

# Working Capital

## Evaluation Report 2016

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*In January 2016, NIACE and the Centre for Economic and Social Inclusion  
merged to form Learning and Work Institute*

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## Executive Summary

### The Working Capital programme

Working Capital is an innovative, pilot programme of integrated employment and health support for disabled people and those with health conditions who have been out of work for more than two years. The project is funded entirely by the European Social Fund under the 2014--2020 Operational Programme under the key objective inclusive labour markets

The pilot was co-designed by Central London Forward and its eight central London authorities, working with central government and the Greater London Authority, in partnership with the Cabinet Office, Department of Work and Pensions, London Councils and the London Enterprise Panel. It is intended to test the extent to which services and outcomes can be improved through local leadership, design and implementation; increased financial investment; and more specialised support for participants. The programme embeds a Randomised Controlled Trial within its design, which will be used to test the impact of the programme.

The programme is targeted specifically at claimants of Employment and Support Allowance in the Work Related Activity Group, who have been through the government's Work Programme without securing a sustained employment outcome. These claimants are referred to the programme for a mandatory initial engagement, after which participation in the programme is voluntary.

The programme support is built around regular, intensive, one-to-one case management support delivered by specialist advisers – who can assess needs, co-ordinate access to a range of local and specialist provision and provide ongoing support and challenge. This support is usually co-located within local authority services, with each local authority having agreed to create a more comprehensive and integrated framework of support for participants. Other local public services are also informally engaged in the delivery of the programme.

### The case for reform

Despite nearly thirty years of development of active labour market programmes for those out of work, progress has been poor in supporting many of the most disadvantaged and particularly those with health conditions and impairments. Two and a half million people claim Employment and Support Allowance or incapacity benefits – a figure virtually unchanged over the last decade, now accounting for two thirds of all of those out of work and on benefits.

Successive governments have sought to develop programmes to support these groups but with limited success. Through the Work Programme, the Coalition government established a large-scale, outcome based programme to support both long-term unemployed claimants and those with health conditions and impairments. However, while this appears to have achieved similar levels of performance to previous programmes at significantly lower costs, for claimants of ESA performance overall has been low – with just 13% of those that are required to participate going on to secure employment within two years.

Evidence on what works for many of these groups suggests that different, more intensive approaches may be needed – based on more specialist adviser support, smaller caseloads, service integration and alignment, and different approaches to engaging and supporting employers.

Local areas have a long track record of co-designing, commissioning and overseeing support for disadvantaged groups, and so in recent years there has been a growing emphasis on testing new approaches that put local partners in the lead – first through City Deals and more recently through devolution and co-design of employment programmes between local and central government. Working Capital represents the first attempt to test a new, more integrated model, using a randomised control trial to demonstrate the added value of the scheme.

### **The commissioning of Working Capital**

An innovative approach was taken to commissioning Working Capital, with involvement and input from local and national stakeholders and an open procurement process followed by competitive dialogue. This established shared ownership and interest across the partner authorities and stakeholders.

The Working Capital funding model allows the provider to claim up to half of the contract value paid on job outcomes:

- A first outcome payment is made when a participant enters work
- A second outcome payment is made when a participant has sustained a job for 26 weeks.

While still a PbR model, the payment structure is more balanced than that of previous programmes in recognition of the need to invest more heavily in services for complex payments.

Furthermore, the model was designed to reduce the risks of ‘parking’ of clients by the linking of initial payments to the completion of a detailed action plan that needed to be

signed off by a borough lead. The action planning process is followed by regular caseload reviews to ensure clients are accessing the services offered in their plans.

### Early implementation

Prior to the pilot going live, extensive planning was conducted including through local level working groups involving the service provider, local authorities, health partners and other stakeholders. The involvement of Jobcentre Plus in the programme has been highly praised and effective, with Jobcentre staff demonstrating a strong level of engagement throughout.

There have been a number of successes in implementation and delivery to date:

- A good relationship was being developed between boroughs, the provider and wider partner networks;
- Significant progress has been made on data sharing, although there is considerable scope for further improvements;
- Where utilised, co-location and embedding of caseworkers in local offices and servicer appears to be working well;
- The flexible outreach model of delivery appears to be effective; and
- Caseworkers have been experienced, highly skilled and effective.

There have also been a number of early challenges:

- Aligning local authority interests has required a collaborative and inclusive approach, requiring time and dedicated resource;
- Integrating local services has been more challenging than anticipated;
- There was a recognised tension between local flexibility and standardisation, which is being managed through a 'core' offer across all boroughs; and
- In common with many pilots, participant numbers have been lower than expected.

### Implementation of the Randomised Control Trial

The RCT design will enable the impact of the programme to be robustly measured. While there were some issues with regards to the implementation of the trial, these appear to have been largely resolved. Importantly, the issues identified do not appear to have affected the trial. Revised power calculations also suggest the trial volumes remain viable.

## Summary of key lessons

For those looking to develop their own employment support for individuals with health conditions and disabilities, this report provides a number of lessons to take forward in designing and commissioning their own schemes.

- Working Capital demonstrates that devolution of design and commissioning is feasible given the right conditions where localities and central government are prepared to collectively commit their financial resources and personnel.
- Early and continuous involvement of local partners in commissioning and design is critical to service development, but requires good leadership and investment of time and resource.
- Alongside the above, the process of devolution can itself lead local stakeholders to align and co-ordinate wider services and work across boundaries
- Large scale, partially-devolved procurement exercises can be run effectively across numerous boroughs, although this requires detailed planning and management
- Bringing in potential providers via a process of competitive dialogue can be an effective means to improve the design and fit of contracted provision
- Participant numbers have been a notable challenge, with the actual number of trial participants being lower than forecast estimates. Implications have been far reaching both commercially for the provider and for the RCT design of the programme itself. Certainly, there appears to be a disjoint between eligible claimants completing the Work Programme, and those returning to Jobcentre Plus. Future forecast should account for this measurable disjoint and in particular should adjust for the outcomes of repeat Work Capability Assessments, something that was omitted from the participation estimates prepared for the commissioning stage of the Working Capital Programme.

## Introduction

Working Capital is an innovative, pilot programme of integrated employment and health support for disabled people and those with health conditions who have been out of work for more than two years. It was designed by Central London Forward (CLF), working with eight central London local authorities and the Department for Work and Pensions (DWP), and is being delivered under contract by Advanced Personnel Management UK (APM).

The programme is being run as a 'Randomised Control Trial', meaning that eligible participants are referred randomly into either a 'treatment' or 'control' group, with the difference in outcomes between these groups being used to measure the impact of the intervention. Learning and Work Institute (L&W) has been commissioned to evaluate the trial, comprising assessments both of its impact and how it has been implemented. This is the first report of the evaluation. The report sets out:

- In Chapter 2, the background to its introduction and the case for reform;
- An assessment of the commissioning of the programme in Chapter 3;
- In Chapter 4, an assessment of its early implementation;
- In Chapter 5, we assess the implementation of the Randomised Control Trial itself; and
- Finally, a summary of conclusions and key lessons from the programme in Chapter 6.

The report draws on interviews with Working Capital partners and stakeholders conducted between December 2015 and February 2016, alongside a desk-based review of programme documentation, delivery plans and supporting data and management information.

In the remainder of this chapter, we give an overview of the design of the programme.

## The Working Capital Programme

### Background

Working Capital is pilot programme to provide integrated employment support to people with a long-term health condition or impairment who have been out of work for more than two years. The programme was co-designed by Central London Forward and its eight local authority members (City of London, Camden, Islington, Kensington and Chelsea, Lambeth, Southwark, Wandsworth and Westminster) – working with the Mayor of London and central government, including the Cabinet Office, HM Treasury and DWP.

The pilot programme was developed as part of the 2014 London Growth Deal between central and London government, and is testing three distinct hypotheses:

1. That local authorities can lead, design, commission and implement employment support at scale.
2. That this local leadership can unlock greater local service integration, which would be to the benefit of service users.
3. That increased investment and more specialist support for very disadvantaged groups in the labour market delivers better results and a fiscal return for the Exchequer.

### Eligibility

The Growth Deal set out that the London Enterprise Panel and local government would work with central government to develop a pilot programme to support Employment and Support Allowance (ESA) claimants in the 'Work Related Activity Group' who had been through the government's Work Programme without securing sustained employment.

ESA is available to those who are not able to work due to a health condition or impairment. ESA claimants account for two thirds (67%) of those on 'out of work' benefits in central London<sup>1</sup>, with one in six of these (16%) in the WRAG – meaning that they have completed an assessment of their capability for work and are considered able to undertake activity to prepare for work.

There are 11,850 claimants in the ESA WRAG group in central London. Depending on their prognosis for being ready for work, WRAG claimants are either referred into the Work Programme for two years of support, or supported by Jobcentre Plus work coaches. However, this support has not led to sustained improvements in employment outcomes compared to previous support – with just one in nine ESA claimants in the Work

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<sup>1</sup> Source: NOMIS, November 2015

Programme (11%) going on to secure sustained employment<sup>2</sup>. Working Capital has therefore been introduced to test the effectiveness of providing more intensive and specialised support for those that do not find employment.

### Programme design

An overview of the Working Capital delivery model is set out in Figure 1 overleaf.

After returning to Jobcentre Plus, an eligible participant is allocated (at random) to either the 'treatment' or 'control' group. Those in the treatment group are referred on to Working Capital, while those in the control group receive 'business as usual' support – i.e. regular interviews with a work coach, and access to Jobcentre Plus employment support.

Participants in the treatment group are contacted by telephone by an allocated Working Capital caseworker usually within a day, and seen for an initial meeting within five days at a location convenient for the participant. In most cases, participants choose to meet at Jobcentre Plus. Attendance at this meeting is mandatory but any further participation in the programme is voluntary. At the meeting, the support offer is explained and participants encouraged to take part. Those that do not take part are referred back to Jobcentre Plus for support.

Those that choose to participate then take part in an initial assessment of their goals, capabilities, barriers and needs. This can take between two and four hours to complete, after which an initial action plan is developed setting out how these needs and goals can be met. This is subsequently shared with and verified by a local authority lead, to ensure that it is consistent with the support available within the borough.

After the initial assessment, clients are booked in for a health and wellbeing review. This appointment is delivered by the provider's in-house health professionals as a private, one-to-one meeting where the health professional discusses the client's health needs, medication, barriers to work and how those barriers can be overcome. This can include for example discussion of suitable job types and strategies for returning to work. Information from this meeting is shared with the caseworker, with wellbeing appointments continuing at six week intervals.

Following this, the participant progresses to a full assessment and action plan stage. This action plan sets out the steps that all parties will take to prepare for and move into employment, and what may need to be addressed or provided in order to achieve this. This can cover employment preparation, jobseeking, health and wellbeing activities, and wider support including for example addressing housing, debt, family, dependence or other issues.

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<sup>2</sup> Source: Learning & Work analysis of DWP Work Programme statistics

The Action Plan is formally agreed by the participant, and its completion triggers an initial payment of £1,324 for the provider.

Participants are then supported by their caseworker through regular one-to-one meetings and contact. Caseworkers engage with their clients on a regular basis, arranging contact around the client's availability and the review of the client's action plan (which routinely occurs every two weeks). Through this engagement, participants are supported to access additional provision to support participants to prepare for work – for example to build confidence, prepare for work, improve skills, manage a health condition or get workplace experience; or more specialised provision such as drug or alcohol treatment, family support or debt management. Caseworkers are expected to work with local authority leads to line up existing borough-level provision, but are also able to fill gaps using Working Capital funding where existing provision is not available.

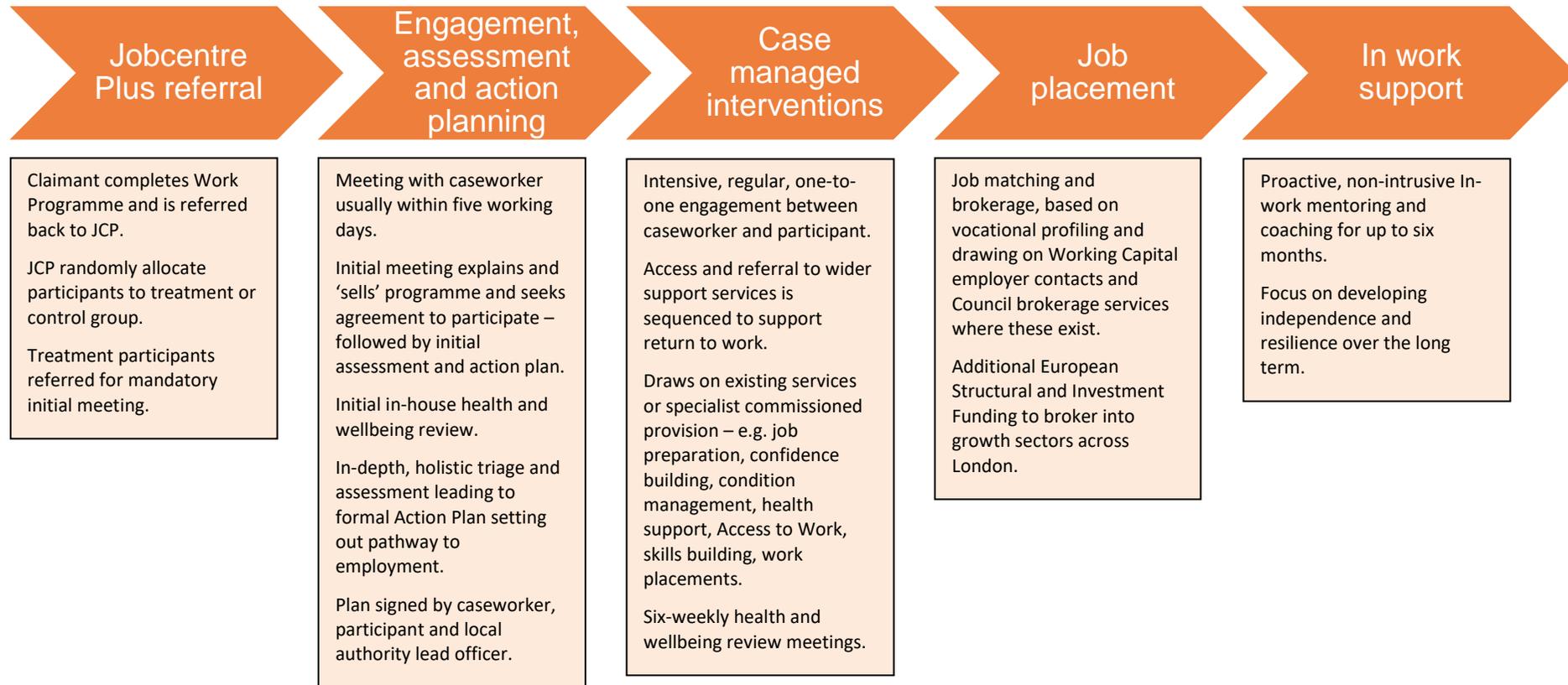
A key feature of Working Capital is vocational profiling, job matching and brokerage – drawing on existing local authority employment brokerages where those exist, direct employer engagement through the programme, and new employment brokerage provision targeting growth sectors, contracted through London's European Structural and Investment Funds.

Where participants enter employment, they receive additional support to stay and then sustain in work, for up to six months. This is intended to be proactive but non-intrusive – and focused on providing mentoring and coaching support that reduces over time, encouraging self-reliance and independence in work.

Continuous employment of 7 days triggers a 'job start' payment for the provider of £2,068, with a 'job sustainment payment' of £4,140 triggered after 26 weeks' employment in a 32 week period from starting work.

Participants that have not secured employment after a year of receiving support will leave the programme with an Exit Action Plan and Record of Achievement. The target agreed for Working Capital is that 32% of participants will enter employment and 16% will sustain employment. Of those that do not secure employment, many are expected nonetheless to improve their confidence and wellbeing as a consequence of taking part.

Figure 1: Illustrative participant journey through support, treatment group, achieving employment



## Co-ordination, alignment and integration of support

A central feature of Working Capital is the degree of co-ordination between the pilot programme and existing provision within the eight local authorities. This marks it out as distinct from most other contracted-out employment programmes and brings with it the benefits of local design and commissioning.

Specifically, the eight local authorities as members of CLF had a shared and pre-existing commitment to the objectives of the programme, the case for reform, and working together and across services. As a consequence, the local authorities each agreed to put in place a more comprehensive and integrated support framework for Working Capital participants, helping to align support with existing Council services such as 'troubled families' support, public health, housing and welfare, and in many cases employer brokerages.

These relationships were set out in bespoke service level agreements between the programme and each local authority. As part of these agreements local authorities also set out the process of engaging wider local public service providers, and promoting the Working Capital programme within their networks.

Working Capital caseworkers are also co-located alongside local authority teams and Jobcentre Plus offices, making it easier for organisations to work together at an agency but also an individual participant level.

## Funding

It is important to note also that funding for Working Capital is significantly higher than has been the case in comparable recent programmes – with average funding per participant of £2,650, compared with estimated funding for ESA claimants within the Work Programme of just £700 per participant.<sup>3</sup>

This far greater funding allows for much smaller caseloads for those providing support, with a maximum caseload of 25 per adviser – in line with best practices in providing support for those with more complex needs. It also allows for greater funding of additional, specialist provision where existing support is not available.

## Programme Performance

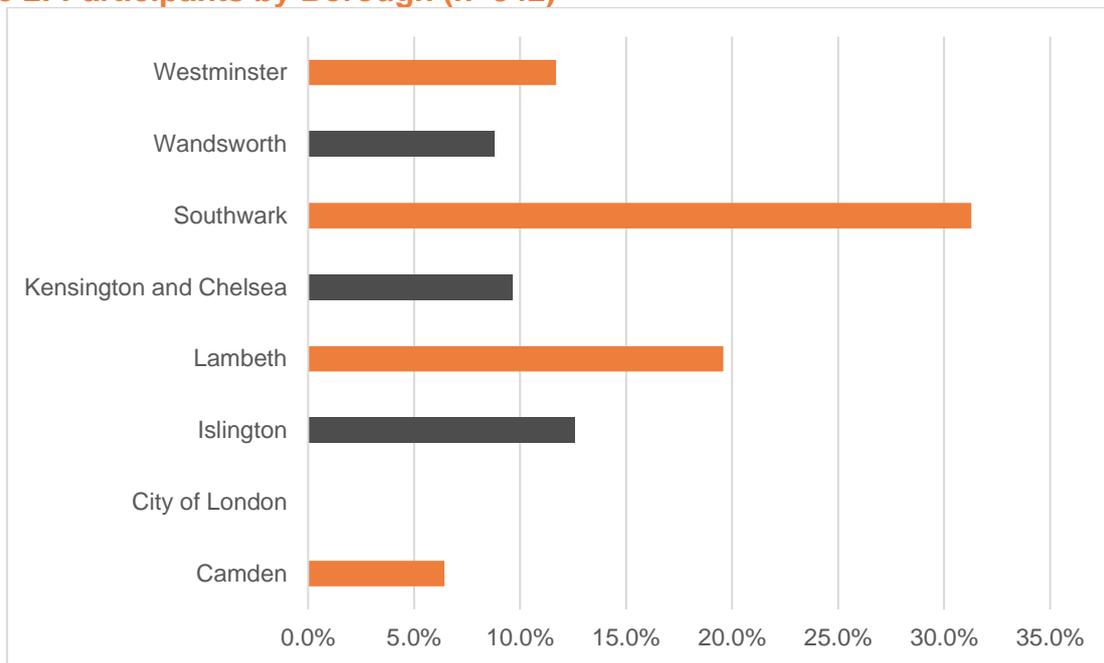
In the six-month period to 31 March 2016, 342 participants were referred to Working Capital. Southwark has been the largest contributor of referrals to the Working Capital programme (see figure 6, below), accounting for 31.3% of all participants, followed by

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<sup>3</sup> Riley, T., Bivand, P. and Wilson, T. (2013) *Making the Work Programme work for ESA claimants*, Centre for Economic and Social Inclusion

Lambeth (19.6%) and Islington (12.6%). On average, participants are referred 63 days after completion of the Work Programme.

**Figure 2: Participants by Borough (n=342)**



At the time data was provided, 11% of participants were awaiting their initial appointment; 10% had refused to take part, 60% had started and were still engaging with support; while 10% had started but were no longer engaging.

Despite the requirement to attend the first meeting, 6% of participants refused to do so. Excluding those awaiting their initial appointment, suggests an effective attachment rate of 82%. This is below the performance expectation, which was that every participant referred would go on to start the programme. It was unlikely that the programme would achieve a perfect attachment rate when viewed in the light of other similar provision; for example, attachment to the mandated Work Programme for new ESA claimants within the London region stands at 98%<sup>4</sup>. Given the voluntary nature of the Working Capital programme, it would be prudent to assume that the attachment rate would fall below this rate.

<sup>4</sup> Work Programme: cohort and time series data. Available from <https://www.gov.uk/government/statistics/work-programme-cohort-and-time-series-data>.

## 2. The case for reform

### Background

'Active Labour Market Programmes' to support those out of work have been a key part of UK employment policy since the late 1990s. These programmes have been built on strong evidence from the UK and internationally<sup>5</sup> that regular engagement with jobseekers – built around work-focused support, looking for work, job matching and job brokerage – can lead to significant impacts on employment and earnings.

Throughout the 2000s, the UK invested significantly in applying these lessons – both through the creation of Jobcentre Plus, bringing together employment services with the benefit system; and in programmes including the 'New Deals', which were built around intensive adviser support followed by onward referral to training, volunteering and subsidised employment for those that needed it.

However, despite these reforms contributing to significant falls in unemployment in the early 2000s, by the middle of the decade there were two significant challenges:

- First, that progress had largely stalled in reducing unemployment, and for some groups – particularly younger people – unemployment was rising; and
- Secondly, that those who were out of work but not available or looking for work were not benefiting from the jobs recovery – specifically, those with health conditions and impairments (often claiming incapacity benefits or, from 2008, Employment and Support Allowance) and those caring for children (most notably lone parents on Income Support).

This led the government firstly to test more flexible, outcome-focused programmes to try to encourage greater innovation and improved outcomes for the unemployed; and secondly to reform benefits and test new approaches for supporting those further from work.

For those with health conditions or impairments, the government piloted and then rolled out a new programme of support called Pathways to Work – where participants were given access to specialised adviser support, help with managing their health condition or impairment, and improved financial incentives to return to work. However, despite initially promising results, the final evaluation of Pathways found that it had had no statistically significant impact on participants' likelihood of returning to work<sup>6</sup>.

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<sup>5</sup> Martin, JP and Grubb, D (2001) *What works and for whom: A review of the OECD's countries' experience of active labour market policies* Paris: OECD

<sup>6</sup> Becker E, Hayllar O, Wood M (2010) *Pathways to Work: Programme engagement and work patterns*. London: DWP

Against this backdrop, the Coalition government designed and commissioned the Work Programme, bringing together the two threads above – of outcome-based contracting alongside extending support to those further from work. So for the first time, a single programme combined support for long-term unemployed claimants (those receiving JSA for more than nine or twelve months) with support for those with health conditions or impairments – with mandatory participation for many in the ESA WRAG, and voluntary participation for other IB and ESA claimants. Providers were given discretion in how they designed their delivery models (a so-called ‘black box’) and were incentivised to increase employment through ‘payment by results’ for sustained employment – with higher payments for those deemed more disadvantaged.

Independent analysis suggests that the Work Programme has succeeded in delivering performance broadly in line with the programmes that it replaced, and doing so at significantly reduced cost – with funding around half the levels of the programmes that it replaced<sup>7</sup>. However, it has failed to significantly improve outcomes for those with health conditions and impairments – with analysis suggesting that overall, disabled participants are half as likely to secure employment as those without an impairment, while just 13% of participants that claimed ESA find sustained employment during their two years on the programme<sup>8</sup>.

Research suggests that a combination of factors have contributed to this low performance<sup>9</sup> – including lower-than-expected volumes (which reduced opportunities for specialist providers); the payment by results model (with targets set too high, leading to cuts in funding when these were not met); changes to programme eligibility (bringing in participants with more significant conditions); and a lack of expertise among lead providers.

So by 2015, there remained 2.5 million claimants of ESA or IB – a figure that had trebled since the early 1980s and that was virtually unchanged in the last decade.

## What works?

Evidence on what works for those with health conditions and impairments suggests that different, and often more intensive, approaches are needed than those that have

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<sup>7</sup> Source: “Work Programme Statistics: Learning and Work Institute Analysis”, September 2016

<sup>8</sup> Ibid.

<sup>9</sup> Riley, T., Bivand, P. and Wilson, T. (2013) *Making the Work Programme work for ESA claimants*, Centre for Economic and Social Inclusion

historically been tried for the long-term unemployed. The literature in particular points to a number of common themes – around<sup>10</sup>:

- The importance of well-trained, well-resourced and specialised advisers, operating with smaller caseloads (typically 20-50 participants) and able to develop action plans; provide motivational support; help with preparing for work, job matching and job brokerage; and link up wider services and support;
- Integration and/ or alignment of services – including but not limited to health and employment – so for example skills, social services, family support, welfare advice, budgeting, housing;
- Effective employer engagement – with support both to broker people into jobs and to support employers to adapt or tailor their practices; and
- A focus where possible on rapid entry to employment where this is possible, in the right jobs with the right support. There is evidence that ‘Supported Employment’ models, when implemented effectively, can lead to positive impacts on employment.

This trial seeks to test whether these positive impacts can be achieved for ESA WRAG claimants living within the central London boroughs through an intervention which features these design elements, and if they can be achieved, whether there is a cost benefit in doing so.

Beneath these headlines, there is also some evidence on what works for groups with specific impairments or needs – with early engagement, integration of psychological therapies and peer-group work all appearing to be effective in supporting those with mental health conditions for example; while there is some evidence that multidisciplinary approaches combining caseworker support, condition management and social supports can be effective for those with musculoskeletal conditions.

This points in particular, then, to the importance of greater alignment of effort locally, and ensuring that programmes and providers have the time and skills (and therefore resource) to personalise and deliver the right support.

## The local role

Given this evidence, it is clear that local areas could play a leading role in co-ordinating, aligning, commissioning and managing employment support for those with health conditions and impairments. International evidence also suggests that devolution “enables

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<sup>10</sup> This evidence is summarised in Purvis, A. et al (2014) *Fit for Purpose: Transforming employment support for disabled people and those with health conditions*, Centre for Economic and Social Inclusion

the design and provisions of co-ordinated services better tailored to the needs of local communities and employers.”<sup>11</sup>

Indeed local areas have had a long track record of designing and delivering employment support. Throughout the 1990s and particularly the 2000s, local areas have often led on the design and delivery of European-funded employment programmes for the most disadvantaged, which has included ‘Supported Employment’ models, intermediate labour markets (i.e. subsidised temporary employment) as well as programmes to join up services and extend their reach into disadvantaged groups.

Since 2010, many local areas have scaled back on these programmes, as a consequence of funding reductions as European funding was diverted into the Work Programme and wider local government budgets reduced.

However, in recent years health services have begun to fill these gaps – with the recognition of employment as an outcome in the NHS England Outcomes Framework and an increasing focus on the social determinants of health. This has led to increased commissioning of employment support by health trusts and clinical commissioning groups, and in particular of ‘Individual Placement and Support’ services for those in contact with secondary mental health services.

Overall, though, local provision has often been on a relatively small scale, with mixed coverage across areas, and often relatively limited investment in testing, evaluating and learning from what works.

The City Deals, and more recently partial devolution and co-design of employment programmes, have presented an opportunity to address these issues – to recognise the role that local areas can play in aligning and improving support, to build on the evidence of what works, and to do that in a rigorous, robust and scalable way. So in Greater Manchester, local authorities worked with central government to design and implement a pilot of more intensive, integrated support for ESA claimants who had left the Work Programme without securing employment, known as Working Well. And building on this, it was agreed that London would develop its own pilot as part of the London Growth Deal – with the London Enterprise Panel co-investing up to £10 million, from its European Structural and Investment Fund allocation.

Within London, the eight boroughs and CLF have been strongly motivated by the opportunities that Working Capital presents to enable them to reform local public services so that they are better aligned and co-ordinated for service users and particularly the most disadvantaged, compared with centrally-commissioned programmes.

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<sup>11</sup> Finn D 2015 *Welfare to Work devolution in England* London: Joseph Rowntree Foundation

Importantly, Working Capital also represents the first attempt to conduct a Randomised Control Trial of integrated employment support for these groups – which should enable the trial to generate robust evidence of the additional impact of Working Capital on the earnings and employment of participants.

Overall then, Working Capital is intended to overcome historic challenges of often mediocre, variable and fragmented support for those most disadvantaged, leveraging additional funding, service alignment, and the evidence of ‘what works’.

## 3. The commissioning of Working Capital

### Commissioning approach

An innovative approach was taken to commissioning Working Capital, with open procurement followed by dialogue with providers.

The commissioning process fostered intensive collaboration between central and local government, public services, and the welfare-to-work market in the design of the programme, via a 'competitive dialogue' process.

Here, the core elements of the programme were designed across a series of workshops over a 6-9 months period. These workshops brought together a range of interested parties, including central government (via the DWP and the Cabinet Office), CLF's local authority members and the voluntary sector. Throughout, member Local Authorities held a strong influence over the overall design and implementation. Wider sector providers and specialists were also consulted to draw on their intelligence and experience on the design of the Working Capital programme, and influence the commissioning process.

Through a process of initial market engagement via a pre-tender supplier event, potential providers of the programme were also afforded the opportunity to input into the design and procurement process; something that providers operating in the market welcomed. Consequently, potential suppliers informed some aspects of the scheme and made comments on potential refinements.

As well as ensuring that as many interested parties had been consulted on the design of the scheme, developing the Programme in this way helped to establish shared ownership and interest across the partner authorities and wider stakeholders.

*'the exercise was quite inclusive in that those partners across the different boroughs... had the opportunity to input on the design and the specification and that was a really good ... because you don't want to be given a project and say, 'Right, this is what you've going to be working on.' You want to have the opportunity to be involved in designing it'*

### Procurement process

To deliver both service integration, and programme coherence across the participating boroughs and over the contract term, a decision was reached that the appointment a single contractor was more appropriate than appointing multiple.

CLF procured the programme through a two-stage process – with an initial Pre-Qualification Questionnaire (PQQ) used to shortlist bidders for the full Invitation to Tender

(ITT). While these are standard features of Active Labour Market Policy commissioning, the ITT stage also included a 'competitive dialogue' process for the period after bids were initially submitted which was intended to engage prospective providers in further improving their bids.

As with the development phase, partner boroughs took an active role in detailing and drawing together the PQQ and ITT. The quality of the procurement exercise was considered high given the timescales and number of contributors to the process.

Further the *'Programme Director'* was singled out for their *'detailed, amazing version control in terms of putting the spec together'* and maintaining the momentum behind the programme which was particularly important given the range of stakeholders involved as were the City of London's procurement team, *'who were excellent, very technically knowledgeable'*.

Communication prior to and around the submission of tenders between the commissioner and bidders was felt to have been good and timely. There was a precise and accurate understanding of the requirement across organisations that submitted an interest in the programme and satisfaction with the detail and clarity of the specification.

The result of the collaboration above, the considerable investment in the programme, and communication with prospective delivery organisations was a healthy pool of potential providers from which the commissioners could choose:

- Twenty-three different providers took part in the initial phase of procurement (the Pre-Participation Questionnaire).
- Those bidding ranged from large multinational welfare to work providers, to non-profits, and smaller providers.

Five full proposals were submitted as part of the second stage of the procurement (though one was subsequently withdrawn prior to an outcome decision being made). All welcomed and valued the competitive dialogue stage and reported that it provided an opportunity to further improve their bids and gain a more detailed understanding of the requirement. As a result of this process, stakeholders involved in the procurement suggested that this two-stage process improved the quality of the tenders received.

For the programme commissioners, the strength of the process was marked by the level of interest at the PQQ stage, including many of those with a track record of delivering large-scale employment programmes, and demonstrates how localities can collectively, and successfully run a professional employment services procurement process, and attract a wide range of potential providers to apply to deliver their services.

## Payment structure

While the payment structure used for the Working Capital programme continues to focus on payment by results (primarily employment outcomes), there are a number of distinct features from mainstream provisions – including both the level of investment and different points, and the demands on the provider in order to qualify for these payments.

First, outcome related payments are worth up to half of the contract value, but this is significantly lower than the gearing towards employment outcomes used in the Work Programme – which was felt to have both contributed to the ‘parking’ of those furthest from work, and led to structural under-funding of support for ESA groups<sup>12</sup>. As a result, the attachment fees are considerably more generous than under the Work Programme, which allows the provider to invest more on the client at first instance.

A more detailed description of the payment model is outlined in Table 1 below. Payments are triggered over three points – the attachment, the job outcome, and the sustainment of the job. The maximum contract value for Working Capital is capped at £10.2 million, should the Provider service 3,840 Working Capital participants and achieve maximum performance.

The table also includes comparable payment rates per client for the Work Programme, at each point of payment. As is clear, attachment payments for Working Capital are noticeably more generous than the comparable Work Programme figures.

**Table 1: Working Capital payment structure and Work Programme equivalent**

	Fee payable per client	Max. no. fee per client payable	Max. contract value	% of total contract value	Work Programme New ESA per client	Work Programme ESA Ex-IB per client
Attachment/ action plan <sup>§</sup>	£1,324	3860	£5,110,640	50%	<b>£0-600</b>	<b>£0-600</b>
Job start *	£2,068	1235	£2,554,548	25%	<b>£1,200</b>	<b>£4,700</b>
Sustained employment <sup>¥</sup>	£4,140	617	£2,553,969	25%	<b>£4,700</b>	<b>£9,620</b>

\* For Working Capital employment for a continuous period of 7 days from the date the client starts a job. For the Work Programme, ‘Job Outcome’ payments are received when a client has been in work for either a continuous or a cumulative period of 13 weeks

<sup>12</sup> See, for example, Carter E, Whitworth A 2015 *Creaming and Parking in Quasi-Marketised Welfare-to-Work Schemes: Designed Out Of or Designed In to the UK Work Programme?* Journal of Social Policy 44 (2), 277-296; Purvis A, Foster S, Lanceley L, Wilson T 2014 *Fit for purpose Transforming Employment Support*. London: Centre for Economic and Social Inclusion; Riley, T., Bivand, P. and Wilson, T. (2013) *Making the Work Programme work for ESA claimants*, Centre for Economic and Social Inclusion

¶ For Working Capital, employment for 26 out of 32 weeks from the date of employment entry. For Work Programme, we assume continuous employment for 80 and 104 weeks respectively for New ESA and Ex-IB.

§ Work Programme attachment payments were £600 in the first year of the programme, falling to zero by year four.

What marks the programme out as distinct in its payment structure is that part of the payments to the provider are directly connected to the provision of specific services. Under the Work Programme model, attachment payments are triggered by simply recruiting a participant. Under the Working Capital model, a caseworker is required to draft a detailed action plan for the client. This action plan then has to be approved and signed off by a local authority lead before the payment is released. This not only incentivises the provider to develop an effective action plan but also requires good working relationships with local authorities. The sign off requirement also gives the local authority a role in and shared interest in each client emphasising the partnership approach the programme tries to foster.

Overall, providers operating in the market suggested that the Working Capital programme was commercially attractive and that the *'payment structure was more than generous'*. Stakeholders also felt that the ITT was commercially attractive and had encouraged the submission of competitive tender responses. The programme had interested a range of providers including charities and voluntary sector providers.

## Early implementation

### Implementation and set-up

Prior to and around the pilot going live in October 2015, extensive activity was conducted in order to plan and implement the programme.

Working groups were set up at a local level to help design more detailed elements of the pilot. In doing so local authorities and other agencies such as Clinical Commissioning Groups (CCG) and mental health support agencies helped to put in place the necessary arrangements to support caseworkers in their role in accessing services for clients.

In tandem, upon awarding the contract to APM as the provider, CFL was active in facilitating direct liaison between the Provider and other stakeholders at all tiers – which was valued particularly by the provider.

The involvement and participation of Jobcentre Plus in the Working Capital programme has been highly praised and effective, with Jobcentre staff demonstrating a good level of engagement throughout. CLF had worked closely with Jobcentre plus and DWP to ensure that they were content with the design and fit of the Working Capital programme within their existing structures.

Jobcentre Plus has continued to support Working Capital by embedding the RCT recruitment into their service, handling the initial referral to the provider, facilitating the warm handover, and supporting the individual caseworker to meet with the eligible individual (e.g. by enabling use of meeting room facilities within the JCP).

### What has gone well

There have been a number of successes in the implementation and delivery of Working Capital to date.

- A good relationship appears to be being developed between boroughs, the provider and wider partner networks. Much of the progress on this is attributable to the volume of work done to involve the provider *“in conversations with all the different parts of the council and also other partner in the local area, like the Jobcentre”*;
- Progress has been made on data sharing, although it has not reached its full potential and partners are continuing cooperate to improve data sharing, recognising this as key to improving service alignment and outcomes for participants;

- Action plans that have been signed off have been very good quality, and strongly suggest good relationship building between clients and caseworkers;
- Where utilised, co-location and embedding of caseworkers in local offices and services appears to be working well. Co-location has enabled the provider - working with the boroughs through attending team meetings and caseload review sessions - to access support for client with wider needs, such as housing, drug and alcohol team and debt support – while also allowing the provider to reduce overheads and thus focus more programme spend on client services.
- The flexible outreach approach to delivery has been effective in engaging claimants – with caseworkers meeting participants at locations where it suits them – a factor important for retaining the continued engagement of a caseload with health conditions and disabilities - for example in their homes, a local café or the Jobcentre; and
- Caseworkers appear to be highly experienced, skilled and effective in delivering support for those with health conditions and impairments.

### Challenges to implementation

As would be expected, a number of challenges to implementation were encountered. Many relate to the broader programme risks, and none present an irrecoverable risk to the programme.

### Uniting local authority interests

The broad partnerships within and between local authorities were seen as a key strength of the model. However, the process of forming the partnership was resource intensive and required a lot of time – and maintaining this level of partnership has continued to require intensive engagement.

### Integrating local services and departments

Despite significant changes and improvements to internal process and practices, local authorities have at times found the process of aligning and integrating services challenging. The nature of integration and the range of different services has meant that it has been difficult to line up the right support at the right time:

*‘The case workers are doing a really good job in identifying those people, but there’s probably more that we can do at a local government level, to ensure that happens more quickly as we go forward’*

Partner authorities are developing localised solutions to what are often structural barriers to integration, often with the support of senior executives up to and including Chief Executive level. For example, on the back of the Working Capital programme, one partner authority reported the establishment of an internal reference group which drew together relevant departments (skills and employment, housing, social care, etc) to support more effective cross-service referrals and support for Working Capital clients.

### **Local flexibility and standardisation of provision**

There is an inevitable tension between provision that is highly responsive to local needs on the one hand, and ensuring consistency in service standards and across areas on the other. Local authorities and the service provider have mitigated this through ensuring that a core 'standard offer' was in place across all areas, set out in local Statements of Intent alongside the specific local offer. At a programme level, caseworkers and CLF have also worked hard to ensure consistent standards for participants.

In addition, boroughs have been regularly sharing information about what each is doing, both to check consistency and identify and disseminate best practice.

### **Participant numbers**

A common challenge with employment programmes is a mismatch between the number of people expected to flow onto the programme when the contract is designed, and the number of actual participants who eventually participate. In the case of Working Capital, the number of referrals and participants has been notably lower than originally projected - referral volumes are currently set to be around 25% below the original forecasts of caseload volumes. There are a number of reasons that underpin this, including:

- Lower numbers than expected coming off the Working Programme, including a number of participants failing to attend the Work Programme returner interview
- Potential participant's circumstances (such as their benefit) changing prior to joining the programme. Specifically, the impact on participant numbers of repeat Work Capability Assessment outcomes conducted after claimants had started the Work Programme, which had not been factored into the modelling of participation estimates.
- Potential participants moving out of the area
- Higher numbers than expected not attaching to the programme having been referred

Lower referral volumes have implications for all of the partners involved. The provider has expressed concern around financial implications, while for local authority partners, the low numbers or participants has limited the opportunity to use Working Capital to develop a cohesive and coherent network or local services to draw on and collaborate with.

In order to address this CLF implemented contingencies to increase participation rates, including widening the scope of eligibility for the Working Capital trial. This involved expanding the eligibility criteria to include Work Programme leavers in the ESA work related activity group who left the Work Programme before Working Capital started – i.e. rather than accepting only Work Programme leavers who had left the programme since 2015, the programme now accepts participants who had left the programme since 2011. It is hoped that these steps will avoid any long-term consequences of the low volumes currently seen.

## Implementation of the randomised control trial

### Building a robust evidence base

A final core distinction between Working Capital and mainstream employment support is the evaluation framework. Working Capital will be fully evaluated to test whether or not the delivery model leads to higher rates of employment (re)entry and sustainment compared with existing provision. As part of the evaluation, Working Capital is implementing an RCT so that impacts can be measured robustly and quantifiably between those assigned to the programme (the treatment condition) and those receiving 'business as usual' support through Jobcentre Plus (the control condition).

*'We designed an RCT to sit alongside it so that we can have the best possible kind of evaluation evidence, to kind of inform what we might do in future programmes, at a national and local level.'*

RCTs are often regarded as providing the strongest standard of evidence within social policy research (Haynes et al 2013) but are infrequently conducted within the social policy arena due to the challenges in implementing them successfully (Deeming 2013, Greenberg and Poole 2007).

By incorporating an RCT, Working Capital should unequivocally and robustly demonstrate the programme's impact. It will build upon existing evidence to test whether programmes that deliver personalised, tailored, local support achieve better outcomes in attaining sustained employment for individuals and enable policy makers to make informed decisions about resourcing similar support models.

The primary measurement demonstrating the impact of the programme will be the differential in the rate at which Working Capital participants achieve job outcomes and benefit off-flows compared to those who receive business as usual support. The key outcome measure will be to achieve a substantial performance 'stretch' of increasing job finding and sustainment rates of participants by at least 3-5 percentage points for the treatment group as compared to the control group.

The use of an RCT also helps to unlock other critical elements of programme evaluation to demonstrate their impact beyond claimant numbers. For instance, the results from the RCT design will enable a full economic impact evaluation, including a cost benefit analysis

(CBA) to demonstrate, what, if any, the savings are to the exchequer and provide an incremental cost benefit ratio.<sup>13</sup>

## Progress on the RCT

Data received from DWP suggest that in the period between the programme going live and 21 March 2016, 396 ESA claimants had been considered for participation in the Working Capital trail. Of these five refused to participate and 52 were exempt. Of the remaining 339 claimants, 68.1% were assigned to the treatment group and 31.9% were assigned to the control condition. While the actual number of participants is lower than was originally expected by this point, the proportions are currently in line with expectations.

In order to determine the viability of the RCT, power, and sample size calculations were conducted in R. The aim of the impact evaluation is to test the null hypothesis that the job outcome rate between the treat group and control are the same. The purpose of these calculations is to estimate whether the RCT is sufficiently *powered* to show an impact, and calculate how many trial participants would need to be involved to detect a 3% difference in the primary outcome measures (sustained job outcome) between the treatment and control group. A 2-tailed test was applied with significance set at .05, and power at .80, with the proposed sample of 1920 in the control group (the smaller of the two trial arms). Assuming that control group sustained job entry rates are 11.0%, 14.0% of the treatment group would have achieve a similar outcome to disprove the null hypothesis.

However, as noted current rates of referral remain below those originally anticipated. This overestimation has implications for the impact evaluation as it directly affects the size of the sample population, which at once reduces the power of the randomised control trial, and the quantification of any benefits.

Keeping the significance level and the power the same, Table 2 below shows the changes in detectable effects size by trial participation as a percentage of the 5760 trial participants originally expected. The table anticipated 100%, 75% and 50% of expected trial participants entering into the trial, as well as highlighting the sample size required to detect a four percentage-point stretch over the control group (highlighted in yellow).

**Table 2: Sample size by minimum detectable effect size**

Percentage of trial participants	No. in control group	No. in treatment group	Probability of sustained job outcome:	Probability of sustained job outcome:	Difference in probability
100%	1920	1920	11.0%	14.0%	3.0%
75%	1440	1440	11.0%	14.0%	3.0%
50%	960	960	11.0%	14.0%	3.0%

<sup>13</sup> It is also anticipated that programme participation will lead to other improvements across a range of other measures, including health and well-being, confidence and motivation, and other social issues (such as housing stability and financial resilience).

vs expected			Control Group	Treatment Group	required to identify sig.diff.
100.0%	1920	3840	0.1100	0.1399	0.0299
75.0%	1440	2880	0.1100	0.1448	0.0388
50.0%	960	1920	0.1100	0.1532	0.0432
57.8%	1109	2218	0.1100	0.1500	0.0400

As would be expected, as the sample size decreases, the required effect to prove programme impact increases. Hence, if expected trial participations rates are realised, the minimum detectable effect size is equivalent to 2.99%. In contrast if the trial only achieves 50% participation, than the effect size increases to 4.32%.

Given that referral rates are around 25% lower than expected, the minimum detectable effect size would be 3.88%; this falls between the 3-5% *stretch* target the programme is hoping to achieve. Though this indicates the RCT may be slightly underpowered to detect a 3% difference at this time, recent measure to increase the flow of referrals, should, in part address this. If the assumed effect size is take to be 4% (mid-point of the stretch target range), the RCT will not be underpowered under current participation rates.

### Review of randomisation process

The RCT is essential to measuring the impact and effectiveness of the programme. It is therefore critical to ensure that it is implemented correctly throughout the lifetime of the programme.

Learning & Work is responsible for the quality assurance of the implementation of the RCT. To this effect the L&W has reviewed all RCT procedure documentation, tested commented on and signed off on the Random Allocation Tool, and reviewed all briefing materials provided to eligible claimants.

Further, as part of L&W’s quality assurance role, observations of claimant randomisation will occur throughout the lifetime of the programme, with six such observations having occurred to date. This involves a researcher observing an interaction between a Jobcentre Plus Work Coach and an ESAWRAG claimant returning to the Jobcentre following the completion of the Work Programme. During this appointment they will be introduced to the Working Capital programme, provided an opportunity to opt-in by giving signed informed consent, and then randomised using the Random Allocation Tool.



## Conclusions

Working Capital is an innovative programme built on evidence and learning from previous labour market programmes for disabled people and those with health conditions. The programme seeks to address a real need to support those with health conditions and impairments into work, to address the significant challenges in designing and delivering effective support for these groups.

The delivery model is based on a good understanding of the evidence of what works in support the most disadvantaged, and focuses on providing a specialised, caseworker-led support offer that seeks to personalise support and engage more frequently and intensively with participants than is the case in other mainstream programmes.

One of the key achievements of Working Capital has been in its design and commissioning, drawing on input from central and local government. Stakeholders were pleased with the level of dialogue and their ability to input into the commissioning and procurement process. As a demonstration of effective joint commissioning, the Working Capital programme serves as a successful test case.

Early implementation is promising, with processes and relationships bedding down. The partnership approach has been well regarded and the programme overall has been effectively managed. However there have been early challenges, including lower-than-expected rates of referrals, and challenges in delivering on local service integration. There has been a positive response to these challenges from both CLF and local partners, with solutions being implemented at the programme level as well as locally.

## Key lessons

- Working Capital demonstrates that devolution of design and commissioning is feasible given the right conditions
- Involvement of local partners in commissioning and design is critical to service development, but requires good leadership and investment of time and resource
- Alongside the above, the process of devolution can itself lead local stakeholders to align and co-ordinate wider services and work across boundaries
- Large scale, partially-devolved procurement exercises can be run effectively across numerous boroughs, although this requires detailed planning and management
- Dialogue is an effective means to improve the design and fit of contracted provision

- Participant numbers have been a notable challenge, with the actual number of trial participants being lower than forecast estimates. Implications have been far reaching both commercially for the provider and for the RCT design of the programme itself. Certainly, there appears to be a disjoint between eligible claimants completing the Work Programme, and those returning to Jobcentre Plus. Future forecast should account for this measurable disjoint and in particular should adjust for the outcomes of repeat Work Capability Assessments, something that was omitted from the participation estimates prepared for the commissioning stage of the Working Capital Programme.