

**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee – 9 January 2013

Subject: The Work Programme

Report of: Interim Head of Regeneration

Summary:

Set within the context of Government reform of the welfare system, the Work Programme is one of the key initiatives in the Government's approach to welfare to work. Introduced in June 2011, it replaced previous Department of Work and Pensions (DWP) programmes with a single framework that covers all benefit claimants. Since the last report to Scrutiny in September 2012 on the Work Programme, the Department for Work and Pensions (DWP) has published the first set of data on sustainable job outcomes. This paper provides an update on the delivery of sustainable job outcomes in Manchester by the Work Programme prime contractors and their supply chains.

Representatives of the three prime contractors: Avanta, G4S and Seetec along with Jobcentre Plus have been invited to the meeting.

Recommendations:

Members are requested to note and comment on the sustainable job outcome performance of the Work Programme prime contractors in Manchester.

Wards affected:

All

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1 INTRODUCTION

- 1.1 The most recent figures (Feb 2012) show that there were 64,230 Manchester residents claiming out of work benefits, which represents 17.8% of the City's working age population. Of these, 20,230 were claiming Jobseeker Allowance (JSA), 33,350 claiming Incapacity Benefit (IB) or Employment Support Allowance (ESA) and 8,580 lone parents claiming Income Support (IS).
- 1.2 The offer provided by Jobcentre Plus and the Work Programme are the major Government welfare to work initiatives. They replace previous provision and cover all benefit types. Jobcentre Plus continues to deal with the largest volumes of benefit claimants and works with them to get them back into work up to the point that they are referred to the Work Programme.

2 THE WORK PROGRAMME

- 2.1 Key features of the Work Programme have been described in previous papers to Scrutiny. In summary, the Work Programme is a nationally contracted programme which has rolled out a payment by results model on a large scale, where Prime Contractors are paid on sustainable job outcomes. The payments are designed to incentivise the contractors to work with the full range of benefit claimants with larger payments on securing job outcomes and ongoing payments for up to two years for those furthest from the labour market. The contractors receive a small attachment fee when someone initially engages with the Work Programme (between £400 and £600), a more substantial fee when someone moves into work (between £1,200 and £3,500) and a monthly payment (between £170 and £370) up to a maximum of 26 payments for ex- Incapacity Benefit claimants on the work related activity group (less for other groups).
- 2.2 The Prime Contractors and their supply chains have the freedom and flexibility to design and deliver interventions that work based on a "black box" approach which means that the Department for Work and Pensions has set the outcomes and payment mechanisms but the Prime Contractors have determined how they will deliver those outcomes. Support can be tailored to address barriers and meet individual needs. Depending on their needs, a person could participate on the programme for up to two years. Individual participation on the programme is under-pinned by new conditionality and increased sanctions for those on benefit who do not actively seek work or engage with the Work Programme offer.
- 2.3 All referrals to the Work Programme are done by Jobcentre Plus. There are different thresholds for referrals to the Work Programme depending on age and benefit type. Manchester is part of the Greater Manchester, Cheshire and Warrington contract package area. There were three prime contractors appointed by the Department of Work and Pensions (DWP) to cover this area: Avanta, G4S and Seetec. Contractors have been delivering the Work Programme across Greater Manchester and Cheshire since the middle of June 2011.

3 WORK PROGRAMME PERFORMANCE JUNE 2011 to JULY 2012 – NATIONAL MEASUREMENT /OUTCOMES

3.1 Latest figures released by DWP (27/11/12): Information, Governance and Security Directorate (IGS) detail the number of job outcomes for the Work Programme for the period June 2011 up to and including July 2012. Job outcomes' are paid after Job Seeker's Allowance (JSA) claimants have completed six months in paid work. For those with greater barriers (including some on JSA), job outcomes are paid after completing three months. Therefore the DWP release relates to people who started jobs between June 2011 and January 2012 (or April for more disadvantaged participants)

3.2 DWP have used the following measure:

There were 75,000 referrals to the Work Programme in June 2011, of these 8.6% resulted in a job outcome within a year. Of the 99,000 referrals in July 2011, 8.1% resulted in a job outcome within a year. This is higher than the original national minimum performance level (MPL) outlined in the ITT (Invitation To Tender) at 5.5%, ** but it needs to be noted that the MPL in the ITT was based around the following calculation: Minimum Performance Level = Total job outcomes in a year / Total referrals in the same year, whereas the above is a specific month cohort.*

3.3 Inclusion and most of the reported coverage in the national press used the Minimum Performance Level published in the ITT. Nationally, in total 31,000 job outcome payments were paid to Work Programme providers. This is equivalent to 3.5% of all participant groups achieving a job outcome. Inclusion estimates that this figure is 56% lower than DWP's minimum performance level when commissioning the programme and 47% lower than the Inclusion benchmark, which adjusts for the weaker than expected economy.

4 WORK PROGRAMME PERFORMANCE IN MANCHESTER

4.1 Using the minimum performance level calculation, Manchester prime contractors recorded 310 sustainable job outcomes from 11,080 referrals, a rate of 2.80%. That compares poorly with the national figure of 3.56%. When benchmarking Work Programme performance in Manchester against core cities and other GM Authorities we find that:

- Manchester currently ranks 7th of the 8 core cities in England in terms of Work Programme sustainable job outcomes.
- Across Greater Manchester Authorities, Manchester is ranked bottom (10th).
- Payment group Early Entrants has the highest rate of referral to job outcome in Manchester (4.18%)
- JSA 25 and over payment group has the lowest rate of referral to job outcome in Manchester (2.24%)
- Some groups particularly ESA have had no job outcomes

4.2 Core Cities

Core City	% Referred achieving job outcome	Referrals (000's)	Job outcomes (000's)	Core City rank
Nottingham	3.76	8.78	0.33	1
Liverpool	3.57	12.87	0.46	2
Newcastle upon Tyne	3.46	5.78	0.20	3
Sheffield	3.46	10.97	0.38	3
Birmingham	3.18	31.79	1.01	5
Leeds	3.07	14.66	0.45	6
Manchester	2.80	11.08	0.31	7
Bristol, City of	1.63	7.36	0.12	8
UK Total	3.56	877.88	31.24	n/a

Compared to other core cities, Manchester is currently ranked 7th in terms of Work Programme sustainable job outcomes. Only the City of Bristol has a lower ranking with 1.63%.

4.3 Greater Manchester

Greater Manchester Authority	% Referred achieving job outcome	Referrals (000's)	Job outcomes (000's)	GM Rank
Tameside	4.91	4.28	0.21	1
Bury	4.74	2.74	0.13	2
Stockport	4.67	3.64	0.17	3
Bolton	4.09	5.14	0.21	4
Wigan	3.98	5.03	0.20	5
Trafford	3.48	2.30	0.08	6
Oldham	3.46	4.63	0.16	7
Salford	3.42	4.39	0.15	8
Rochdale	3.37	5.04	0.17	9
Manchester	2.80	11.08	0.31	10
GM Total (inc. Manchester)	3.71	48.27	1.79	n/a
GM Total (exc. Manchester)	3.98	37.19	1.48	n/a
UK Total	3.56	877.88	31.24	n/a

Manchester ranks as the lowest of the Greater Manchester authorities with a sustainable job outcome to referral rate of 2.80%. This is less than the UK average (-0.4%), the GM average (-0.91%) and is 2.4% less than the minimum performance level of 5.2%.

The highest referral rate was Tameside with 4.91% of the 4,280 Work Programme referrals finding and sustaining work, which is above the UK average, but still below the 5.2% minimum performance level.

4.4 Payment Groups

Manchester	JSA 18 to 24 (000's)	JSA 25 and over (000's)	JSA Early Entrants (000's)	Total (000's)
Job Outcomes (000's)	0.06	0.11	0.12	0.31
Referrals (000's)	2.21	4.92	2.87	11.08
Rate	2.71	2.24	4.18	2.80

In Manchester, the payment group JSA early entry had the largest rate of job outcomes to referrals with 120 job outcomes from 2,870 referrals, giving a referral rate of 4.18%. There were 2,210 participants in the payment group JSA 18-24, and 60 (2.71%) have achieved a sustainable job outcome. In the JSA 25 & over category, 110 people or 2.24% of the 4,920 referrals moved into and sustained work.

There were no sustainable job outcomes for the following groups:

- JSA ex-IB referrals (50)
- ESA volunteer referrals (70)
- ESA ex-IB referrals (110)
- IB Income Support volunteer referrals (20)
- JSA prison leavers referrals (106)

The poor job outcomes for ESA /ex-IB groups is an issue across Greater Manchester, which had a total of 4,980 referrals across all ESA /IB groups with only 80 (1%) securing job outcomes up to July 2012.

4.5 Manchester Outcome Figures June 2011 – 12 and July 2011 -12

Using the DWP measure based on cohort analysis, there were 610 Manchester referrals to the Work Programme in June 2011 and in June 2012, there were 60 sustainable job outcomes, which is a 9.8% job outcome from attachment rate. This is lower than the GM job outcome rate of 10.7% for the same period but higher than the national rate of 8.6%. Applying the same DWP measure to the July cohort, there were 1,360 referrals in July 2011 and in July 2012, there were 70 job outcomes, which gives a 5.1% job outcome to referral rate for Manchester. This is lower than the 8.1% rate for GM and the 8.1% National rate.

5 WORK PROGRAMME PRIME CONTRACTOR PERFORMANCE

5.1 DWP has also released an evaluation of the Work Programme: <http://research.dwp.gov.uk/asd/asd5/summ2011-2012/821summ.pdf> , 'Work Programme evaluation: Findings from the first phase of qualitative research on programme, and has found

- limited use of specialist provision to address individual barriers to work, and that the personalisation of support is often more procedural than substantive in nature;
 - deficiencies in communication and information flow (in both directions) between Jobcentre Plus and Work Programme providers;
 - that many providers are prioritising more 'job-ready' participants for support, ahead of those who are assessed as having more complex/substantial barriers to employment.
- 5.2 Inclusion analysis suggests that Work Programme performance appears to be below the performance of previous programmes at the same point in time. However, these differences are likely to be explained by a weaker economy. Comparing Jobseeker's Allowance claimants aged 25 or over, the Work Programme has achieved job outcomes of 4.5% of referrals in its first 14 months, compared with 5% for the Flexible New Deal and 5.6% for the predecessor New Deal programme. Inclusion suggests that the Work Programme as a whole is underperforming against contractual expectations, even when accounting for changes in the economy. Minimum Performance Levels are expected significantly increase in future years as the volume of referrals grows and more job outcomes are achieved e.g. between 20% and 25% in year 2.
- 5.3 Work Programme performance varies by geography and prime contractor. The Greater Manchester, Cheshire and Warrington Contract Package Area (CPA) is 7th out of 18 CPAs in terms of sustainable job outcomes as a proportion of referrals (3.76%). Coventry, Warwicks, Staffs & The Marches is the best performing with a sustainable job outcome rate of 4.79%, with Gloucestershire, Wiltshire & the Avon poorest performing at 2.3%.
- 5.4 On the same measure G4S ranks 5th nationally (4.1%), Avanta 12th (3.1%) and Seetec 13th (2.9%) out of a total of 18 prime contractors. The highest job outcomes to referral ratio was achieved for the Greater Manchester, Cheshire and Warrington CPA for both G4S and Seetec, as compared with their other two CPA areas
- 5.5 Although each prime contractor had a similar level of referrals for the Manchester, Cheshire, Warrington CPA, G4S was the most successful in achieving job outcomes, with 4.55%. Avanta was the poorest performing prime contractor for both the Contract Package Area as a whole and for Manchester, with referrals resulting in a sustainable job outcome rate of 1.9% for Manchester and 3.03% for the Contract Package Area.

Contract	Contract Package Area	Job Outcomes (Thousands)	Referrals (Thousands)	Job outcome to referral ratio (%)
Avanta Enterprise Ltd	Surrey, Sussex, Kent	0.82	21.44	3.82
	Manchester, Cheshire, Warrington	0.59	19.46	3.03
	North East	0.73	27.86	2.62
G4S	Manchester, Cheshire, Warrington	0.88	19.33	4.55
	Surrey, Sussex, Kent	0.9	21.5	4.19
	NE Yorks, The Humber	0.46	13.25	3.47
Seetec	Manchester, Cheshire, Warrington	0.71	19.22	3.69
	East of England	0.85	30.25	2.81
	East London	0.68	26.55	2.56

5.6 Within the Greater Manchester, Cheshire and Warrington contract package area the job outcome to referral ratio in Manchester was 2.8%. This compares with an average of 3.8% across the Contract Package Area, ranking performance in Manchester bottom out of the 13 Local Authorities. The next two lowest ranking authorities were Warrington (3.31%) and Rochdale (3.37%). Performance was best in Tameside (4.91%), Cheshire East (4.85%) and Bury (4.74%)

6 CONCLUSION

6.1 Nationally, the Work Programme has performed below expectation for the first year in terms of sustainable job outcomes. It has performed even more poorly for ESA groups. The Work Programme performance in Manchester is poorer than Greater Manchester, Core Cities and national performance. There have been no job outcomes for priority groups such as: those on Employment Support Allowance, ex IB referrals and JSA prison leavers. The overall impact of the first year of operation of the Work Programme on the City's 64,230 people claiming out of work benefit (Feb 12) has been negligible with only 310 job outcomes

6.2 However as reported in September, referral and attachment rates to the Work Programme are high. Employment Related Services Association (ERSA), the trade association for welfare to work providers has published figures that show that Work Programme job starts have increased in the months since January or April 2012, the periods from which they would have been counted in the DWP's job outcome figures. ERSA's data shows that 207,831 participants entered jobs up to the end of September 2012. They also report that participants starting the Work Programme in recent months have started jobs at a faster rate than earlier months. Conversations with the Work Programme primes covering the Greater Manchester contract package area suggest the same is true for their job starts. This should be reflected in the next DWP official performance statistics.

- 6.3 The City Council continues to work with the Work Programme prime contractors and they are engaged in the Work & Skills Partnership and the Troubled Families Community Budget programme. Referral of the most complex cases to this programme should enable the City Council and other public services more effectively wrap round /align services with the Work Programme for those furthest from the labour market. Clearly it is in the City's interest for the next set of performance data to show a significant improvement in sustainable job outcomes for the 11,000+ out of work residents who have been referred to date.