

States of Jersey Social Security Department

Approach to the assessment of the value for
money of the Back to Work programme

13 August 2014



1. SUMMARY

BDO was appointed to provide support to the Social Security Department in determining a robust approach to the assessment of the value for money of the Back to Work programme introduced in 2012.

This report outlines our understanding of the programme and sets out the factors that are relevant to the assessment of value for money. A basis for calculation is recommended, with notes on the limitations of this approach as a result of current data and suggestions for development.

The suggested calculation is based upon actual costs of the programme and actual Income Support savings achieved, with the maximum duration for which the savings are counted for being driven by the needs of the person gaining employment - for those who would be highly unlikely to ever achieve employment without intensive support the saving is counted for a maximum of three years where as for those with no barriers to being employed for only a maximum of three months.

The actual comparison of costs and savings has not yet been made and is dependent on further interrogations of the case records.

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2. BACKGROUND

Back to Work

The Back to Work scheme was introduced in 2012 in response to rising unemployment on the island. As well as being affected by the banking and Euro crises, Jersey also suffered a reduction in employment for lower skilled people as a result of the removal of Low Value Consignment Relief and the consequent withdrawal of some businesses from the island. The scheme was a number of components for encouraging employers to take on unemployed people, including grants, and for supporting unemployed people in finding work including training, mentoring, job search and job placement.

The purpose of the programme set out in the Strategic Plan 2012 is “to get unemployed islanders working”. £19.4 million was identified as the investment to be made in the scheme over a three year period.

The Back to Work programme targets both potential employers and locally qualified job seekers with a range of support and incentives in order to facilitate unemployed people being brought back into work. Greatest attention is focused on the long term unemployed and youth unemployed. As well as targeting those without work, the programme also covers those in work for less than 35 hours each week and receiving Income Support.

Back to work is considered to be successful in getting unemployed people back into work and has achieved approaching 3,000 Job Starts. The prime measure of unemployment is the number of people Actively Seeking Work (ASW) and represents those who are locally qualified and registered as seeking work. Many of these people are receiving Income Support.

3. SCOPE OF ASSIGNMENT

Confirmed assignment

The assignment is an advisory review with BDO providing an assessment of the most appropriate methods for measuring value for money that the Social Security Department can apply. Our proposed approach involves

Building our understanding of the Back to Work programme and the determination of value - Determining the principles for the value for money assessment and the basis for what will be considered value through review of background documents and gathered data, interviews with key managers and consideration of how other organisations measure impact.

Assessing the quality of existing data and the potential for future data - Carrying out a high level evaluation of the extent to which existing data sources can be deemed reliable to base the assessment upon. This is based upon a walk-through of the processes used to capture and manipulate the data to assess the scope for error, incompleteness, duplication or manipulation.

Identification and appraisal of options for measurement of value for money to date and options for the future - Identifying the most appropriate option for measuring value for money given the determination of value and the availability of data.

Limitations

The understanding of the approach is based on the information and explanations provided by the Social Security Department and no further steps have been taken to verify the completeness or reliability of these. The underlying data considered has been generated from the systems operated by the Social Security Department, often through interrogations carried out by the Department on our behalf. Whilst we have explored the process by which the data is captured by the systems, we have not assessed the controls in detail or tested the controls, and the data has not been tested to the underlying records.

4. DEFINING VALUE FOR MONEY

Process

Defining value for money needs to take account of the objectives of the programme as well as the financial impact on the States of Jersey.

Definition of success

Success was defined for the Back to Work programme as:

- Getting Islanders back into work
- Reducing long term ASW
- Reducing youth ASW
- Improving ASW employability
- Providing excellent service to job seekers and employers.

The nature of unemployment on the Island

The Income Support and Back to Work arrangements recognise that an element of unemployment is transient. For those people who are willing to work, have skills and no barriers to gaining employment, little support is required in finding new employment and most are expected to find employment themselves within 13 weeks. Other cases of unemployment are less likely to achieve paid work without support and these are the cases that the Back to Work programme has been supporting. Barriers to employment may be language, limited skills/experience, personal commitments, behavioural issues or a reluctance to seek work. The longer people remain outside of employment, the greater the barriers become and the potential for long term dependency on Income Support.

Financial impact

No financial objective was set for the Back to Work programme, beyond operating with the budget set for it. Whilst reducing the number of Islanders who are unemployed also reduces the amount of income support that the States of Jersey needs to pay out, this has not been the driver of behaviours and the Back to Work programme has been targeted at those people with the greatest long term need rather than where the greatest Income Support saving could be realised for the investment. However, understanding the financial impact is an essential element of understanding the value for money of the investment.

Definition

Value for money for the scheme has therefore been defined as the achievement of the best financial impact for the States of Jersey in the medium term, by reducing both current unemployment and the likelihood of future unemployment. The assessment is also based on the principal of additionality - only additional costs of running the service and the additional benefits of the programme are considered.

5. FACTORS IMPACTING THE ASSESSMENT

Costs of the Back to Work programme

The cost of the Back to Work programme in total is set out in the budget and are easily identified. This includes the staff cost of advisers and those managing and administrating the programme, grants and incentives and the associated overheads and administrative recharges. Based on figures provided by the Social Security Department, total costs excluding the allocation of central recharges and unrelated grants have been:

2012 Actual	2013 Actual	2014 Forecast
£3.7 million	£6.3 million	£9.1 million

However, analysis of the costs included indicates that this includes costs of activities that have been absorbed by the Back to Work programme but relate to activities/costs that would need to be carried out/incurred whether or not the Back to Work programme exists, for example activities required to administer the entitlement to Income Support. Therefore these are inappropriate to include in the assessment of the value for money of the programme. Removing these items, the additional cost of the Back to Work programme is:

2012 Actual	2013 Actual	2014 Forecast
£3.18 million	£5.77 million	£7.9 million

The main exclusions are summarised below:

Item	2012	2013	2014	Reason
Basic employment support provided before Back to Work, now included in Workzone	336,700	345,118	353,745	Required as a minimum. This support is not recognised in the assessment of programme benefits.
Fit to Work		93,089	138,338	Required to determine entitlement to Income Support
Redundancy protection	70,105			Moved out of Back to Work in 2013
Princes Trust	40,000	20,000		Outside of Back to Work activity

5. FACTORS IMPACTING THE ASSESSMENT

The contribution to achieving employment

The Back to Work programme provides tiered levels of support for people who are designated ASW based on an assessment of their readiness for employment. Job Starts by the programme are recorded where the programme has a direct link to the achievement of the employment for example a direct placement or related employment following skills training. The Back to Work schemes include:

Scheme	Support	Target Group	Eligibility for Job Start
Not allocated to a scheme	Minimal	ASW under 13 weeks with no barriers	No, unless Back to Work does a direct placement
Workzone	Assessment of work readiness, CV service, mentoring	All ASW	Yes, if Back to Work has a direct contribution to the employment
Advance to work	Initial training, 3 month work placements, mentoring, in work coaching	16-19 year olds	Yes, if Back to Work has a direct contribution to the employment
Advance plus	Employability training, 5 week work placement, Mentoring	ASW with some barriers to employment	Yes, if Back to Work has a direct contribution to the employment
Long term unemployed	Intensive mentoring, work placements, in job coaching, grants to employers	Those ASW for more than one year	Yes
Workwise	Intensive mentoring, work placements, in job coaching, grants to employers	ASW with significant barriers to employment	Yes

From 2014, people classified as ASW have been categorised based on their suitability for finding employment, and this has driven the support received. In most cases the classification was made at 12 weeks and therefore those most able and willing to find employment themselves are outside of the assessments and in many cases may not ever register as ASW. In summary the ratings for those who do register ASW are:

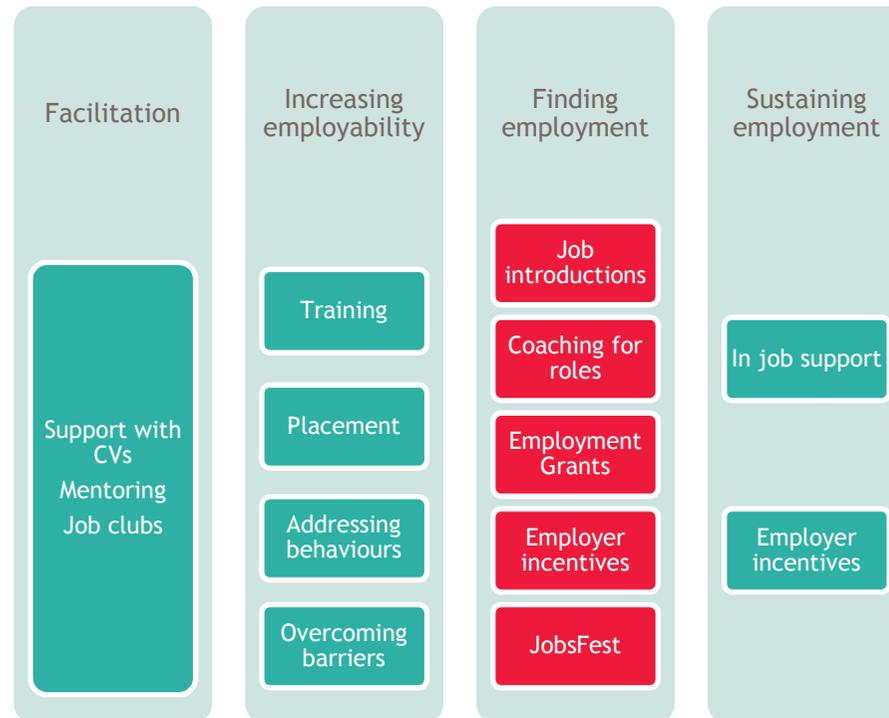
- No rating - Work ready and willing to work. Appropriate skills and work expectations for available work on the Island
- Green - Work ready and willing to work. There can be gaps in skills or experience for available jobs
- Amber - Not fully work ready. Some barriers to being employed
- Red - Not work ready. Significant barriers to being employed
- Blue - Severe and usually long term barriers to the person being employed.

Prior to 2014 classifications were informal and not recorded, although a number of the underlying factors in the assessments can be identified retrospectively.

5. FACTORS IMPACTING THE ASSESSMENT

Spectrum of support

The contribution that the Back to Work programme makes to people classified as ASW into employment has a number of components. Under current classifications, only those shown in red below are currently counted as Job Starts.



In practice for those classified as Red or Amber with barriers to employability, increasing employability is in most cases an essential step before a Job Start can be achieved. Typically these cases have the most intensive support, take longer to find employment and, unless the barriers can be overcome, are likely to sustain the employment for the least time. The impact of getting Red and Amber classified cases into sustained employment is likely to result in a much higher long term financial and social benefit to the States of Jersey. Therefore the measurement of the programme needs to recognise the contribution of moving Red and Amber cases to Green, even if the achievement of the final employment was not initiated directly by the Back to Work team.

5. FACTORS IMPACTING THE ASSESSMENT

Income Support

The services offered under the Back to Work scheme apply to both to those on Income Support and those who are not entitled to it. Reasons for non-entitlement include:

- Those under 19
- People voluntarily leaving employment, who are not entitled for 13 weeks.

A significant proportion of those supported by the Back to Work scheme are in receipt of Income Support as a result of their employment status or level of earnings.

The level of Income Support payable to someone who is unemployed varies according to their personal circumstances, taking account of the number of people that they are responsible and accommodation costs. Income Support may also be paid whilst people are in employment, where the income falls below a certain level, and the Income Support scheme ensures that anyone receiving Income Support and taking on additional paid employment loses less Income Support than their additional earnings, giving an incentive to work.

For those in receipt of Income Support, Job Starts will reduce the level of Income Support required to be paid and therefore results in a financial saving to the States of Jersey. Avoiding those under 19 becoming long term unemployed is also likely to improve their employability in future and reduce the likelihood of Income Support payments in future. For other cases the benefit to the States of Jersey is primarily social.

In order to ensure objectivity of this assessment, any calculation of Income Support saving as a result of achieving employment needs to be based on savings achieved rather than the potential for future savings. Given the individuality of Income Support levels, this means that the calculation of the saving needs to be based on the actual reduction in Income Support paid rather than any standard levels.

Tax and contribution

Some people getting back into employment will pay income tax as a result, providing an additional benefit to the States of Jersey, although the incomes of many may be insufficient to do so. However, it is not appropriate to include tax revenue in the assessment of the Back to Work programme as the Job Start may be displacing another Islander or a non-Islander who may also have paid tax. This would only be relevant if the Back to Work programme had created additional jobs on the Island.

Similarly contributions are inappropriate to include in the assessment. Again displacement may mean that there is no additional revenue as a result of the Job Start and the payment of the contributions may also increase the financial entitlements to benefits such as pensions of the person gaining employment.

5. FACTORS IMPACTING THE ASSESSMENT

Period for which Income Support saving is counted

Whilst for Job Starts achieving short term employments it is appropriate to recognise the entire Income Support as a saving initiated by the programme, for longer employments a judgement has to be made as to what is appropriate. This judgement is most appropriately informed by the likelihood of the person achieving employment without support and the extent of support given. The current and retrospective Red/Amber/Green ratings provide a proxy for doing this.

Cases that are registered ASW but not assessed are expected get work within 13 weeks and based on Back to Work data on average do so in 12 weeks. They are unlikely to receive Income Support as a result of their unemployment and, even if they do and also receive support in gaining employment, it is not appropriate to include any Income Support saving for Back to Work as it is likely that these people would have found employment quickly without help.

Green cases would also be likely to find work themselves eventually, depending on the availability of appropriate work on the Island, albeit they are likely to take longer than those not assessed as they will typically have lesser skills or skills that are less in demand. Any Job Start will therefore be accelerating the process of finding employment rather than making it possible, and potentially enabling an Islander to displace people from outside of Jersey. Most Green cases will have received some support in finding employment through Workzone, although this will not be recognised as a Job Start unless there is direct support in finding the employment. Based on analysis of the Back to Work data to date, Green cases on Income Support without Job Starts take 23 weeks to find employment, 11 weeks longer than cases not assessed, and a much higher proportion of Green cases also go on to receive Job Starts. The longer Green cases remain unemployed the more that their employability decreases and they are likely to develop Amber case characteristics, requiring more intensive support, and where this happens the period on Income Support extended by on average a further 10 weeks. Overall it appears that the saving in Income Support of Job Start resulting in sustained employment could be anywhere between a matter of a few weeks through to more than a year where the skills are limited or not in demand. Therefore we consider it appropriate to recognise the Income Support saving for a maximum of 13 weeks only for Green cases.

Amber cases are less likely to find or sustain employment without support, although some may be able to address the barriers themselves with time. Most receive direct support to help overcome these barriers and increase their employability and most have reduced these barriers by the time unsupported employment is achieved. As a result it is appropriate to recognise the Income Support saving for a longer period if employment is achieved and sustained. For Amber cases a maximum period for recognising the Income Support saving of one year is suggested, which approximately reflects the average time as ASW before employment is achieved for those cases at some point classified Amber who have achieved employment to date.

Red cases are unlikely to find employment without support in overcoming their barriers to employment and typically require more intensive and sustained support to do so before unsupported employment is feasible. Any Red cases achieving sustained employment are successes for the Back to Work scheme as it is likely that they have removed the person from long term dependency on Income Support and the wider social implications of this. For many the first employments are likely to be short term. It is arguable that the Income Support saving lasts for the full duration of the employment. However, this is impractical and does not reflect that in some cases the barriers to employment may have been overcome by other means. Therefore a maximum period of three years for recognising Income Support is suggested. In practice many cases will not achieve employment of this duration and the saving calculated will be less.

6. RECOMMENDED APPROACH TO THE ASSESSMENT

Principles of the assessment

1. Financial costs and benefits will be assessed based on the direct Income Support savings and Back to Work investments only. Whilst other benefits and costs may arise, for example increased tax revenues or pension liabilities, these are outside of the direct objectives of the programme and not feasible to quantify.
2. Financial costs and benefits will be based on the actual costs incurred or Income Support saving. These will only be taken account of where they are additional as a result of the Back to Work programme. Therefore costs that would be incurred irrespective of the programme are excluded from the calculation. Similarly savings in Income Support achieved through employment without direct involvement of the Back to Work programme is excluded.
3. Non financial benefits of getting more people into employment are significant. However, they are not feasible to provide an objective financial assessment of and therefore will not be considered
4. The value of achieving employment for people not ready for work is greater than for achieving work for people assessed as ready for work. Therefore the duration for which the saving in Income Support is recognised from sustained employment achieved from direct involvement of the programme will be longer the greater the barriers to employment assessed for the person within the scheme.
 1. Those rated as Red (Significant barriers) will be counted for up to three years, as without support the likelihood of employment was very low. If sustained employment is achieved, such cases reflect a major success for the programme. However, in making the calculation in 2014, the maximum period possible for the employment to be sustained and therefore to be claimed will be less than two years
 2. Those rated as Amber (Barriers) will be counted for up to one year, as without support they would be unlikely to gain employment for a sustained period, although over time the barriers may be overcome
 3. Those rated as Green (No barriers) will be counted for three months only. This reflects lower level of intervention required.
 4. Those rated Blue (Severe barriers) will only be counted where, as a result of the programme, their severe barriers to work have been overcome and employment found. In such cases the calculation will be as for Red cases.
 5. In all cases the period of Income Support saving counted will not exceed the actual Income Support saving achieved for that individual.
5. The costs and savings will be assessed from 2012 to date, in order to provide an objective assessment. However, it is recognised that this will:
 1. Understate savings for those found employment and sustaining it but not having yet reached the maximum period to be counted
 2. Overstate spend per case, as a significant part of the spend has been on increasing the employability of people who have not yet reached the point where they can achieve sustained employment.

6. RECOMMENDED APPROACH TO THE ASSESSMENT

Data required

In order to complete the assessment of value for money, the following information will be required:

1. The costs of the scheme, with exclusions, reconciled to the financial ledgers
2. The updated identification of Job Starts since the start of the Back to Work programme, identifying in each case:
 1. The highest Red/Amber/Green rating that the individual had, for example using as a proxy people onto the Long Term Unemployed (over 1 year) or Workwise schemes as a proxy for Red cases, those on Advance to Work or Advance plus as Amber cases and all others as Green
 2. The actual Income Support saving for each individual
 3. The extent to which the Income Support saving is claimable for each case (Up to three years for Red, up to one year for Amber and three months for Green.

Data quality

During the review a number of anomalies were noted in the data held in respect of ASW cases. These need to be considered in the assessment. The key issues were:

1. The recognition of Job Starts does not currently appear to recognise all relevant cases. For example some people have received training or been involved in intensive support as Red or Amber cases but this has not been recognised as a Job Start when the employment was achieved. As a result it is likely that the true Job Start position is higher than stated. It is recommended that a review is carried out of Red cases classified as Red or Amber at some time where employment has been gained but no Job Start claimed in order to consider if the programme did facilitate the employment.
2. In some cases the data was missing in some fields and therefore queries of the data did not pull out the data in any category. This is likely to mean that the case information analysed by Red/Amber/Green does not identify all relevant Job Starts. A means of pulling out such cases is required and the analysis numbers to be reconciled to the total Job Starts.

6. RECOMMENDED APPROACH TO THE ASSESSMENT

Future years' assessments

1. Now that the rigour has been built into the Red/Amber/Green assessments, these provide a basis for classifying cases in order to determine the duration of Income Support saving claimed. This should be more robust than the current measures.
2. The collection of data does not currently permit an accurate analysis of the contribution made by Back to Work activities in shifting the employability status of ASW cases. As a result the impact needs to be assumed in the 2014 calculation. Recording whether the shift is as a result of the Back to Work programme would allow more accurate assessment of the benefits in future
3. Many of the ASW cases will take on periods of temporary employment. The current collection of data does not facilitate analysts of the extent to which such temporary contracts are completed or terminated early either by the employer or employer. Whilst not of direct benefit to calculating value for money, collection of this information would provide a stronger basis for the assessment of the effectiveness of Job Starts achieved.



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