

The Work Programme and older jobseekers

September 2013

1. Introduction

Long-term unemployment, usually defined as over 12 months out of work, is one of the most serious problems facing the 50+ cohort in the modern labour market. Of all older workers who are unemployed, nearly 47 per cent have been so for more than a year.¹

It can be very difficult or even impossible for these people to move back into work, often because of ageist attitudes by employers, a lack of high quality advice and guidance, and personal barriers (for example low levels of IT skills).

The Work Programme is the flagship Government scheme providing support to the long-term unemployed, using mainly private sector contractors operating under a payment-by-results system to move people into sustainable employment. The scheme 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 supports its objectives. However, so far the Programme has not worked well for older jobseekers.

This report provides analysis and recommendations in relation to older participants, based on the latest set of Work Programme data covering the period from June 2011 until March 2013, published by the Department for Work and Pensions (DWP).

With Work Programme contracts ending in 2016, the DWP will soon begin designing 'Work Programme 2'. It is not yet known exactly what this will constitute. It is particularly important that our recommendations are considered in the context of how they will fit into any future system.

2. Key points and policy recommendations

- As the Government designs 'Work Programme 2', it must embed the Extending Working Lives Agenda at the heart of its structure and operation, making sure that everyone who wants to work and is capable of doing so can.
- The Work Programme has been less effective at helping the over 50s – especially the over 55s – than younger age groups. Only 6.22 per cent of participants aged 55 and over achieved a successful job outcome, compared to 11.4 per cent of under 55s. This needs to be remedied in 'Work Programme 2'.

- For 'Work Programme 2', changes need to be made to the payment structure and claimant journey for older jobseekers:
 - The referral time for JSA claimants aged 55+ (who are particularly disadvantaged) 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.
- The incentives must be designed to prevent providers from parking their older clients and to ensure that the appropriate support to help them into sustainable employment is on offer.
- The DWP and welfare-to-work providers must work together to create a mechanism for sharing good practice relating to older jobseekers. This could, for example, include innovations and examples of using supply chains more effectively.
- 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 design of 'Work Programme 2' needs to recognise that such people may well still have health-related barriers and so may need additional support.

3. Worse outcomes for older participants

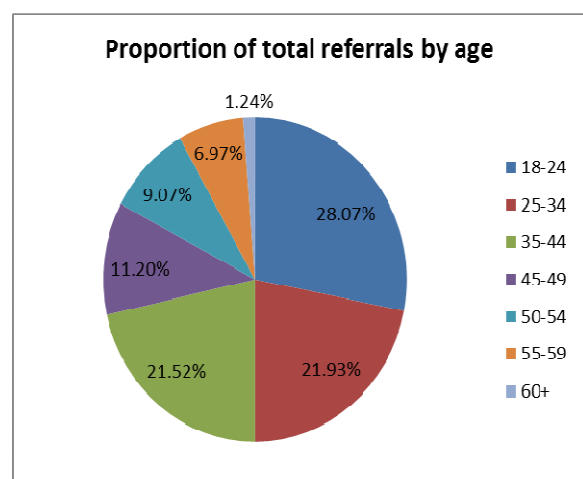
While the Work Programme has improved its overall performance in its second year of operation,ⁱⁱ it is still failing to adequately support older workers, particularly those aged 55+ who face by far the lowest job outcome rates.

Older workers appear to be at risk of being parked and left languishing on benefits or being forced to retire earlier than desired. The difficulties faced by older jobseekers in the jobs market generally are reflected in the Work Programme by the declining success rates as participants get older. We are primarily concerned with relative outcomes within the Work Programme – i.e. how older participants are faring compared to other age groups - rather than judging whether the programme is successful overall.

Age profile of referrals

While older jobseekers are in a minority, they are still a substantial number. In total there have been 1,204,000 people referred, of whom about 200,000 were over 50 (17.3 per cent of the total), and 99,000 over 55 (8.21 per cent). Chart 1 shows a breakdown of the age profile of people referred until March 2013.

Chart 1



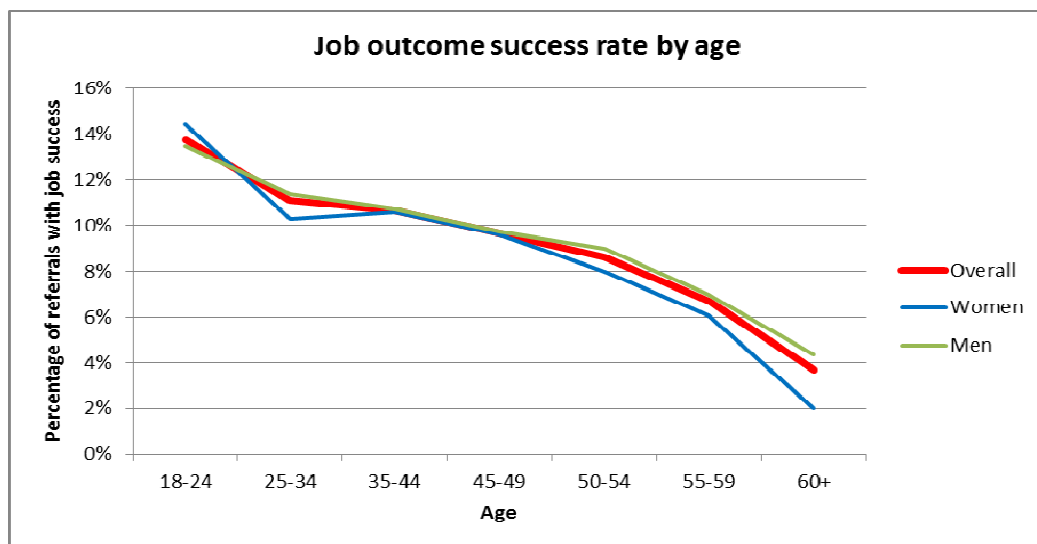
People over 50 are an increasing proportion of the total participants. In the first 14 months of the Work Programme the 50+ cohort made up 16.7 per cent of the total. Among over 55s the proportion has risen from 7.9 per cent.

Successful outcomes decline with age

The rate of successful job outcomes gradually declines as participants get older. A successful job outcome means that the participant has entered and remained in work for three or six months – dependent on which of the seven ‘payment groups’ they fall into – i.e. they have found a sustainable job.

Chart 2 shows how success rates decline with age.ⁱⁱⁱ This shows clearly that the Work Programme is not working for the over 50s and particularly the over 55s.

Chart 2

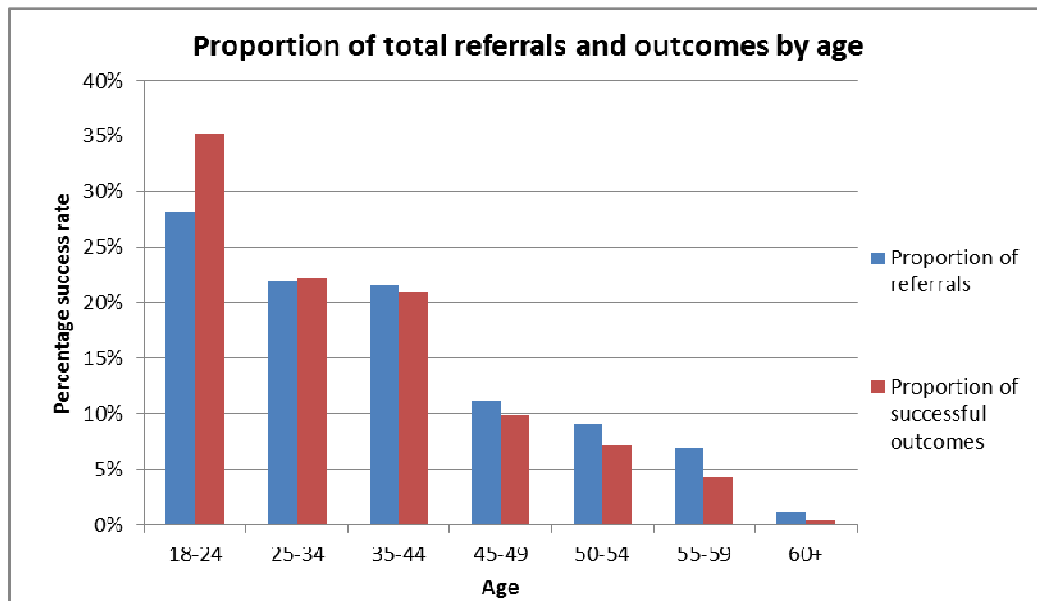


This may broadly reflect expected outcomes if job attachments were left to market forces. However the Work Programme is explicitly *not* market forces – it is a programme of Government-led intervention – and we believe it is incumbent on the Government to use and the means available within this framework to help correct labour market inequalities.

There is also an interesting gender split, with women generally faring worse than men. Women typically have shorter spells of unemployment, so it's unclear why this differential occurs within the Work Programme.

Chart 3 below shows an alternative way of expressing the decline with age. It illustrates the proportion of total referrals within each age group and the proportion of total successful job outcomes.

Chart 3



This could indicate that providers are ‘parking’ their older participants, i.e. not even trying to help them find work – perhaps because the over 50s are more likely to have multiple barriers, for example a health condition or low digital skills, giving providers less incentive to help.

In addition, age is a barrier to work in its own right.^{iv} There is a substantial degree of ageism in the labour market that affects older jobseekers’ chances of finding work.^v Such discrimination is an issue across the labour market, and a wider cultural change is needed in order to improve the situation.

Under 55s versus over 55s

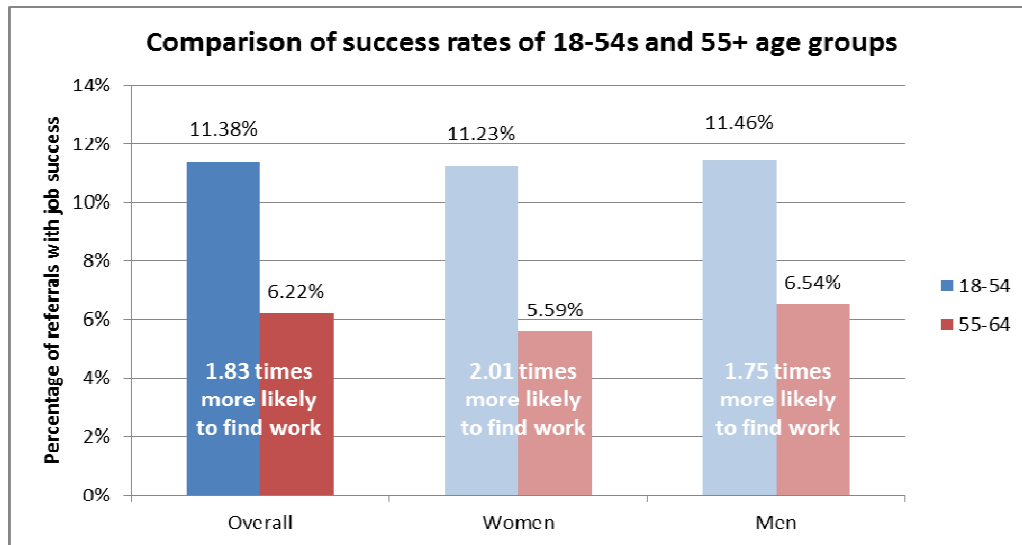
To demonstrate the barriers faced by older jobseekers, we looked at the difference in successful job outcome rates between the under and over 55s. Chart 4 compares the two age groups and illustrates that success rates for the over 55s are 45.3 per cent lower than for the under 55s.

The difference is exacerbated among 55+ women, who achieve less than half the proportion of successful job outcomes than their under 55 counterparts.

This significant differential illustrates some serious flaws with the Work Programme for older jobseekers.

Even when 18-24s are taken out of the equation – i.e. comparing 25-54s with the 55+ age group – the difference in success rates is still large at 39.8 per cent overall (43.3 per cent for women and 38.1 per cent for men).

Chart 4



Changes since the first figures

The first set of figures, covering the period from June 2011 to July 2012, was published by the DWP in November 2012. Again these showed that the older a participant, the lower were their chances of finding a sustainable job.

The main difference between these first figures and the second set (on which most of this briefing is based) was the 50-54 age group who had slightly outperformed the 45-49s. There was therefore a sharp drop in successful outcome rates for those aged 55+.

This pattern has changed in the second set of figures with a more gradual decline in outcomes as age increases.

Chart 5 below shows the age pattern from the figures published in November 2012, and can be compared with Chart 2 (above) for the latest.

Chart 5



Policy Recommendations

A clearer case is now emerging for investing in helping all 50+ participants, although participants aged 55+ still suffer even worse outcomes.

Early referral to the Work Programme. Age UK believes the over 55s who have failed to find work within six months of commencing a Jobseekers Allowance claim should be referred to the Work Programme. 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.

- 1) **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).
- 2) **Introduce separate? minimum outcome standards for the over 55s**, to encourage contractors to place their older clients in sustainable work. While Age UK broadly supports the 'black box' approach of total freedom of delivery for providers, this does not – at present – appear to be helping older participants. Minimum standards 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 Work Programme.

4. Regional variations in performance

The significant variation between regions and providers among older participants strongly suggests there is scope for improvement. The figures presented in this section focus on 55-59 year olds as this group has lower outcome rates than younger age groups while still being a large sample (84,000 individuals).

Local economies

The Work Programme is divided into 18 contract areas – 16 in England, plus Wales and Scotland.^{viii} Each area typically has two contractors, although four regions have three.^{ix}

The rest of this section of the briefing explores the evidence on local economic variation among 55-59s. It concludes that local economic variation may be one factor in varying performance, it cannot be held mainly responsible for any differences.

The DWP dismisses local economic conditions as irrelevant^x, while the Centre for Economic and Social Inclusion (CESI) state:

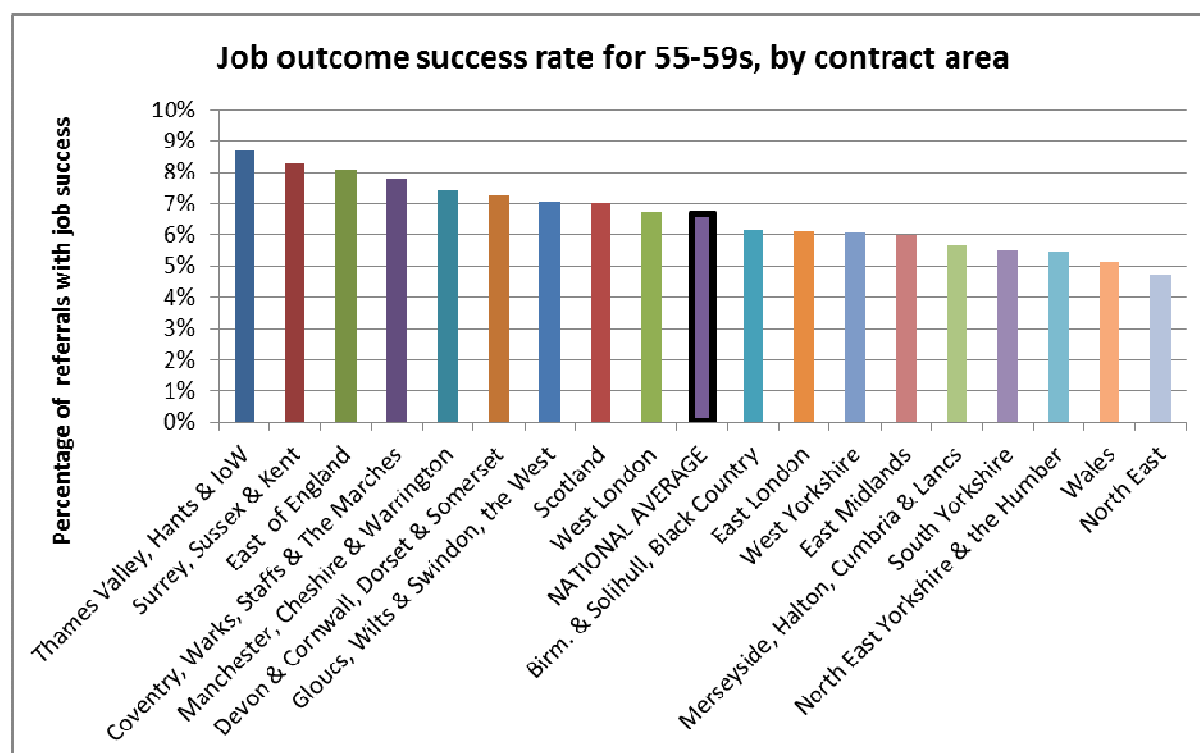
“there is some evidence that areas with worse economies like the North East, Wales and the Humber have done worse, though Scotland and Greater Manchester have performed relatively well”^{xii}

This suggests that local economies are not the overriding factor. The CESI also acknowledge that it is still a relevant consideration: “performance differences will reflect both underlying economic factors and provider performance”^{xii}.

Demographic factors such as skill levels among in each area are also likely to be relevant, but it is not possible to investigate this with the available data.

Chart 6 shows a breakdown of success rates for 55-59 year olds for each contract area. It’s clear that there is a substantial amount of variation. Thames Valley, Hampshire and the Isle of Wight is the top performing area with an 8.7 per cent success rate, nearly double the rate in the worst performing area, the North East (4.7 per cent).

Chart 6



Since the first Work Programme statistics were published, there has been some notable changes. Thames Valley retains its place at the top of the 55-59 job success table, while the next two highest performers have improved their relative position.

Scotland previously had the second highest outcome rate, but has now fallen back although still outperforms the national average.

Among the worst performing areas, the North East has remained as the area with the lowest success rate for 55-59 year olds, while Wales’ relative position has declined.

The most improved area was Devon & Cornwall, Dorset and Somerset which rose from the third worst to the fifth best performer.

Differentiation within an area

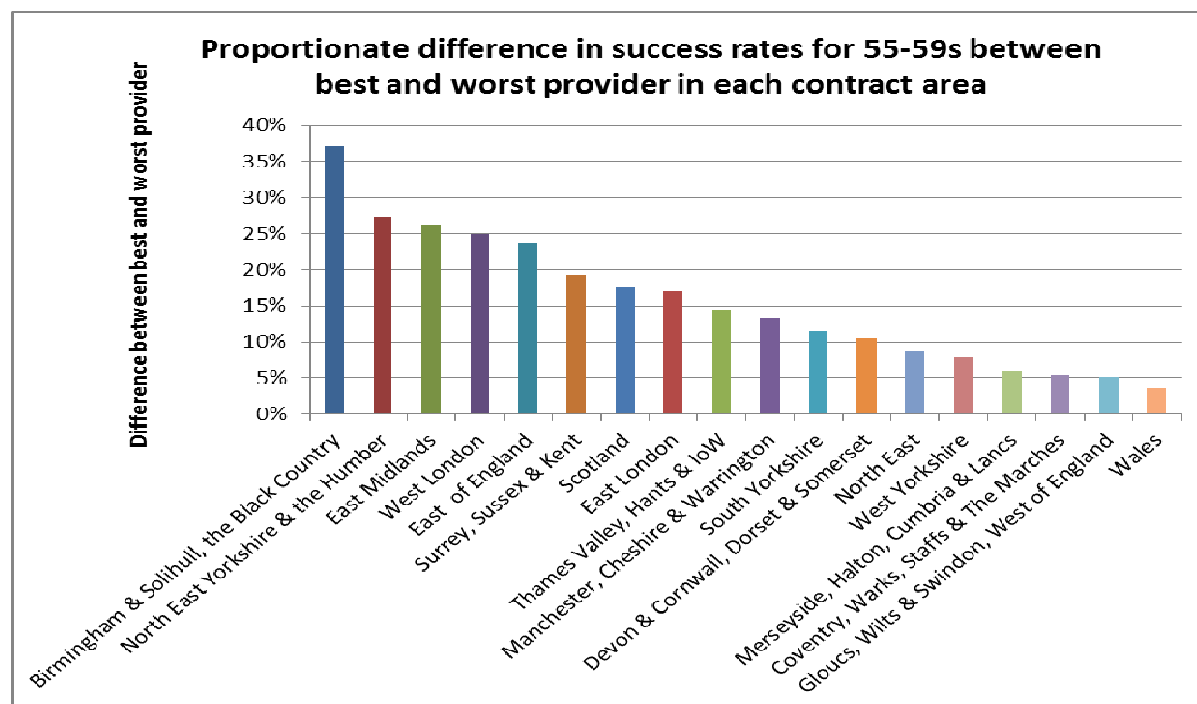
Even if local economic variation were the predominant factor in explaining outcomes for 55-59s, this could be mitigated by provider performance. Therefore differences in performance between providers operating in the same area could indicate that there is scope for improvement.

To provide more specific evidence of the impact of provider performance, we've looked in detail at job outcomes for 55-59 year olds at the contract package area level. If the prime providers were all maximising their results then we would expect a high degree of consistency between areas – in most areas this does not happen.

Chart 7 shows the difference between the best and worst performing providers in each area.^{xiii} In the Birmingham and Solihull, the Black Country area, the difference was a huge 37 per cent – the best performing contractor here achieved over a third better outcomes than the worst. North East Yorkshire and the Humber had the second highest differential at 27 per cent. In all, eight contract areas showed a variation of more than 15 per cent.

At the other end of the scale, the two contractors in Wales were remarkably consistent showing a variation of just 3.5 per cent.

Chart 7



This does not necessarily imply good or bad practice in particular areas (although where there are large differentials it does strongly suggest at least one provider could do better), but it does show that even within a local economy where contractors are likely to work with similar clients and employers, a significant variation in outcomes can be experienced.

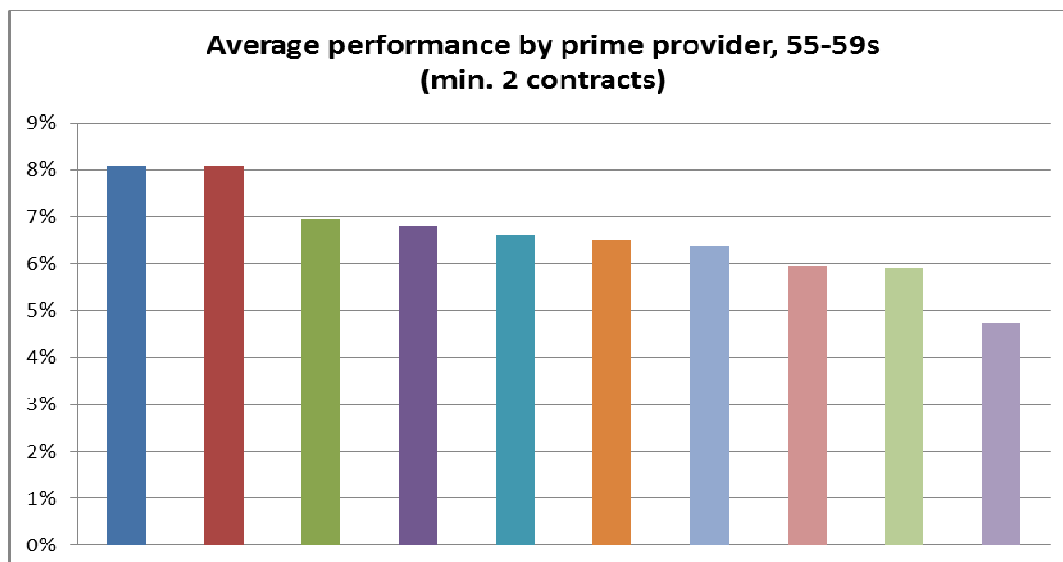
Examining how to raise standards among all providers will help eradicate these differences while benefiting older participants and the welfare-to-work industry alike. A mechanism for sharing good practice is a good starting point.

Provider differences

Chart 8 below illustrates the variation between providers in achieving successful job outcomes for 55-59s, showing the success rates across all contract packages for prime providers who run at least two.

The best performing contractor has achieved a successful job outcome rate of nearly double the worst performer, illustrating the range of outcomes for this age cohort.

Chart 8^{xiv}



Of the six providers operating in the three best performing areas for 55-59 year olds, three also operate in the three worst performing areas, illustrating the potential for learning within their own companies. These providers – and others – should examine how they can better link their regional operations to improve performance.

Chart 9

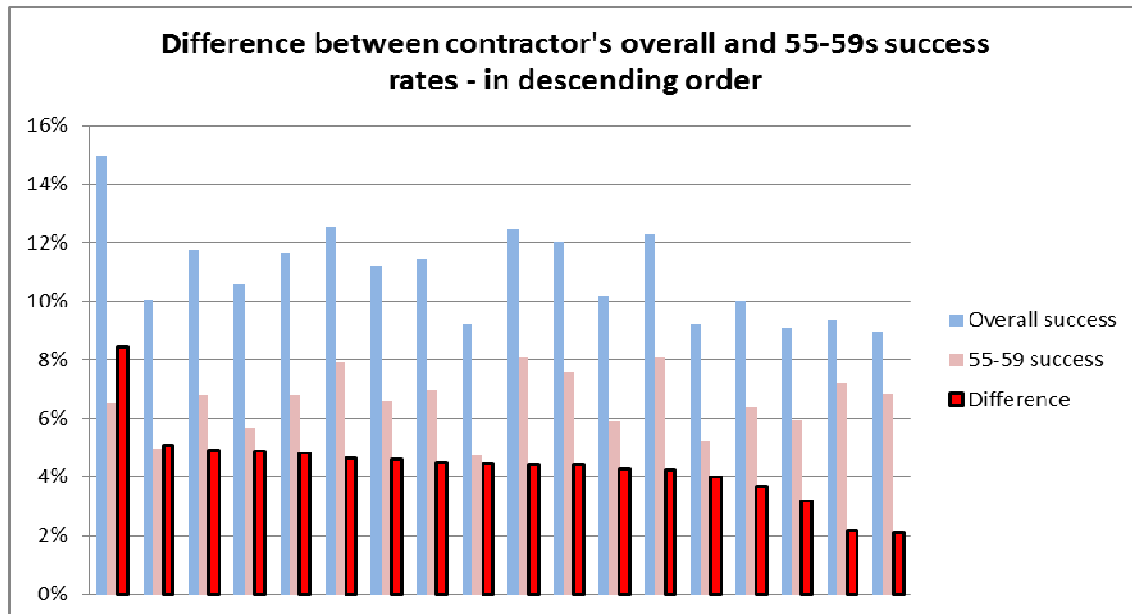


Chart 9 illustrates the differences for each prime provider between their overall success rates and those for 55-59s. It highlights clear inconsistencies between how the Work Programme is performing for younger and older age groups, regardless of overall performance of the provider. Only two providers achieve a gap of less than three per cent. If this was calculated to show 55-59 outcomes as a proportion of overall outcomes, the difference would be even more striking.

Policy recommendations

1. There is significant scope for improvement in delivery among the providers. The DWP should facilitate **a mechanism for sharing good practice**, and providers need to cooperate in delivering this.

5. Benefit type and age

The size of the fee paid to providers 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 Work Programme’s initial invitation to tender.

There are two benefits leading directly to the Work Programme – Jobseekers Allowance (JSA) and Employment and Support Allowance (ESA). These are then sub-divided into different ‘payment groups’. Both benefits groups include ex-Incapacity Benefit (IB) claimants. An explanation of these is included in Appendix A.

JSA claimant outcomes

Work Programme participants entering from a Jobseekers’ Allowance route follow a similar age profile to the overall pattern, as shown by Chart 10.

Early entrants (for example ESA claimants who wait less time before referral) consistently enjoy higher successful outcomes in spite of the probability of having more serious barriers to work. This emphasises the benefits of allowing access to the Work Programme in a shorter timescale for groups who are disadvantaged in the labour market, including older workers.

Ex-IB claimants suffer the lowest job outcome rates in this group. This is likely to be because many still suffer from a health condition – even if this is not enough to get ESA – that acts as an additional barrier. Many of this group are hyper-long term unemployed having been out of work for, in some cases, more than a decade. This distance from the labour market will also act as a significant barrier to work.

JSA prison leavers are the only group where outcomes improve with age, although the numbers are quite small (those aged 55+ are not included for this reason).

Chart 10

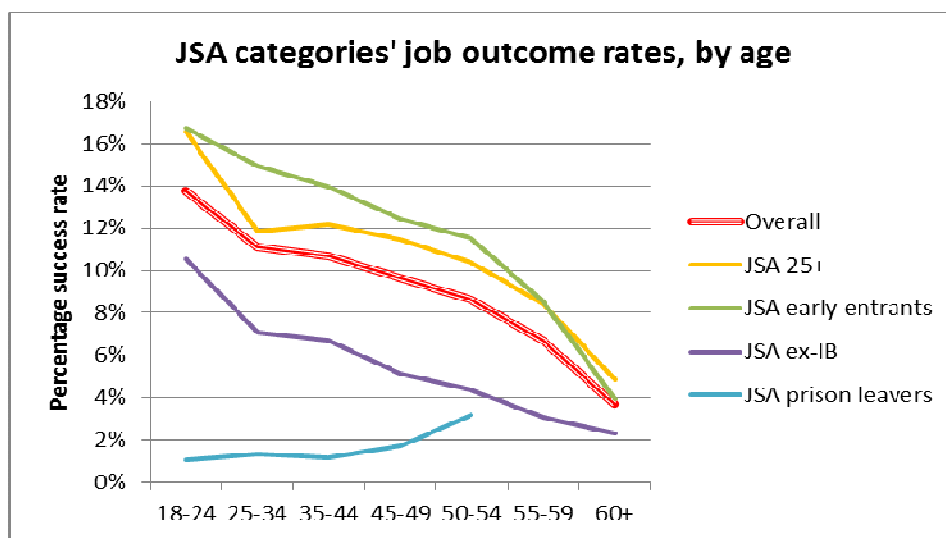
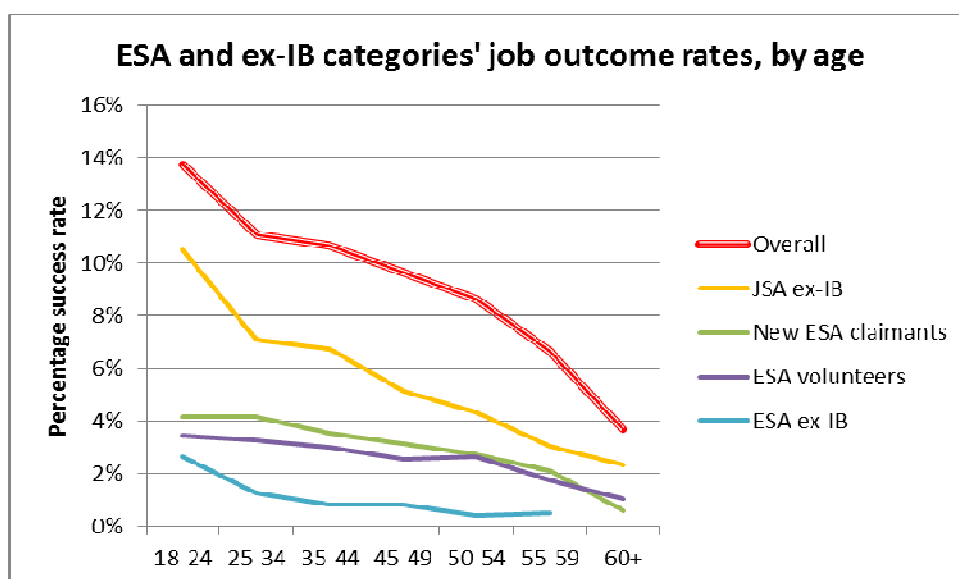


Chart 11



ESA claimant outcomes

Chart 11 below shows outcome rates by age group for ESA payment groups (JSA ex-IB claimants are included again as a comparator). ESA claimants fare worse than JSA claimants across all age groups, and are well below the national average success rate.

A few interesting points arise:

- New ESA claimants achieve a higher success rate than do ESA recipients who volunteer – emphasising the value of early referral onto the Work Programme.
- ESA ex-IB claimants have the lowest success rate of any identifiable group in the Work Programme, even lower than JSA prison leavers at all ages apart from 18-24.
- The relatively small numbers of ESA payment group participants at older ages and low success rates may mean there is less incentive for providers to invest in appropriate support. For ESA ex-IB claimants aged 55+, just 109 people have been referred to the Work Programme per contract package area since the Work Programme started in June 2011.

Policy recommendations

1. **Early referral onto the Work Programme** should be extended to all ESA payment groups. This could improve the chances of people with health conditions returning to work.
2. There is a strong indication that **JSA ex-IB claimants often still suffer from substantive health issues**, and this is reinforced by testimony from many providers. This low outcome rate is further evidence that the payment structure of the Work Programme is insufficient to meet the range of conditions and barriers to work faced by all user groups. The Government should urgently look at reform, including how to improve incentives to place older participants in sustainable work.
3. **Access to Work should be further expanded and marketed more effectively to Work Programme participants and providers.** This could help support people back into work and provide contractors and potential employers with a financial means of addressing some of the barriers to work that may arise.

6. Health and disability

The benefit routes alone do not provide a satisfactory explanation of the impact of health problems. Although claiming ESA is an indicator of poor health, many providers anecdotally report that JSA claimants are often in worse health than their ESA counterparts.

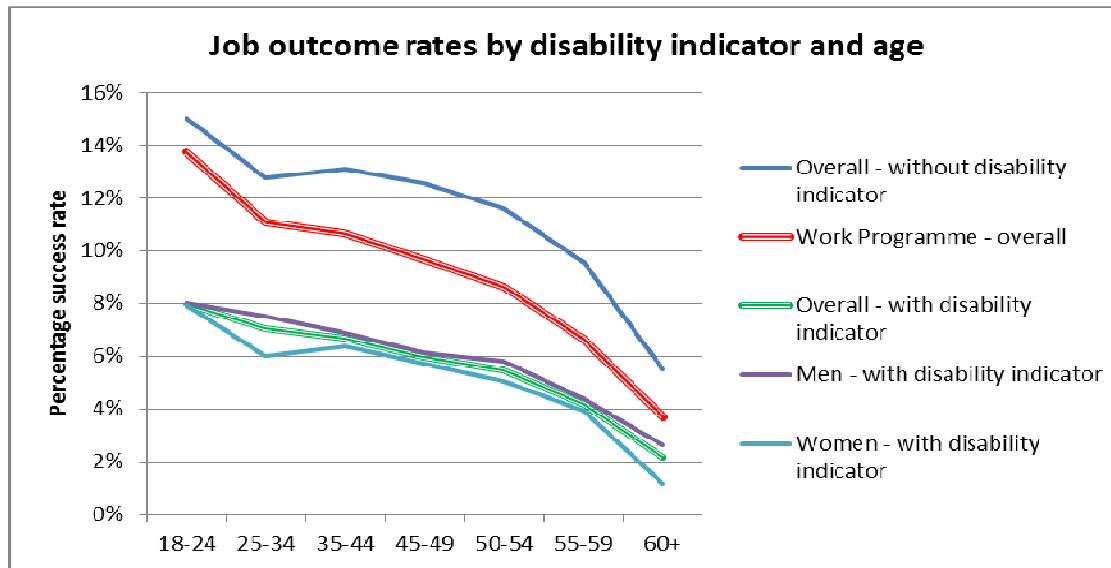
Disability

The DWP provides data on outcomes by 'disability indicator'. This indicator is a measure of self-reported disability, and unfortunately does not specify the condition suffered from by the Work Programme participant.

Just over a third (33.5 per cent) of participants report a disability. This proportion increases with age, reaching over half among the over 55s.

People with a disability suffer lower successful job outcomes than those without. This would perhaps be expected in the labour market but, as with older jobseekers, the Work Programme could correct for these inequalities more effectively. Chart 12 shows the successful job outcome rates for people with and without a disability. For those with, again women fare worse than men.

Chart 12



It's unclear from this information whether age is, in itself, a factor that exacerbates negative outcomes for disabled people. To investigate this further we conducted the following analysis, effectively controlling for disability and allowing us to see the additional impact that age has.

Chart 13

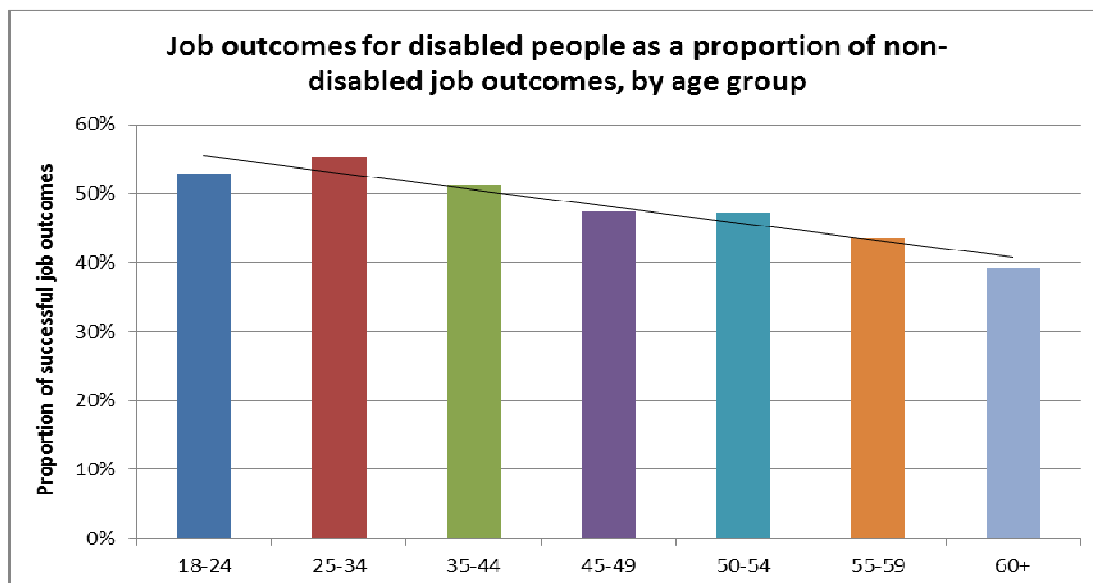


Chart 13 shows disabled peoples' successful outcomes as a proportion of non-disabled peoples' outcomes, within each age group. It therefore is only comparing people within an age group, allowing us to see that success rates decrease as age increases.

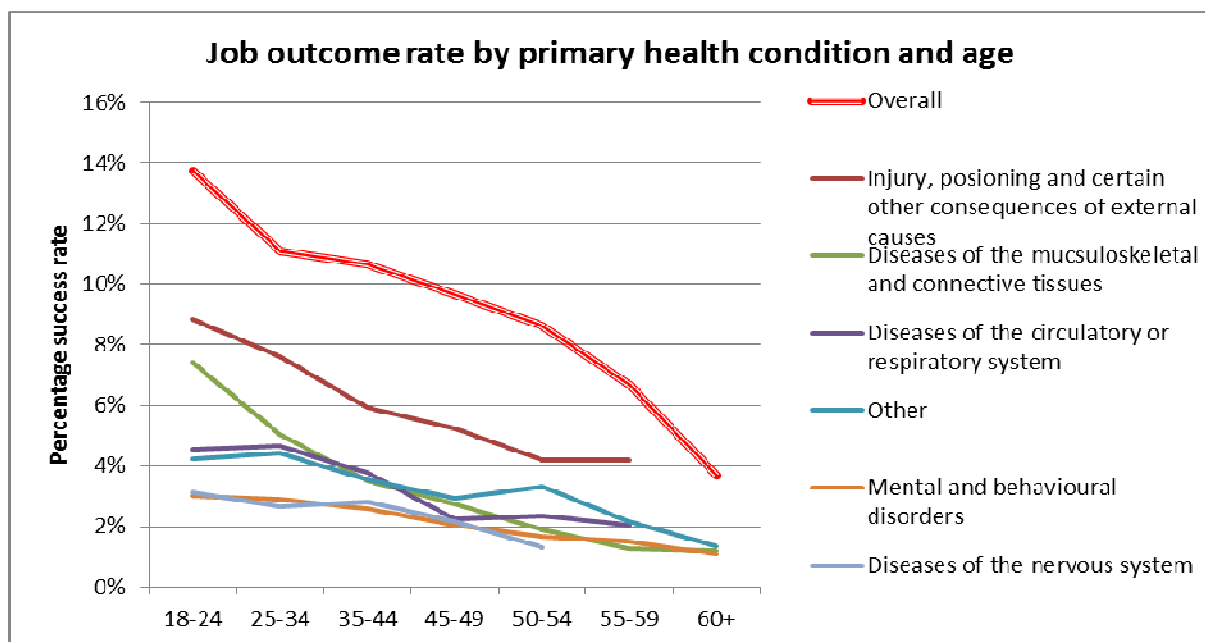
We can therefore conclude that among disabled participants, age is an additional factor that hinders ability to get a sustainable job and appears to be a more significant barrier to work than among non-disabled participants.

Whilst we do not know the nature or severity of the reported disabilities it does not necessarily affect the conclusion, as we cannot assume that disability gets progressively worse with age. Younger people may experience fewer but more severe disabilities, while older workers are more likely to develop minor conditions in their mid-to-late 50s or early 60s (with considerable variation within each age cohort). People in the ESA Support Group would not be on the Work Programme, so while we cannot evaluate the level of disability faced by participants, they are unlikely to be severely disabled.

Health conditions

Chart 14 shows successful job outcome rates by age for each primary health condition.

Chart 14



People who report a health condition face additional barriers to work and fall below the average success rate, across all age groups. Chart 14 shows the rates for the main health condition groups categorised by the DWP.

The job success rate for people with musculoskeletal disorders is consistent with that shown in Chart 11 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.

Christopher Brooks
September 2013

Appendix A

Brief explanation of JSA and ESA

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.
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. JSA ex-offenders – people leaving prison, who are referred on to the Work Programme upon their release.
4. 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).^{xv}

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

ⁱ September 2013 Labour Market Statistics, Office for National Statistics

ⁱⁱ For analysis of the overall figures, see Centre for Economic and Social Inclusion (2013) briefing

ⁱⁱⁱ The figures are all calculated from the June 2013 DWP dataset by Age UK, unless otherwise stated

^{iv} Age UK (2010), Age as a barrier to work

^v See for example: CIPD (2010), Managing an ageing workforce; TAEN (2013), Survey of 50+ jobseekers; or Age UK (2011), The Age Regulations five years on

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

^{ix} The four areas with three prime providers operating are: Manchester, Cheshire & Warrington; Birmingham & Solihull, the Black Country; West London; East London

^x See for example the Public Accounts Select Committee's report, Work Programme outcome statistics (2013), <http://www.publications.parliament.uk/pa/cm201213/cmselect/cm Pubacc/936/93604.htm>

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

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

^{xiii} In all but three areas there are two prime providers, the exceptions being the East and West London and Birmingham & Solihull, the Black Country packages in which there are three.

^{xiv} Names of providers have been removed. The best and worst performers are the same even when including providers with one contract area.

^{xv} 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.

^{xvi} 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.

^{xvii} 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.