



National Audit Office

Department for Work and Pensions

Support to incapacity benefits claimants through Pathways to Work

Methodology

MAY 2010

Methodology

1 This National Audit Office report assesses the progress of the Department for Work and Pensions (the Department) in reducing the number of incapacity benefits claimants and the effectiveness of its Pathways employment programme. The methods we used for this study were:

- a** Review of key documents.
- b** Review of research and evaluation literature.
- c** Analysis of Departmental administrative and financial data, and management information.
- d** Interviews with Department staff, Jobcentre Plus staff, Pathways contractor staff and their subcontractors and with Pathways participants.
- e** Case study visits to Pathways districts across Great Britain.
- f** Telephone survey of prime contractors and their subcontractors delivering Pathways in 'Provider-led' districts.
- g** Discussion of draft findings with experts in the field.

The main elements of our fieldwork took place between April and December 2009.

2 Each method is outlined in more detail below:

a Review of key documents

Our review included Departmental corporate documents, operational planning and delivery documents (e.g. Business Case documents, Impact Assessment Documents and Benefits Realisation Plans), policy papers (e.g. Green Papers), other Departmental reports (e.g. internal audit reports, official statistics on Pathways to Work) and correspondence. Parliamentary Reports (for example, by the Work and Pensions Select Committee) and papers from other sources (e.g. representatives of contractors) were also sourced. This review informed our analysis of the Department's planning and implementation of Pathways to Work and related activities. Key parliamentary reports used to support our review included:

- Work and Pensions Select Committee (2006) *Third Report, Incapacity Benefits and Pathways to Work*, HC 616-1 Session 2005-06.

- Work and Pensions Select Committee (2009) *Second Report, DWP's Commissioning Strategy and the Flexible New Deal*, HC 59-1 Session 2008-09.
- Work and Pensions Select Committee (2010) *Fourth Report, Management and Administration of Contracted Employment Programmes*, HC 101 Session 2009-10.

b Review of research and evaluation literature

We undertook a review of the evaluation and research evidence relating to Pathways to Work. The Department has sponsored an ongoing programme of research, evaluation and cost-benefit analysis of the Pathways pilot and subsequent phases. This review has contributed to our assessment of the value for money of Pathways and has also been important in determining the extent to which the national roll out of Pathways was based on evidence of the impact of the early Pathways pilots. Key reports from this research and evaluation programme that we examined include:

- National Institute of Economic and Social Research and Policy Studies Institute (2009) *The impact of Pathways to Work on work, earnings and self-reported health in the April 2006 expansion areas*, Department for Work and Pensions, Research Report 601
- National Centre for Social Research (2009) *A qualitative study of the customer views and experiences of the Condition Management Programme in Jobcentre Plus Pathways to Work*, Department for Work and Pensions, Research Report 582
- National Institute of Economic and Social Research and Policy Studies Institute (2008) *The impact of Pathways on benefit receipt in the expansion areas*, Department for Work and Pensions, Research Report 552
- Institute for Fiscal Studies, University of Maryland and Policy Studies Institute (2008) *A cost-benefit analysis of Pathways to Work for new and repeat incapacity benefits claimants*, Department for Work and Pensions, Research Report 498
- National Centre for Social Research (2007) *Pathways to Work: customer experience and outcomes*, Department for Work and Pensions, Research Report 456
- Policy Studies Institute (2007) *The impact of Pathways to Work*, Department for Work and Pensions, Research Report 435
- Institute for Fiscal Studies (2006), *Early quantitative evidence on the impact of the Pathways to Work pilots*, Department for Work and Pensions, Research Report 354

We also reviewed a number of other research and analytically-informed accounts to strengthen our understanding of debates around incapacity benefits claimants and Pathways delivery.

c Analysis of Departmental administrative and financial data, and management information

We undertook secondary analysis of the Department's administrative data drawn from the Work and Pensions Longitudinal Study and outputs from the Department's Pathways evaluation databases (the latter provide the basis for official statistics reporting). We also reviewed financial and administrative data supplied by the Department and performance information on Pathways contractors derived from the Department's 'Provider-level Management Information'. Provider-level Management Information gives aggregated accounts of performance in contrast to individual-level administrative data. Administrative data typically combines benefit history, records of Pathways participation and 'matched' Job outcome data derived from Her Majesty's Revenue and Customs tax records. An evaluative summary of the main data sources used to date on Pathways performance is included in **Table 1**. Our study has relied mainly on official statistics to inform our assessment of Pathways performance.

In more detail, our analysis:

- Estimated the cost per job outcome for Pathways as a whole and explored the relative cost effectiveness to date of the Jobcentre Plus and Provider-led Pathways models (using cost per job outcome as the basis for our assessment). To do this, we combined Department Official Statistics on Pathways programme starts and job outcomes with financial data held by the Department. The administrative costs/overheads associated with delivering the Pathways programme were apportioned by the Department for the first time in 2008-09. Our analysis has therefore estimated Pathways administrative costs for years prior to 2008-09 (drawing on 2008-09 figures to do this). We are careful to include the costs of New Deal for Disabled people in our reporting of Jobcentre Plus Pathways where comparisons are made with Provider-led Pathways (a model which incorporates New Deal for Disabled People delivery and funding). Data limitations mean that we have not been able to match precisely the time periods for programme outcomes with programme costs. Nevertheless we deploy a consistent approach to comparison of Jobcentre Plus and Provider-led Pathways costs and programme outcomes to ensure a reasonable assessment of cost effectiveness based on recently published data. We both include and exclude the costs of 'Return to Work Credit' in our comparison of costs across the two delivery models.
- Used the Department's disaggregated account of expenditure on Jobcentre Plus Pathways in 2008-09 alongside evaluation evidence on the elements of the Pathways programme that do and do not deliver additional employment outcomes to estimate the proportion of Departmental expenditure which delivers no financial return.

Table 1
Performance Monitoring of Pathways

Official Statistics (basis for our performance review)	<ul style="list-style-type: none"> ● Published information. ● Matches Contractor individual level data with HM Revenue and Customs data on employment and Departmental administrative records (including Return to Work Credit awards). Under-reports certain jobs (e.g. self-employed and people in jobs below the 'low earnings limit'). ● Real-time assessment of performance is difficult because data is subject to a six month processing delay linked to data matching. ● Cannot be used for effective programme and contract management because of processing delay. ● Provider-led Pathways statistics have occasionally been subject to avoidable delay because of the need to revisit the accuracy and completeness of data supplied by contractors.
Labour Market System (Jobcentre Plus customer information database)	<ul style="list-style-type: none"> ● Supports day-to-day programme monitoring of Jobcentre Plus Pathways. ● Internal use, for monitoring by regional teams. ● Does include some information on movement into employment, but significant under recording of job outcomes.
Provider-level Management Information	<ul style="list-style-type: none"> ● Clerical-based, used for Provider-led Pathways programme monitoring. ● Partly derived from information on referrals, starts and outcomes input by Jobcentre Plus. ● Different definition of a job (viz. official statistics) based on contract definition. ● Monthly reports to Departmental Delivery Board but three month reporting delays because of reliance on payment processing (see recent modifications referred to below). ● Subject to partial data validation based on process for checking contract payments (but see modifications to system below). ● Department's internal audit function identified weaknesses in Provider-level Management Information as a tool for effective performance management linked to a) clerical process and scope for error; b) overlap with separate management information used to date by the contract management team and c) delays in processing inputs by Jobcentre Plus.
Information direct from contractors ('Provider Management Information') (Recently abandoned by Department)	<ul style="list-style-type: none"> ● Produced because processing delay made Provider-level Management Information unsuitable for day-to-day contract management purposes. ● No data validation and clerical-based. ● Department has recently abandoned use of this data source as tool for day-to-day management, electing instead to use a modified form of Provider-level Management Information which is based on contractor job outcome claims and not job outcomes achieved.

d Interviews with Department staff, Jobcentre Plus staff, Pathways contractor staff and their subcontractors and with Pathways participants

We conducted 46 interviews with Department and Jobcentre Plus staff and, in some cases, followed these up with further meetings and correspondence. Interviews were conducted by phone and face-to-face (one-to-one and small group interviews). These interviews helped to clarify understanding and identify strategic and operational issues in the planning and implementation of Pathways to Work and interdependent programmes.

Drawing on a sampling frame developed for the census of contractors and subcontractors (Section f), we also conducted eight telephone or face to face semi-structured qualitative interviews with prime contractors and their subcontractors providing Pathways services. We also conducted 15 interviews with stakeholder organisations including: representatives of the Employment-Related Services Association, the Third Sector Taskforce, Office of the Third Sector and voluntary sector representative groups.

We conducted 14 interviews with service contractors who were not involved in delivering Pathways but who, nonetheless, were involved in delivering welfare-to-work services. We also commissioned FDS International to carry out a further 13 interviews with such organisations. These organisations were chosen through consultation with stakeholders, through subcontractor information supplied by prime contractors, and a desk research exercise. Organisations not involved in Pathways delivery either did not bid for a Pathways contract (either as a prime or subcontractor), did bid but were not successful or did provide services to Pathways participants but no longer do so.

Qualitative interviews helped to clarify understanding of the Department's Prime Contractor model and to inform the design and content of a questionnaire survey of prime contractors and subcontractors (see below).

FDS International also conducted semi-structured interviews on our behalf with 47 claimants, or former claimants, of incapacity benefits who had received or were receiving Pathways support. FDS used a sampling frame provided by the Department which took Pathways participants resident in eight case study locations. Sample selection was then organised according to benefit history (distinguishing between new claimants and longer-term claimants, and whether someone was still claiming benefits or had moved into work). All interviewees were recorded by the Department as having participated in Pathways to some degree. This strand informed our understanding of the delivery of Pathways and linked to the case study strand (Section e).

e Case study visits to Pathways districts across Great Britain

We conducted visits of front-line Pathways to Work delivery in eight Jobcentre Plus districts. Each visit lasted two days and combined observation of Personal Adviser meetings, semi-structured interviews and small focus group meetings with Jobcentre Plus and, in Provider-led Pathways areas, contractor front-line and local management staff.

Case study locations included:

Jobcentre Plus-led Pathways

- Cumbria and Lancashire (Burnley)
- South Yorkshire (Doncaster)
- South Tyne and Wear (Peterlee)
- South Wales Valleys (Bridgend)

Provider-led Pathways

- Edinburgh, Lothian and Borders (Bathgate)
- Devon and Cornwall (Exeter)
- City and East London (Hoxton)
- Bedfordshire and Hertfordshire (Luton)

Case Study locations were chosen to give a good regional spread and to achieve an equal number of Jobcentre Plus and Provider-led Pathways areas. An initial 'orientation' visit to South Tyne and Wear (Sunderland local office) was also undertaken in April 2009. Case study visits helped us to understand and evaluate the front-line delivery of Pathways employment support and its integration with benefit structures; and to identify issues for further exploration through discussion with the Department and analysis of administrative data and documentary sources.

f Telephone Survey of prime contractors and their sub-contractors delivering Pathways in Provider-led districts

We also commissioned FDS International to undertake a census of Pathways to Work prime contractors operating in each Jobcentre Plus district. FDS received 27 responses from 34 area contracts (representing a response rate of 79 per cent).

FDS International conducted an equivalent survey of Pathways to Work subcontractors, drawing on a sampling frame which combined information from the Department and our own investigative work and liaison with contractors. The Department initially supplied a list of around 100 subcontractor organisations based on information from prime contractors. Further investigation revealed that some of the organisations listed in Departmental information were duplicated and in some cases were no longer subcontractors. In other cases, NAO work revealed that some subcontractors who we were told had terminated their involvement in Pathways were, in fact, still providing services for Pathways. There is, therefore, some uncertainty about the real number of subcontractors engaged by prime contractors in support of Pathways – 81 represents our best estimate. In their survey of these 81 subcontractors, FDS received 56 responses, equivalent to a response rate of 69 per cent.

The survey provided quantitative data on aspects of contractor caseload management, the resources allocated to delivering Pathways, contractor experience of procurement, contract management and relations with the Department, and relations between prime and subcontractors.

g Discussion of draft findings with experts in the field

We discussed and sought feedback on draft findings from a small panel of individuals with relevant expertise:

- Professor Peter Kemp, Professor of Social Policy, Oxford University
- Professor Bruce Stafford, School of Sociology and Social Policy, Nottingham University
- Professor Dan Finn, Professor of Social Inclusion, University of Portsmouth
- Dr Mark Baker, Head of Social Research and Policy, RNID and Chair of Disability Benefits Consortium Policy Group