has recognised this to some extent. We think that a monthly measure – one that expresses outcomes in relation to the point at which customers joined the programme – is the best way to capture the performance of employment schemes. Monthly measures communicate performance more transparently, they are comparable over time, and they are not artificially affected by referral numbers.

Although DWP's sole contractual focus is on the key performance measure and the minimum performance levels, its [business plan transparency measure](#) is on a monthly basis: the proportion of each monthly cohort of referrals for whom providers have achieved a job outcome payment within 12 months.

At the first release of Work Programme statistics DWP published this measure for the first two months of referrals – 8.6% of those referred in June 2011 and 8.1% of those referred in July 2011 achieved a job outcome within a year on the programme.

We think DWP's business plan measure is good but could be improved, as it does not provide a single figure, only a series of monthly figures which can be quite volatile.

For this reason, we believe that for the upcoming statistical release:

Work Programme performance should be judged using a one-year job outcome measure: the average⁶ proportion of customers achieving a job outcome within a year, for all those who have been on the programme for a year or more. For the statistical release on 27 June, this measure will capture the first 10 months of Work Programme customers – those that were referred between June 2011 and March 2012.

In future, we recommend primarily using a measure that will cover all job outcomes: an **overall job outcome measure**, capturing the average proportion of customers achieving job outcome at any point, for all those who have completed the programme.⁷

At the 27 June statistical release, no customers will have been on the Work Programme long enough to judge its performance using this measure.

We believe that these measures should be used to assess the performance of the Work Programme for different providers, different groups of customers, and different areas of the country. These measures can be used to arrive at single figures that represent Work Programme performance as a whole, and also show how performance changes over time via quarterly or annual rolling averages.

What is the benchmark for performance on this recommended measure?

DWP has not set any expectation for its business plan measure, apart from that it wishes to see increases over time. However, we have used DWP's minimum performance level assumptions⁸ to **estimate equivalent minimum benchmarks on our preferred measures:**

Equivalent minimum benchmarks:	One-year job outcome measure (%)	Overall job outcome measure (%)
PG1 – JSA 18 to 24	17	38
PG2 – JSA 25 and over	13	29
PG3 – JSA early entrant	10	19
PG4 – JSA ex-incapacity benefit	7	14
PG5 – ESA volunteers	20	37
PG6 – New ESA claimants	9	18
PG7 – ESA ex-incapacity benefit	2	6
PG8 – IB/IS Volunteers ⁹	10	19
PG9 – JSA prison leavers ¹⁰	10	19
All customers	13	29

As noted, the data published so far (for June–July 2011) was lower than the one-year benchmark – at 8.1% and 8.6% (or 8.3% overall).

If the statistics published on 27 June show performance above the levels for the **one-year job outcome measure**, then we would conclude that the Work Programme is performing above the minimum expectations that were set for it at the time it was commissioned.

What level of performance will we see in the next release?

As we said at the time, the first release of statistics showed poor performance. We,¹¹ and others, assessed some of the reasons for this:

- The **wider economy** looks very different from expected when the programme was commissioned. Last year [we identified a link between economic growth and job outcomes](#), equivalent to a performance reduction of between 15% and 25%. The outlook for growth has not changed, and we expect the economy to continue to have a dampening effect on performance.
- Programmes have always taken **time to get up and running**, but DWP expected all providers to be near full performance from day one.
- It was assumed that outcomes would be measured in real-time using HM Revenue and Customs data, but in fact providers have had to go through more laborious claims **processes** that have historically missed some employment outcomes.
- The fact that, [according to DWP](#), **the process for validating outcomes and making the associated payments had suffered from errors and delays** that had not been fully cleared at the time of the last release.

While some of these issues endure, others should no longer be a factor: providers have now had plenty of time to get up and running, and DWP has been working through the backlog in validating outcomes.

In addition, [as we discussed at the time](#), more up-to-date **job start data** published by the Employment Related Services Association (ERSA), the trade body for the welfare to work industry, showed an improvement, which we would expect to see flowing through into job outcome payments, and [more recent ERSA job start data](#) has shown further gains. For these reasons, **we expect the Work Programme statistics published on 27 June to show a marked improvement, both in relation to DWP’s contractual minimums and on our preferred average cohort performance measure.**

Centre for Economic and Social Inclusion

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Notes:

¹ These are paid after someone has been in paid work for either three or six months.

² These are paid for every four-week period a customer remains in work following a job outcome.

³ The minimum performance level for all Work Programme contract years is as follows:

Customer payment group	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
JSA 18 to 24	5.5%	33.0%	44.0%	44.0%	44.0%	33.0%	11.0%
JSA 25 and over	5.5%	27.5%	33.0%	33.0%	33.0%	27.5%	5.5%
New ESA claimants	5.5%	16.5%	16.5%	16.5%	16.5%	11.0%	5.5%

⁴ No illustrative performance was ever published for payment group 8 – Income Support and Incapacity Benefit claimants – or payment group 9 – prison leavers claiming JSA. We have modelled minimum performance for these groups based on that for JSA customers with early access to the Work Programme (payment group 3).

⁵ This is owing to the fact that referrals to the Work Programme in its first year were 18% higher than expected when it was commissioned and when the minimum performance level was set. These customers are most likely to achieve job outcomes during contract year two (driving up the number at the top of the key performance measure calculation). In addition, referrals in the first quarter of contract year two were 15% lower than what was expected when it was commissioned. If this trend continues, the number at the bottom of the key performance measure calculation (the denominator) will be lower than what was envisioned when the minimum performance level was set.

⁶ Weighted according to the number of referrals in each monthly cohort of customers

⁷ At the latest, customers will have completed the programme two years and six months following referrals. This is the maximum amount of time it could take a customer to achieve a job outcome.

⁸ These assumptions are detailed in Annex 4 of *Inclusion’s Long-term unemployment in 2012* report, which was published to coincide with the first release of Work Programme performance statistics.

⁹ No illustrative performance was ever published for payment groups 8 or 9. We have modelled minimum benchmarks for these groups based on the illustrative performance for JSA customers with early access to the Work Programme (payment group 3).

¹⁰ See note 9 above.

¹¹ See Dave Simmonds’ article in the [winter edition of Working Brief](#) for a summary.