



National Audit Office



REPORT

The Restart scheme for long-term unemployed people

Department for Work & Pensions

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Key facts

£1.68bn

revised total cost estimate for Restart contracts, 65% of the the original estimate of £2.58 billion

692,000

the number of people now expected to participate in Restart, 48% of the original forecast of 1.43 million

£2,429

expected cost to DWP for each person taking part in the Restart scheme, a third higher than the amount stated in the Restart business case of £1,800

£2.44:£1

the benefits DWP expects Restart to achieve per £1 spent. This is down from £3.80:£1 set out in its business case

2021–2025 the length of the Restart programme, with the last referrals expected in June 2024 and the last participants finishing in June 2025

36% the proportion of participants DWP estimates that Restart is currently on course to support to achieve job outcomes, against DWP's expectation of 31% for these participants over the life of the contract

43% the proportion of potential participants that DWP work coaches have so far found eligible and suitable for the scheme. DWP expected this to be 82%

£2.3 billion the total net economic and social benefits DWP expects the Restart scheme to generate, down from £6.8 billion at the business case stage

8 prime employment support providers contracted by DWP to deliver Restart scheme employment support, across 12 contract package areas in England and Wales

77 the total number of providers, including subcontractors

Summary

1 The Department for Work & Pensions (DWP) is responsible for achieving the government's aim of maximising employment across the country. The COVID-19 pandemic brought large amounts of uncertainty to the labour market. Between March and August 2020, at the start of the COVID-19 pandemic, the number of people claiming unemployment benefits more than doubled, and the number of job vacancies in the economy declined. The Office for Budget Responsibility (OBR) produced a Coronavirus reference scenario in July 2020, which concluded that unemployment would increase from 4% before the pandemic to a peak of 11.9%. Subsequent forecasts by the OBR saw the expected peak in unemployment reduce and arrive later.

2 DWP set up the Restart scheme to help people made unemployed by the COVID-19 pandemic. The government announced that there would be a new large-scale provision for long-term unemployed people in the July 2020 *Plan for Jobs* and announced £2.9 billion of funding for the Restart scheme in the November 2020 Spending Review.

3 At that time, DWP intended that Restart would “provide intensive and tailored support to more than one million unemployed people and help them find work” by providing up to 12 months of tailored support for each participant. DWP initially targeted the scheme at people who were required to search for work as part of their Universal Credit claim, and who had been unemployed for between 12 and 18 months. DWP expected that Restart would support around 1.43 million people. The last Restart participants are expected to start the scheme in June 2024 and finish in June 2025.

4 Under Restart, DWP pays eight prime contractors across 12 contract areas (referred to as contract package areas) that cover England and Wales, to provide coaching and tailored support to participants. The contracts are hybrid ‘payment by results’ contracts, which means the amount that each contractor receives depends largely on the number of people moving into sustained work, although there is also a fixed delivery fee. Prime contractors choose how to support people and are also able to subcontract some or all of the support. Including the subcontractors, there are a total of 77 providers.

5 Shortly after Restart was launched, DWP realised that its work coaches were referring far fewer people to the scheme than it had expected. In response, DWP widened the eligibility criteria for the scheme to increase the number of people who would be referred, and renegotiated contracts. DWP now expects Restart contracts to cost £1.68 billion and that around 692,000 people in total will start on the scheme. This is 65% of the original expected value of the contracts, to help 48% of the original expected number of participants. This inevitably reduced the strength of the business case for Restart.

Scope of our report

6 This report builds upon our June 2021 report, *Employment support*,¹ which presented an overview of the impact of the COVID-19 pandemic on the labour market and DWP's response; and our November 2021 report, *Employment support: The Kickstart Scheme*,² which looked in more detail at DWP's employment response for young people. It looks at the Restart scheme, DWP's employment support response for people who are long-term unemployed, in the light of the reduced demand and decision to renegotiate the contracts. Our report covers whether:

- DWP set up Restart to meet the needs of long-term benefit claimants (Part One);
- DWP did enough to understand the demand for the scheme (Part Two);
- DWP's commercial approach for Restart was appropriate (Part Three); and
- DWP still has a strong economic case for Restart (Part Four).

7 Our methodology and evidence base are set out in Appendix One.

Key findings

Whether Restart meets the needs of long-term benefit claimants

8 DWP established Restart in a fast but practical timeframe. Between HM Treasury (HMT) announcing £2.9 billion of funding for Restart in November 2020 and the launch of the scheme eight months later in June 2021, DWP completed the design, procurement and set-up of Restart. This is a reasonable timeframe compared with other similar programmes we have seen and is in line with Cabinet Office best practice for a scheme of this complexity. It ensured that Restart was ready around three months after the earliest people who started claiming Universal Credit during the first COVID-19 lockdown became eligible (paragraph 1.5 and Figure 1).

¹ Comptroller and Auditor General, *Employment support*, Session 2021-22, HC 291, National Audit Office, June 2021.

² Comptroller and Auditor General, *Employment support: The Kickstart Scheme*, Session 2021-22, HC 801, National Audit Office, November 2021.

9 In designing Restart, DWP built upon previous schemes that had shown success in getting people into work. Restart built upon DWP's 2011–2017 Work Programme. DWP's evaluation of the Work Programme showed participants spent on average an additional 46 additional days in employment over people who did not participate in the scheme, in the two years after they started on the scheme. For Restart, DWP introduced improvements such as using data from HM Revenue & Customs to confirm that people have moved into work and customer service standards to help prevent participants that are harder to help being 'parked' by providers. It also drew on the Cabinet Office's 2020 *Outsourcing Playbook* and introduced 'should cost modelling' (to predict providers' costs) and 'open book accounting' (requiring providers to show their actual costs) to give insights on whether it is paying a good price and has set appropriate incentives (paragraphs 1.7 and 1.8, and Figure 3).

10 Providers give Restart participants more intensive and structured support than participants already get from DWP while they are on Universal Credit. Participants on Restart can expect to talk with their jobcentre work coach and their Restart provider at least fortnightly, although meetings with Restart providers are longer. Both DWP and providers try to understand what barriers a participant faces to work and will sometimes agree similar actions with the participant to overcome these. But while Restart and the DWP jobcentres offer similar help, Restart is designed to more systematically identify the particular barriers to work that a participant faces, and then offer the participant, or refer the participant to, appropriate support to address those barriers (paragraphs 1.9 to 1.11, and Figure 4).

11 Providers' systems to deliver Restart are not integrated into the Universal Credit system that DWP work coaches use. Participants often have to update the provider and DWP on the actions they are taking with the other to find work because there is no set mechanism to share this information. Participants are also required to give the provider lots of details about themselves that they have already told DWP, in an initial 'warm handover' conversation. This leads to inefficiency and means that participants may find the process duplicative and not as productive as it might be. However, it would not have been possible for DWP to integrate the provider systems and its own Universal Credit system in the timescale of the procurement (paragraphs 1.9 to 1.13 and Figure 4).

12 So far, providers have had more success in getting participants into work than DWP had expected. DWP's contracts with providers set out an expectation for the percentage of participants that will achieve a 'job outcome', where a participant has received earnings equivalent to 16 hours a week on the National Living Wage for six months. Using its expectations about how long it will take Restart participants to find sustained work, DWP estimates that providers are on course to deliver 'job outcomes' for 36% of participants who had started Restart by September 2022, against the expectation it set out in the original contracts of 31% for these participants over the life of the contract. This is in the context of historically low unemployment and high vacancies as the economy has opened after the COVID-19 lockdowns. While providers are being successful in supporting people into work, it will not be clear how many of these people would have found work anyway until DWP completes its evaluation of the programme (paragraphs 1.15 and 1.16).

Whether DWP did enough to understand the demand for the scheme

13 Restart is now expected to help around half the people it had initially expected to (692,000 participants rather than 1.43 million). This is because:

- there are fewer eligible claimants than DWP expected. DWP had based its expectations on the OBR Coronavirus reference scenarios, which indicated a steep expected rise in unemployment. The rise in unemployment was far less steep than expected (a post-COVID-19 peak so far of 5.2%, against an OBR scenario peak of 11.9%);
- not all eligible claimants are suitable. DWP had assumed that most (82%) of potentially eligible claimants would be deemed suitable by its work coaches. In practice, work coaches have referred far fewer (43%) claimants identified as eligible to Restart than was expected; and
- not all those referred attend. Around one-fifth of those claimants who have been referred to Restart have not yet started on the scheme. This means that around 35% of those flagged as eligible by the Universal Credit system have gone onto start with a Restart provider.

The number of people expected to start on Restart also reflects that, after realising that fewer people were starting the scheme, DWP expanded the eligibility rules. This increased the expected number of participants, but on average, the newly eligible participants were expected to be closer to employment and therefore benefit less from Restart (paragraphs 2.4 to 2.7 and Figure 5).

14 DWP did not plan how to manage Restart with so many fewer people than expected starting on the scheme. Based on the economic forecasts at the time, DWP expected there to be more people who would benefit from Restart than could go on the scheme and focused on how it would manage this presumed excess demand. While the payments by results element of the contract means that the amount DWP pays to providers varies with the number of people going onto the scheme, DWP did not set out its approach for a scenario of such significantly lower demand than expected. This meant it gave limited consideration to contractual mechanisms to reduce costs further if demand was significantly lower or to an option to expand eligibility, without renegotiating the contracts. DWP told us it did not know what these mechanisms would be and that they would have increased the cost of the contracts (paragraphs 2.2 to 2.5).

15 We saw work coaches using their knowledge of the claimant's circumstances to make decisions about whether they were suitable for Restart. This included information such as the claimant's living circumstances or mental health. The type of information work coaches use to make these decisions is not generally recorded in DWP's systems in a way that can be easily analysed, and DWP does not have access to this type of information centrally when it designs employment support schemes (paragraphs 2.7 to 2.10 and Figure 6).

16 Work coaches referred fewer claimants than DWP expected because they found the claimant's circumstances had changed or because they used their knowledge of the claimant to determine that Restart was not suitable. DWP introduced a process to help ensure that people who were both eligible and suitable get referred to the scheme. Of the potentially eligible claimants that work coaches were asked to consider but who were not referred to Restart, work coaches found 43% were no longer eligible by the time they considered them (for example, because they had found work or no longer needed to search for work as part of their benefit claim) and 57%, in the work coach's opinion, were not suitable for Restart (paragraphs 2.7 to 2.10 and Figure 6).

Whether DWP's commercial approach for Restart was appropriate

17 DWP managed the market well to achieve its aim of supporting providers to build their capacity and share best practice. Its spending on employment support had fallen significantly since 2010-11, leaving the employment support market with a lower capacity to deliver large-scale schemes. DWP decided to adopt a commercial approach that emphasised cooperation and building capacity and meant that it had to focus less on competitive pressures on price and performance. Restart providers praised the procurement and said the early payments in the Restart contracts ensured they had the required working capital to increase their capacity and be ready for the launch of the scheme (paragraphs 3.2 to 3.5 and Figures 7 and 8).

18 The focus on building capacity and cooperation meant DWP had to focus less on creating competition on price and performance. In response to previous criticism that contractors had bid at unrealistic prices, DWP set a minimum price and all the successful bidders offered this. Some providers work across contract package areas, which has helped facilitate the sharing of best practice, but reduces competition between package areas. For example, DWP only collects contract management information at a contract package area level and not by provider. Consequently, DWP has to rely more on its 'should cost' and 'open book' provisions to ascertain that it is paying the right price and its contract management to ensure performance is appropriate (paragraphs 3.2 to 3.5 and Figures 7 and 8).

19 The contracts should incentivise better performance, but there remains a risk that providers will focus more on people that are easier to help. It is not easy to design efficient payment by results incentives for employment support because it is difficult to identify the precise value added by each provider. DWP introduced a fixed fee so providers could build their capacity as well as an outcome fee dependent on how many participants go into work. However, the providers' revenue, net profit, and profit margin remain to a large extent determined by factors outside their control including the number of participants DWP refers to Restart and the strength of the local labour market. Our modelling also shows that providers are incentivised to increase job outcomes, if they can do so without significantly increasing their costs. However, if increasing job outcomes significantly increase providers' costs, then they will be incentivised to focus solely on those that are easier to get into work (paragraphs 3.6 to 3.9).

20 DWP introduced nine new customer service standards which providers have mostly failed to meet. These are designed to reduce the likelihood of providers solely focusing on people who are easier to get into work. They mostly focus on how often and how well providers interact with participants and include a measure of customer satisfaction. Providers average performance has been below the expectation for six of the eight standards DWP currently has data for, though there have been significant improvements in performance over the life of the scheme. By October 2022, DWP had deducted 0.8% (£2.3 million) from the delivery fees it had paid to providers due to poor performance against the standards, with a further 1.9% (£5.6 million) of fees deferred until the providers can demonstrate an improvement. Providers told us that meeting the standards was difficult because participants were not always engaging in the programme in the way expected and the administrative burden of demonstrating that they had met the standards hindered their ability to achieve a good customer experience. It is not clear what impact the failure to meet the standards is having on job outcomes or whether it shows that providers are focusing on people who are easier to get into work (Paragraphs 3.10 to 3.15 and Figure 9).

21 DWP did not require providers to set up consistent management information on the customer service standards. Instead, DWP assesses the standards by reviewing a sample of cases. DWP told us this was because it did not have time to ensure providers established consistent management information systems before the contracts went live. The sampling methodology means there is at least a five-month delay before it can assess whether all have been met. (Paragraph 3.13 and Figure 9).

22 Between January and July 2022 DWP renegotiated the contracts with providers but was unable to achieve a significant reduction in price. In response to the lower demand for Restart, DWP renegotiated the contracts to:

- ensure Restart service provision was maintained at the required level of quality;
- reduce the risk of disputes with providers, which could potentially escalate to legal challenge; and
- reduce the risk of individual providers seeking separate individual and unplanned renegotiations.

While DWP went into the negotiations well prepared, it could only make limited savings, partly because providers had entered into fixed-term contracts (such as rents on large properties) based on the expected high volumes of participants and partly because it could not easily set up alternative provision. The lower number of participants meant that DWP would expect to pay £1.71 billion if it did not renegotiate the contracts. It agreed a £27 million reduction to this through the renegotiations and now expects to pay £1.68 billion in total (paragraphs 3.17 to 3.22 and 4.2, and Figure 10).

Whether DWP still has a strong economic case for Restart

23 The average expected cost per participant has now increased from £1,800 to £2,429, making Restart more expensive than similar programmes. After taking account of inflation, the average expected cost per participant on Restart is greater than both the Work Programme (which ran from 2011–2017 and cost £1,760 per person in 2021-22 prices) and the Work and Health programme (2017–2022, at £1,560 per person in 2021-22 prices). These programmes offered similar support to Restart but the support lasted for a longer period. Recent increases in inflation will reduce the real terms cost of Restart to the Department because under the contracts the providers will bear the cost of inflation such as staff pay rises. Whether this improves value for money depends on whether the providers can bear these costs without performance falling (paragraphs 4.2 to 4.4 and Figure 11).

24 DWP now estimates that Restart will achieve £2.44 of social benefits per pound spent, down from £3.80 per pound expected in the business case. This represents a reduction in net benefits of Restart from £6.8 billion to £2.3 billion. The reduction is due to fewer people going onto the scheme, the higher cost per person, and because DWP expanded Restart to include participants more likely to find work without Restart support, on average. The lower number of scheme participants than DWP expected has also forced DWP to reconsider its impact evaluation plans to confirm these net benefits. While this new plan may not provide as much assurance on the net benefits achieved, it believes this will be sufficient to assess whether the programme has had the positive effect intended (paragraphs 4.5 to 4.8 and Figure 12).

Conclusion on value for money

25 Restart provides a useful service to help the long-term unemployed gain employment, which based on the impact of previous schemes will have significant net benefits to the wider economy. DWP has also improved its contracting since its previous similar scheme, the Work Programme, and helped its work coaches to target Restart at those claimants it is most suitable for, within the eligibility requirements it has set.

26 However, we believe Restart could have cost less. Given the economic forecast in 2020, DWP reasonably expected demand to be high. It had to support providers to build capacity to meet that demand after a period of limited spending on employment support, so DWP could not place as much emphasis on competition as it otherwise would. But DWP did not properly assess how many of its claimants would be suitable for the programme or plan for the possible scenario of significantly lower demand before it entered into contracts. This left it with fewer options to reduce the cost when demand was lower. As a result, Restart is more expensive per person than originally intended and more expensive per person than previous similar schemes.

Recommendations

27 DWP is likely to use an employment support scheme such as Restart again in the event of another economic shock. It should learn from the experience of Restart to ensure it is better prepared and able to scale up and down capacity as required. We recommend that DWP:

- a improve its scenario-planning for contracts.** It should consider now whether current economic forecasts suggest that demand for Restart will increase and whether it needs to adapt the programme and engage providers. It should improve its scenario-planning for future contracts to cover all reasonable scenarios that would affect the way the contracts work;

- b improve participants' customer journey between the job centre and provider for future contracted-out employment support programmes.** This will require a better flow of information between jobcentres and providers so that they can coordinate their efforts to support the participant and the participants do not need to repeat information. It would likely include information on barriers to work and actions being taken to address them;
- c gather and use provider information to evaluate Restart and inform future provision.** This should include information from the providers on participants' barriers to work and how these have changed while on the programme, so that DWP can identify specific areas of need and inform its understanding of how Restart has addressed specific barriers to work;
- d improve its understanding of which claimants are suitable for employment support.** It should use the data it has collected on people who were not referred to Restart to help inform expectations about the number of claimants who would benefit from future schemes. It should also consider how it will forecast and monitor suitability in future schemes, including whether more indicators of suitability can be recorded on the Universal Credit system;
- e consider reducing the level of contact participants have with jobcentres.** It should update its assessment of the cost-effectiveness of participants continuing to attend both the provider and the jobcentre fortnightly, taking into account the impact on the participant's incentives to search for work and the cost of work coaches' time, so that it can decide if there are efficiency savings to be had or whether this would be a false economy;
- f continuously improve its use of Payment by Results using its open book accounting provisions.** It should review the incentives in its payment by result contracts and seek to refine these for future programmes, to reduce the extent to which contractors' profit depends on things outside their control;
- g reduce the cost of scaling up and scaling down employment support.** It should consider whether to maintain contracted-out employment support between economic shocks to maintain a market and to enable providers to more easily scale up capacity when it is needed. It should also consider which parts of its own systems should be 'mothballed' so that it can easily deploy them when needed in the event of a future economic shock;
- h improve the information it uses to assess customer service standards for future contracts.** DWP needs to be able to assess performance in a timely way so that it can act quickly if necessary. This is likely to require some standardisation of providers' information systems so that they can automatically provide key performance indicator (KPI) data; and
- i improve transparency of its employment support programmes.** For example, DWP should publish quarterly statistics on Restart participation and job outcomes. It has previously done this for other employment support programmes and it aids public confidence and stakeholder understanding.