

Evaluating Public-Private Partnerships in Employment Services: The Case of the UK Work Programme

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JEL codes: J64, J68, J22.

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Evaluating Public-Private Partnerships in Employment

Services: The Case the UK Work Programme*

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Abstract

Although there are many public-private partnerships in employment services around the world, relatively little is known about the link between the design and structures of these partnerships and their labour market effects. Here we examine the case of the UK Work Programme (WP), which features considerable flexibility in interventions and offers financial incentives that vary strongly with jobseeker profiles and outcomes. We draw on data on all two million WP participants between 2011 and 2016 and exploit the programme's structure to disentangle the role of the different providers and jobseeker profiles from business cycle and other confounding effects. Our main results are: 1) the WP has a much stronger effect in increasing transitions out of unemployment than increasing transitions to employment, even if its incentives are related to the latter outcomes; 2) the performance differences across providers are small, despite their large number and the flexibility in interventions; 3) although transitions to employment of harder-to-help jobseekers are significantly better rewarded, these individuals still performed significantly worse than participants closer to the labour market.

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1 Introduction

Over the last two decades, several countries have launched public-private partnerships in the delivery of employment services. These partnerships have pursued different but complementary goals, including increasing capacity and flexibility to support jobseekers, promoting greater innovation and differentiation of interventions, and improving the monitoring on specific outcomes of interest. Other aspects of these partnerships included strengthening both the incentives for providers and the activation of jobseekers, potentially reducing the overall costs of (active and passive) labour market policies.

The emergence of these novel models of employment services has prompted two largely separate streams of research, one mostly quantitative (focused on comparing the effectiveness of public and private providers e.g. Benmarker et al., 2013; Behaghel et al., 2014) and another essentially qualitative (focused on describing the characteristics of the new provision models, e.g. Finn, 2012). In this paper, although we do not compare public and private providers, we combine the two approaches above in the sense that we examine the relationship between the (qualitative) structure of a public-private partnership and its (quantitative) effects in a number of jobseeker outcomes. In this way, we seek to contribute to a better understanding of the relationship between some of the multiple dimensions of the design of these partnerships and their outcomes, in particular as far as the participating jobseekers are concerned.

The focus of our analysis is the Work Programme (WP), the leading employment services and activation scheme in the United Kingdom between 2011 and 2017 and one of the largest programmes of this type in the world. Amongst other distinguishing features, all described in greater detail below, the WP was delivered through competitive contracts with a range of non-public providers, including private and voluntary organisations, funded by a total budget of almost £5 billion supported by the Department for Work and Pensions (DWP). These providers were tasked to complement the activation efforts of jobcentres (public employment services), focusing on jobseekers considered harder to help or more distant from the labour

market. The WP was also characterised by payments to providers largely conditional on the results achieved (transitions to sustainable employment) and differentiated depending on the jobseeker profiles, with more generous rewards for placements of harder-to-help jobseekers.

Given the distinctive structure of the WP, our views regarding the existing gaps in the literature and the data available, our analysis focuses on three main questions. First, we compare the effects of the WP on transitions out of unemployment and transitions into employment. This analysis addresses the question about whether activation programmes can be (much) more successful in reducing access to unemployment benefits than promotion of transitions to employment (Petrongolo, 2009; Martins and Pessoa e Costa, 2014). Second, we compare the effectiveness of different providers in supporting jobseekers. This comparison concerns the goal of promoting innovation and improved outcomes compared to the case of a single, public provider. Finally, we examine the impact of the WP across groups of jobseekers and contrast this impact with the financial incentives offered to the providers. More broadly, we are also interested in shedding light on the potential role of the WP in the resilience that the UK labour market has displayed over the last decade, despite the severity of the financial crisis of 2008.

Our research draws on WP population micro data, of around 2 million individuals referred between 2011 and 2016, including two key outcomes: transitions out of unemployment and transitions into employment. The data are based on generally small groups of jobseekers defined by the month when the individual is referred to the WP (from June 2011 until December 2016), the region where the individual lives (18 different ‘contract package areas’), the provider of the employment services (15 different organisations), and the profile of the jobseeker (10 different ‘payment groups’). Except for the more recent cohorts, initiated since 2015, all are followed monthly for 24 months, leading to a data set of nearly half a million (485,569) observations, each corresponding to a specific combination of cohort, month, profile, provider, and region.

Our econometric analysis of the impact of WP and its differences across providers and

jobseeker profiles is based on the estimation of different equations of the two key outcomes mentioned above. In order to disentangle the potential confounding effects of other variables, we consider several groups of fixed effects (start month, current month, number of months in WP, region, provider, and jobseeker profile), as well as the regional unemployment rate, resulting in a total of around 190 regressors. Provider and region fixed effects can be identified simultaneously as there are multiple providers per region and providers operate in multiple regions. The same applies to the three types of time fixed effects, as multiple cohorts are observed at any given month and at any given duration of their spell, while cohorts are followed for up to 24 months. We also draw on the randomised allocation of jobseekers (of the same payment group) to different providers in each region.

To the best of our knowledge, our paper is the first to examine empirically the dimensions of the WP indicated above. The closest paper to ours that we know of is Dorsett and Lucchino 2016, a report for the DWP focused on the potential drivers of performance differences across providers. They consider individual-level data over a slightly shorter period than us and a different approach to the measurement of provider effects, finding that ‘much of the variation in provider performance remains unexplained’.

Our findings indicate that transitions off-benefits greatly exceed transitions into employment: on average, 10% (30%) of a cohort is employed (off benefits) by the 12th month in the WP. These rates increase to 21% (39%) by the 24th month. Despite finding statistically significant variation in jobseeker outcomes across providers, we consider the differences to be of (very) small economic magnitude, in contrast to what some would expect to be potentially large performance gaps across providers. Finally, we also find that jobseeker characteristics (payment groups) play a significant role in explaining the variation in the outcomes (both transitions into employment and transitions out of unemployment), with the harder-to-help groups performing significantly poorer. These large statistical and economic differences in job outcomes across jobseeker groups that we uncover suggest that the DWP payment structures could be redesigned to increase job outcomes, in particular among hard to help groups, even

if holding the total budget constant.

The remaining of the paper is organised as follows. Section 2 reviews the existing literature and Section 3 describes the WP. Section 4 presents the data used in this study and its descriptive statistics. Section 5 describes our methodology and presents the results and robustness checks. Finally, Section 6 concludes.

2 Background

This section summarises some of the studies that have examined the effects of public-private partnerships in employment services. A first group of studies is focused on evaluating the potentially contrasting jobseeker outcomes under public and private approaches, using experimental or quasi-experimental econometric approaches. These papers stem from pilot studies conducted in a large number of countries across Western Europe and reach conflicting findings: while in some cases private delivery is shown to outperform public services this is not necessarily always the case.¹

First, a group of articles finds either no significant differences between public and private delivery or even that public services outperform private delivery. For instance, Bennmarker et al. 2013 is based on a randomised experiment in Sweden to evaluate the effectiveness of private and public provisions in activation policy. The authors found that, although there is a better relationship between jobseekers and the caseworker in the private sector, there was no significant difference in the transitions into employment between type of providers. A similar conclusion was made by Rehwald et al. 2015, based on a randomised experiment in Denmark.

Moreover, Behaghel et al. 2014 found results favouring the public sector provision. The authors conducted a controlled experiment on private and public provision of counselling to jobseekers in France. Similarly, Krug and Stephan 2016 studied job placement services in

¹We do not cover here the very large activation literature that is focused on the (impact) evaluation of specific employment programmes, including Black et al. 2003; Geerdsen 2006; Van den Berg et al. 2012 and martins2014reemployment, in contrast to the effect of their mode of delivery, as in our case. See Card et al. ming for a recent survey and martin2001works for a review of OECD countries' experiences with active labour market policies.

Germany and found that public provision reduced unemployment duration by one to two months more relative to private provision.

On the other hand, Cockx and Baert 2015 found evidence favouring private provision when investigating a mandatory training policy for long-term unemployed in Belgium. The authors observed an improvement in transitions into employment among private providers in comparison to public services. Further, Bernhard and Wolff 2008 found similar positive evidence about private providers, in this case when researching a German activation policy using a propensity score matching technique. The authors also showed that this performance differential is particularly strong for some subgroups of individuals such as harder-to-help jobseekers.

A second group of studies examines the role of the contractual agreements and programme design aspects in public-private partnerships. Particular attention is paid to potential unintended harmful effect of activation policies delivered by private organisations (or, more generally, any organisations subject to performance-related incentives). Prominent examples are ‘creaming’ and ‘parking’, concepts that can be seen as two faces of the same coin - the former is focused on the positive selection of closer-to-the-labour-market jobseekers, while the latter is focused on the negative selection of harder-to-help jobseekers.²

One first study, Winterhager 2006, conducted a micro-econometric evaluation of the German placement services under private delivery and found a small and negative impact on transitions into employment, suggesting that this is due to poor contract management. Struyven and Steurs 2005 compared the Dutch and Australian activation strategies that follow the quasi-marketised model, and highlighted the important of special design and organisation arrangements to ensure these partnerships deliver good results. The authors found evidence of creaming and parking, in particular under high-performance targets. A similar conclusion

²More detailed definitions are provided by Carter and Whitworth 2015, in which ‘parking’ refers to “provider behaviour that deliberately neglects giving time, energy or resources to unemployed claimants with more substantial barriers to work, given that such claimants are considered to be relatively unlikely to move into paid work and/or to require considerable, and usually expensive, employment support to make a move into paid work likely”. On the other hand, ‘creaming’ refers to “provider behaviour that prioritises attention for unemployed claimants with fewer barriers to work and who are therefore felt to be easier, cheaper and also more likely to move into paid work and release outcome payments”.

was drawn by Carter and Whitworth 2015. Moreover, Koning and Heinrich 2013 examined Dutch data and found evidence of creaming, although without a significant impact on the programme outcomes. At the same time, they found that job placements increased with a quasi-marketised model with contracts based on payments-by-results. Several other studies have shown the importance of the policy design in eliminating or minimising unintended negative effects (Dockery and Stromback 2001, Behaghel et al. 2014 and Oslington 2005).

As indicated above, the literature surveyed does not consider the specific role of design aspects such as the payment structure within the contractual agreement of public-private partnerships, one of our contributions in this paper. We do this by examining provider and payment group (jobseeker profiles) differentials in the context of the WP. Furthermore, we also consider a number of extensions regarding other potential (unintended) effects of the reward structure of the WP, again not examined so far in other papers.

Although there have been very few studies conducted on the WP, a majority of them are qualitative studies, such as George et al. 2014, Finn 2012 and Fuertes and Lindsay 2016. To the best of our knowledge, our paper is one of the first to examine empirically the WP. As mentioned before, Dorsett and Lucchino 2016, is the only other contribution we know of. Dorsett and Lucchino 2016 consider individual-level data but a shorter period than in our case. They focus on the potential drivers of performance differences across providers within regions, even if these drivers do not vary exogenously across providers, as they acknowledge. In other words, these differences in activities adopted by each providers may be correlated with other differences that are actually the key drivers of differences in performance. In contrast, our focus is on establishing the magnitude of the differences in two different jobseeker outcomes (off-benefit and employment transitions) across providers and payment groups and examining that from the perspective of the goals of WP.

3 The Work Programme

In 2011, the UK government replaced a number of existing public private partnership delivery models, namely 'Flexible New Deal', 'Employment Zone' and 'Pathway to Work', combining these into a single, new programme, the 'Work Programme' (WP). The WP targeted a wider range of jobseekers than their predecessors, including long-term unemployed individuals as well as other groups of unemployed persons facing particular challenges (including disabled persons, individuals suffering from health problems, and ex-offenders). Distinctively, the WP model engaged a wide range of providers - private, public and voluntary organisations - to deliver services that would increase the transitions to sustained job outcomes. The engagement of these organisations in a more streamlined way was aimed at reducing the overhead cost from previously needing to directly manage hundreds of contracts.³

As of December 2015, the DWP estimated that a total of £2.2 billion had been paid to providers. In addition, the total contract value until 2017 is estimated at £5 billion (Dar 2016), which is equivalent to 0.11% of the cumulative UK public expenditure between 2011/2012 and 2016/2017. Reports from National Audit Office revealed that the WP delivers better value for money to generate outcomes equivalent to its predecessors (National Audit Office 2014). As of December 2016, around 2 million individuals had been referred to the WP while around 200,000 individuals were scheduled to receive interventions in 2017. The WP has now been discontinued: referrals from jobcentres have been conducted until April 2017, when the last referral was made; interventions are therefore scheduled to end in March 2019, given the 24-month duration of the programme for each cohort.

3.1 Eligibility and Profiling

The eligibility of jobseekers to the WP mainly depends on the type of benefit claimed. To be eligible, an individual should be claiming either Employment and Support Allowance (ESA),

³The novel contracting model is identified as the 'Prime provider model', where originally DWP issued and managed only 40 contracts. The organisations that received these contracts are known as 'prime' providers. Section 3.2 provides additional information.

Jobseekers Allowance (JSA), Income Support (IS), Incapacity Benefits (IB), or Universal Credit (UC).⁴ These types of benefits are identified as entry points to the programme. As of December 2016, the majority of the WP referred individuals claimed either JSA or ESA.

In addition to the type of benefit, the circumstances or characteristics of the individual are also an important aspect of eligibility. For instance, if the jobseeker is claiming JSA and is aged between 18 and 24, the jobseeker will be eligible to the WP after completing nine months of pre-programme activity (in the context of a registration with a jobcentre). Moreover, the eligibility criteria also determine the mandatory or voluntary nature of participation of the claimant. For example, individuals claiming JSA who are over 25 are necessarily mandatory participants. In this case, the individual must undertake WP-related activities, being subject to sanctions in case of non-compliance.

Once the eligibility criteria are met, jobseekers are automatically allocated to a payment group. These payment groups, which establish the rewards to the providers, are as follows: (1) JSA claimants aged 18-24, (2) JSA claimants aged 25 and over, (3) JSA Early Entrants, (4) JSA ex-Incapacity Benefit (IB) claimants, (5) ESA Volunteers, (6) New ESA Customers (excluding 12-month prognosis claimants; and 12-month prognosis claimants only), (7) ESA ex-IB claimants, (8) IB/IS Volunteers, and (9) JSA Prison Leavers. As their names indicate, Payment groups 1 to 4 and 9 are recipients of JSA, 8 are IB/IS claimants, and the remaining groups are ESA recipients. Table A1 lists the sub-groups in each payment group and their participation nature.

3.2 Providers and Supply Chain

The ‘quasi-marketisation’ model of the WP is based on the engagement of private, public and voluntary sector organisations. The providers are selected based on bids approved by the ‘Preferred Supplier for the Employment Related Support Services’ framework. This frame-

⁴ESA is an allowance which can be claimed by ill or disabled employed, self-employed or unemployed individuals. JSA is unemployment benefit provided to those who are unemployed (or working a small number of hours) and are seeking employment. IS is an allowance given to unemployed individuals who are either pregnant or lone parents. IB is given to those who are ill/disabled and is being phased out with the introduction of ESA. UC is a new benefit system that combines several existing benefits based on the individual.

work lists the pre-approved contractors who have formally agreed to the DWP's terms and conditions for following contract competition to bid for the WP and other welfare-to-work contracts (Finn 2012).

The procurement of the providers is based on the organisation's perceived ability to successfully implement and deliver long-term and outcome-funded contracts. In particular, the providers should have reported an annual turnover at least £20 million in order to bear the financial risks of operating a payment-by-results contract Work and Pensions Committee, 2011. In addition, the selection of the bidders is based on quality and pricing aspects, the former including supply chain management, service delivery, resources and stakeholder engagement and implementation.

DWP originally issued 40 contracts to 18 organisations (15 private, 1 public and 2 voluntary organisations) across 18 regions. In each of these regions, there are at least two providers operating, in order to promote a degree of competition. Table A2 lists these operating prime contractors and their respective contract package areas. The contracts were issued for a period of five years, with the aim of facilitating long term relationships among its supply chain and other partners and promoting investment in the services provided to jobseekers (Department for Work and Pensions, 2012).

All the contractors are open to choose two different supply chains, one that enables provisions exclusively through sub-contractors, while the other is a combination of direct and sub-contracting. Only two providers implemented the former model. The choice of supply chains depends on formal partnerships between the contractors and the subcontracting organisations. The latter are typically organisations operating in the region but that chose not to bid or that were unsuccessful in obtaining the contract through the bidding process.

Sub-contracting consists of two tiers. Tier 1 comprises of 'end-to-end' services where the subcontractor is responsible for attachment to the sustained job outcome of the claimant. Tier 2 is associated with specialist subcontractors that provide a particularly targeted intervention. These subcontractors provide services as and when required by a tier 1 subcontractor or a

provider.

3.3 Payment Model

As indicated above, the WP follows a payment-by-results differential structure to incentivise good levels of support to jobseekers and differentiation across profiles, eliminating or at least reducing ‘creaming’ and ‘parking’. The payment structure of the WP was also composed of four different elements originally - see Table A3 which lists the total amount allocated for each payment group and Figure A1 which presents the timeline of payments made following a referral. First, there is an attachment payment, per individual, made to providers once an individual is attached to the WP following the referral by the jobcentre to ‘kick start’ the market. This was usually triggered when the provider meets with the individual for the first time. This component was phased out from 2014.

Second, there is a job outcome payment, received by the provider when the participant continuously or cumulatively has been employed for a certain period as outlined by the DWP’s guidelines. This payment refers to the ‘sustained employment’ criterion, which requires a participant to be employed consecutively or cumulatively (total employed weeks, excluding unemployment spells if the individual has been unemployed between employment spells) for 13 weeks (payment groups 3-8) or 26 weeks (payment groups 1, 2 and 9), i.e. higher for those categorised as harder to help.⁵

Third, there is a sustainment outcome payment, made every four weeks when the jobseeker retains her employment. Finally, there is an incentive payment, received by the provider for exceptional performance, when exceeding a standard set by DWP. Almost all JSA claimants need to satisfy 26 weeks of cumulative or consecutive employment to claim the job outcome payment while all ESA claimants need to satisfy 13 weeks of employment. Similarly, the frequency of sustainment payments is lower for JSA claimants compared to ESA claimants.

The payment model is also based on differential incentives across different jobseeker groups.

⁵This criterion is specific to the WP DWP guidelines as it is different from the internal Jobcentre Plus guidelines.

This variation is intended to incentivise providers to help more those jobseekers who are hardest to help and consequently reduce the employment gap with jobseekers who are considered closer to the labour market. In terms of the maximum total rewards, including all the components above, a provider could be paid from £3,810 to £13,520 (JSA 18-24 and ESA Ex-IB claimants, respectively).

In addition to the direct monetary incentives, the WP set out additional rewards to encourage greater performance based on regional competition across providers. In each region, providers are originally assigned a market share of each payment group, which is followed when assigning jobseekers to providers. DWP then conducts a ‘market share shift review’ on a yearly basis (Department for Work and Pensions, 2016a). The review is based on the performance of the providers in their respective market, together with two sets of standard criteria that govern providers.⁶ The results of the review will determine shifts in market share between providers in the same region, potentially further encouraging providers to outperform each other.

3.4 Delivery Model

The WP follows a ‘black box’ approach to the delivery of services. In other words, it gives the providers the freedom to customise their interventions to suit the claimants’ needs. Providers are only required to follow a small set of broad guidelines, identified as minimum standards. The DWP sets these minimum standards based on the proposals put forward by providers during the tendering process.

These agreed standards, which can vary among the providers, can be categorised into five categories. First, Case Management, involves attaching referred jobseekers to the programme, monitoring them, and initiating sanctions for non-compliance. Second, Employment Services, involves engaging referrals into employment-related activity such as aiding jobseekers in job

⁶These criteria are the Merlin Accreditation, which aims to encourage exceptional supply chain management and ensure fair treatment of subcontractors to support high performing supply chains (Department for Work and Pensions, 2016a); and the Provider Assurance Team, which reviews the internal control system to manage risk. Under these standards criteria, providers should hold ‘satisfactory’ rating or better in their most recent Merlin Review and a ‘reasonable’ or or better rating in the Provider Assurance Team review.

search, offering job placement and enrolling jobseekers in suitable training. Third, Support Services, comprises helping the referrals with other services such as child care and transport. Fourth, Specialised Support, is targeted at those who are suffering from mental health problems or substance abuse, for instance. Finally, In-work, Retention and Re-engagement Services, involves support for those who are already in placement and need help in retaining their jobs or need additional support as they foresee losing their jobs. This also involves the identification of previously reemployed jobseekers who have lost a job in the meantime and require additional support to return to employment.

In addition to the above, the DWP also sets out minimum requirements standards to be adhered by the providers, only applicable to a number of payment groups (1, 2 and 6). These minimum performance levels for the WP are calculated using historic data of non-intervention performance rate plus an additional 10%.

3.5 Adjustments over time

Since its introduction in 2011, the WP has undergone several changes to its structure. In March 2012, a new payment group 9 (JSA Prison Leavers) was introduced. This group targets ex-offenders who have applied for JSA before leaving prison and those who have claimed JSA for 13 weeks following their release. Moreover, payment group 6 was divided into two in November 2012, to include recipients of Employment Support Allowance Work Related Activity Group with a 12-month prognosis (individuals deemed to be capable to work in 12 months) to enter the WP on a mandatory basis.

Further, payment group 8, which was supported through the European Social Fund 2007-2013 programme ceased its referrals in June 2015 due to the conclusion of the funding period. In addition to these structural changes, there were changes in contracts among the providers. In 2015, the contract of one provider in region 18 was terminated due to poor performance. The jobseekers managed by this provider were subsequently re-distributed among the other providers operating in the same contract package area.

4 Data

Every quarter, DWP publishes online updated monthly cohort data of the WP. The version of this data used in this paper covers the period from June 2011 through December 2016. These data are available at different geographical levels, from the entire country down to parliamentary constituencies. Moreover, the data are also divided by payment groups (job-seeker profiles). The information is originally recorded at the individual level by the providers and then merged by the DWP. The most detailed data set available is an aggregation of all individuals by cohorts defined by the month when they were first referred to the WP, their payment group, and their contract code. The latter variable enables us to identify both the ‘contract package area’ (i.e. the region where the jobseekers live) and the provider that these cohorts have been assigned to.⁷

Each cohort is observed monthly over a maximum (and typical period) of twenty-four months. A number of potential performance measures are available. Of great interest in this paper is the (sustained) job outcome variable, defined as the number of individuals in each cohort who have moved into employment by a given month and who have achieved employment cumulatively for at least 13 or 26 weeks (depending on the jobseeker profile). We transform this outcome in a rate, by dividing it by the original size (number of referrals) of the cohort.

We also examine additional variables, such as the percentage of referrals recorded as off-benefit for 13 weeks, the percentage of referrals recorded as off-benefit for 26 weeks, and the percentage of referrals recorded as off benefit at the end of the given month. As in the case of job outcomes, each percentage is computed by dividing the levels by the original size of the specific region/provider/payment-group/entry-month cohort.

It should be taken into account that all these variables are originally measured in a cumulative way, i.e. if someone is off-benefit in one month but also in the following month, that

⁷The data was downloaded from <https://www.gov.uk/government/statistics/work-programme-cohort-and-time-series-data>.

person will also be counted in the latter month. To have a more detailed measure of changes over time, we also created monthly variables, by subtracting the value of the cumulative variables in month $t-1$ from their value in month t . Furthermore, the versions of these variables in rates were calculated as before, using the original number of referrals in each cohort (cohort count), which are time invariant within a cohort by definition.

Although the data are very comprehensive in many respects, they also suffer from some limitations. First, the data set indicates the number of referrals made but this is not necessarily always equal to the exact number of individuals who were initially supported by providers. A (small) difference may occasionally arise because of the voluntary nature of some WP participants and potential changes in personal circumstances after referral.⁸ Nevertheless, especially for mandatory participation groups, it is reasonable to assume that the differences between the numbers of referrals and attachments in each cohort will be very small.

Second, the data set does not make available individual characteristics of the jobseekers. However, some important characteristics such as the type of benefit or ex-offender, illness or disability markers are captured indirectly through the payment group (jobseeker profile) type. Finally, the data set is affected by a disclosure control procedure introduced by DWP, where random errors are added to variables to ensure that individuals cannot be personally identified. This random error is more frequently applied in particular to cohorts with low counts and therefore would not affect our main results.

4.1 Descriptive Statistics

Our data features 41 contracts issued by DWP, each referring to a specific provider and region. These contracts correspond to a total of 485,569 observations, each referring to a specific month-of-referral/current-month/payment-group/contract-code combination. These observations also correspond to 20,888 month-of-referral/contract code/payment-group co-

⁸For example, those who are referred on a voluntary basis, such as ESA credit only claimants, have the choice of not getting attached to the WP following the referral. Further, if any jobseeker secures a job and starts employment between referral and attachment (a period which may last up to 15 working days, the individual will not be eligible to participate in the WP any longer and will not be followed.

cohorts observed over a maximum period of 24 months.⁹ 74.14% of the cohorts are observed for the maximum period of 24 months while 90.21% of those cohorts have been observed for a time period of at least 11 months.

Table 1 presents a cross tabulation of payment groups and providers of the population of 2.03 million individuals referred to the WP as of December 2016.¹⁰ Table 1 indicates that 38.27% of the individuals are claiming JSA 25+, followed by JSA 18-24 with 15.64% and other JSA claimants with 15.44%. The smallest proportion of those individuals is recorded under JSA prison leavers at 2.58%. In terms of the providers, 1 and 3 are particularly important, as they make up a total of 46.92% of the referrals, with the remaining providers ranging from 9.32% to 1.35%.

Table 2 presents the summary statistics of the main variables of interest (weighted by the number of individuals in each cohort). The outcome variables are classified into two types. As explained before, the first type refers to the cumulative total of the reported job or off-benefit outcomes at any given month. On the contrary, ‘month-specific’ variables refer to a month alone and are calculated by us using the simple lag difference of the cumulative variables (i.e. the month-specific variable of, say, March 2013, is computed as the cumulative variable of March 2013 minus the cumulative variable of February 2013), except in the case of the first month of each cohort (in which the month-specific variable is equal to its cumulative counterpart). Moreover, we consider both variables measured in levels and measured in rates (i.e. levels divided by the original cohort size).

According to Table 2, the mean cumulative job outcome rate is found to be 11.36%, with an average month-specific job outcome rate of 1.06%. In other words, we find that on average across all cohorts and months (weighting by cohort size), close to 1% of the original number

⁹We eliminated cohorts that had no individuals assigned by jobcentres. We also eliminated payment group 8, which corresponds to Income Support and Incapacity Benefit recipients funded by the European Social Fund, given the very small number of participants and the short duration of the scheme.

¹⁰The official statistics released in March 2017, using data up until December 2016, indicated a total of 1.9 million participants. The difference may be explained by those who did not start on the WP due to its voluntary nature or that find employment soon after referral, as mentioned earlier. An earlier snap shot in March 2013 revealed that up to 1.2 million people have been referred to the WP, of which 1.16 million were attached. Of these individuals, 132,000 have achieved sustained employment.

of claimants assigned to the WP tends to achieve sustained employment every month. In addition, the average cumulative rate of off-benefit anytime is recorded at 48.6%, with a month-specific average rate of 2.87%. The average cumulative rate of off-benefit outcomes at the end of an observed month is found to be 30.65%, with a month-specific rate of 2.87%. Similarly, the cumulative percentage of those who were off-benefit for 13 weeks and 26 weeks are, on average, 27.04% and 18.11%, respectively, with month-specific average rates of around 2.00% and 1.62% respectively.

Table 2 also reports descriptive statistics of count variables of cumulative and month-specific nature, after weighting for cohort size. We find that the mean cumulative job outcome count is 44.54 individuals. The month-specific measure of job outcome count has an average of 4.12 individuals per cohort per month, with a maximum of 86 individuals. The mean cumulative number of those who were reported to be off-benefit at the end of the observed month is 119.79 individuals. This falls to 7.25 individuals per month when examining the month-specific variable. The reported mean cumulative number of those who were off-benefit for 13 weeks is 107.11 individuals with a maximum of 1450 individuals per cohort at an observed month. The mean month-specific measure of this variable falls to 7.80 individuals per month (with a maximum of 158 individuals reported in a cohort in an observed month). On average, 71.38 individuals have been reported as off benefit for 26 weeks cumulatively at an observed period of time (with a maximum of 1143 individuals in a cohort at an observed month). The average month-specific off-benefit measure for 26 weeks is 6.25 individuals per cohort per month. Another important variable we observe is the cohort count (the number of individuals reported in a cohort). The average size of a cohort (in terms of its size when created) is found to be 102, with cohort sizes ranging from 5 to 3,569 individuals. We also consider the regional unemployment rate. On average regional unemployment is reported at 7.19% with lowest rate (3.3%) reported in East of England and the highest rate (12%) reported in North East region.

Figure 1 presents histograms of cumulative job outcome rates over 5, 11, 17 and 24 months

after referral. The top left graph considers the first 5 months after referral and exhibits very low job outcome rates. This is driven by the fact that a job outcome is only recorded when the participant is in employment for a period of 13 or 26 weeks (depending on the payment group). In the following histograms, from eleven months onward, job outcome rates increase significantly - for instance, the proportion in the 0%-2.5% job outcome rates range falls from 95% to just below 25% by the end of 24 months. At 24 months, we see cohorts having much higher job outcome rates, ranging from 10% to a maximum of 60%.

Further, we examined the behaviour of mean job outcome rates (both cumulative and month-specific) over the 24-month attachment to the WP since referral. Figures 2, 3, 4, and 5 describe these outcomes across the main payment groups and providers. We find that the job outcome rates generally start to pick up around the 5th month. Payment group 1 (JSA 18-24) evidently has the highest mean job outcome rate while payment group 7 (ESA Ex-IB) reports the lowest mean job outcome rate over the two year period. Among providers, the mean job outcome rates appeared to be similar over the two year period. Mean-specific job outcome rates peak just before 10th month and gradually start to decline towards the end of the 24 month period. This indicates that, on average, most job outcomes are reported between the 7th to 12th months in the programme. We see a similar pattern among payment groups, in particular in payment group 1 (JSA 18-24) and 2 (JSA 25+).

5 Results

Given our motivation discussed above, our analysis focus on two types of outcomes, transitions into employment and transitions out of unemployment. We examine these two concepts individually using the job outcome variable as a proxy of transitions out of unemployment and the off benefit at the end of the month variable as our measurement of transitions out of unemployment. However, one caveat of using observed job outcome rates is that this measure reflects sustained employment (as defined by the WP and explained above) and will not

include any employment spells that have not met the sustainment criteria. In other words, we are using a more demanding measurement of employment than a simple one-off transition to employment that is not necessarily associated to a longer period in employment.

We analyse the effects using a multivariate regression analysis, including a range of fixed effects, controlling for region, time-in-programme, business cycle and cohorts, as follows:

$$\begin{aligned}
 Y_{cpgrt} = & \alpha + Cohort_c + Provider_p + PaymentGroup_g + Region_r + Time_t \\
 & + MonthsInWP_{ct} + UnemploymentRate_{rt} + \epsilon_{cpgrt}
 \end{aligned}
 \tag{1}$$

The subscripts used here, c , p , g , r and t refer to the cohort (identified by the month of referral), the provider, the payment group, the region and time (month), respectively. The dependent variable is either the job outcome rate (transition into sustainable employment) or the off-benefit rate (transition out of unemployment). We estimate both cumulative and month-specific variables. Our interest is focused on the effects of providers and payment groups.

Since the outcome equations include a constant term, we treat the omitted provider and payment group (the reference category) as having a joint effect on job outcome rates that corresponds to the value of the constant. Therefore the coefficients of the remaining provider and payment group fixed effects indicate the percentage point difference relative to the reference category. For this purpose, we have dropped the dummy variables corresponding to payment group 2 (JSA 25+) and provider 3, which correspond to the largest number of observations in each category.

To summarise the overall variability of the payment group and provider differentials that we present below, we examine their dispersion as indicated by their standard deviations. Although the estimated $\hat{\beta}_i$ is obtained from an unbiased estimator of the true differential β_i , the standard deviation of β is exposed to upward bias due to sampling error from ϵ_i , as documented in Krueger and Summers 1988, in the different context of a study of inter-industry wage dispersion. Therefore, we compute our measure of dispersion of the (either

provider differentials or payment group) effects using the expression of 2, also from Krueger and Summers 1988, as follows:

$$SD(\beta) = \sqrt{Var(\hat{\beta}) - \frac{\sum_{i=1}^P \hat{\sigma}_i^2}{P}}, \quad (2)$$

in which $\hat{\sigma}_i$ represents the standard error of $\hat{\beta}_i$ and P represents the number of providers or payment groups.

Tables 3 and 4 present our main results, based on the estimation of equation 1 in the case of transitions to sustained employment. Given the large number of payment group and provider categories we split the results into two tables. In addition, as a consideration to the number of individuals in each cohort, which can vary significantly, columns 3 and 4 present estimates considering cohort count weights, the specification which we focus on below in our analysis.

Table 3 reports the payment groups coefficients. All coefficients are jointly and individually statistically significant. For instance, the coefficients indicate that, relative to payment group 2 (JSA 25+), the reference group, payment group 1 (JSA 18-24) shows better performance in term of both cumulative and month-specific job outcomes (2.2% higher cumulative job outcome rates - column 4). On the other hand, payment groups 5, 6.2 and 7 (all ESA jobseekers) perform much worse (-11.6%, -12.5% and -14.8%, respectively). Further, Figure 10a summarises the cumulative job outcome rate variations among providers. Moreover, the difference between the best and worst performing payment groups, as far as cumulative job outcomes rates are concerned, is 17.2 percentage points. Further, Figure 10a summarises this results for cumulative job outcomes rates.

Table 4 reports the results regarding provider effects. Similarly to the case of payment groups, provider effects are jointly statistically significant and are generally significant individually, on their own, with few exceptions. For instance, provider 1's performance is 1.3% greater than the reference provider (provider 3) - again we focus our analysis on column 4,

based on cumulative job outcome rates, with observations weighted by cohort counts. In general, we find evidence of differences in performance across providers. However, despite the statistically significant variation, the relative differences are found to be small. For instance, the most negative estimate is of -1.4%, leading to a range of coefficients lower than 3 percentage points, which compares to 17.2 percentage points in the case of payment groups. Further, Figure 10b summarises the cumulative job outcome variation among payment groups.

These results on providers appear to be in contrast to those of Dorsett and Lucchino 2016, although the actual magnitude of the estimates are similar in the two studies and in both cases they are statistically different across providers. Some of the differences between the two studies may be driven by their focus on provider effects within regions, while we look at providers effects from a national perspective, i.e. which may average out differences in the performance of the same provider across regions. Perhaps the main driver of the different interpretations of the extent of dispersion in provider effects across the two studies is that, in our case, we put this dispersion in perspective taking into account the contrasting case of payment group dispersion in effects.¹¹

An important point in our analysis is whether the coefficients of our performance equations, in particular in the case of payment groups, reflects the effectiveness of the WP payment structure. Table A3 presents the maximum payments to providers across payment groups, which reflects the perceived different levels of difficulty of each type of jobseekers, in terms of sustainable employment outcomes, in order to minimise creaming and parking. As argued above, effective differentiation in rewards (which would fully take into account the differences in the amount of work and related costs faced by providers to deliver successful outcomes) would lead to small differences in outcomes across payment groups.

However, our results indicate that this implied goal of the WP was not achieved. For instance, while payment group 7 is the most generously rewarded, it is also the worst performing

¹¹These results allow us to rank the relative performance of the providers, presented in Table ?? for cumulative and month-specific job outcome variables. Based on the evidence, providers 1, 6 and 7 are at the top of the ranking, while providers 14 and 13 are at the bottom.

group. In other words, despite its already considerable generosity, a case could be made that rewards for payment group 7 are underpowered, i.e. this group should offer even stronger incentives to providers (and or the rewards of other payment groups should be reduced) so to minimise the existing differences in outcomes observed in our analysis across payment groups. Figure 6 illustrates this finding by exhibiting the percentage differences in (weighted) cumulative job outcome rates and the percentage differences in maximum payments, in both cases taking payment group 2 (JSA 25+) as the reference (blue and orange columns, respectively). We can see that, in most payment groups, there is an asymmetry in the sense that worse performances in transitions to employment (negative percentage differences) are associated to more generous rewards (positive percentage differences).

An additional statistic computed in our analysis is the weighted adjusted standard deviation (WASD), which are presented at the bottom of each relevant column in Tables 3 and 4 (payment groups and providers, respectively), in the case of the weighted specifications. We find that, across providers, month-specific and cumulative estimates exhibit low standard deviations, of 0.04% and 0.83%, respectively. This underlines the small variation across providers that we already documented, for instance by comparing the largest and smallest coefficients. On the contrary, the WASD's of payment groups are found to be much larger, at 0.46% and 5.56% for month-specific and cumulative estimates, respectively. In conclusion, despite the potential use of different methodologies in the support to jobseekers, under the 'black box' approach, we find not only much greater variation in job outcomes across payment groups than across providers - the variation across providers in itself is also very limited.

As indicated above, the estimation also includes regional fixed effects (determined by contract package areas). Contract package area 1, representing 'East of England', was chosen as the reference group, given its largest size. A joint significance test confirmed the presence of variation across regions in job outcome rates (cumulative and month-specific) relative to the reference group. The 'North East Yorkshire and the Humber' region appear to be the worst performing area in terms of both month-specific job outcome rates and cumulative

job outcome rates. On the other hand, ‘North, West and Greater Manchester’, ‘Cheshire and Warrington’, ‘Thames Valley’, ‘Hampshire and Kent’, ‘Surrey, Sussex and Kent’ and ‘Coventry, Warwickshire and the Marches’ report significant positive coefficients.

We also examined the impact of other potential determinants - months-in-WP, cohort (month-of-referral), and business cycle - on cumulative job outcome rate, as illustrated in Figures 7, 8 and 9. Figure 7 presents the impact of months-in-WP, indicating an increasing trend, such that, by the 24th month, the impact on the cumulative job outcome rate is almost 30% greater than the 1st month. Similarly, Figure 8 examines the role of the cohort effects. We find that cohorts that were launched in the beginning or mid-2014 tend to obtain greater job outcomes than the first cohorts, while after mid-2014 the relative performance in terms of job outcomes declines.

Figure 9 presents the influence of macroeconomics factors (excluding unemployment rate), finding evidence of deterioration until mid-2014 and of an improvement till December 2016. This is in contrast to the high unemployment rates observed up until early 2012 following a gradual fall till December 2016.

5.1 Transition out of Unemployment

After focusing on the results for our main outcome, we now consider the broader outcome of transition of individuals out of unemployment. As indicated before, this includes not only transitions to inactivity but also transitions to non-sustainable employment or to employment that is not yet sustainable by the time of measurement (i.e. spells of employment that are not yet long enough to be considered as sustainable under the DWP criteria). Apart from the different outcome, our approach is the same as in the main results presented above.

Table 5 and 6 present results of the estimates of off benefit variables after controlling for region, time, cohort and business cycle using the equation 1. Moreover, figure 11 summarises the main results of cumulative off benefit rate estimation. In the case of the differentials across payment groups (Table 5), both cumulative and month-specific variables are jointly as well

as individually significantly different. This suggests that relative to payment group 2 (JSA 25+), other payment groups have a negative or positive marginal impact on movements to off-benefit spells. For instance, payment group 9 (JSA prison leavers) exhibit a 12.5% greater impact on off-benefits transitions. We also find that all ESA payment groups have negative coefficients, implying that ESA claimants are more likely to remain on benefits compared to our benchmark JSA 25+ claimants. Figure 11a summarises the cumulative transisitoion ou results.

In the case of provider effects (Table 6), relative effects on off-benefit rates on the month-specific variable are jointly and individually statistically insignificant. On the contrary, cumulative off benefit rate shows significant difference across providers. However, the magnitude of these coefficients appears to be small, with provider impacts ranging from 0.37% to -1.38%.

As before, we also calculated the weighted adjusted standard deviation (WASD) of differentials across payment groups and providers using equation 2. These are depicted at the bottom of Tables 5 and 6. Cumulative variables are associated with WASD of providers of 0.55% , further emphasising the small difference among providers in off-benefits transitions. In contrast, the WASD for payment groups is 14.49%, again in the case of cumulative off benefit rate, underpinning the much greater variation in the transitions of individuals out of unemployment across payment groups than across providers. Finally, we analyse graphically the relative impact of the other fixed effects (months-in-WP, cohort and business cycle) depicted in figures 7, 8 and 9 in the case of off-benefit transitions, respectively, finding broadly similar patterns.

5.2 Robustness Checks and Extensions

Given the complexity of the WP and the richness of the data, in this subsection we conduct a number of additional analysis to investigate further the robustness of our findings and other aspects of the WP. First, we re-estimated equation.1 but considering only the period prior to the first market share shift (June-2011 to September-2013) Our concern is that this market

shift could create some degree of selection if it impaired the random allocation of jobseekers to different providers¹². Our results (available upon request) are fairly similar to those obtained for the full sample. For instance, we still observe much higher WASD's in the case of payment groups than in the case of providers.

As a second analysis, we investigate the variation of provider effects within regions. Our goal is to determine whether our main results, in which we pool providers at the national level and not allow for variation within regions, even out any significant variations of the providers across regions. However, our analysis (available upon request) showed significant, yet again small variation of provider effects even allowing for differentiation across regions, a result that is similar to what we observed at the national level.

In a third extension, we investigate if the relative low performance among hard to help groups is driven not by the payment structure but instead by the more limited number of jobseekers with these profiles. Indeed, this may constrain providers in delivering programmes that will lead to strong effects amongst these groups, given the lack of economies of scale. In other words, a provider may achieve greater economies of scale when facing a larger number of hard to help individuals referred, which could then lead to stronger positive effects in transitions to employment. Therefore, we analyse the correlation between the performance of the hard-to-help groups and the proportion of these individuals allocated to each provider in each region. When considering payment groups 3, 4, 6.1, 6.2 and 7 as hard to help groups, we find (results available on request) no evidence of such positive correlation.

A fourth extension concerns a different subject, namely a potential collusion across providers that may follow from some particular features of the WP. Such collusion could also be consistent with the observed limited dispersion in jobseeker outcomes across providers. In particular, we consider the fact that, prior to market share shifts, DWP conducts a year long review (e.g. from April 2012 to March 2013) of the performance of these providers across payment groups. A market share will then be carried out if a provider in a region is outperforming the

¹²Figure 12 shows the change in market share between June 2012 and June 2016.

other provider by at least 10%, in which case the ‘winner’ is eligible for a 5% increment in its market share of that particular payment group in question at the expense of the ‘loser’. Our analysis was based on a regression discontinuity analysis to investigate whether the beginning of the monitoring of provider performance for market share reallocation purposes leads to a significant increase in job outcome rates, compared to previous months. This would be the case under segmentation of payment groups across providers. In results (available upon request), we could not find any evidence of significant positive increases in performance.

Further, we investigate potential collusion across providers during the review period from a different perspective. Again under some form of regional and payment group market segmentation across providers, providers may target specific jobseeker groups to do just well enough in relative terms so they meet the relative improvement required to gain share, rather than competing in all payment groups. Under this context, providers would seek to just meet the 10% out performance requirement - any additional improvements would require additional effort and cost at no gains in terms of market share. In our analysis of this hypothesis, we regress the mean job outcome rates of higher-performance providers on the mean job outcome of their lower-performance provider counterparts, across payment group and region pairs. We then test whether the resulting coefficient of the losing provider is significantly different to 1.1 (i.e. denoting a 10% increase regarding the lowest performing provider). The results, again available upon request, indicated a value of 1.23, significantly different to 1.1, indicating evidence inconsistent with this potential form of collusion across providers.

Finally, we examine the variation in job outcome rates among different types of organizations, namely between for-profit, voluntary and non-for profit organisations. While the majority of the providers are for-profit organisations (13) with few voluntary or non-for profit organisations (2), we test whether there is a significant difference in the performance of the two groups in transitions into employment and transitions out of unemployment. The results indicated a 0.66% positive difference for the for-profit organisations in transitions into employment and a 0.47% positive difference for the voluntary and non-for profit organisation

in transition out of unemployment. We conclude that there are no systematic differences between the two groups of providers in terms of their effects upon jobseekers.

6 Concluding Remarks

Although several countries have already launched public-private partnerships in employment services, relatively little is known about the relationship between the incentives and the structures of these schemes and their labour market effects. Examples of the many questions that arise in this context include: How should providers be rewarded? What degree of differentiation across jobseeker profiles? What degree of flexibility in the definition of the interventions?

This link between programme structure and programme outcomes is therefore an important research and policy gap which we seek to address in this paper, given the sustained interest around the world about the best forms of supporting jobseekers effectively and efficiently. Indeed, partnerships between the the public employment services and other entities - in the private or non-governmental sectors or in other areas of the public sector - can potentially greatly facilitate the provision of services to jobseekers, as well as to firms with vacancies to fill, with potentially important economic and social effects, driven from a more efficient labour market, both in developed and developing countries.

Our contribution is focused on the UK Work Programme (WP), one of the leading partnerships of this type in the world, involving more than two million jobseekers and a total budget of nearly five billion pounds over a period of up to seven years (2011-17). The WP is also distinctive given its considerable flexibility in the content and delivery of interventions, under the so-called 'black box' approach. Another important element of the WP is its strong performance-related-payment nature as well as the steep differentiation across jobseeker profiles, in order to minimise unintended creaming and parking effects, and the potentially regular reallocation of market shares across providers depending on relative performance.

Our analysis is based on an econometric analysis of data covering all two million partic-

ipants between 2011 and 2016, which is freely available online and updated regularly. We exploit the programme's structure - namely the random assignment of jobseekers between providers within payment groups and regions - as well as a large number of fixed effects to disentangle the role of these different providers and jobseeker profiles from business cycle and other potentially confounding variables, such as regions or time-in-programme differences.

We find a number of important results. Firstly, we conclude that the WP has a much stronger effect in increasing transitions out of unemployment than in increasing transitions to employment, even if the incentives were fully focused on the latter outcomes. On the one hand, this result can be seen as part of the natural effects of an activation perspective - screening jobseekers to focus financial resources (unemployment benefits) and jobsearch support on those effectively in greater need and willing to invest more in their full return to the labour market. On the other hand, this finding may suggest that providers were not always fine-tuning their interventions, to the extent that jobseekers leaving the WP without jobs correspond to lost opportunities for fees to be received from placements.

Secondly, our results indicate that differences in performance across providers are small, despite the large number of providers and the considerable scope for flexibility in intervention formats. This result may indicate that there were not major differences in the 'technology' of jobseeker support across the different providers or, at least, these have not emerged fully during the main period of activity of the WP. On the other hand, innovations in jobseeker support may be quickly transferred across providers, leading to the observed small dispersion in outcomes. This could particularly be the case since delivery model facilitates providers to use services of other organisations or providers through sub-contracting, mentioned in the section 3.4, that gives providers access to innovations by competitors.

Unfortunately it is not possible to compare our estimates of performance for different non-PES providers with the case of PES jobcentres, something that however would be feasible in the case of new pilot projects that could be launched in the future. Moreover, while the limited dispersion of provider effects could be theoretically consistent with collusion across

providers, our tests of this question failed to deliver evidence in support of deliberate actions to reduce competition across firms.

Finally, we find that although transitions to employment of harder-to-help jobseekers were significantly better rewarded, these jobseekers still did significantly worse. This lack of equalisation of job outcomes across jobseeker profiles suggests that creaming and parking phenomena may still have been present, at least across jobseeker pre-defined groups, and possibly also within them, despite the strong differentiation in incentives to providers. These findings highlight the importance of additional evidence about the social benefits and costs of measures to increase employment amongst the hardest to help when designing public-private partnerships.

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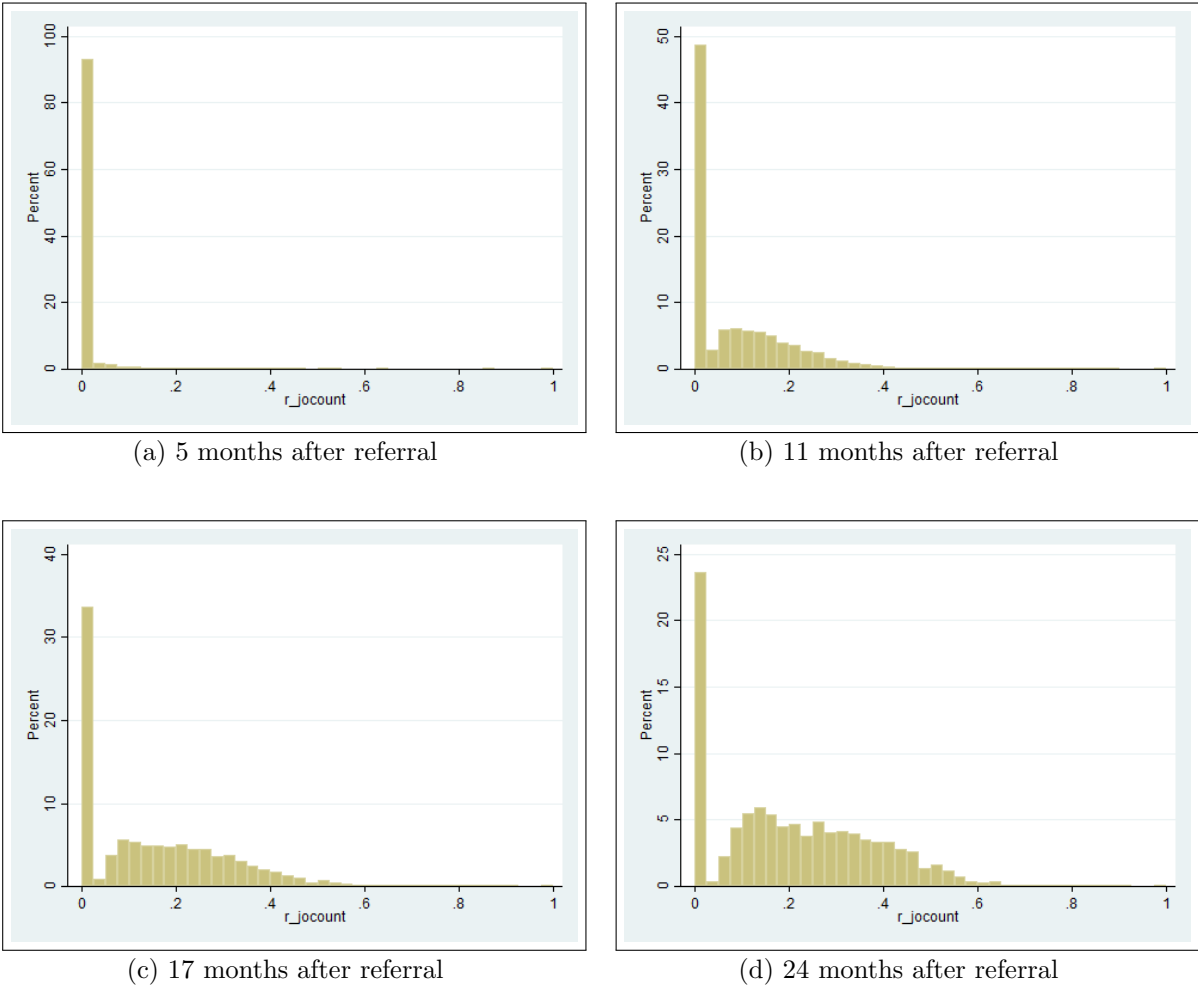
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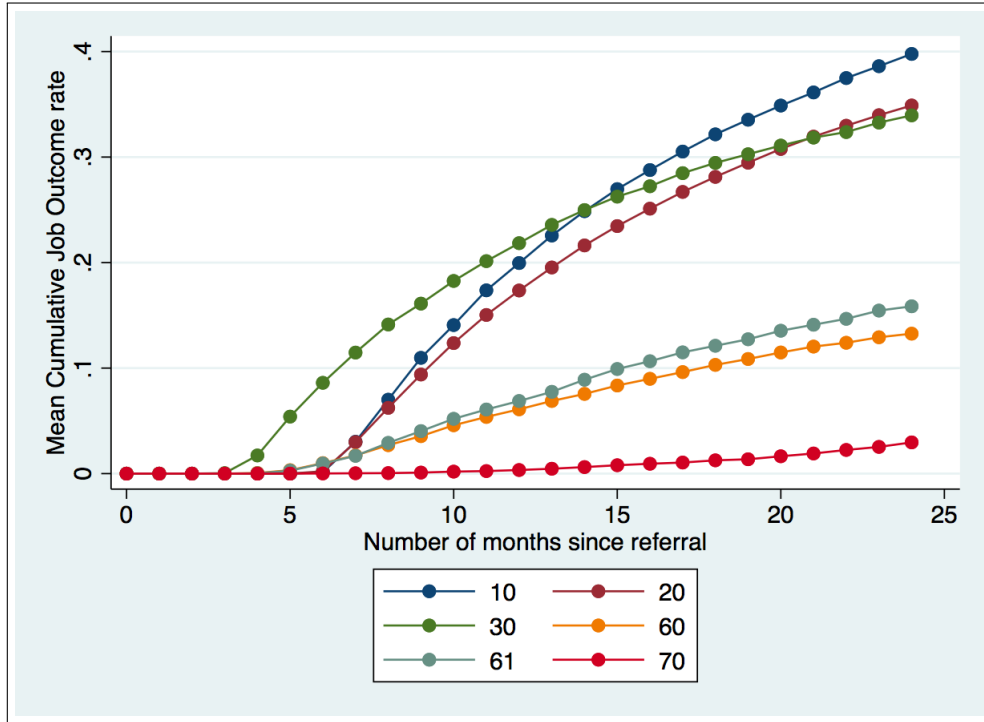
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Figure 1: Distribution of cumulative sustained job outcome rate (rate of transition into sustained employment) at different periods following referral to WP across cohorts



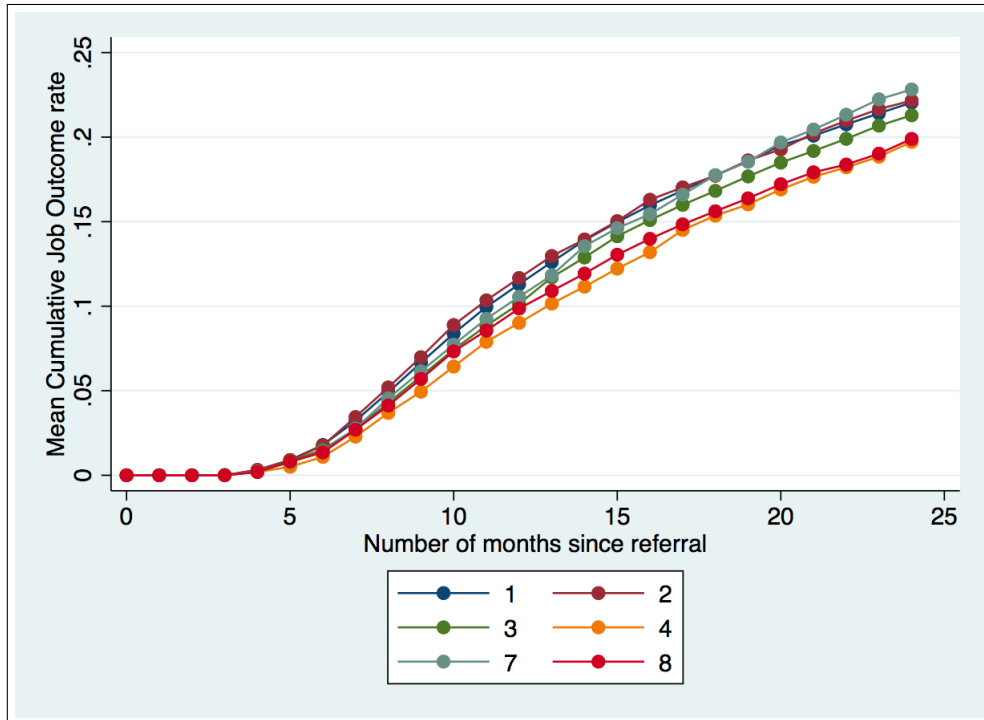
Notes: ^a Each sub-figure presents the distribution of job outcome rates over a specific period since referral. For instant the figure 1a shows the the proportion of cohorts that have achieved job outcome rates by the 5th month of referral.
^bEach bar represent a width of 0.025 (2.5%).

Figure 2: Mean cumulative job outcome rates by payment groups over time-in-programme



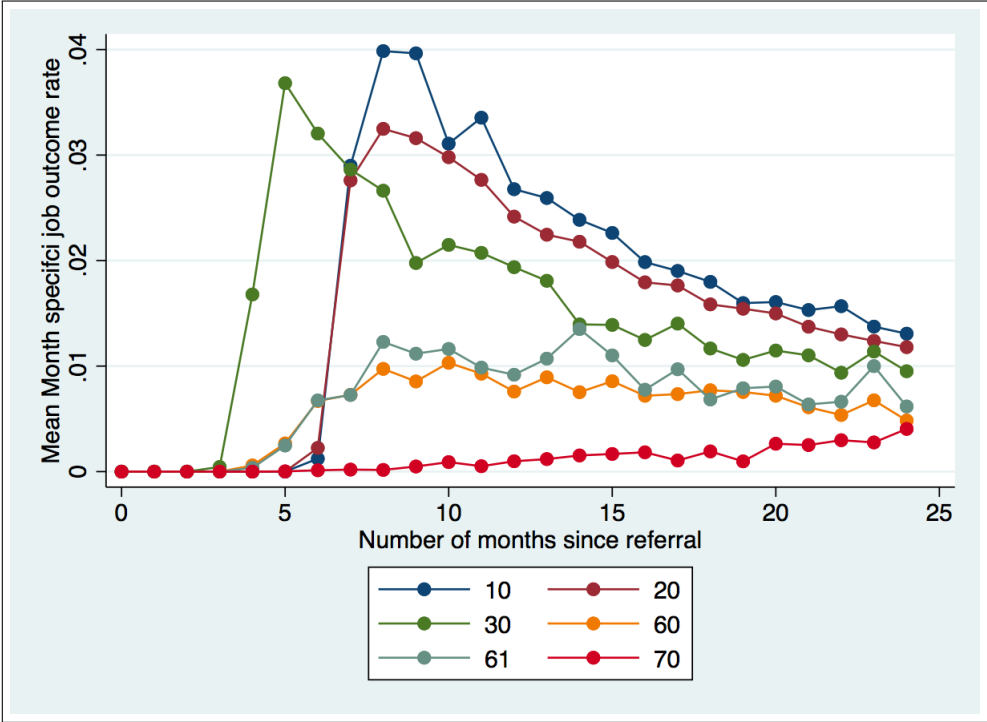
Notes: The payment groups selected are the largest in the WP.

Figure 3: Mean cumulative job outcome rate by providers over time-in-programme



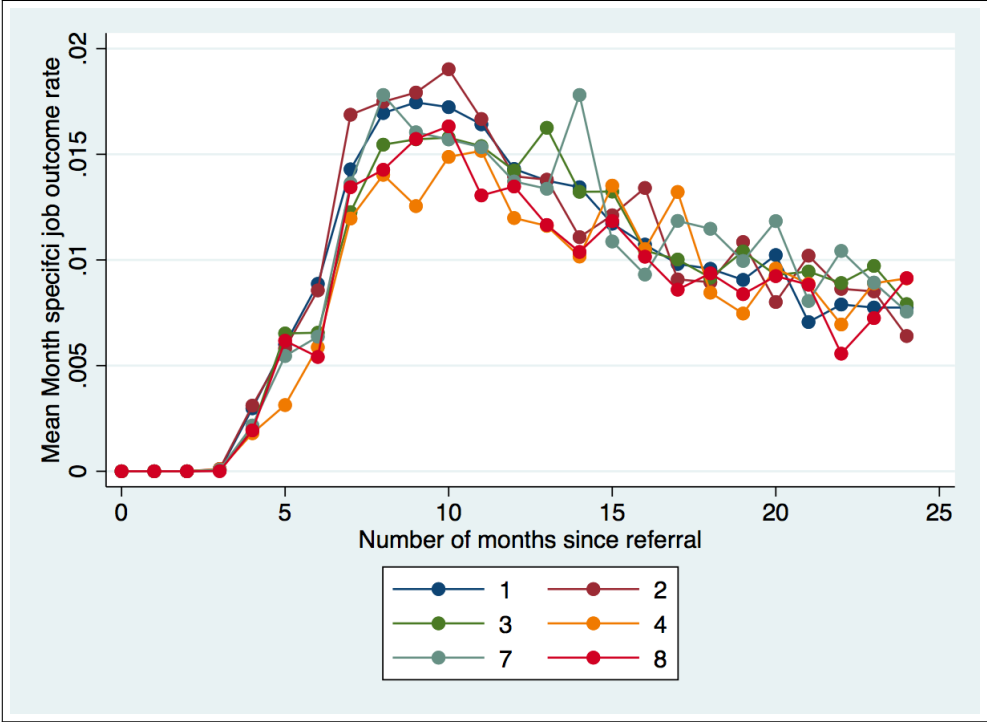
Notes: The providers selected are the largest in the WP.

Figure 4: Mean month-specific job outcome rate by payment groups over time-in-programme



Notes: The payment groups selected are the largest in the WP.

Figure 5: Mean month-specific job outcome rate by providers over time-in-programme



Notes: The providers selected are the largest in the WP.

Figure 6: Percentage difference between other payment groups and payment group 2 in the performance and maximum payment made to the provider

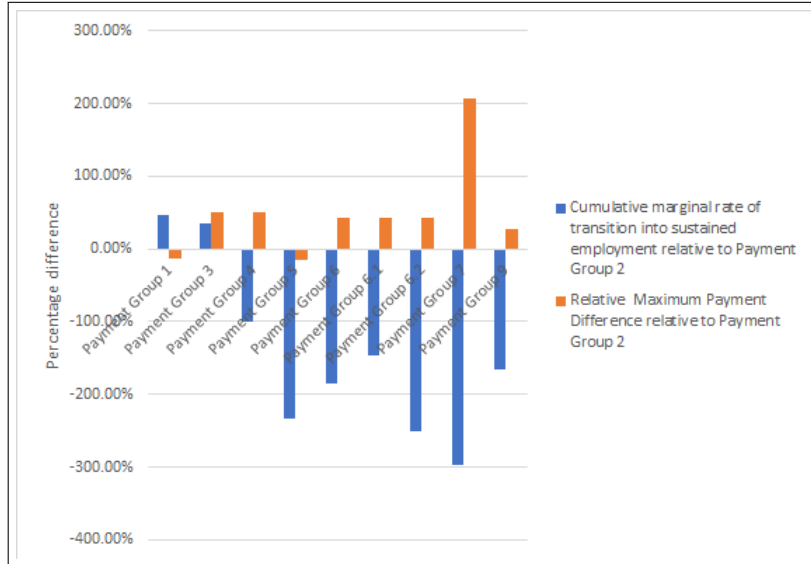


Figure 7: The relative impact of number of months in to the programme since referral on cumulative job outcome rates with the first month as the reference group

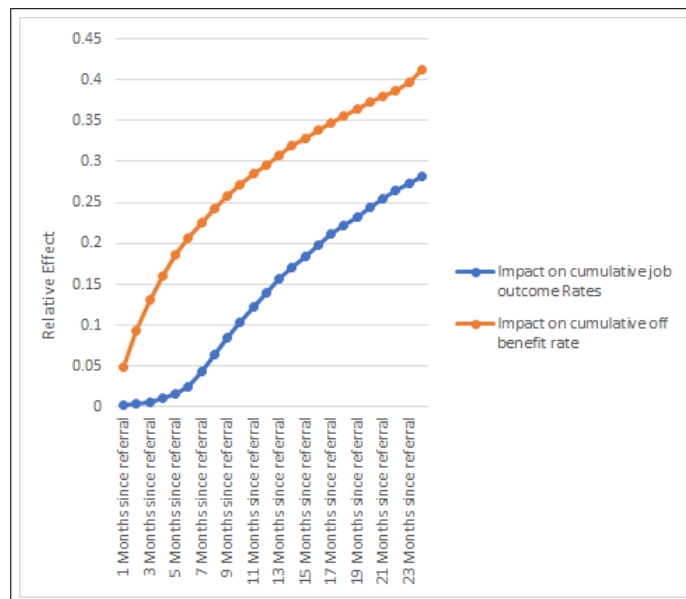


Figure 8: The relative impact of cohort start month on cumulative job outcome rate with June 2011 cohort as the reference month

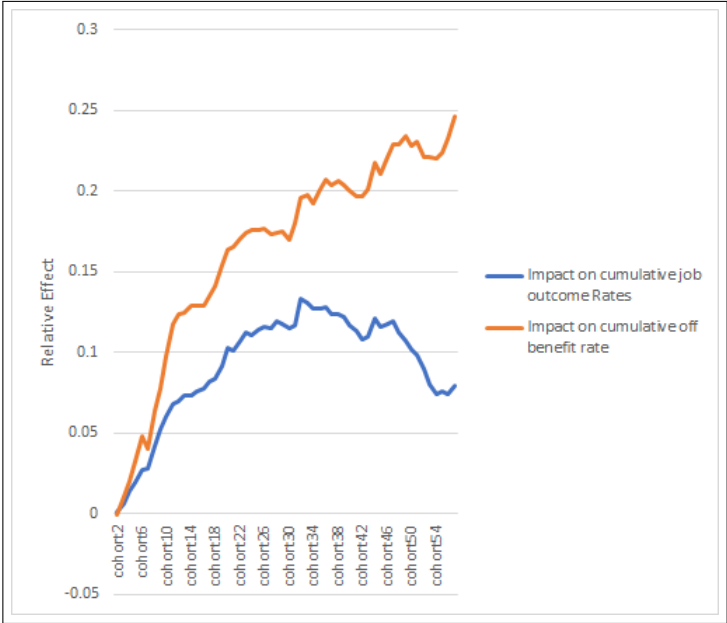
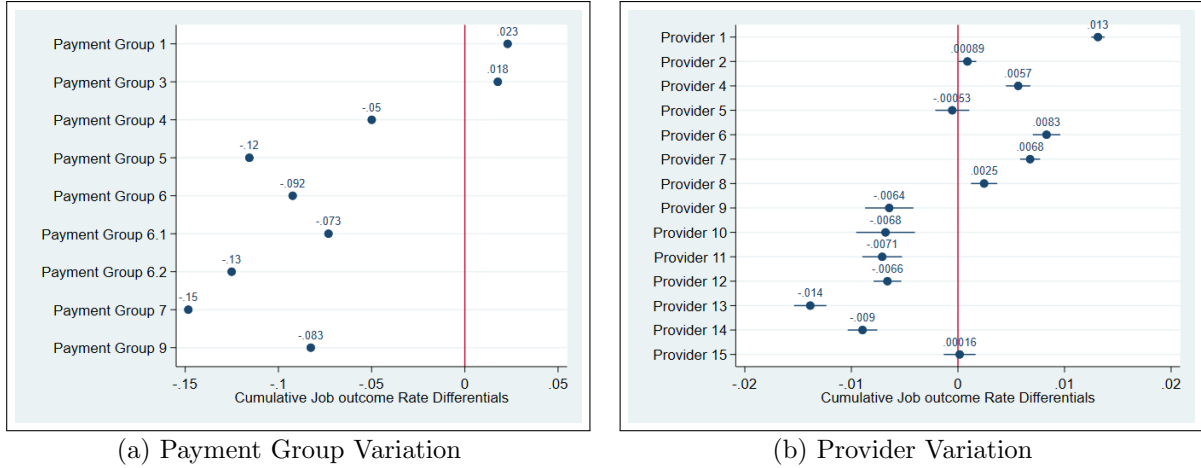


Figure 9: The business cycle effect on cumulative job outcome rate with June 2011 as the reference month

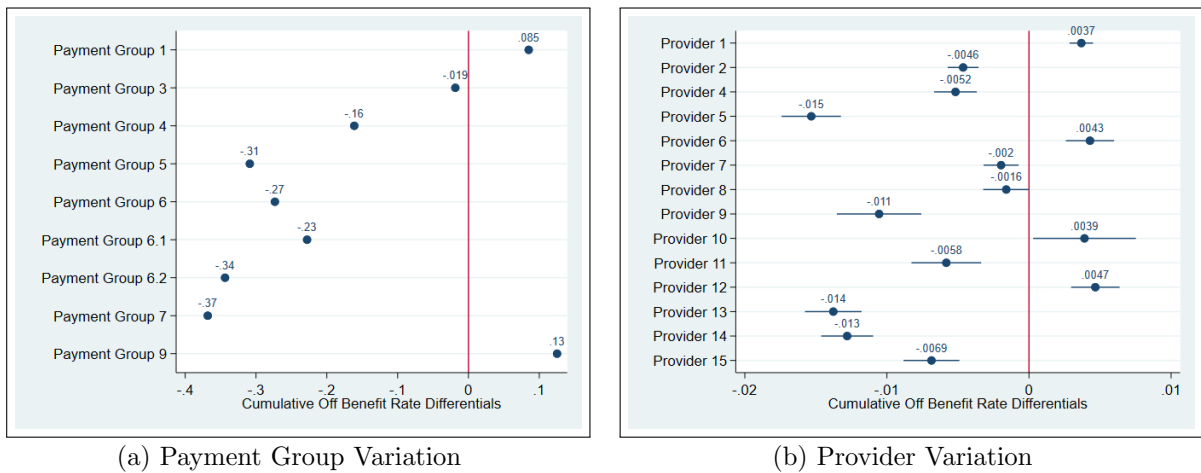


Figure 10: Payment Group and Provider Variations in Cumulative Job Outcome Rates



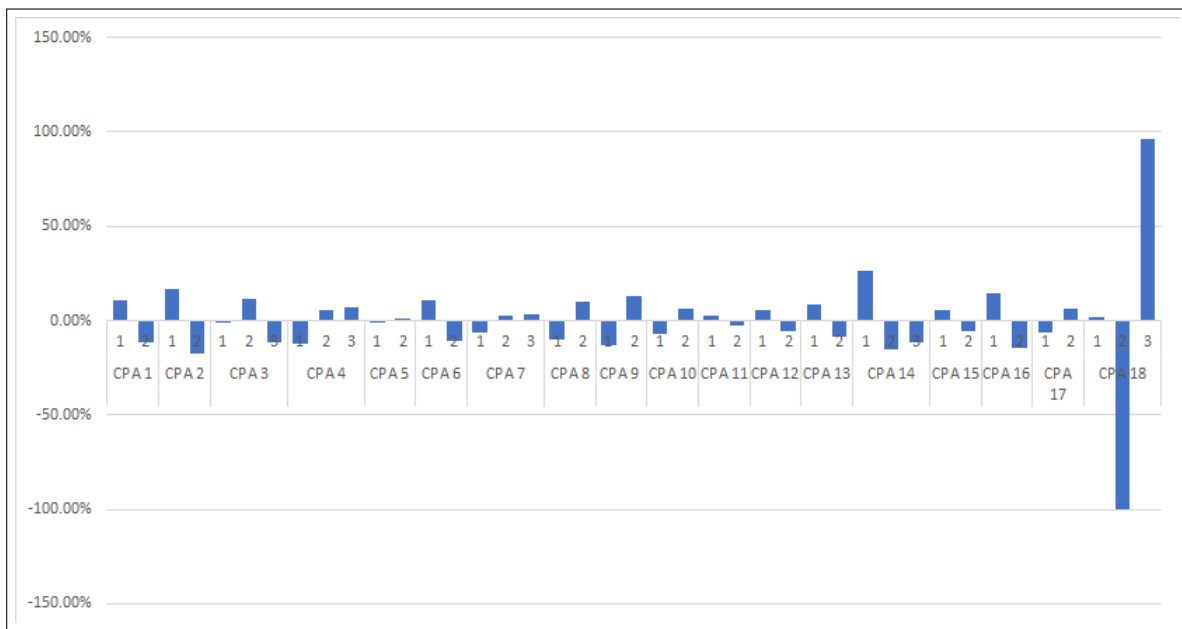
Notes: The figures summarises the main results of Tables 3 and 4. The vertical line in each graph represents the reference group, therefore, each value represents the deviation in performance with respect to the reference group.

Figure 11: Payment Group and Provider Variations in Off Benefit Rate



Notes: The figures summarises the main results of Tables 5 and 6. The vertical line in each graph represents the reference group, therefore, each value represents the deviation in performance with respect to the reference group.

Figure 12: Change in Market Share Between June 2012 and June 2016



Notes: The graph shows the market share shift among providers in each region between June 2012 and June 2016. Note that CPA 18 a provider contract was terminated and the individuals were reallocated between the new provider and the existing provider

Table 1: Proportion in individuals referred by Payment Group and Providers

	Payment Group 1	Payment Group 2	Payment Group 3	Payment Group 4	Payment Group 5	Payment Group 6	Payment Group 6.1	Payment Group 6.2	Payment Group 7	Payment Group 9	Total
Provider 1	3.76%	9.27%	3.19%	0.42%	0.82%	2.37%	1.34%	1.03%	0.68%	0.57%	23.45%
Provider 2	1.30%	3.55%	1.23%	0.13%	0.30%	0.74%	0.46%	0.28%	0.21%	0.18%	8.38%
Provider 3	3.77%	8.85%	3.70%	0.42%	0.76%	2.34%	1.34%	1.00%	0.70%	0.59%	23.46%
Provider 4	0.52%	1.91%	0.43%	0.06%	0.23%	0.47%	0.28%	0.19%	.18%	0.11%	4.37%
Provider 5	0.22%	0.95%	0.20%	0.03%	0.13%	0.20%	0.13%	0.07%	0.08%	0.04%	2.03%
Provider 6	0.39%	1.31%	0.36%	0.03%	0.13%	0.21%	0.14%	0.08%	0.07%	0.05%	2.77%
Provider 7	0.96%	2.13%	1.16%	0.12%	0.23%	0.63%	0.34%	0.29%	0.19%	0.18%	6.23%
Provider 8	1.39%	3.18%	1.51%	0.19%	0.34%	1.09%	0.61%	0.47%	0.29%	0.26%	9.32%
Provider 9	0.20%	0.45%	0.22%	0.03%	0.06%	0.23%	0.14%	0.10%	0.08%	0.03%	1.53%
Provider 10	0.21%	0.52%	0.17%	0.03%	0.04%	0.16%	0.10%	0.06%	0.05%	0.02%	1.35%
Provider 11	0.66%	1.34%	0.71%	0.08%	0.11%	0.48%	0.29%	0.19%	0.17%	0.13%	4.15%
Provider 12	0.59%	1.17%	0.78%	0.06%	0.05%	0.20%	0.13%	0.06%	0.02%	0.04%	2.17%
Provider 13	0.41%	0.84%	0.48%	0.03%	0.04%	0.15%	0.10%	0.05%	0.02%	0.04%	2.17%
Provider 14	0.71%	1.66%	0.62%	0.07%	0.07%	0.41%	0.25%	0.16%	0.10%	0.15%	4.19%
Provider 15	0.57%	1.13%	0.69%	0.06%	0.05%	0.35%	0.21%	0.14%	0.08%	0.14%	3.41%
Total	15.64%	38.27%	15.44%	1.75%	3.36%	10.01%	5.84%	4.18%	2.94%	2.58%	100%

Notes: ^aThe values are based on the original number of referrals made to the programme since June 2011 till November 2015.

^b The population size is 2,028,724 individuals

Table 2: Weighted Descriptive Statistics

	Mean	StDev	Min	Max
Cumulative Count of transition:				
Into Sustained Employment	44.54	70.97	0.0	766
out of unempl (anytime)	200.80	258.18	0.0	2527
out of unempl (end of the month)	119.79	141.80	0.0	1272
out of unempl for 13 weeks	107.11	149.32	0.0	1450
out of unempl for 26 weeks	71.38	112.12	0.0	1143
Cumulative Rate of transition:				
into sustained employment	0.11	0.12	0.0	1
out of unempl (anytime)	0.49	0.29	0.0	2
out of unempl (end of the month)	0.31	0.20	0.0	2
out of unempl for 13 weeks	0.27	0.23	0.0	2
out of unempl for 26 weeks	0.18	0.19	0.0	2
Month Specific Count of transition				
into sustained employment	4.12	6.74	-7.0	86
out of unempl (anytime)	11.87	18.44	-7.0	271
out of unempl (end of the month)	7.25	12.76	-30.0	185
out of unempl for 13 weeks	7.80	11.39	-7.0	158
out of unempl for 26 weeks	6.25	9.73	-7.0	120
Month Specific Rate of transition:				
into sustained employment	0.01	0.02	-1.2	1
out of unempl (anytime)	0.03	0.04	-1.2	2
out of unempl (end of the month)	0.02	0.05	-1.6	2
out of unempl for 13 weeks	0.02	0.03	-1.2	1
out of unempl for 26 weeks	0.02	0.03	-1.0	2
Number of Individuals in cohort	399.32	481.62	5.0	3569
Regional Unemployment Rate	7.20	1.64	3.3	12
Claimant Profiles	32.67	20.84	10.0	90
Month of observation	11.82	7.18	0.0	24
<i>Population Size</i>	485,569			

Notes: ^aThe descriptive statistics are weighted using the original number of referrals in the cohort. Note that the negative indication in the Min column is due to the error introduced by DWP to protect the anonymity of individuals in small cohorts ^bUnempl refers to unemployment. ^cOut of unempl (anytime) indicates the number of individuals who have had an off-benefit spell anytime and not particularly at the end of the observed month. Out of unempl (end of the month) indicates the number of individuals who were off benefit at that specific observed month.

Table 3: Job Outcomes: Month-Specific and Cumulative rates- Weighted and Unweighted Models

	(1) Month Specific Job Outcome Rate	(2) Cumulative Job Outcome rate	(3) Month Specific Job Outcome Rate	(4) Cumulative Job Outcome rate
Payment Group 1	0.00193*** (0.000238)	0.0212*** (0.000592)	0.00204*** (0.0000897)	0.0229*** (0.000256)
Payment Group 3	0.000184 (0.000239)	0.0290*** (0.000592)	-0.000291*** (0.0000910)	0.0177*** (0.000260)
Payment Group 4	-0.00637*** (0.000246)	-0.0622*** (0.000611)	-0.00522*** (0.000231)	-0.0499*** (0.000660)
Payment group 5	-0.0115*** (0.000248)	-0.124*** (0.000615)	-0.0103*** (0.000171)	-0.116*** (0.000488)
Payment Group 6	-0.00902*** (0.000239)	-0.0940*** (0.000592)	-0.00863*** (0.000108)	-0.0924*** (0.000309)
Payment Group 6.1	-0.00792*** (0.000239)	-0.0849*** (0.000594)	-0.00689*** (0.000133)	-0.0732*** (0.000380)
Payment Group 6.2	-0.0113*** (0.000269)	-0.122*** (0.000668)	-0.0112*** (0.000160)	-0.125*** (0.000459)
Payment Group 7	-0.0139*** (0.000247)	-0.147*** (0.000614)	-0.0132*** (0.000181)	-0.148*** (0.000518)
Payment Group 9	-0.00760*** (0.000251)	-0.0863*** (0.000624)	-0.00713*** (0.000195)	-0.0826*** (0.000558)
Constant	0.00359 (0.00268)	0.0328*** (0.00666)	-0.00179* (0.000941)	-0.0147*** (0.00269)
Regional Unemployment Rate	Yes	Yes	Yes	Yes
Region FEs	Yes	Yes	Yes	Yes
Cohort FEs	Yes	Yes	Yes	Yes
Months-in-programme FEs	Yes	Yes	Yes	Yes
Time FEs	Yes	Yes	Yes	Yes
Cohort Weights	No	No	Yes	Yes
Weighted SD ^d			0.0046	0.0556
<i>No. of observations</i>	485569	485569	485569	485569
<i>adj. R²</i>	0.038	0.508	0.131	0.765

Notes: Standard errors in parentheses * $p < .10$, ** $p < .05$, *** $p < .01$

^a Columns 3 and 4 are weighted using the number of individuals in each cohort.

^b The coefficients indicate the relative impact of payment group on the dependent variable with payment group 2 (JSA 25+) as the reference. For instance, in column 4, payment group 1 (JSA 18-24) has 2.29% greater impact on cumulative job outcome rate than payment group 2 (JSA 25+).

^c The control variables include 18 regional dummies, 57 cohort dummies, 24 month-in-programme dummies (indicating the time dimension of the programme), business cycle and unemployment rate

^d Adjusted Weighted Standard Deviation of payment group differentials are calculated using equation 2

Table 4: Job Outcomes Rate- Month-Specific and Cumulative rates- Weighted and Unweighted Models (continuation)

	(1) Month Specific Job Outcome Rate	(2) Cumulative Job Outcome rate	(3) Month Specific Job Outcome Rate	(4) Cumulative Job Outcome rate
Provider 1	0.000207 (0.000231)	0.00727*** (0.000574)	0.000661*** (0.000112)	0.0131*** (0.000320)
Provider 2	0.0000114 (0.000288)	0.00354*** (0.000715)	-0.0000905 (0.000147)	0.000891** (0.000421)
Provider 4	-0.000798** (0.000322)	-0.00855*** (0.000798)	0.000330 (0.000204)	0.00565*** (0.000582)
Provider 5	-0.00135*** (0.000484)	-0.0121*** (0.00120)	-0.000223 (0.000284)	-0.000534 (0.000812)
Provider 6	0.0000268 (0.000455)	0.00302*** (0.00113)	0.000445* (0.000231)	0.00831*** (0.000660)
Provider 7	0.000626** (0.000291)	0.00847*** (0.000723)	0.000466*** (0.000167)	0.00677*** (0.000478)
Provider 8	-0.000611 (0.000543)	-0.00256* (0.00135)	0.000116 (0.000220)	0.00245*** (0.000629)
Provider 9	-0.000212 (0.000740)	-0.00318* (0.00184)	-0.000162 (0.000404)	-0.00645*** (0.00115)
Provider 10	-0.00119 (0.000892)	-0.00780*** (0.00221)	-0.000520 (0.000491)	-0.00680*** (0.00140)
Provider 11	-0.00142* (0.000734)	-0.0125*** (0.00182)	-0.000607* (0.000333)	-0.00711*** (0.000952)
Provider 12	0.00141*** (0.000388)	0.0195*** (0.000963)	-0.000413* (0.000232)	-0.00662*** (0.000663)
Provider 13	-0.000140 (0.000486)	-0.00312*** (0.00121)	-0.000956*** (0.000271)	-0.0139*** (0.000774)
Provider 14	-0.00127*** (0.000442)	-0.0159*** (0.00110)	-0.000762*** (0.000249)	-0.00895*** (0.000711)
Provider 15	-0.000380 (0.000425)	-0.00269** (0.00105)	-0.000270 (0.000267)	0.000161 (0.000763)
Weighted SD ^d			0.00043	0.0083

Notes: Standard errors in parentheses * $p < .10$, ** $p < .05$, *** $p < .01$

^a Columns 3 and 4 are weighted using the number of individuals in each cohort. The coefficients indicate the relative performance of providers on the dependent variable with provider 3 as the reference. For instance, column 4, provider 6 perform 0.83% greater than provider 3

^c Continuation of the table 4 hence has the same control variables

^d Adjusted Weighted Standard Deviation of provider differentials are calculated using equation 2

Table 5: Off-benefit outcomes: Month-Specific and Cumulative rates- Weighted and Unweighted Models

	(1) Month Specific Off Benefit Rate	(2) Cumulative Off Benefit rate	(3) Month Specific Off Benefit Rate	(4) Cumulative Off Benefit Rate
Payment Group 1	0.00430*** (0.000608)	0.0894*** (0.000883)	0.00396*** (0.000191)	0.0851*** (0.000337)
Payment Group 3	-0.000390 (0.000608)	0.0202*** (0.000884)	-0.00178*** (0.000194)	-0.0185*** (0.000342)
Payment Group 4	-0.00993*** (0.000627)	-0.182*** (0.000911)	-0.00895*** (0.000492)	-0.161*** (0.000867)
Payment Group 5	-0.0176*** (0.000631)	-0.331*** (0.000917)	-0.0161*** (0.000364)	-0.309*** (0.000641)
Payment Group 6	-0.0150*** (0.000608)	-0.285*** (0.000884)	-0.0143*** (0.000230)	-0.273*** (0.000406)
Payment Group 6.1	-0.0132*** (0.000610)	-0.264*** (0.000887)	-0.0118*** (0.000283)	-0.228*** (0.000499)
Payment Group 6.2	-0.0184*** (0.000685)	-0.344*** (0.000996)	-0.0179*** (0.000342)	-0.344*** (0.000603)
Payment Group 7	-0.0209*** (0.000630)	-0.377*** (0.000916)	-0.0197*** (0.000386)	-0.368*** (0.000681)
Payment Group 9	0.00342*** (0.000641)	0.142*** (0.000931)	0.00213*** (0.000416)	0.125*** (0.000733)
Constant	0.0290*** (0.00684)	0.178*** (0.00993)	0.0386*** (0.00200)	0.0743*** (0.00354)
Regional Unemployment Rate	Yes	Yes	Yes	Yes
Region FEs	Yes	Yes	Yes	Yes
Cohort FEs	Yes	Yes	Yes	Yes
Months-in-Programme FEs	Yes	Yes	Yes	Yes
Time FEs	Yes	Yes	Yes	Yes
Cohort Weights	No	No	Yes	Yes
Weighted SD ^d			0.0072	0.1449
<i>No. of Observations</i>	485569	485569	485569	485569
<i>adj. R²</i>	0.029	0.685	0.114	0.843

Notes: Standard errors in parentheses * $p < .10$, ** $p < .05$, *** $p < .01$

^a Columns 3 and 4 are weighted using the number of individuals in each cohort.

^b Columns 3 and 4 are weighted using the number of individuals in each cohort. The coefficients indicate the relative performance in obtaining off benefit spells among providers with provider 3 as the reference. For instance, column 4, payment group 1 reports 8.5% greater cumulative off benefit rate than payment group 2

^c The control variables included 18 regional dummies, 57 cohort dummies, 24 months-in-programme dummies (indicating the time dimension of the programme), business cycle and unemployment rate

^d Adjusted Weighted Standard Deviation of payment group differentials are calculated using equation 2

Table 6: Off-benefit outcomes: Month-Specific and Cumulative rates- Weighted and Unweighted Models (continuation)

	(1) Month Specific Off Benefit Rate	(2) Cumulative Off Benefit rate	(3) Month Specific Off Benefit Rate	(4) Cumulative Off Benefit Rate
Provider 1	-0.0000212 (0.000589)	-0.00201** (0.000856)	0.0000737 (0.000238)	0.00368*** (0.000421)
Provider 2	-0.0000216 (0.000735)	0.00118 (0.00107)	-0.000363 (0.000313)	-0.00464*** (0.000553)
Provider 4	-0.000929 (0.000820)	-0.0338*** (0.00119)	-0.000220 (0.000434)	-0.00517*** (0.000765)
Provider 5	-0.00120 (0.00123)	-0.0335*** (0.00179)	-0.000501 (0.000604)	-0.0153*** (0.00107)
Provider 6	0.000360 (0.00116)	0.00452*** (0.00168)	0.0000583 (0.000491)	0.00429*** (0.000866)
Provider 7	0.000301 (0.000743)	0.00865*** (0.00108)	-0.000184 (0.000356)	-0.00196*** (0.000628)
Provider 8	-0.000706 (0.00138)	-0.0114*** (0.00201)	-0.0000333 (0.000468)	-0.00160* (0.000826)
Provider 9	0.000207 (0.00189)	-0.00667** (0.00274)	-0.0000792 (0.000860)	-0.0105*** (0.00152)
Provider 10	-0.000290 (0.00227)	-0.00720** (0.00330)	0.000271 (0.00105)	0.00391** (0.00185)
Provider 11	-0.000957 (0.00187)	-0.0177*** (0.00272)	-0.000340 (0.000709)	-0.00582*** (0.00125)
Provider 12	0.00263*** (0.000989)	0.0569*** (0.00144)	0.000335 (0.000493)	0.00467*** (0.000871)
Provider 13	0.000647 (0.00124)	0.00809*** (0.00180)	-0.000261 (0.000576)	-0.0138*** (0.00102)
Provider 14	-0.000833 (0.00113)	-0.0197*** (0.00164)	-0.000665 (0.000529)	-0.0128*** (0.000934)
Provider 15	-0.00123 (0.00108)	-0.00978*** (0.00157)	-0.000510 (0.000568)	-0.00686*** (0.00100)
Weighted SD ^d				0.0055

Notes: Standard errors in parentheses * $p < .10$, ** $p < .05$, *** $p < .01$

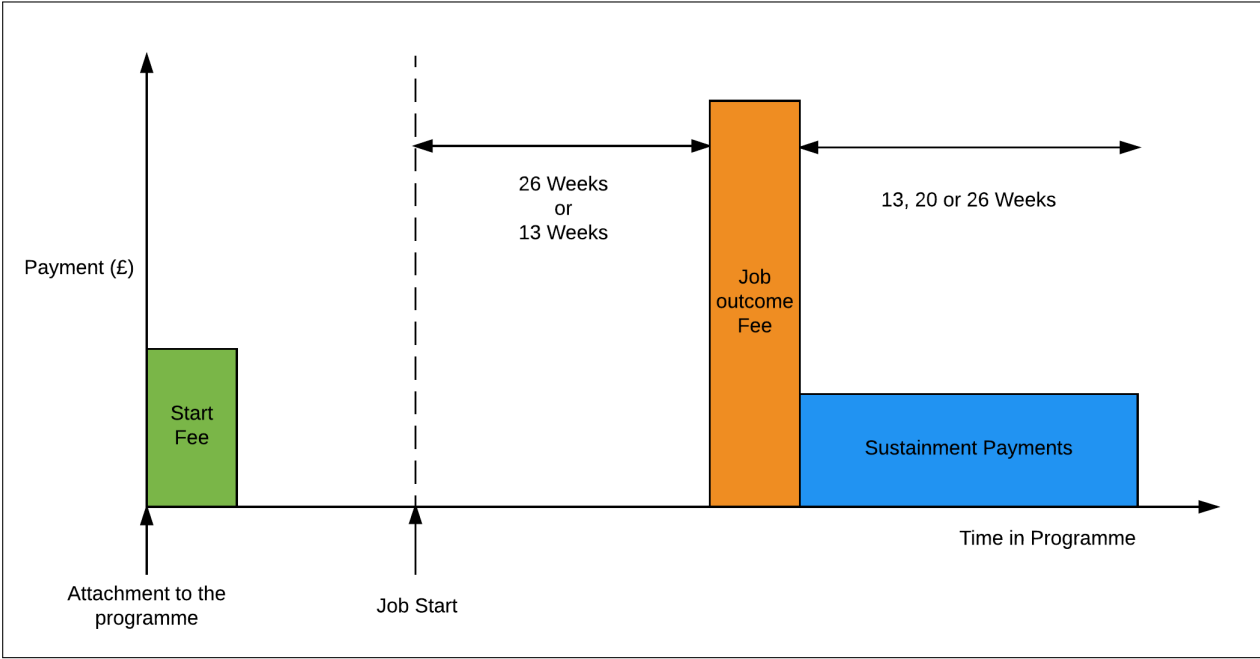
^a Columns 3 and 4 are weighted using the number of individuals in each cohort.

^b Columns 3 and 4 are weighted using the number of individuals in each cohort. The coefficients indicate the relative performance in obtaining off benefit spells among providers with provider 3 as the reference. For instance, column 4 provider 6 perform achieves 0.43% greater cumulative off benefit rate than provider 3

^c Continuation of the table 6 hence has the same control variables

Appendix: Institutional Framework

Figure A1: Timeline of payments made to providers following a referral



Source: Department for Work and Pensions, 2012).

Table A1: Detailed list of WP participants and their respective payment groups

Participants	PG ¹³	Part. ¹⁴
JSA Claimants ages 18 to 24	1	M
JSA claimants aged 25 and over	2	M
Pension Credit claimants	2	V
JSA 18 year old NEET ¹⁵ claimants	3	M
JSA repeaters	3	M
JSA Early Access Claimants	3	M
JSA Early Access claimants – Care leavers aged 18-21	3	M
Benefit cap ¹⁶	3	M
JSA Ex-IB claimant	4	M
ESA Ex-IB WRAG with 3 month prognosis	5	M
ESA (C) WRAG	5	M
ESA Credits Only	5	V
ESA (C) WRAG Lone Parent with youngest child under 5 or full time carer	5	V
ESA (IR) WRAG with more than 12 month prognosis	5	M
Pension Credit claimants with health conditions	5	V
ESA (IR) WRAG Lone Parent with 12 month plus prognosis with youngest child under 5 or full time carer	5	V
Pension Credit claimants with health conditions	5	V
ESA (IR) WRAG with 3 month prognosis	6a	M
ESA (IR) WRAG with 6 month prognosis	6a	M
Existing ESA (IR) WRAG with 3 month prognosis	6a	M
Existing ESA (IR) WRAG with 6 month prognosis	6a	M
ESA (IR) WRAG Lone Parent with 3 month prognosis with youngest child under 5 or full time carer	6a	V
ESA (IR) WRAG Lone Parent with 6 month prognosis with youngest child under 5 or full time carer	6a	V
ESA (IR) WRAG Lone Parent with 12 month prognosis with youngest child under 5 or full time carer	6a	V
ESA (IR) Support Group	6a	V
ESA (C) Support Group	6a	V
ESA (IR) WRAG with 12 month prognosis	6b	M
ESA (IR) Ex-IB WRAG with 3 month prognosis	7	M
ESA (IR) Ex-IB WRAG with 6 month prognosis	7	M
ESA (IR) Ex-IB WRAG with 12 month prognosis	7	M
ESA (IR) Ex-IB WRAG Lone Parent with 3 month prognosis with youngest child under 5 or full time carer	7	V
ESA (IR) Ex-IB WRAG Lone Parent with 6 month prognosis with youngest child under 5 or full time carer	7	V
ESA (IR) Ex-IB WRAG Lone Parent with 12 month prognosis with youngest child under 5 or full time carer	7	V
ESA (IR) Ex-IB WRAG Lone Parent with 12 month plus prognosis with youngest child under 5 or full time carer	7	V
ESA (IR) Ex-IB Support Group	7	V
ESA (C) Ex-IB Support Group	7	V

¹⁵NEET refers to Not in Education, Employment or Training.

¹⁶This entry point refers to those who are in payment groups 1 and 2 who chose to access the Work Programme three months after if they are likely to be affected by the benefit cap (Department for Work and Pensions, 2016b)

IS and IB Participants	8	V
JSA Prison Leavers	9	M
JSA Credit only Claimants	No PG	V

Source: Department for Work and Pensions, 2016b

Table A2: Contract Package Areas and Providers

Number	Regions covered	Work Programme providers
CPA1	East of England	Ingeus and Seetec
CPA2	East Midlands	Peopleplus and Ingeus
CPA3	West London	Ingeus, Reed and Maximus
CPA4	East London	Peopleplus, Shaw Trust and Seetec
CPA5	North East	Peopleplus and Ingeus
CPA6	Merseyside, Halton, Cumbria and Lancashire	A4e and Ingeus
CPA7	North, West and Greater Manchester, Cheshire and Warrington	Peopleplus, G4S and Seetec
CPA8	Scotland	Working Links and Ingeus
CPA9	Thames Valley, Hampshire and Kent	A4e and Maximus
CPA10	Surrey, Sussex and Kent	Peopleplus and G4S
CPA11	Devon, Cornwall, Somerset and Dorset	Prospects and Working Links
CPA12	Gloucestershire, Wiltshire and West of England	Rehab and Learndirect
CPA13	Wales	Working Links and Rehab
CPA14	Birmingham, Solihull and the Black Country	Peopleplus, APM and Newcastle College
CPA15	Coventry, Warwickshire and The Marches	Interserve and Serco
CPA16	West Yorkshire	Interserve and Ingeus
CPA17	South Yorkshire	Peopleplus and Serco
CPA18	North East Yorkshire and the Humber	G4S and Maximus

Table A3: Maximum Payment Structure

Payment Group	Customer Group	Year 1 attachment fee	Job outcome Fee (maximum)	Job outcome paid: Week	Sustainment payment per 4 weeks	Maximum number of 4 weekly sustainment payment	Maximum total Payment
1	JSA 18-24	£400	£1,200	26	£170	13	£3,810
2	JSA 25+	£400	£1,200	26	£215	13	£4,395
3	JSA early access	£400	£1,200	13	£250	20	£6,600
4	JSA ex-IB	£400	£1,200	13	£250	20	£6,600
5	ESA Volunteers	£400	£1,000	13	£115	20	£3,700
6	ESA Claimants	£400	£1,200	13	£235	20	£6,300
7	ESA ex-IB	£400	£3,500	13	£370	26	£13,520
8	IB/IS (England only)	£400	£1,000	13	£145	13	£3,285
9	JSA prison leavers	£400	£1,200	26	£200	20	£5,600

Source: Department for Work and Pensions, 2016b