



National Audit Office

REPORT BY THE  
COMPTROLLER AND  
AUDITOR GENERAL

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# A commentary for the Committee of Public Accounts on the Work Programme outcome statistics

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National Audit Office

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# A commentary for the Committee of Public Accounts on the Work Programme outcome statistics

Report by the Comptroller and Auditor General

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Amyas Morse  
Comptroller and Auditor General  
National Audit Office

12 December 2012

This note provides the Committee with a commentary on the Department's statistics for Work Programme outcomes and makes reference where appropriate to other published material.

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This report can be found on the  
National Audit Office website at  
[www.nao.org.uk/work-programme-2012](http://www.nao.org.uk/work-programme-2012)

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## Introduction

1 On 27 November 2012, the Department for Work and Pensions (the Department) published the first set of data on the employment outcomes achieved by the Work Programme (the Programme). The data showed, for the period June 2011 to July 2012, the number of people recorded as having moved off benefits and into sustained employment.

2 The Department also published an analysis of the benefit status of Programme participants, a booklet entitled *The Work Programme: the first year* and a number of background materials. On the same day the trade body for the welfare to work industry, the Employment Related Services Association (ERSA), issued a media pack that included information on job starts and other data that they had collected from their members or had calculated from published material.

3 This note provides the Committee with a commentary on the Department's statistics and makes reference where appropriate to other published material. In order to provide the Committee with a timely note on performance we have not validated the outcome data published by the Department. We will, as a separate exercise, review the adequacy of the Department's systems for collecting data.

4 The note is structured as follows:

- key points;
- background information on the Programme;
- an explanation of the Programme's performance to 31 July 2012 (the period covered in the data released);
- an explanation of the Programme's performance to 31 March 2012 (the period covered by the contractual performance target);
- an explanation as to why performance was below expectations;
- the Department's actions in the light of performance;
- an overview of other data related to Programme performance; and
- the Department's plans for future data releases.

## Key points

5 The key points in this commentary are set out below:

- Outcomes to 31 July were less than a third of the level expected at the outset and have built up more slowly than the assumptions by the Department indicated.
- No providers met the minimum performance levels set in their contracts and there is considerable variation of performance.

- There are a number of reasons for the lower than expected level of outcomes, including that early expectations were probably set too high, reported performance is understated and that some providers need to improve performance. Providers have pointed to harsher than expected economic conditions but the Department do not consider that economic conditions by themselves are sufficient to merit a change in the underlying assumptions about the Programme over its whole life.
- The Department has issued warnings to providers that their performance must improve and is considering further actions it might take to improve, for example, improving access to skills support for the Programme's participants.
- While outcomes are significantly lower than anticipated, it is too early to conclude that the Programme will not meet its objectives. The Department's own data indicates that Programme participants are spending time off benefit (a precursor to a job outcome being achieved) and (unvalidated) data of increasing job starts indicates that performance will increase. It is not possible to say definitively yet whether these increases will be sufficient to meet the early expectations of Programme performance.
- When the Department released the first set of outcome data on 27 November 2012, it announced that outcome statistics would be released on a six-monthly cycle. The next scheduled release of the official statistics is 28 May 2013. The Department, following the release of the first set of statistics, intends to review the frequency and scope of publication.

## Background on the Work Programme

**6** A description of the basic features of the Programme is at Appendix One. The Programme, launched in June 2011, is designed to help the long-term unemployed, or those at risk of becoming so, into work. Participants can be supported by the Programme for up to two years. The Programme's objectives are to increase employment compared with previous schemes, decrease the time spent on benefit, increase the time in employment for those coming off benefits, and narrow the performance gap between easier and harder to help claimants. The Department contracts out delivery of the Programme to providers in the private and third sectors (Figure 6 of Appendix One)

**7** The Programme accepted its first participants in June 2011. The Department estimates that the Programme will cost between £3 billion and £5 billion over five years, and that it could help 3.3 million people.

8 Providers are paid an ‘attachment fee’ of between £400 to £600 for each participant from nine different groups, which reduces each year of the contract and is zero in the Programme’s fourth and fifth years (Figure 7 of Appendix One to this commentary sets out the groups and the payment arrangements). Providers receive an outcome fee (£1,000 to £3,500<sup>1</sup>) for every participant that they place into sustained employment, defined as lasting either three months or six months depending on the participant category. The provider receives an additional sustainment payment of £170 to £370 per four weeks if a participant stays in work longer. Up until 31 July 2012, the Programme had cost £378 million, of which £329 million was attachment fees, £36 million outcome payments, and £13 million sustainment payments.

### Performance to 31 July 2012

9 Job outcomes are building up more slowly than the Department’s planning assumptions indicated. In the year to 31 July 2012, the providers for the Programme achieved 31,240 outcomes (people off benefits and in sustained employment), or 3.6 per cent of those who had been referred to providers by Jobcentre Plus. The Department has not published targets against which to assess progress by 31 July 2012 but we have assessed progress against two measures.

- **The equivalent of the Department’s minimum performance level for job outcomes.** The Department sets minimum performance levels in all contracts at 31 March each year and has the discretion to apply contractual sanctions for performance below those levels. We have used the Department’s methodology to estimate the standard had it been set for 31 July 2012. This gives a figure of 9.7 per cent. Actual outcome performance was 3.6 per cent.
- **An estimate based on the Department’s core assumptions about performance made when the Programme was designed.** This indicates that performance was expected to have been around 11.9 per cent by 31 July 2012. Actual performance at 3.6 per cent is less than a third of that (**Figure 1**).

10 Performance to 31 July 2012 is, however, likely to be understated because:

- there is a lag that averages out at over 30 days between the date on which a job outcome qualifies for payment and a payment being made. Some of the outcomes for June and July will not therefore be recorded in the current set of data. Providers have told the Department that much of this lag is due to extra time that providers are taking to ensure that their claims are accurate before they are submitted in response to the control environment instituted by the Department; and
- the data excludes some outcomes claimed by contractors in the period but which had yet to be verified by the Department due to teething problems with the verification process. The Department has now completed the verification process and the outcomes will be added in later data sets.

The time lags and data exclusions described above do not account for the entire shortfall between expected and actual outcomes.

1 These are the maximum available. Individual providers were able to bid less than this figure when appointed.



**Figure 1**

The Work Programme's performance, 1 June 2011 to 31 July 2012

	<b>Results achieved</b>	<b>Estimated performance<sup>1</sup></b>	<b>Estimated performance<sup>2</sup></b>
Referrals to providers from Jobcentre Plus	877,880	Not specified	Not specified
Attachments to the Programme	836,940	790,074	790,074
Outcomes – three/six months of employment	31,240	104,495	84,767
<b>Performance (%)<sup>3</sup></b>	<b>3.6</b>	<b>11.9</b>	<b>9.7</b>

**NOTES**

- 1 This column shows, for the same number of referrals, the National Audit Office's estimate of performance if the Department's core expectation for performance was being met and its original modelling assumptions were applied.
- 2 This column shows, for the same number of referrals, the National Audit Office's estimate of performance had the Department set a minimum performance level for the period to July 2012.
- 3 Performance is based on referrals from Jobcentre Plus rather than attachments to the provider.

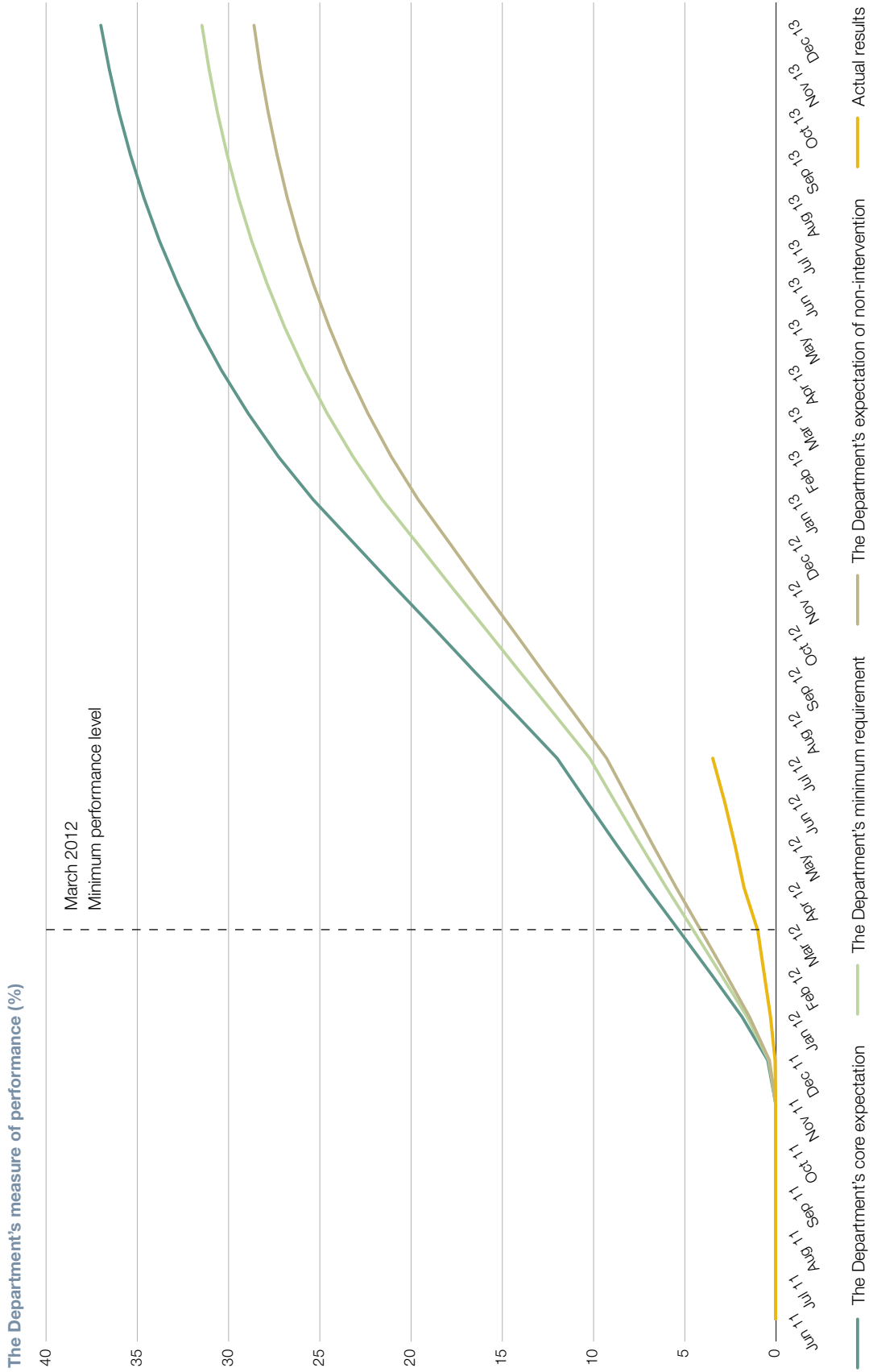
*Source: National Audit Office analysis of the Department for Work and Pensions' data*

**11** **Figure 2** overleaf sets out the trajectory of performance of the largest group (participants aged 25 and over claiming Jobseeker's Allowance) compared to the Department's core expectations and its estimate of the non-intervention rate – the number of people that would have found sustained work had the Programme not been running. It shows that the actual performance of 3.4 per cent for this group was below the Department's estimate of how many people in this group would have moved off benefits and into work:

- had the Programme not been running – 9.2 per cent;
- an estimate of the minimum performance level required by the Department – 10.2 per cent; and
- core expectations of performance under the Programme – 11.9 per cent.

**12** Figure 2 illustrates that, although it is still relatively early days, outcomes as a percentage of referrals will need to improve substantially in order to get back to expected levels. Some indications that could point to possible improved performance in later periods are set out in paragraph 19.

**Figure 2** Performance of Jobseeker's Allowance for participants aged 25 and over, compared to the Department's expectations



Source: National Audit Office analysis of the Department for Work and Pensions' data

## Performance by claimant group

**13** One of the early issues for the programme was that fewer Employment Support Allowance (ESA) claimants were referred to providers than had been predicted. The Department has taken a number of steps to raise these numbers including:

- extending eligibility to enable more ESA claimants to move back to work and over the next few months it expects ESA referrals to increase significantly; and
- it working with providers to encourage ESA claimants to volunteer for the Programme.

**14** **Figure 3** sets out performance for each of the nine claimant groups in the Programme including ESA claimants. It shows that, broadly, the disparity between actual and expected performance is higher for those claimant groups which represent the harder to help groups – Employment Support Allowance.

### Figure 3

#### Performance analysed by claimant groups

Claimant Group	Referrals to July 2012	Achieved to July 2012		National Audit Office estimate of 'on track' performance	
		Outcomes	Performance (%)	Outcomes	Performance (%)
JSA 18 to 24	176,680	5,920	3.4	25,517	14.4
JSA 25 and over	389,820	13,420	3.4	41,416	10.6
JSA Early Entrants	214,660	10,610	4.9	28,295	13.2
JSA Ex-Incapacity	6,330	140	2.2	565	8.9
ESA Volunteers	17,090	240	1.4	3,227	18.9
New ESA claimants	52,100	800	1.5	4,795	9.2
ESA Ex-Incapacity	9,440	20	0.2	334	3.5
Incapacity Benefit/ Incapacity Support Volunteers	2,110	70	3.3	348	16.5
JSA Prison Leavers <sup>1</sup>	9,630	0	0.0	0	0.0
<b>Total</b>	<b>877,880</b>	<b>31,240</b>	<b>3.6</b>	<b>104,495</b>	<b>11.9</b>

#### NOTES

<sup>1</sup> The Department set expectations for this group at 0.0 per cent at the point of the statistical release because they are based on a six month job outcome and the group was only established in March 2012.

<sup>2</sup> Figures may not cast due to rounding.

Source: National Audit Office analysis of the Department for Work and Pensions' data

## Performance by providers

**15** **Figure 4** shows that none of the 18 prime contractors achieved by 31 July either our estimate of minimum performance levels (9.7 per cent) or expected performance (11.9 per cent). It also shows a considerable variation in performance ranging from 2.2 per cent to 5.0 per cent. Our analysis indicates that that the variation in performance does not appear to be related to differences in the economic conditions (measured by unemployment rates) in the areas in which the providers operate.

**Figure 4**  
Performance analysed by provider

Provider	Contracts	Outcomes	Referrals	Performance (%)
ESG	1	810	16,290	5.0
Maximus	2	1,670	36,570	4.6
EOS-Works	1	910	21,800	4.2
Serco	2	1,240	29,930	4.1
G4S	3	2,240	54,080	4.1
Ingeus	7	8,200	200,180	4.1
Reed	1	690	18,870	3.7
Working Links	3	2,790	77,910	3.6
Pertemps	1	760	21,780	3.5
Careers Development Group	1	910	26,630	3.4
A4e	5	3,790	115,210	3.3
Avanta	3	2,140	68,760	3.1
Seetec	3	2,240	76,020	2.9
BEST	1	570	21,040	2.7
Rehab	2	910	34,050	2.7
Newcastle College Group	2	840	35,040	2.4
Prospects	1	270	11,890	2.3
JHP Group	1	260	11,820	2.2
<b>Total</b>	<b>40</b>	<b>31,240</b>	<b>877,880</b>	<b>3.6</b>
<b>National Audit Office estimate of performance if the Programme was on track with the Department's original expectation</b>	<b>N/A</b>	<b>104,495</b>	<b>877,880</b>	<b>11.9</b>

### NOTE

1 Figures may not cast due to rounding.

Source: National Audit Office analysis of the Department for Work and Pensions' data

## Performance against contractual standards set for the period to March 2012

**16** As indicated in paragraph 9, the Department set, and contractors agreed to, a minimum performance level of 5.5 per cent that had to be met by 31 March 2012. The minimum performance level applied to three of the nine claimant groups – Jobseeker’s Allowance claimants aged 18 to 24; Jobseeker’s Allowance claimants aged 25 and over; and Employment Support Allowance (ESA) claimants expected to be fit for work in the short term. These groups comprised the majority of the Programme. The standard was based on the Department’s estimate that 5 per cent of claimants referred to the Programme would have found sustained work without the help of the Programme (the non-intervention rate). The Department estimated that the Programme would result in 10 per cent more outcomes than would have occurred had the Programme not been running, leading to a minimum performance level of 5.5 per cent.

**17** None of the providers achieved the minimum performance level and, on average, performance fell substantially short of the standard (**Figure 5**).

### Figure 5

Performance against contractually agreed targets, period to 31 March 2012

	JSA Young People	JSA 25+	New ESA claimants
Contractually agreed minimum levels	5.5%	5.5%	5.5%
Actual overall performance (numbers of actual outcomes)	0.9% (1,240)	1.0% (3,090)	0.6% (240)
Highest performance (numbers of outcomes)	2.2% (40)	1.9% (170)	1.2% (10)
Lowest performance (numbers of outcomes)	0.0% (0)	0.2% (10)	0.0% (0)

#### NOTE

<sup>1</sup> The analysis in Figure 4 excludes data from Ingeus (Merseyside) and Prospect Services as their data to March 2012 is understated in the statistics published by the Department.

Source: National Audit Office analysis of the Department for Work and Pensions’ data

## Outcomes compared to the non-intervention rate

**18** Paragraph 11 and Figure 2 refer to the non-intervention rate (the proportion of people who would have got into sustained employment without the Programme) and comparisons against it. How performance compares to the non-intervention rate is one of the most important indications of value for money. The non-intervention rates referred to in paragraph 11 and Figure 2 are those estimated at the outset by the Department. The fact that outcomes to 31 July are so much less than the estimated non-intervention rate indicates that it is probable that the estimate of the non-intervention rate for that period is too high. The Department is considering if the predicted profile build up was too aggressive in the early period. It believes, however, that for the total period of the Programme the predicted non-intervention rate will apply as when estimates were compiled as the data it used covered periods of economic difficulty.

## Reasons that outcomes are lower than expected

**19** It is too early to judge how far the Programme will meet its objectives over the whole period of the contracts (paragraph 12) but it is clear that job outcomes are building up more slowly than the Department predicted. Reasons for this are set out below:

- As indicated in paragraph 10, the published statistics do not include a number of job outcomes that have occurred but which had either not been claimed by providers or not been processed in the system. The lag of 30 or more days understates actual performance by about a month's worth of outcomes which was running at about 7,000 a month.
- How quickly the Programme was likely to deliver outcomes may have been overestimated.
- Some providers got off to a slow start as they and the Department became used to new processes and local circumstances.
- Some providers have achieved higher performance levels than others indicating that overall performance could be improved if the lower performing providers could learn from the best.
- Providers and some commentators have pointed to more challenging than expected economic conditions. The Department recognises that the economic backdrop is different from that when the Programme was designed but points out that the labour market is holding up better than many people predicted. The Department does not believe that the changing economic circumstances are in themselves sufficient to merit a change in the underlying assumptions of the Programme such as the non-intervention rate and over the five years of the Programme will not be reducing the expectations they have placed on providers.

## The Department's actions in the light of performance

**20** The Department has established arrangements to manage its contracts with prime contractors and to manage underperformance. At the time the National Audit Office reported on the Programme in January 2012, 16 of the 40 contractors were already subject to performance improvement plans. Currently all providers have performance improvement plans. The Department had sent formal contract letters requiring improvement on seven contracts across a range of measures based on more up to date information.

**21** The Department will be considering what can be done to get national employers better engaged with the Programme, improve access to skills support for participants; enable better sharing of best practice between providers and across their supply chains; build understanding and expertise in supporting harder to help claimants; and improve data transparency.

## Other data that indicates performance

**22** It is too early to judge performance on outcomes achieved. The Programme is designed to support people for a two year period and most participants will have been on the Programme for less than a year. The majority of participants will have to be in work for six months before a provider can claim an outcome. In the period covered by the statistics the progression into outcomes was still in its relative infancy as illustrated by the fact that a high proportion (42 per cent) of the outcomes occurred in the last two months of the period covered by the statistics.

## The benefit status of Programme participants – time off benefit

**23** Another piece of information that provides an insight into the Programme's performance is the benefits status of participants. One of the Department's objectives (paragraph 6) for the Programme is to 'decrease the time spent on benefits'. Concurrent with the data on the Programme's performance, the Department published analysis<sup>2</sup> of the benefit circumstances of people referred to the Programme in its first four months. The Department concluded that, for each of four cohorts,<sup>3</sup> at least half of those referred to the Programme had some break in their benefit claim; and one in four were off benefit at the end of the period under analysis.

**24** While the Department considered the analysis added to the overall body of evidence about the Programme and that time off benefit is a precursor to a claimable outcome, it recognised that the movement in off benefit status did not, in isolation, provide direct evidence of movement into sustained employment. For example, off benefit rates were considerably higher than job outcome rates – 19 per cent of the June 2011 cohort spent 26 weeks off benefit; 9.8 per cent of claimants referred to the Programme had achieved a job outcome over the same period.

<sup>2</sup> [www.dwp.gov.uk/docs/work-programme-first-year.pdf](http://www.dwp.gov.uk/docs/work-programme-first-year.pdf)

<sup>3</sup> June, July, August, and September 2011.

## Information released by the Employment Related Services Association (ERSA)

**25** On the same day the Department released the first set of statistics on the Programme's performance, ERSA published its own data related to the Programme.<sup>4</sup> Its data was collected from each of the 18 prime contractors<sup>5</sup> and has not been externally validated. Neither the Department nor the National Audit Office have rights of access to data held by ERSA. ERSA's data shows the number and percentage of Programme participants that have started a job and covered the period to the end of September, two months after the cut-off point of the Department's statistics. ERSA found that 208,000 people found employment through the Programme since its launch in June 2011. It also found that 29 per cent of those who entered the Programme in June 2011 had been supported by the Programme into a job. ERSA acknowledge that not all people finding a job will stay in employment long enough to qualify as an 'outcome' as defined by the Department. It consider that between 65 per cent and 85 per cent of job starts converts to sustained employment. Taking their data at face value and applying their assumption of conversion of job starts to outcomes this implies an outcome performance of 20 to 26 per cent.

**26** The ERSA data shows that month on month job entries are improving, later groups of referrals are performing better than earlier groups did at the same point in the Programme and that job starts are continuing to be found for those who joined the Programme in the early months. All of these factors suggest that performance will continue to grow in the period that will be covered by the next release of statistics.

**27** ERSA also published data on the cost per job of the Programme – £2,097 per job – and compared it to its estimate of £3,321 for New Deal for Young People and New Deal 25+, £7,495 for Flexible New Deal, and £7,587 under Employment Zones. We have not validated the details of ERSA's calculations but there are significant risks in estimating these figures at this early stage in making sure that the comparisons like for like and at constant economic conditions.

**28** The Department republished ERSA's data in its own publications and concluded that the data showed that taxpayers are getting a better deal from the Programme than previous schemes. We consider that it is risky to draw conclusions about the value for money of the Programme compared to other schemes based on these figures because, apart from the factors mentioned above, they do not take account of the non-intervention rate i.e. spending a smaller amount of money on an outcome is not value for money if that outcome would have occurred anyway. A more accurate comparison would be the cost of each job outcome achieved above the non-intervention rate.

4 [www.ersa.org.uk](http://www.ersa.org.uk)

5 Prime contractors were asked to submit data as it stood on 29 October 2012.



## **Future data releases**

**29** The Department originally planned to release data on the Programme – referrals, attachments and outcomes – every quarter. When it released the first set of outcome data on 27 November 2012, it announced that outcome statistics would be released on a six-monthly cycle – the next set would therefore be released on 28 May 2013. The Department would then realign publication of referral and attachment data so that it is released alongside outcome data on the date. The Department indicated that it was not possible to align the validation procedures for outcome data with a quarterly publication schedule.

## Appendix One – Background on the Work Programme

### Delivering the Work Programme through prime contractors

**1** To deliver the Work Programme, the Department for Work and Pensions (the Department) contracts with individual providers – known as prime contractors – which will manage one or more subcontractor. For the purpose of the contract, England, Scotland and Wales is divided into 18 regions, known as contract package areas, within which two or three providers would operate. In total 40 separate contracts are in place. **Figure 6** lists the contract package areas and the contractors.

**2** Jobcentre Plus refers a claimant to a prime contractor which may refer the claimant to one of its subcontractors. Jobcentre Plus randomly allocates each claimant to one of two or three prime contractors in each contract package area.

### Using a payment by results model

**3** The Department pays prime contractors using a payment by results mechanism, of which there are four elements:

- **An attachment payment.** For taking a claimant on to the Programme. The attachment fee reduces to nil by the start of the fourth year.
- **A job outcome payment.** When a claimant has been in work for either a continuous or cumulative period of employment, as defined by the Department. Job outcome payments for some claimant groups will be reduced in the later years of the contract.
- **A sustainment outcome payment.** A further payment every four weeks for keeping a claimant in employment.
- **An incentive payment.** For jobs delivered beyond a given performance level – defined by the Department as 30 per cent above non-intervention – the number of claimants who would have found employment without a programme.

**Figure 6**

## Contractors by contract package area

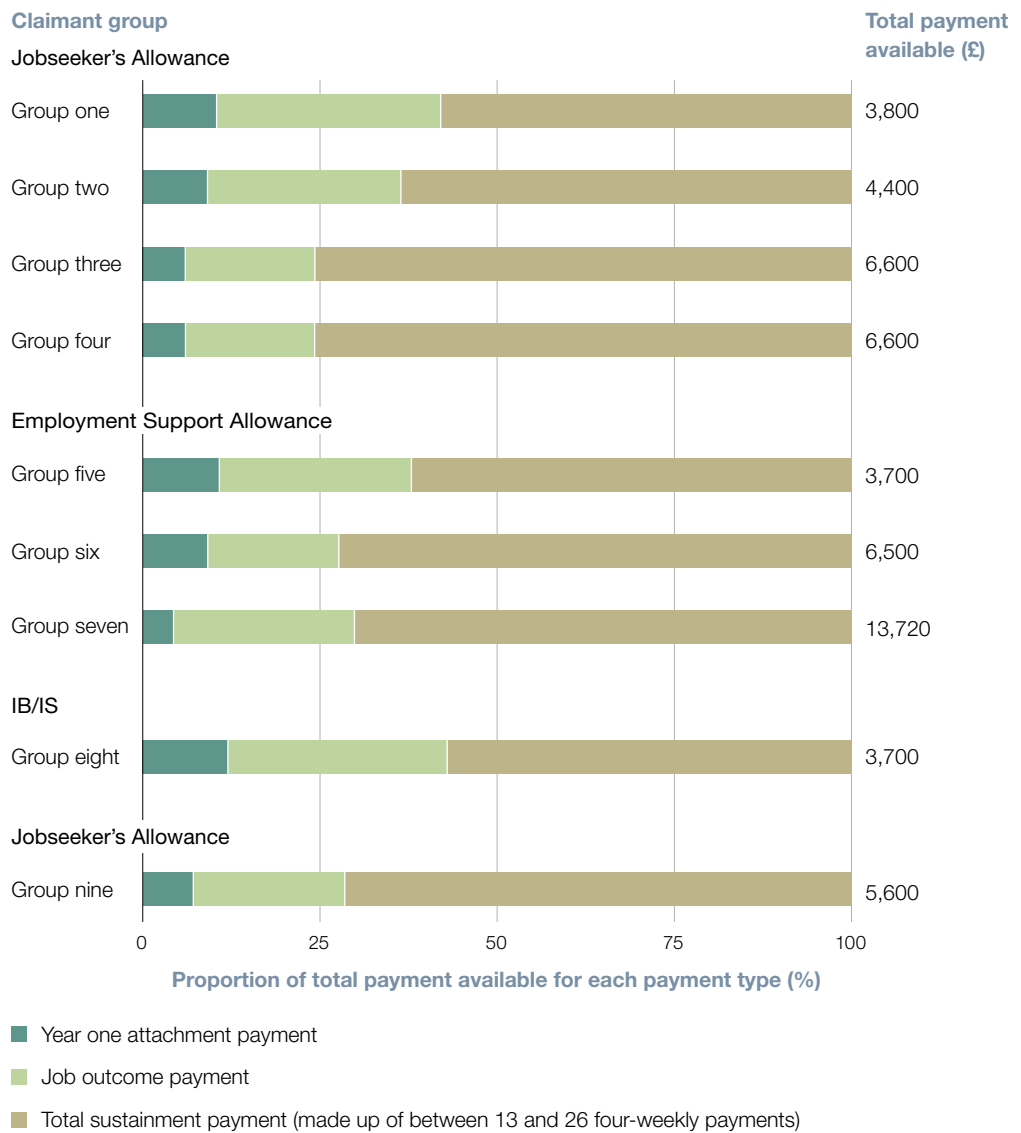
<b>Contract Package Area</b>	<b>Providers</b>
1 East of England	Ingeus, Seetec
2 East Midlands	A4e, Ingeus
3 West London	Ingeus, Reed, Maximus
4 East London	A4e, Careers Development Group, Seetec
5 North East	Avanta, Ingeus
6 Merseyside, Halton, Cumbria and Lancashire	A4e, Ingeus
7 North, West and Greater Manchester, Cheshire & Warrington	Avanta, G4S, Seetec
8 Scotland	Working Links, Ingeus
9 Thames Valley, Hampshire and Isle of Wight	A4e, Maximus
10 Surrey, Sussex and Kent	Avanta, G4S
11 Devon, Cornwall, Somerset and Dorset	Prospect Services, Working Links
12 Gloucestershire, Wiltshire and West of England	Rehab Jobfit, JHP Group Ltd
13 Wales	Working Links, Rehab Jobfit
14 Birmingham, Solihull and the Black Country	EOS, Pertemps People Development Group, Newcastle College
15 Coventry, Warwickshire, Staffordshire and The Marches	Employability and Skills Group, Serco
16 West Yorkshire	BEST, Ingeus
17 South Yorkshire	A4e, Serco
18 North East Yorkshire and the Humber	G4S, Newcastle College Group

*Source: National Audit Office analysis of the Department for Work and Pensions' data*

4 **Figure 7** sets out the payment structures for each of the nine claimant groups.

5 The system maximises payments for securing job outcomes that would not have occurred with the provider's intervention and is intended to incentivise providers to secure sustainable job outcomes, particularly those with multiple barriers to employment.

**Figure 7**  
Claimant group payment structures



**NOTE**

1 Group eight handles Incapacity Benefit and Incapacity Support claimants.

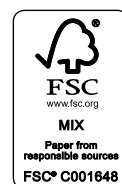
Source: National Audit Office analysis of the Department for Work and Pensions' data

## The design of the Work Programme

**6** In our report *Department for Work and Pensions: the introduction of the Work Programme*, published in January 2012, we set out a number of innovative features of the Programme that addressed weaknesses in previous schemes. Specifically, the Programme:

- gave providers a longer period to help claimants;
- gave providers more freedom to decide how to welcome claimants (known as a 'black box' approach, it is intended to encourage innovation) compared to the more prescriptive approach under previous welfare to work schemes;
- paid providers for the results they achieve, therefore tying earnings to performance;
- introduced an innovative funding arrangement with HM Treasury which means that providers are paid partly out of the benefit savings they help to realise when they support benefit claimants into sustained employment;
- introduced differentiated payment rates for different claimant groups to encourage providers to focus on harder to help groups; and
- introduced competition between providers in each geographical area in which the Programme operated.





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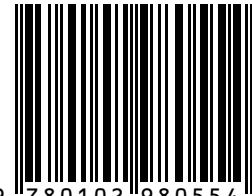
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