

The Work Programme and older jobseekers

1. Key points and policy recommendations

- If the Government is serious about extending working lives, it must make sure that everyone who wants to and is capable of working can do so, regardless of age. This includes ensuring that the Work Programme delivers for its older participants.
- The Work Programme has been less effective at helping the over 55s than younger age groups.
- However, the Work Programme is a labour market tool which can be used to correct inequalities in the labour market. This means that how the programme operates and its funding can be altered to incentivise contractors, employers and individuals to act differently.
- Changes need to be made to the payment structure and claimant journey for older claimants:
 - The referral time for JSA claimants aged 55+ should be reduced to six months. The evidence suggests early intervention would improve results significantly.
 - Contractors should receive an extra payment for placing someone above this age in sustainable employment, regardless of their benefit background.
- Alternatively, minimum standards for 55+ claimants could be introduced, with financial penalties for contractors who do not reach certain outcome standards.
- The incentives must be designed to prevent contractors from parking their older clients.
- The 'Wage Incentive' payment offered to employers who recruit a long-term unemployed younger person, or a similar initiative, should be extended to include older jobseekers. This could help stimulate demand from employers for 55+ Work Programme participants.
- The DWP and the welfare-to-work industry must work together to create a mechanism for sharing good practice relating to older jobseekers among contractors. This could, for example, include innovations and using the supply chain more effectively. The same could be done for other groups, for example people with particular health conditions.

- The evidence suggests that ex-Incapacity Benefit claimants who were found 'fit for work' in their Work Capability Assessment are finding it difficult to move into employment. The Work Programme needs to recognise that such people may still have health-related barriers and so may need additional support.
- Expanding and encouraging the use of the Access to Work scheme and developing a formal occupational health service, both linked directly to the Work Programme, could help people with health conditions move back to work.
- Some older jobseekers may need more flexible working options in order to return to work. The Government must ensure contractors fully understand the benefits of flexible working, and have the expertise to help local employers design job roles with flexibility in mind.

2. Introduction

Older workers who find themselves unemployed can often find it very difficult to move back into work. They frequently find that ageist attitudes from employers, a lack of high quality advice and guidance, and personal barriers (for example low levels of IT skills) can combine to prevent a return to the workplace, in spite of the fact that people can often make a great contribution to a potential employer.

The Work Programme offers the potential to raise the quality of support for the long-term unemployed and other disadvantaged jobseekers, and help them counteract other barriers. In principle Age UK fully supports its objectives.

If the Government embedded its 'Extending Working Lives' agenda at the heart of the Work Programme's delivery, it could deliver a significant improvement to the job prospects of older workers. However, the first results are not very encouraging.

Underperformance

The first 14 months of operation (1 June 2011 to 31 July 2012) have seen worse than expected performance. Just 31,000 out of 878,000 people (35 per cent) referred to the scheme found sustainable work of at least three months. This was below the target rate set out in the original tender documents published in 2010. Successes are defined as someone entering and remaining in work for at least three or six months, depending on the benefit received (see Section 5 for more detail).

The Centre for Economic and Social Inclusion analysed the impact of the poor state of the economy on expected outcomes, and found that even when reducing expectations to account for this the WP has still underperformed.ⁱ

Early days yet – things might improve

The Department for Work and Pensions (in charge of the WP) argues that it's still early days for the scheme and it takes time to achieve sustainable job outcomes for the long-term unemployed. The figures reflect 14 months of operation, and so clearly the numbers of people who have held down work for three or six months will be limited.

The early evidence shows that things are likely to improve – figures produced by the welfare-to-work industry’s trade body, ERSA, shows that job placements have increased since August, indicating that outcome rates will improve over the next few months.ⁱⁱ

A brief background to the Work Programme

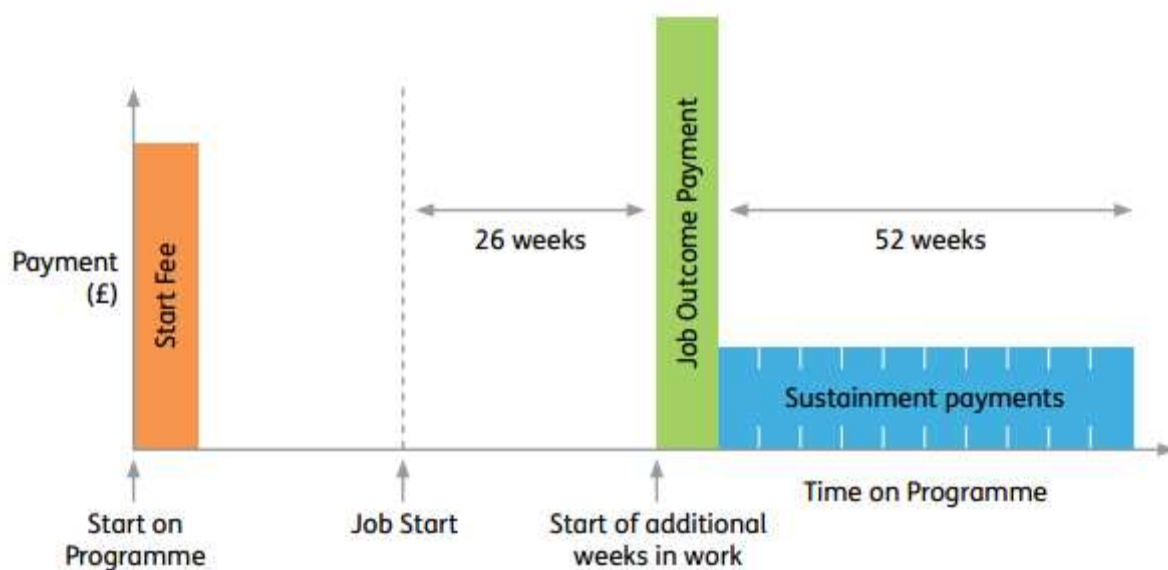
In June 2011, the Work Programme replaced the Flexible New Deal as the main support scheme for the long-term unemployed and some other jobseekers deemed to face high barriers to work (for example ex-offenders). The WP uses mainly private sector contractors to help participants find work – the contractors can use whatever means they deem most effective, with little central control, often referred to as a ‘black-box’ approach.

Claimants, including most older jobseekers, typically wait for 12 months from claiming Jobseekers Allowance (JSA) before being referred by Jobcentre Plus on to the Work Programme. This period can be shorter if the claimant is viewed as facing particular challenges, with under-25s (9 months) and ex-offenders (3 months) being examples.

The emphasis is on sustainable employment – rather than simply finding someone a job, the contractors must help their client remain in employment for a defined period, either three or six months, to receive a job outcome payment. Following this, they then receive ‘sustainment’ payments for a further 13-26 weeks. The payments and duration of payment made to contractors depends on the benefit the client is currently or was previously receiving.

Figure 1 below shows a typical payment structure. More information on the range of payment structures and how these apply to each group of participants can be found in the documents on the DWP’s website at <http://www.dwp.gov.uk/policy/welfare-reform/the-work-programme>.

Figure 1, incentives for sustained work, example participantⁱⁱⁱ



For example, a lower-end payment would be made for a Jobseekers Allowance (JSA) claimant aged 25+ who has never received Incapacity Benefit or Employment and Support Allowance (ESA):

- £400 attachment fee (in year one only – this fee reduces gradually zero by year four)
- £1,200 job outcome fee, paid after 26 weeks in work
- Up to 13 sustainment payments of £215, made every 4 weeks
- Total of £4,400

The highest rate of payments would be for a claimant in the Work Related Activity Group of ESA who had been migrated over from Incapacity Benefit:

- £600 attachment fee (in year one only – again, it gradually reduces to zero)
- £3,500 job outcome fee, paid after 13 weeks in work
- Up to 26 sustainment payments of £370, made every 4 weeks
- A total of £13,700

The differentiated payment structures are designed to incentivise contractors to help harder-to-place claimants. A more detailed explanation of the benefits is included in Section 5.

The tender process was, however, competitive and contractors were invited to outbid each other by lowering the payment amounts. The figures above are the maximum set by the DWP, but could be lower for some contractors (the actual amounts in the contracts are not available).

3. Not working for older jobseekers

How effective the WP will be for older participants is less clear. The first set of statistics clearly demonstrates that people aged over 55 have substantially worse job outcomes than younger age groups.

If the Government is serious about extending working lives, it must make sure that everyone who wants to and is capable of working can do so, regardless of age. Older jobseekers could fall through the cracks in the system if action is not taken to help them overcome the barriers they face when trying to return to work.

While the performance of the Work Programme overall is clearly of concern to Age UK, we are primarily concerned with how the 50+ client group is faring – and while the 50-54 age group has achieved results consistent with younger groups, there is a substantial drop in the success rate from the age of 55.

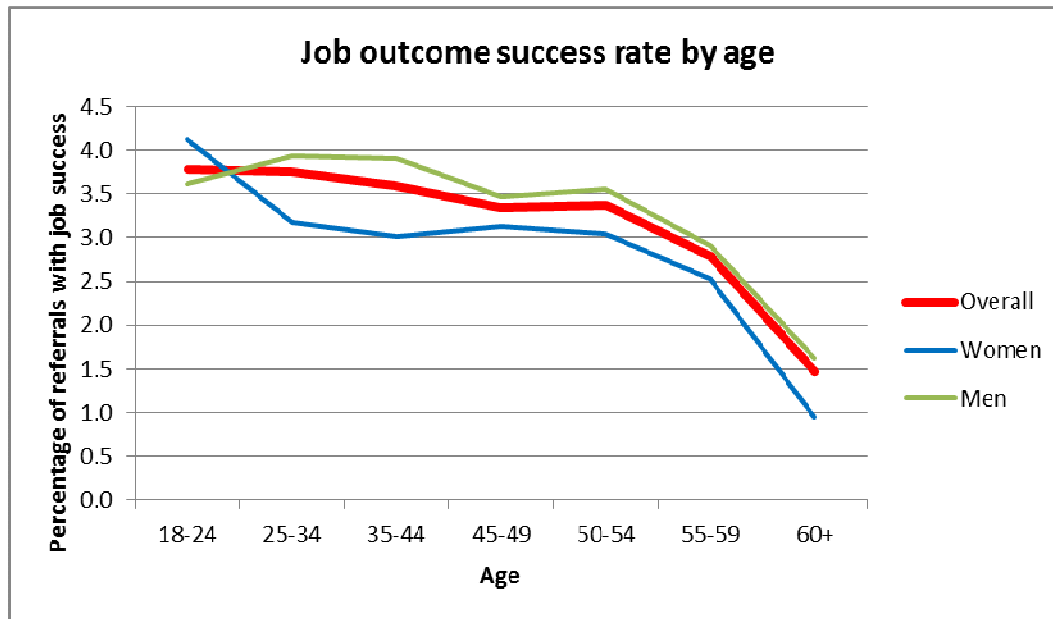
The successful outcome rate for 55-64 year olds is 28 per cent lower than the 18-54 average. We therefore believe that changes to the Work Programme should focus on helping clients aged 55 and above.

While the absolute success rates are very low for all age groups, it is particularly worrying that participants over the age of 55 are faring so badly. The Work Programme contractors are not achieving parity of outcome for their older clients.

Just 2.79 per cent of 55-59s had found and remained in employment for three months, compared to 3.56 per cent among all age groups. Among 60+ clients only 1.48 per cent had achieved this – a total of just 140 out of the 19,490 people referred to the contractors.^{iv}

Chart 1 shows the success rates for each age group.

Chart 1



Across all age groups other than 18-24, the outcome rates are lower for women than men. This is not easy to explain – women typically endure shorter spells of unemployment than men^v – and the DWP needs to investigate why this may be.

Rather worryingly, among 60+ women the job success figures dips below 1 per cent. As the female State Pension age rises throughout this decade improving this rate will be crucial to enable more women to work longer.

This could mean all over 55s are being ‘parked’ by contractors where there is insufficient incentive to help them find work. However, we cannot tell this for certain based on the available information.

Policy recommendations

In order to ensure that the over 55s are not disadvantaged within the Work Programme, changes must be made to how older claimants are helped. We believe there are three main possibilities:

- 1) **Early referral to the Work Programme.** At present, most people over the age of 24 and on JSA get referred 12 months after starting their benefit claim. Some disadvantaged groups already get early referral, and Age UK believes the over 55s should fall into this category, with referral being brought forward to six months after commencing a

Jobseekers Allowance (JSA) claim. This change would reflect the evidence that older workers typically suffer a longer spell of unemployment than younger workers,^{vi} and that the longer a jobseeker is out of work the harder it is for them to re-enter the labour market.^{vii}

Alternatively, a model could be developed to illustrate which people are most at risk of long-term unemployment, leading to a referral for these people alone.

- 2) **Changing the payment structure** to reflect the fact it is inherently harder to find sustainable work for the over 55s. This could involve either higher job outcome and sustainment payments, or both. This would correct the clear imbalance in the Work Programme's payment structure, which incentivises contractors to 'park' clients who are likely to be harder to place (such as older workers)
- 3) **Introduce distinct minimum outcome standards for the over 55s**, to encourage contractors to place their older clients in sustainable work. This would oblige contractors to carefully examine how to improve outcomes for this (and other disadvantaged) groups, and could be tailored to allow for the different benefit routes onto the WP.

4. Differences between contract areas

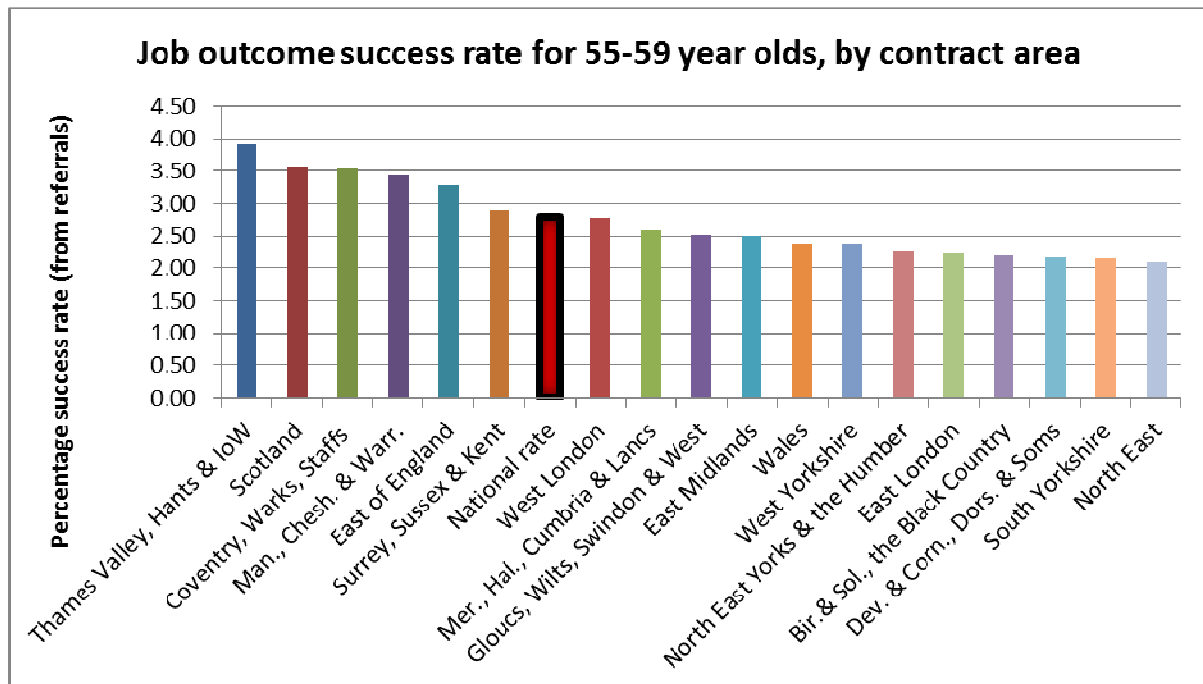
The area in which you live can make a significant difference to your chances of finding employment through the Work Programme. Some areas have been performing better than others, although it is likely that regional economic disparities have a bearing on the results^{viii}.

There are significant differences in results between contract areas for older jobseekers. Some, but not all, of this variation is very likely to be because of regional economic differences, but it is important to try and identify examples of good practice nonetheless.

The Work Programme is divided into 18 contract areas – 16 in England, plus Wales and Scotland.^{ix} Each area typically has two contractors, but can be anywhere up to three.

Chart 2 shows the successful outcome rates for 55-59 year olds in each of the 18 contract areas. It demonstrates that the differential between the best and worst performing areas is substantial. Our analysis does not break it down by contractor, but instead focusses on the geographical area.

Chart 2



The Thames Valley, Hampshire and Isle of Wight contract area has the best job success rate (3.93 per cent), followed by Scotland (3.58 per cent) and Coventry, Warwickshire and Staffordshire (3.56 per cent).

The worst performing contract area, the North East, only placed 2.1 per cent of 55-59 year olds in sustainable work.

In compiling this analysis, there is no easy way of comparing results to local economic performance - as Inclusion state: "The performance differences will reflect both underlying economic factors and provider performance"^x. This allows for some comparison and an indication of where the success stories are.

The Inclusion analysis does explain that:

"there is some evidence that areas with worse economies like the North East, Wales and the Humber have done worse, though Scotland and Greater Manchester have performed relatively well"^{xi}

thereby demonstrating that the outcomes are not always dependant on the local labour market. Good practice from the top performing regions can therefore be drawn.

It is clear that the 55+ age group suffers consistently worse outcomes than other age groups. Just four of the 18 areas – Thames Valley, Hampshire and Isle of Wight; Manchester, Cheshire and Warrington; Surrey, Sussex and Kent; and West Yorkshire – have a higher success rate for this age group than for 18-24s.

The sample sizes for the 60+ group are too small to allow for area-based analysis.

Policy recommendation

1. The results indicate that there are examples of good practice being applied in some areas that could enhance performance at the lower performing end of the spectrum.

The contractors are of course competitors and will naturally be reluctant to share sensitive information. However, this could be outweighed by a willingness to learn best practice. There is a clear role for government and representative bodies in disseminating best practice to contractors, so they can improve performance for every group that experiences additional barriers to finding work, including older workers. Contractors would then be free to tailor the learning as best they can to their own clients and local area.

5. Does benefit type make a difference?

As explained earlier, the size of the fee paid to contractors on placing someone in sustainable employment depends on the current or previous benefit of the participant. Full details of the payment structure can be found in the initial invitation to tender.

Background to benefits

There are two benefits leading directly to the Work Programme – Jobseekers Allowance and Employment and Support Allowance.

1. Jobseekers Allowance

This is the main out-of-work benefit paid to unemployed people actively seeking work. A full explanation of JSA is available on [the Citizens Advice website](#).

The Work Programme payment groups are divided into: JSA 18-24; JSA 25+; JSA ex-Incapacity Benefit; JSA early access.

Here, we look at three different benefit routes:

1. 'Early entrants' – people passed from Jobcentre Plus to the Work Programme prior to the standard 12 month period. A minority of claimants qualify because they are deemed as having a particular disadvantage, for instance being an ex-offender.
2. ex-IB claimants – usually those who transferred to JSA in the as part of the IB-ESA migration process, having been found 'fit for work'. Often such people will still have some health issues, even if not enough to claim ESA.
3. all other ex-JSA claimants aged 25+

Young people registered as being on JSA 18-24 are not included because of unexplained anomalies in the data.

2. Employment and Support Allowance

ESA is the out-of-work benefit for people who have a health condition that prevents them from immediately looking for work. It was introduced in 2008 for new claimants, and between

2011-14 all existing Incapacity Benefit claimants are being migrated over. A full explanation is available on [the Citizens Advice website](#).

An ESA claimant has to undertake the 'Work Capability Assessment' test in order to determine whether or not they are 'fit for work'. If found to be 'fit for work' they are then transferred to JSA instead, or if found not to be they are then placed in either the Support Group (for those with a severe disability) or the Work Related Activity Group (for those who could be expected to work in the future).^{xii}

ESA claimants can either volunteer or be mandated on to the Work Programme depending on circumstances.^{xiii} WP participants who claim ESA are divided into six payment groups.^{xiv}

JSA claimant outcomes

The JSA 'early entrants' group achieved an above average success rate. This demonstrates the benefits of being given enhanced support more quickly – the longer someone is out of work the harder it is to re-enter employment, while there is a higher proportion of long-term unemployment among the over 50s than among other age groups.^{xv} Only 40 per cent of people aged 50+ who lose their job move back into work with a year,^{xvi} emphasising the need for more intensive early support for many older jobseekers.

The JSA 25+ group, who have to claim JSA for 12 months before being referred to the Work Programme, stuck closely to the average – perhaps not surprising given they make up the largest group of WP participants.

This claimant group fared better than their peers on a different benefit route, suggesting that it is easier to find work than for those who carry a health condition or disability.

Unsurprisingly, ex-IB claimants who subsequently moved onto JSA came off worst, clearly demonstrating that this group continue to face further barriers to work even once they are found 'fit for work' and moved back to active jobseeking benefits.

Chart 3

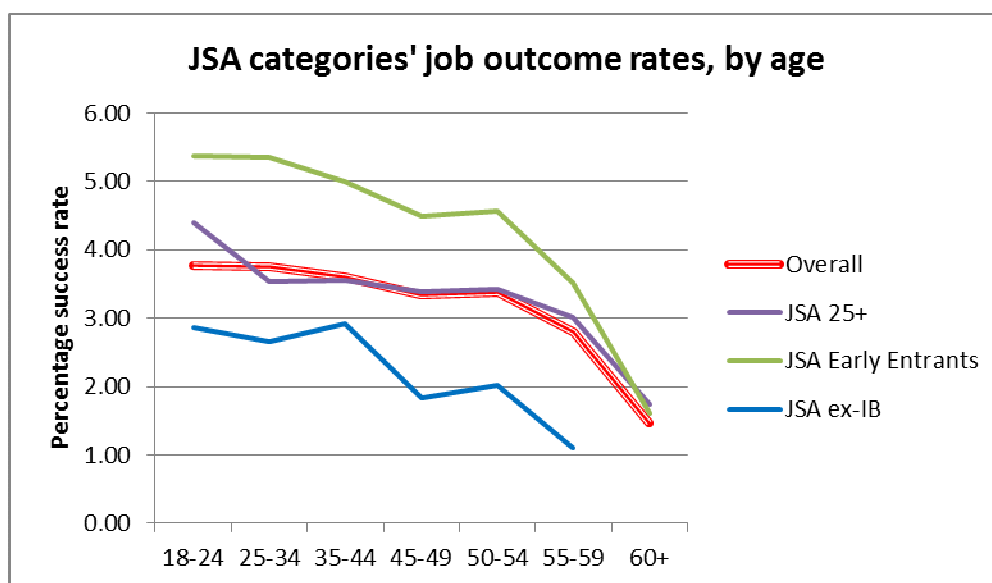
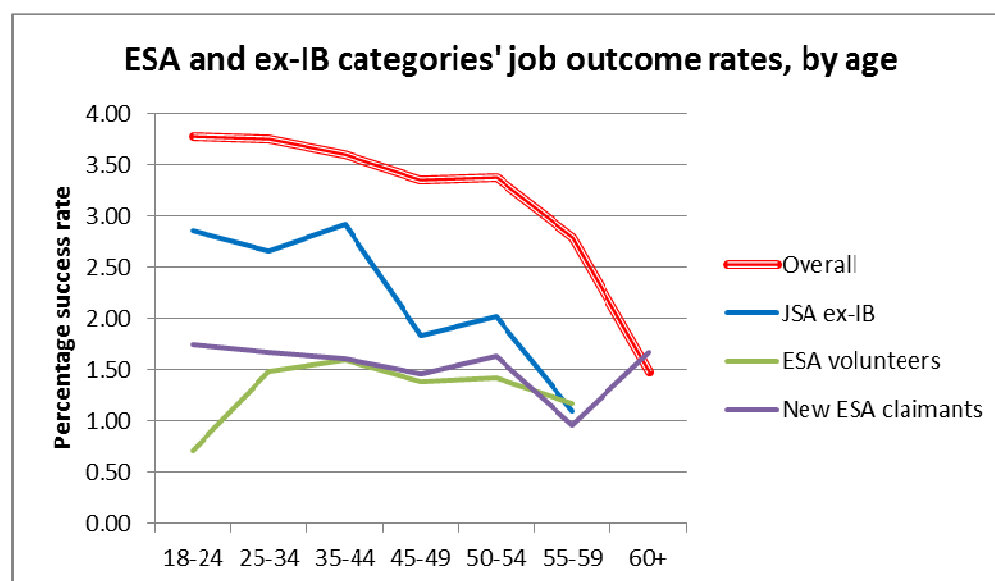


Chart 4



ESA claimant outcomes

Chart 4 shows the job success rates for ESA claimants (including the same data for JSA ex-IB claimants shown in Chart 3 for comparison).

Both ESA groups fall well below the overall national average. New ESA claimants fare slightly better than ESA volunteers, hinting at the importance of early access to the Work Programme for getting a job, although the volunteers are likely to be motivated to find work.

Overall the successful outcomes are low and show the same decline among the over-55s as do other benefit routes. There are clear issues to be addressed.

Policy recommendations

1. In order to push up the number of ESA claimants who successfully return to work, the Government should ensure that people have access to the Work Programme as early as possible. They should encourage Volunteers are likely to be motivated to find work, but with the right support more people could be persuaded that finding work is in their best interest.
2. Expanding and encouraging the use of the Access to Work scheme, as recommended by the Sayce Review, could help many people who have health requirements move into employment. Access to Work provides subsidies to help meet costs that create barriers for disabled people in work. The Review found it saved £1.48 for every £1 invested.^{xvii} The Government should ensure that all contractors are fully informed about the scheme and able to use it where appropriate.
3. Clear links must be developed between the Work Programme and the occupational health service the Government recently committed to establishing, the Health and Work

Assessment and Advisory Service. This will help employers manage ill health in the workplace and offer medical advice to sick employees. Similarly to employers, contractors should be able to refer their clients to the service, and receive suggested next steps to help clients overcome health-related barriers to work.

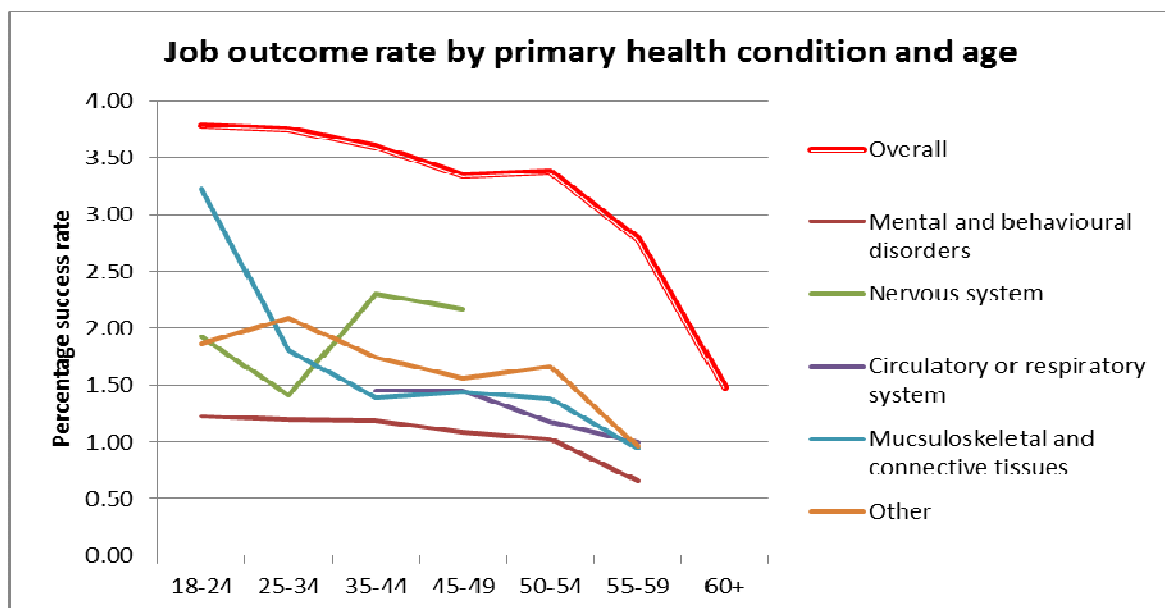
- The poor results for JSA ex-IB claimants shown in Chart 3 strongly indicate that in spite of being found 'fit for work' this group still faces health-related barriers to employment, particularly among the 55+ cohort. Extra attention must be given to this group to bring them up to the outcome rates of other JSA claimants.

6. Primary health condition and age

People who report a health condition also fall below the average success rate, across all age groups. Chart 5 shows the rates for the main health condition groups categorised by the DWP.^{xviii}

The job success rate for people with musculoskeletal disorders is consistent with that shown in Chart 4 for ESA claimants, but there is a more severe impact on people with mental health and behavioural disorders. This suggests that the Work Programme is least well geared up to help people with mental health conditions.

Chart 5

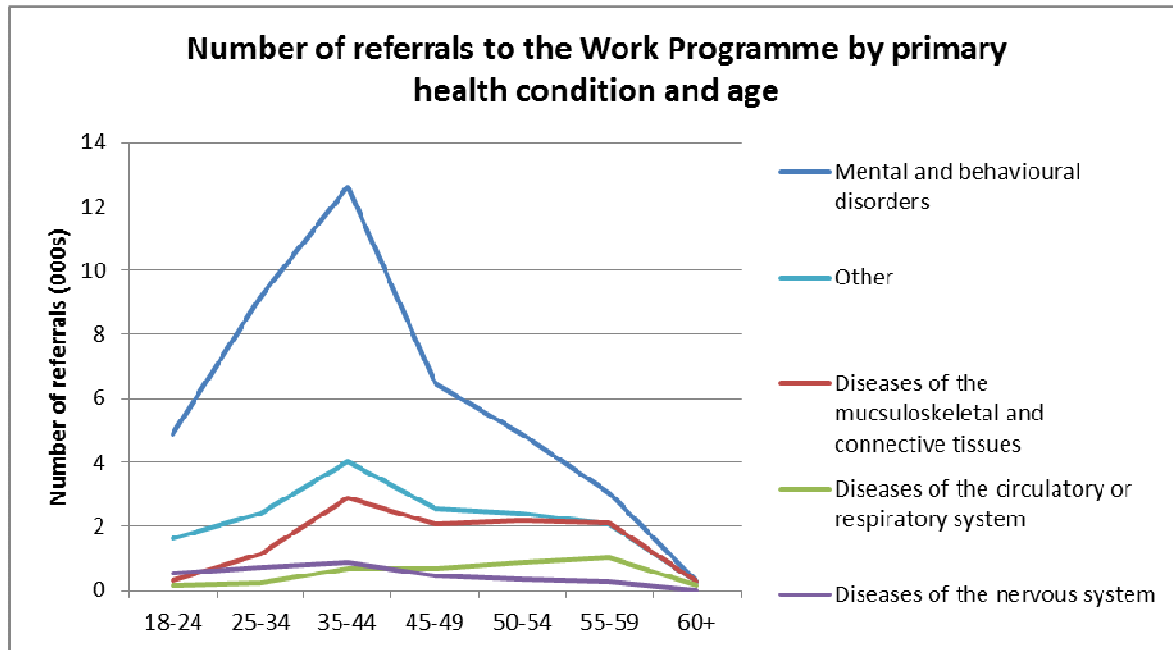


Interestingly, as shown by Chart 6, not all health categories contain more older people. The overall number of referrals for people with a mental health condition declines substantially among the 50+, as with nervous system disorders.

The number of referrals for musculoskeletal disorders remains fairly constant across all age groups, and of the main categories only circulatory or respiratory conditions actually appear to increase with age.

This does not, of course, mean that overall incidences of each condition follow the same pattern across society, only that this is true among those who join the Work Programme. For example, older people with a health condition may be more likely than younger people to choose to drop out of the system and give up looking for work, effectively being forced to 'retire'.

Chart 6



7. Conclusion

The Work Programme may have missed its initial targets, but the early indications are that the next set of results will be more positive.

At present it is failing jobseekers aged 55+. The Programme must deliver comparable results for this age group as for younger age groups, and we will continue pressing the Government for changes to ensure it achieves this.

Age is in itself a barrier to work, and until this is accounted for in the structure of the Work Programme older jobseekers will continue to pay the price.

If the Government is serious about extending working lives, they must make sure that everyone who wants to and is capable of working can do so, regardless of age.

Christopher Brooks

March 2013

ⁱ Centre for Economic and Social Inclusion (2012), Work Programme Performance Statistics: Inclusion Analysis

ⁱⁱ ERSA Job Start Data, November 2012

ⁱⁱⁱ DWP (2012), The Work Programme – information for advisers and intermediaries, page 5

^{iv} All age-based statistics are analysis by Age UK based on the data taken from the Department for Work and Pensions website, conducted in November and December 2012.

^v Economic and Labour Market Review (2010), Explaining exits from unemployment in the UK, 2006-9, Office for National Statistics

^{vi} Economic and Labour Market Review (2010), Explaining exits from unemployment in the UK, 2006-9, Office for National Statistics

^{vii} See for example: Kroft, Lange & Notowidigdo (2012), Duration Dependence and Labor Market Conditions: Theory and Evidence from a Field Experiment, NBER; or Cappellari, Dorsett & Haile (2005), Labour market transitions among the over 50s, Department for Work & Pensions Research Report 296

^{viii} This does not control for such regional economic differences, and so the figures are indicative only

^{ix} Northern Ireland has a separate welfare system, and has a similar scheme in place.

^x Centre for Economic and Social Inclusion (2012), Work Programme Performance Statistics: Inclusion Analysis

^{xi} Ibid.

^{xii} The Work Capability Assessment has proved controversial since its introduction – we are not concerned with these controversies here, this only includes a brief explanation about the benefit.

^{xiii} All ESA participants in the Support Group and most in the Work Related Activity Group can volunteer, however some can be mandated when they are expected to be fit for work in three months. See: DWP (2010), The Work Programme: invitation to tender.

^{xiv} The six groups are: 1) Contribution based; 2) Work related activity group – unlikely to be fit for work in short term; 3) ESA flow: Work related activity group – likely to be fit for work within 3 months (income related); 4) Support Group; 5) Ex-IB: Work related activity group – likely to be fit for work within 3 months (income related); 6) Ex-IB Support Group.

^{xv} See: Economic and Labour Market Review (2010), Explaining exits from unemployment in the UK, 2006-9, Office for National Statistics; also the Office for National Statistic's Labour Market Statistics, January 2013

^{xvi} Policy Exchange (2012), Too much to lose: Understanding and Supporting Britain's Older Workers

^{xvii} Sayce L (2011), Getting in, staying in and getting on: Disability employment support fit for the future, Department for Work and Pensions

^{xviii} This presentation of the data does not contain the category 'Injury, poisoning and certain other consequences of external causes' because of low numbers.