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The impact of Pathways on benefit receipt in the expansion areas

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Abbreviations

DWP	Department for Work and Pensions
IB	Incapacity Benefit
IFS	Institute for Fiscal Studies
IS	Income Support
JSA	Jobseeker's Allowance
NBD	National Benefits Database
NI	National Insurance
PCA	Personal Capability Assessment
SDA	Severe Disablement Allowance
WFI	Work Focused Interview

Summary

Introduction

Pathways to Work (or 'Pathways') aims to support incapacity benefits customers in seeking work. It was piloted in three Jobcentre Plus districts in October 2003, with a further four districts implementing the scheme from April 2004. Initially, only those starting a new or repeat claim for incapacity benefits after these dates were obliged to participate in the programme. All new and repeat customers, other than those assessed as likely to find work within 12 months unassisted, or with severe health problems, were required to attend a series of Work Focused Interviews (WFIs) with Incapacity Benefit Personal Advisers. They were also offered a range of financial and non-financial support.

Having piloted Pathways in seven Jobcentre Plus districts, it was decided to extend it nationwide in stages. The first two expansions took place in October 2005 (four districts) and April 2006 (six districts). This report assesses the impact of Pathways on levels of benefit receipt in these two groups of areas. Pathways was introduced in a third set of expansion areas (three districts) in October 2006. Following these expansions, Provider-led Pathways was rolled out to cover the remaining 60 per cent of the country. Therefore, all new and repeat incapacity benefits customers are now required to participate in the mandatory elements of Pathways.

Pathways is being evaluated by a number of research organisations, including the Institute for Fiscal Studies (IFS), Mathematica Policy Research, the National Centre for Social Research, the National Institute of Economic and Social Research, the Policy Studies Institute, the Social Policy Research Unit and David Greenberg of the University of Maryland.

Impact analysis – motivation and methodology

Although the impact of Pathways in the original pilot areas was evaluated previously (Bewley *et al.*, 2007), by studying its effect in the expansion areas it is possible to determine whether the picture that emerged in the original pilot areas is replicated elsewhere. A study of the probable generalisability of these findings

concluded that the impact of Pathways in the original pilot areas was likely to be typical of the nationwide effect (Adam *et al.*, 2008). However, this report provides the first evidence of Pathways' impact in the expansion districts, indicating the consistency in the impact of Pathways across areas. It also considers the impact of Pathways on the receipt of Jobseeker's Allowance (JSA) – something that was not examined in the original pilot areas.

As with the evaluation of the impact of Pathways in the original pilot areas, this study uses a difference-in-differences (DiD) approach. This compares outcomes for individuals starting an incapacity benefits claim before and after the introduction of Pathways in the expansion areas with outcomes for individuals starting a claim at the same points in time in a set of comparison areas. This method provides an estimate of what the level of benefit receipt would have been in the expansion areas had Pathways not been introduced. Comparing this to the actual level of benefit receipt gives an estimate of the impact of Pathways.

The evaluation of the impact of Pathways in the original pilot areas assessed outcomes over a period of around a year and a half, whereas the expansion areas study was only able to look at outcomes over a shorter period. The impact of Pathways was examined over the 14 months following the start of the claim for incapacity benefits in the October 2005 areas and over a period of eight months in the April 2006 areas.

Results

The main findings on the effectiveness of Pathways in the expansion areas are summarised below. The results reported in the following two sections are based on the October 2005 areas, as they provided a longer-run of outcomes than were available for the April 2006 areas. However, the pattern of effects was similar across the October 2005 and April 2006 areas over the months for which outcomes were observed for both.

Impact on claims for incapacity benefits

Pathways reduced the proportion of people claiming incapacity benefits in the early months after the start of their claim in the expansion areas. At its peak, five months after the initial claim for incapacity benefits, Pathways reduced the proportion of people remaining on incapacity benefits by 6.0 percentage points. This was similar to the effect in the original pilot areas.

The positive effect of Pathways was sustained until 10 months after the start of the claim in the expansion areas. After this point, Pathways did not appear to reduce the likelihood of the individual claiming incapacity benefits in each successive month. By comparison, the positive impact of Pathways in the original pilot areas was apparent until the 15th month after the start of the claim.

Impact on claims for JSA

Within the expansion areas, Pathways raised the proportion of customers moving on to JSA over the first six months after the start of their claim for incapacity benefits. This effect was at its greatest four months after the start of the claim when Pathways increased claims for JSA by 2.6 percentage points. It seems likely that Pathways resulted in movements on to JSA initially as customers were encouraged to turn their attention towards job search.

Having raised claims for JSA over the first few months after the start of the claim for incapacity benefits, this effect went into reverse, so that by months 11 and 12, Pathways reduced levels of JSA receipt by around 1.6 percentage points. This could have been due to customers progressing into work, or moving back on to incapacity benefits. However, this reduction in JSA receipt was not sustained beyond the first year.

Subgroup analyses

This report examines whether the effectiveness of Pathways varied for different subsets of customers. The intention was to assess whether Pathways was productive for groups of customers generally considered harder to help. Outcomes across both of the first two sets of expansion areas were combined in order to maximize sample sizes, so the impact of Pathways was only assessed over the first eight months following the start of the claim for incapacity benefits.

In keeping with the findings in the original pilot areas, Pathways had a similar impact on incapacity benefits receipt for men and women. It also had a similar effect on receipt of JSA for men and women. There was a more sustained incapacity benefits impact for younger people compared to those aged 50 or more. Again, this replicated the findings from the original pilot areas and suggests that older people may need more assistance in moving off incapacity benefits than younger people. The impact of Pathways on JSA receipt was similar for older and younger people.

The most surprising finding was the strong impact that Pathways had on reducing claims for incapacity benefits by those whose main health condition was a mental or behavioural disorder over the early months following the start of their claim. This was significantly greater than its impact on those with other health conditions. For example, six months after the start of the claim, Pathways increased progress off incapacity benefits by 8.4 percentage points for those with a mental or behavioural disorder, compared to an impact of 3.5 percentage points for those with some other type of health problem. Within the expansion areas, Pathways raised JSA receipt by those with a mental health condition by a greater amount than for those with other health problems.

By contrast, the original pilot study found that the effectiveness of Pathways in reducing benefit receipt appeared to be sustained for a shorter period for those with a mental health condition compared to those with other health problems

and the size of the effect at its peak was similar for both groups. Nevertheless, it is important to remember that those with a mental health condition are a large and diverse group (about two-fifths of the caseload). As a result, further analysis is planned to explore variations in the impact of Pathways between those with different types of mental or behavioural disorders.

In addition, it is possible that the experiences of implementing Pathways in the original pilot areas resulted in more effective provision for those with a mental or behavioural disorder when it was rolled out in the expansion areas. For example, the qualitative evidence suggested that within the original pilot areas, some Personal Advisers encountered particular difficulties in helping customers with mental health conditions. If these experiences informed the roll-out in the expansion areas, this might, to some extent, explain the differences in the impact of Pathways for those with a mental health condition between pilot and expansion areas.

Summary of key findings from across the impact study reports

The findings in this report must be read in the wider context of the previous studies of the impact of Pathways on new and repeat customers. Table 1.1 summarises the key findings across the impact assessment reports. It illustrates that the impact of Pathways on levels of incapacity benefits receipt in the expansion areas was very similar to that in the pilot areas.

Table 1 Key findings for new and repeat customers in the pilot and expansion areas

	Incapacity benefits receipt		JSA receipt		Employment
	Peak impact	Longer term impacts	Peak impact	Longer term impacts	After about a year and a half
Pilot areas – Bewley *et al.* (2007)	6.3 ppt reduction at 5 months**	1.5 ppt reduction at 18 months*	Not analysed	Not analysed	7.4 ppt increase (from base of 28%)*
October 2005 expansion areas – this report	6.0 ppt reduction at 5 months**	2.4 ppt reduction at 9 months**; 0.5 ppt reduction at 14 months	2.6 ppt increase at 4 months**	1.6 ppt reduction at 11 months**; 0.7 ppt reduction at 14 months	Not analysed
April 2006 expansion areas – this report	6.5 ppt reduction at 6 months**	4.0 ppt reduction at 8 months**	2.5 ppt increase at 5 months**	0.4 ppt reduction at 8 months	Future analysis planned
October 2006 expansion areas	Not analysed	Not analysed	Not analysed	Not analysed	Not analysed

Key: ppt = percentage points; **=statistically significant at the five per cent level or better; *=statistically significant at the ten per cent level. All other impact estimates are statistically insignificant at the ten per cent level. Benefit impacts are based on administrative data, whilst the employment impacts are based on survey data.

Conclusions

The main results in this report reinforce the findings on the benefit effect of Pathways in the original pilot areas. Whilst it was not possible, with the available data, to examine the effect on employment, it was apparent from that earlier study that the employment effects from Pathways do not directly mirror the benefit effects. One factor in this is that rules on permitted work allow incapacity benefits customers to work for up to 16 hours a week whilst remaining on incapacity benefits, provided they earn less than £86. This permitted work was encouraged under Pathways. As a result, Pathways could result in a positive employment effect, but without producing a corresponding reduction in benefit receipt over the time period considered. A companion report, which will assess combined employment and benefit outcomes, as well as the health effects of Pathways, is likely to be important in interpreting the picture that has emerged in the current study.

1 Introduction

1.1 Policy background

The number of people claiming sickness and incapacity benefits in Britain rose by around two million between 1979 to 2002, from 690,000 in 1979 to 2.7 million in 2002 (DWP, 2002). By 2002, total expenditure on incapacity benefits was estimated to be £16 billion a year, compared to £8 billion for lone parents and £4 billion for the unemployed (DWP, 2002). Pathways to Work (or 'Pathways') was introduced as part of the Government's drive to increase the employment rate. Specifically, Pathways was designed to increase employment by those claiming incapacity benefits. One of the reasons why the number of people claiming these benefits had risen was the low outflow rate for long-term customers. Around 60 per cent of customers leave incapacity benefits within a year. However, after a year, the likelihood of returning to work at some point during the next five years is only one-in-five (DWP, 2002). By offering customers support at the start of their claim, Pathways aims to reduce long-term benefit dependency.

Proposals put forward in a 2002 Green Paper were first piloted for new and repeat incapacity benefits customers in October 2003 in three Jobcentre Plus districts (DWP, 2002). Pathways was then introduced in a further four districts in April 2004. Since these first pilots, Pathways has been rolled out across the country in stages, so that by April 2008, participation in the programme was compulsory for new and repeat incapacity benefits customers across Britain. In addition, existing customers are able to volunteer to take part in Pathways. In the original seven pilot areas Pathways participation is mandatory for some existing customers.

1.2 The Pathways programme

Pathways consists of compulsory and voluntary elements. All new and repeat incapacity benefits customers are required to participate in the mandatory elements unless they have one of a specified list of very severe health conditions, or are assessed as likely to return to work unaided within 12 months. However, customers exempted from Pathways on these grounds can volunteer to participate in Pathways.

One of the first stages in any claim for incapacity benefits is the Personal Capability Assessment (PCA). This is an assessment of the customer's health problem, made by healthcare professionals. Only those with particular types of very severe health conditions (about 20-25 per cent of all customers) are exempt from completing the full PCA (DWP, 2002). One of the aims of Pathways was to reduce the length of time that elapsed before the PCA from about six months to three.

Pathways also required incapacity benefits customers to attend a series of Work Focused Interviews (WFIs), administered by an Incapacity Benefit Personal Adviser. New and repeat incapacity benefits customers were required to attend six WFIs at approximately monthly intervals, with deferrals and waivers as deemed appropriate by the Personal Adviser. These might be used where the Personal Adviser felt that an interview would not be of assistance to the individual, or appropriate in the circumstances.

The first WFI was compulsory for all incapacity benefits customers, unless the requirement to attend was waived, but Pathways delayed the timing of this interview so that it took place about eight weeks after the start of the claim. This was to avoid administering the first WFI to customers who entered employment quickly and so did not need the assistance provided by Pathways. In addition, delaying the first WFI allowed the customer's health problem to stabilise and the claim to be processed, to avoid the interview focusing on these issues rather than the action needed to prepare them for work.

At the first WFI a screening tool was used to identify those most likely to return to work without further assistance. From this point onwards these customers (about one-third of those not excluded because of the severity of their health condition) were not obliged to participate in the intensive series of WFIs. However, they were still required to take part in interviews triggered by certain changes of circumstances or if they had not been interviewed in the last three years.

The first WFI was also used to draw up an action plan, agreed between the Personal Adviser and the customer, setting out the steps needed to enhance the customer's likelihood of being able to work. Progress against this action plan could then be reviewed at subsequent WFIs.

Turning to the voluntary elements of Pathways, the customer could choose to participate in one of a number of schemes offered as part of the Choices package. The intention was that Personal Advisers would tell incapacity benefits customers about the range of options that were available to them, and then refer them to external providers where there was agreement that a particular scheme would be beneficial in preparing them for the labour market. Customers could choose between participating in the new Condition Management Programme (CMP) or an existing programme specifically aimed at those with health problems, such as the New Deal for Disabled People or Work Preparation. Alternatively, they could opt to take part in a generic programme such as Work Based Learning for Adults in England, Skill Build in Wales, Training for Work in Scotland, or Work Trials. The

CMP was administered by local healthcare providers, and the aim was to assist the individual in coping with their health problem to improve their quality of life, as well as increasing the likelihood that they would be able to work at some point in the future (Barnes and Hudson, 2006).

Two elements of Pathways offered incapacity benefits customers financial support in making the transition into employment. The Adviser Discretionary Fund gave Personal Advisers the ability to offer customers a small grant of up to £300 where this was likely to assist a return to work, for example, to buy tools or equipment for a new job, clothes for an interview, or to give short-term assistance in getting to work. Once the customer had entered work of 16 hours a week or more, they might be eligible for the Return to Work credit. Subject to meeting certain eligibility conditions, this provided a payment of £40 a week for up to 52 weeks to anyone earning less than £15,000 a year.

Finally, Pathways offered post-employment support (known as In-Work Support) to those incapacity benefits customers who entered work. As with the Choices package, this was administered by providers outside Jobcentre Plus. The purpose was to help the customer stay in work and give them encouragement and advice on advancing in employment. A range of different types of support was available, covering occupational health, financial management and job coaching.

1.3 The roll-out of Pathways

Pathways was first piloted for new and repeat incapacity benefits customers in three Jobcentre Plus districts in October 2003 (at the time of piloting these were: Bridgend and Rhondda, Cynon, Taf; Derbyshire; and Renfrewshire, Inverclyde, Argyll and Bute). From 27 October 2003, anyone making a new or repeat claim for incapacity benefits was required to participate in Pathways unless they met the criteria for exemption. Pathways was introduced in a further four areas on 5 April 2004 (Essex; Gateshead and South Tyneside; Lancashire East; and Somerset). From 7 February 2005, Pathways was extended to a subgroup of existing customers with claims which had lasted up to about three years at the time of the extension within these original pilot areas. A further extension followed, bringing existing customers within the original pilot areas with claims of up to about seven years into Pathways from 3 April 2006.

In addition, Pathways was expanded into new areas for new and repeat customers. It was introduced in a further four districts on 31 October 2005 (Cumbria; Glasgow; Lancashire West; and Tees Valley), with roll-out in six more areas on 25 April 2006 (Inner Mersey; Lanarkshire and East Dunbartonshire; Manchester Central; South Tyne and Wear Valley; South Yorkshire; and South West Wales), and a further three districts on 30 October 2006 (South Wales Valleys; Greater Mersey; and Staffordshire).

The national roll-out of Pathways for new and repeat customers was completed by using private and voluntary sector providers to deliver the programme. Provider-led

Pathways was introduced in 15 Jobcentre Plus districts on 3 December 2007 and in the remaining 16 areas on 28 April 2008. Since this date, all new and repeat incapacity benefits customers across the UK have been required to participate in Pathways, unless they meet the criteria for exemption. However, outside the October 2003 and the April 2004 pilot areas, participation in Pathways by existing incapacity benefits customers is currently entirely voluntary.

1.4 The Pathways evaluation

A number of research organisations are involved in the evaluation of Pathways, including the Institute for Fiscal Studies, Mathematica Policy Research, the National Centre for Social Research, the National Institute of Economic and Social Research, the Policy Studies Institute, the Social Policy Research Unit and David Greenberg at the University of Maryland. There are many elements to the evaluation, including qualitative analysis, large-scale quantitative surveys, impact and cost-benefit analysis and a literature review of similar programmes in the USA.

The full evaluation of Pathways in the original pilot areas is summarised in Dorsett (2008). This report uses administrative data to estimate the impact on benefit receipt of Pathways for new and repeat customers in the areas where Pathways was introduced in October 2005 and April 2006. The timing of the intervention and difficulties obtaining data meant that it was only possible to examine the impact of Pathways over a two-month period in the October 2006 areas and so this analysis is omitted from the report in order to concentrate on longer-term outcomes in the first two groups of expansion areas. Therefore, the purpose of this report is to estimate the impact of Pathways in these two sets of areas. Nevertheless, it is interesting to consider whether the results are similar to those obtained in the original pilot areas.

The analysis of the original pilot areas found that around a year and a half after the start of a claim for incapacity benefits, Pathways increased the likelihood of being in paid employment by around 7.4 percentage points from a baseline of 29.7 per cent (Bewley *et al.,* 2007). This finding was statistically significant at the 10 per cent level, and evolved gradually over time.

In contrast to the emergence of the employment effects from Pathways over time in the original pilot areas, the impact of Pathways on claims for incapacity benefits appeared greatest in the early months after starting a claim and then stabilised at a fairly low level after ten months. At its peak in month five, Pathways reduced the proportion still claiming incapacity benefits by 6.3 percentage points, but its impact settled at between 1.5 and 2.0 percentage points from month ten onwards. The analysis also showed that around a year and a half after making an enquiry about claiming incapacity benefits, Pathways reduced the proportion who said that they had a health problem which limited their ability to carry out day-to-day activities a great deal by 10.8 percentage points, from a baseline of 49.8 per cent.

The analysis of the original pilot areas explored whether Pathways had a stronger impact on particular subgroups of customers. This indicated that Pathways had stronger employment effects on women than men, but that its impact in reducing the extent to which health problems limited day-to-day activities and lowered the receipt of incapacity benefits was greater for men than women. Pathways also produced effects on employment, benefit receipt and health problems for those under the age of 50 which were not apparent for those aged 50 or more. Finally, Pathways reduced benefit receipt and the limiting impact of health problems on those whose main condition was not a mental or behavioural disorder and also had positive employment effects for this group, but had a less pronounced effect on those with a mental health condition. This report builds on the findings in the original pilot areas by exploring these apparent differences between subgroups in more detail. As well as examining whether the differences in the original pilot areas were also apparent in the expansion areas, the observed differences between groups are tested to see whether they are statistically significant.

The first three pilot areas were chosen because they had a relatively high number of incapacity benefits customers and so Pathways may have had a different impact in these areas than would be the case elsewhere (Adam *et al.,* 2008). Adam *et al.* (2008) carried out a detailed analysis to assess whether Pathways was likely to have a similar impact in the pilot areas to the country as a whole. They concluded that this would probably be the case, although it was more difficult to estimate the impact of Pathways in London, given the different patterns of claiming incapacity benefits there compared to the rest of the country. This report provides evidence to corroborate this analysis. A separate report will examine the impact of Pathways on employment and reported health problems, based on a telephone survey of incapacity benefits customers.

1.5 Report outline

Chapter 2 describes the data used in the analysis. Chapter 3 then provides information on the characteristics of those who became eligible for Pathways in the October 2005 or April 2006 expansion areas. The method of analysis is set out in Chapter 4 and Chapter 5 presents the findings. Chapter 6 then considers whether Pathways had a different impact on individuals, depending on their gender, age and whether their main health problem was a mental or behavioural disorder, or some other type of condition. Chapter 7 summarises the main results of the analysis and considers how they compare with the findings from the original pilot areas.

2 Data

2.1 Overview of data used

The findings presented in this report are based on administrative data. A later report will provide results based on surveys of incapacity benefits customers. Compared to survey data, the administrative records contain information on a more limited range of possible outcomes from participation in Pathways and less background information on incapacity benefits customers. In particular, it is not possible to distinguish between those who were exempted from mandatory participation in Pathways because of the nature of their health problem or the screening process at the first Work Focused Interview (WFI), and those who were required to take part.

However, an analysis of administrative data does offer some advantages over that based on survey data. Administrative data are available for all recipients of incapacity benefits and so the problem of non-response bias, that may affect survey data, does not arise. In addition, recall is far less likely to influence the quality of administrative data. Another advantage that administrative records have over survey data is that consistent information is available for a long period prior to the implementation of Pathways as well as after its introduction. This makes it possible to test the likely validity of the assumptions underlying the evaluation approach and therefore to assess the robustness of the impact estimates.

The data requirements were dictated by the methodological approach, described in Chapter 4. In essence, the aim was to compare benefit outcomes for those eligible for Pathways in the expansion areas, against outcomes for a similar group of individuals meeting the eligibility criteria in a set of comparison areas. The comparison areas were carefully chosen using pre-programme tests (also described in Chapter 4). These tests were used to identify areas where benefit claims followed a similar trend to the expansion areas before the introduction of Pathways.

As already mentioned in Chapter 1, the expansion of Pathways into 13 additional Jobcentre Plus districts was carried out in three phases. This report concentrates on the impact of introducing Pathways in the first two sets of areas – those where it was implemented in October 2005 or April 2006. These two groups of Jobcentre Plus districts are subsequently referred to as the October 2005 or the April 2006

areas. Unfortunately, it was only possible to obtain data on benefit outcomes over a period of around two months in the October 2006 areas[1]. Therefore, it was decided that this report should concentrate on the impact of Pathways in the October 2005 and April 2006 areas only, where outcomes were available for 14 months and eight months respectively.

2.2 The National Benefits Database

The administrative data was drawn from the National Benefits Database (NBD). Every six weeks since 1999 live Incapacity Benefit (IB) and Severe Disablement Allowance (SDA) records have been scanned to construct a database of those claiming incapacity benefits at each date. The assumption is that someone observed at one scan who is not observed at the next, left benefit between the two dates. The actual date of the end of the spell is only collected for periods on Jobseeker's Allowance (JSA), and so for other benefits the end date is set at random to some point between the two scans. As a result, the actual end date may occur up to six weeks before or after the imputed date for incapacity benefits spells.

As the live data on incapacity benefits is scanned at six-weekly intervals, it is possible for those claiming for a very short period to be omitted from the NBD. However, in other respects, it provides a comprehensive picture of everyone claiming incapacity and other benefits.

The NBD contains historical benefit records for individuals as well as the information on the claim for incapacity benefits used to identify them as belonging to a particular cohort (the choice of cohort is explained in the following section). In this report, the focus is on claims for incapacity benefits and JSA. For each type of claim, the NBD provided start dates, and where relevant, imputed end dates, for each spell. The dataset also contained the gender of the customer and details of the local authority in which they were living, based on the last information supplied before the end of their claim. By mapping local authorities onto Jobcentre Plus districts it was possible to distinguish between the expansion areas and potential comparators. For those on incapacity benefits, the administrative dataset also provided detailed information on the nature of their main health problem or disability, based on information supplied by the General Practitioner to Jobcentre Plus during the claims process. The age of the customer at the start of their claim could also be calculated.

The construction of the NBD from live benefits data and requirements on staff to collect data systematically, meant that key fields identifying individuals and recording benefit type, claim start dates, local authority, gender and age at the

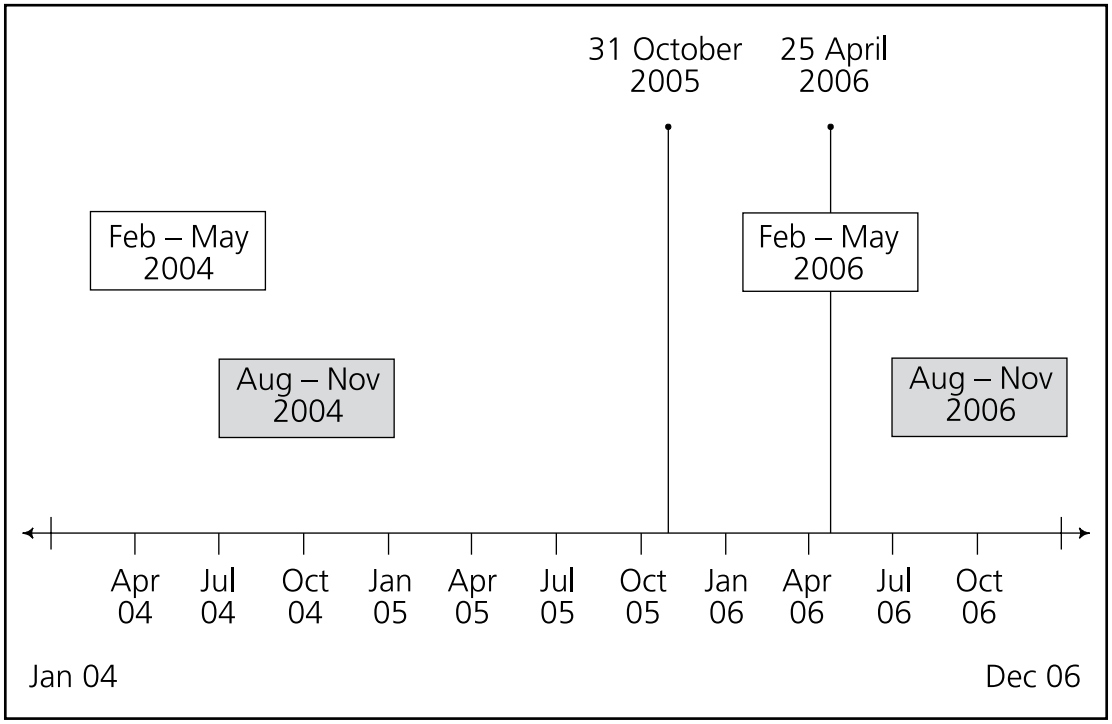
[1] Restrictions on the transfer of Government data in the early part of 2008 and the subsequent ban on all data transfers meant that it was necessary to base the analysis presented in this report on an early extract of the administrative data. It was not possible to obtain a later extract to provide a longer run of outcomes, as originally envisaged.

start of the claim, were complete for all records. In addition, the information on the nature of the health problem was available for all claims for incapacity benefits.

2.3 The cohorts

Figure 2.1 indicates the cohorts of individuals who were the focus of study in the October 2005 and April 2006 areas. The impact of Pathways was established by comparing benefit claims during a period prior to its introduction, against claims after its introduction. The method of analysis is explained in detail in Chapter 4. Within the October 2005 areas, the post-intervention cohort included those who started a claim for IB or SDA between 1 February 2006 and 31 May 2006. In the April 2006 areas, the post-intervention cohort consisted of those starting a claim for IB or SDA between 1 August 2006 and 30 November 2006. The pre-intervention cohorts were drawn from those starting a claim for IB or SDA in the corresponding periods two years earlier, replicating the approach taken in the original pilot areas. This ensured that the pre-intervention cohort would not become eligible for Pathways for at least 16 months. The first claim for IB or SDA by an individual within each date range is referred to as the qualifying claim, as it qualifies them for inclusion in the analysis.

Figure 2.1 Timing of the start of the claim for incapacity benefits



From 5 April 2001, new customers with a disability or health problem were no longer eligible for SDA. However, claim linking rules meant that it was possible for someone previously on SDA to return to SDA within a certain period. If the start of

the new (but linked) spell on SDA started after the introduction of Pathways within that area, the customer was eligible for Pathways and the case was recorded as a new claim for SDA on the NBD. Therefore, the population of customers eligible for Pathways included those on SDA as well as those on IB. Both of these types of claim are subsequently referred to as claims for incapacity benefits.

Those claiming Income Support (IS) on the grounds of disability (where the level of National Insurance (NI) contributions was below that needed to receive contributions-based IB) nevertheless received NI credits-only IB and were mandated onto Pathways. Pathways was targeted at those aged between 18 and 59, so those on incapacity benefits outside of this age range were excluded from each of the cohorts.

3 Incapacity benefits customers in the expansion areas

3.1 Introduction

This chapter provides a description of the regional distribution, personal characteristics and benefit history of the cohort of individuals who started a claim for incapacity benefits in the first two sets of expansion areas after the introduction of Pathways, i.e. between 1 February and 31 May 2006 in the October 2005 areas and between 1 August and 30 November 2006 in the April 2006 areas. Levels of benefit receipt by those in the October 2005 areas after the introduction of Pathways were observed over the 14 months following the start of their qualifying claim, whilst in the April 2006 areas it was only possible to track levels of benefit receipt for eight months after the qualifying claim.

3.2 Regional distribution

Table 3.1 shows the distribution of incapacity benefits customers in the October 2005 areas within each Jobcentre Plus district. The Glasgow area accounted for the largest proportion of claims from the October 2005 areas, with one-third of customers living in this area. A slightly smaller proportion (29 per cent) were from the Lancashire West Jobcentre Plus district, whilst just under a quarter (24 per cent) lived in the Tees Valley area. Only around one in seven customers from the October 2005 areas were from the Cumbria Jobcentre Plus district. In total, 10,556 individuals across these four districts started a claim for incapacity benefits between 1 February and 31 May 2006.

Table 3.1 Distribution of claims for incapacity benefits across Jobcentre Plus districts – October 2005 areas

District	IB or SDA customers (%)
Cumbria	14
Glasgow	33
Lancashire West	29
Tees Valley	24
Base	10,556

Table 3.2 shows the distribution of incapacity benefits customers across the April 2006 areas. Compared to the October 2005 areas, customers were more evenly distributed across the Jobcentre Plus districts. The proportion of incapacity benefits customers within each area ranged from 15 per cent in South Yorkshire and South West Wales, to 19 per cent in the Manchester Central area. Almost 22,000 individuals started a claim for incapacity benefits across these six districts between 1 August 2006 and 30 November 2006.

Table 3.2 Distribution of claims for incapacity benefits across Jobcentre Plus districts – April 2006 areas

District	IB or SDA customers (%)
South Yorkshire	15
South Tyne and Wear Valley	18
Lanarkshire and East Dunbartonshire	17
Inner Mersey	17
Manchester Central	19
South West Wales	15
Base	21,839

3.3 Personal characteristics

Table 3.3 summarises the characteristics of individuals eligible for Pathways in the October 2005 and April 2006 areas. Women constituted 44 per cent of all incapacity benefits customers in these areas. This was a little higher than the proportion of women in the original pilot areas (41 per cent).

On average, incapacity benefits customers in both the October 2005 and the April 2006 areas were aged 39 at the start of their claim, very similar to the average age of 40 in the original pilot areas. In the first two sets of expansion areas half of all customers were under the age of 40, whilst around one-quarter were aged 50 or more. Within the original pilot areas, a greater proportion of incapacity benefits customers were aged 50 or more (29 per cent) and a slightly smaller

proportion were in the 40-49 age group (22 per cent), but in other respects, the age distribution was very similar to that in the expansion areas.

In more than two-fifths of cases, the customer's main health problem was a mental or behavioural disorder (43 per cent of those in the October 2005 areas, and 41 per cent of those in the April 2006 areas). Depression or anxiety accounted for about three-quarters of such cases. A similar proportion had a mental or behavioural disorder in the original pilot areas (39 per cent) and when the precise nature of the mental health condition was considered, the composition of the group was comparable in the pilot and expansion areas.

It is clear from Table 3.3 that in terms of gender, age and mental health, incapacity benefits customers in the April 2006 areas were very similar to their counterparts in the October 2005 areas. In addition, recipients of incapacity benefits in the expansion areas were fairly similar to those in the original pilot areas.

Table 3.3 Personal characteristics of the post-intervention cohorts

	IB or SDA customers (%)	
Personal characteristics	**October 2005 areas**	**April 2006 areas**
Female	44	44
Age (mean)	39	39
18-29	27	29
30-39	23	22
40-49	25	25
50-59	25	24
Mental health condition	43	41
Depression or anxiety	31	33
Base	10,556	21,839

3.4 Benefit history

Table 3.4 shows the benefit history of individuals in the first two sets of expansion areas prior to making the claim for incapacity benefits which resulted in them being selected into the post-intervention cohort (described in Section 2.3). It was fairly unusual for an individual to have started an earlier claim for incapacity benefits shortly before the start of the qualifying claim, and so only a small proportion of this cohort were likely to have experienced Pathways before entering the post-intervention cohort.

It is apparent from Table 3.4 that it was fairly unusual for an incapacity benefits customer to have made a previous claim for the same benefit within a three-year period. Around one in five had started a claim for incapacity benefits at some point over the previous year, and one in three had started an earlier claim within the previous three years. Therefore, two-thirds of those in the post-intervention

cohort had not claimed incapacity benefits at any point over the three years before the start of the qualifying claim.

The history of claims for incapacity benefits and Jobseeker's Allowance (JSA) in the October 2005 areas was similar to that in the April 2006 areas. Whilst a sizeable proportion of those in the post-intervention cohort did not claim incapacity benefits over the three years before the start of the qualifying claim, around a third of them were on JSA in the previous quarter. Roughly two-fifths of the cohort had claimed JSA at some point over the previous year, and almost half had claimed JSA over the three years prior to the start of their claim for incapacity benefits. This implies that a fair proportion of incapacity benefits customers in the post-intervention cohort had a recent history of claiming benefits.

Table 3.4 Benefit history of the post-intervention cohorts

	IB or SDA customers (%)				
Benefit	**One quarter earlier**	**Over previous six months**	**Over previous year**	**Over previous two years**	**Over previous three years**
IB or SDA					
October 2005 areas	7.3	13.5	21.8	29.4	34.1
April 2006 areas	6.9	12.5	20.3	28.4	33.4
JSA					
October 2005 areas	32.1	34.3	37.8	42.4	45.7
April 2006 areas	33.3	36.1	39.2	43.4	46.8

Base: 10,556 cases in the October 2006 areas and 21,839 cases in the April 2006 areas.

3.5 Benefit outcomes

The administrative data provide information on subsequent claims for incapacity benefits and JSA made by those in the post-intervention cohorts. This makes it possible to observe the proportion of people in the expansion areas making repeat claims, or claims for other benefits, in the period following the qualifying claim for incapacity benefits.

3.5.1 Additional claims for incapacity benefits

Table 3.5 shows the percentage of the post-intervention cohort in both the October 2005 and the April 2006 areas who made a further claim for incapacity benefits over the months following the qualifying claim. Where an individual made more than one claim for incapacity benefits between the dates used to define the post-intervention cohort, all claims following the earliest qualifying claim were counted as additional claims.

It is apparent from Table 3.5 that it was unusual for an individual to follow the qualifying claim for incapacity benefits with further claims over the period considered. It is unsurprising that repeat claims were more common in the October 2005 areas than in the April 2006 areas, as the period over which these could be observed was six months longer. However, only about one in ten incapacity benefits customers started a new claim within 14 months of the qualifying claim.

Table 3.5 Additional claims for incapacity benefits made by the post-intervention cohorts

	Number of additional claims for IB or SDA		
Expansion area	None	One	Two
October 2005 areas (14-month period)	89.7	9.6	0.6
April 2006 areas (8-month period)	95.4	4.4	0.2

Base: 10,556 cases in the October 2006 areas and 21,839 cases in the April 2006 areas.

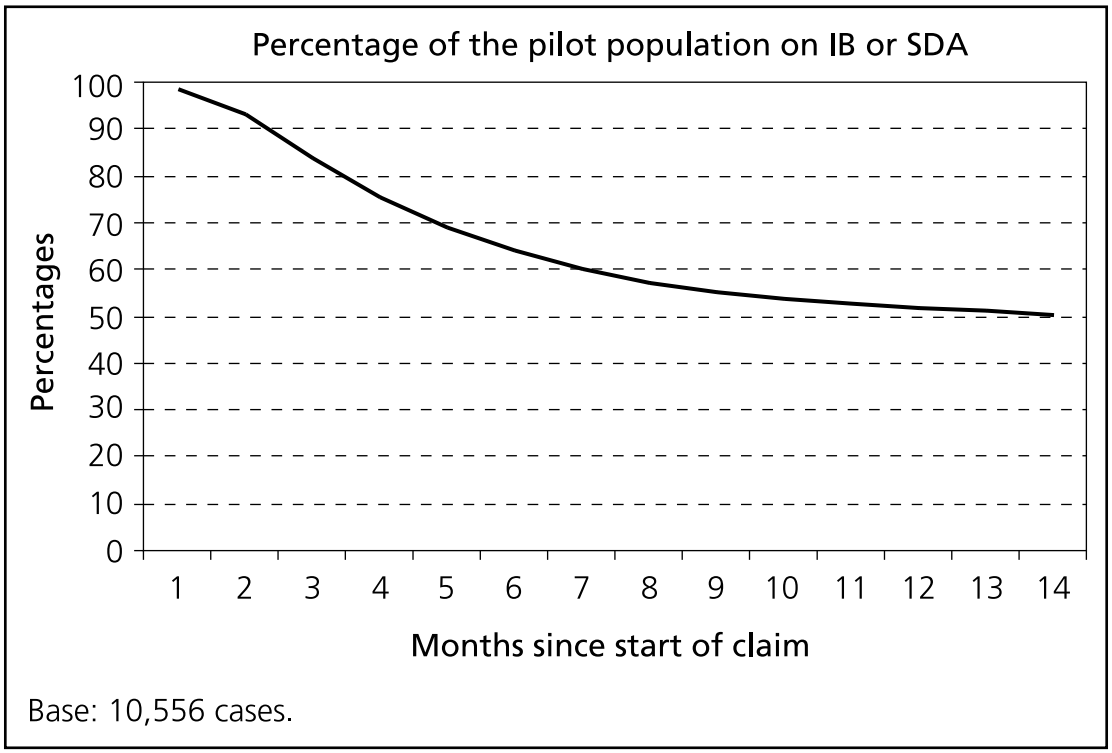
3.5.2 Duration of claims for incapacity benefits

On average, the total time spent on incapacity benefits by individuals in the October 2005 areas post-intervention cohort over the 14 months considered was 270 days, or a little under nine months. Over an eight-month period, the average amount of time spent on incapacity benefits by the post-intervention cohort in the April 2006 areas was 187 days, or around six months. Those in the April 2006 areas spent a greater proportion of their time on incapacity benefits compared to those in the October 2005 areas, but this perhaps, in part, reflects the fact that they had less time to exit incapacity benefits.

3.5.3 Receipt of incapacity benefits

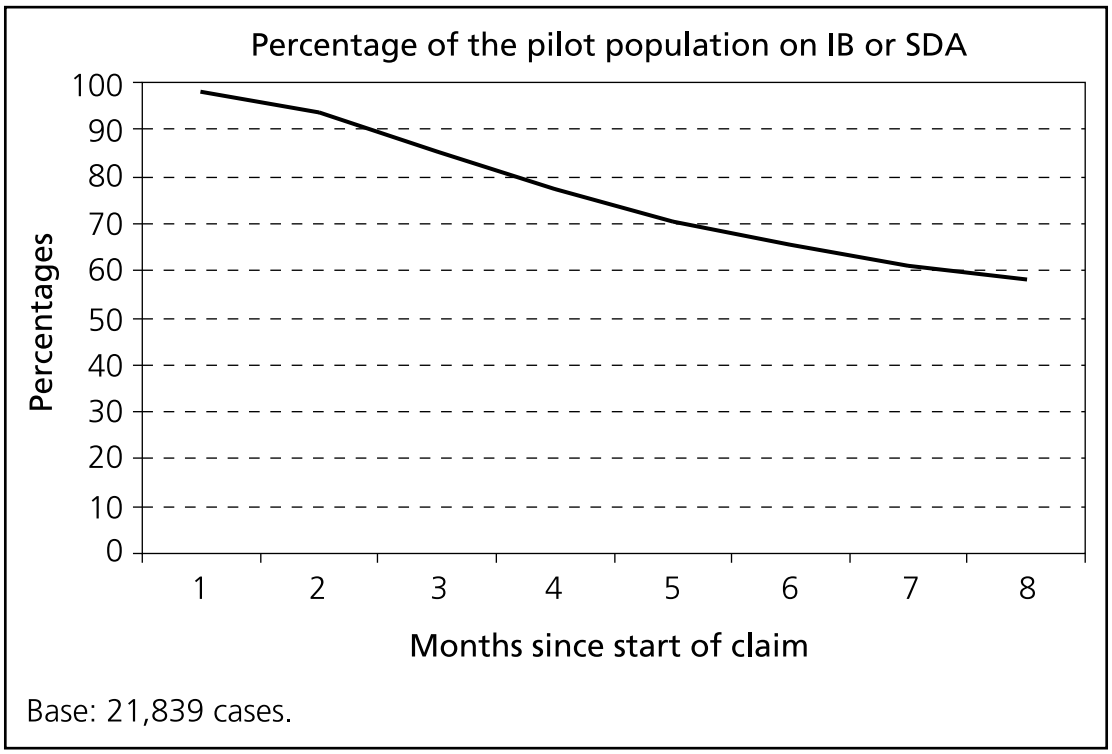
Figure 3.1 shows the percentage of individuals on incapacity benefits in each month following the start of the qualifying claim in the October 2005 areas. The proportion claiming incapacity benefits fell rapidly at first, so that only 57 per cent were still claiming incapacity benefits eight months after the qualifying claim. After this point, the proportion remaining on incapacity benefits fell more gradually, so that 14 months after the start of the claim, around half of the post-intervention cohort were still claiming incapacity benefits.

Figure 3.1 Claims for incapacity benefits, by month since start of claim – October 2005 areas



Base: 10,556 cases.

Figure 3.2 Claims for incapacity benefits, by month since start of claim – April 2006 areas



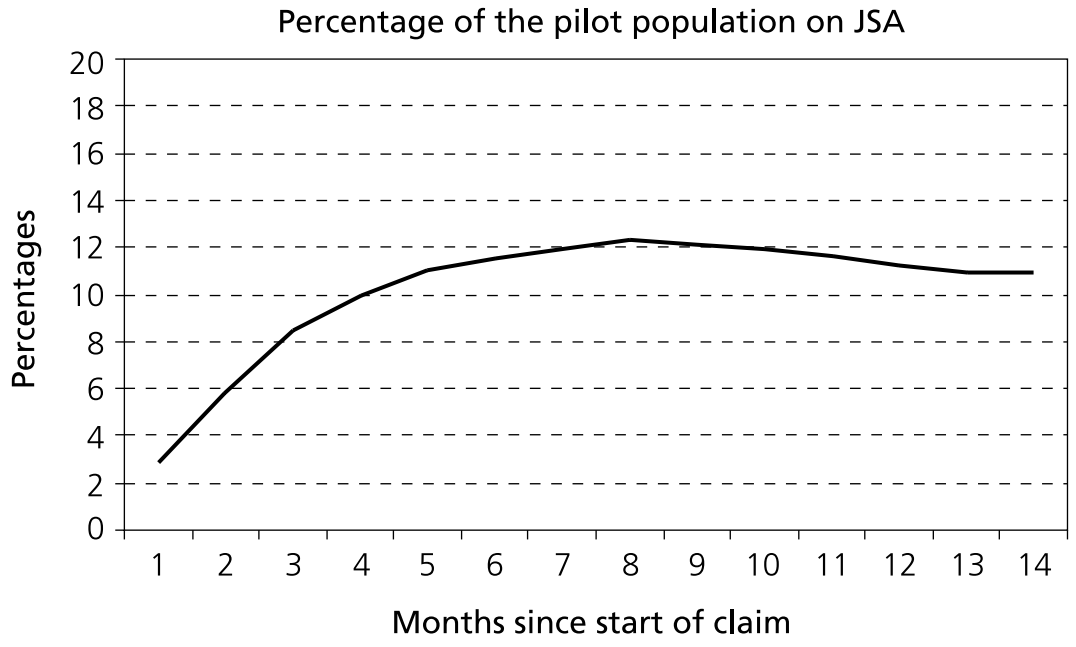
Base: 21,839 cases.

Figure 3.2 shows that the pattern of movement away from incapacity benefits in the April 2006 areas was similar to that in the October 2005 areas over the eight months for which comparable data was available. The proportion of customers still claiming fell most quickly over the early months following the qualifying claim, so that eight months later, 58 per cent of customers were on incapacity benefits – 1.0 percentage point more than in the October 2005 areas.

3.5.4 Receipt of JSA

Figure 3.3 shows the percentage of individuals claiming JSA in each month following the start of the qualifying claim for incapacity benefits in the October 2005 areas. The proportion claiming JSA grew relatively quickly after the start of the qualifying claim, with 12 per cent claiming JSA after eight months. From this point onwards the proportion claiming JSA fell very slightly, so that 11 per cent were on JSA 14 months after the start of the qualifying claim.

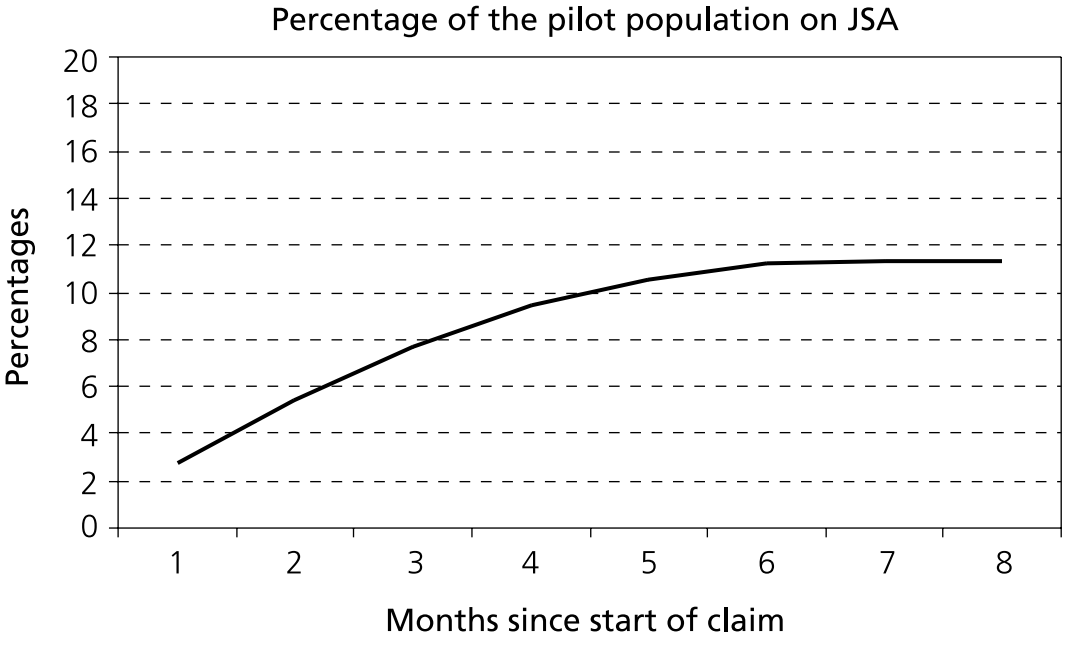
Figure 3.3 Claims for JSA, by month since start of claim for incapacity benefits – October 2005 areas



Base: 10,556 cases.

Figure 3.4 shows that the pattern of JSA receipt following the qualifying claim for incapacity benefits was very similar in the April 2006 areas to that in the October 2005 areas. Once again, the proportion on JSA rose steadily over the first few months following the start of the qualifying claim, peaking at 11 per cent after seven months. The proportion on JSA in the April 2006 areas was 1.0 percentage point lower than that in the October 2005 areas eight months after the start of the qualifying claim.

Figure 3.4 Claims for JSA, by month since start of claim for incapacity benefits – April 2006 areas



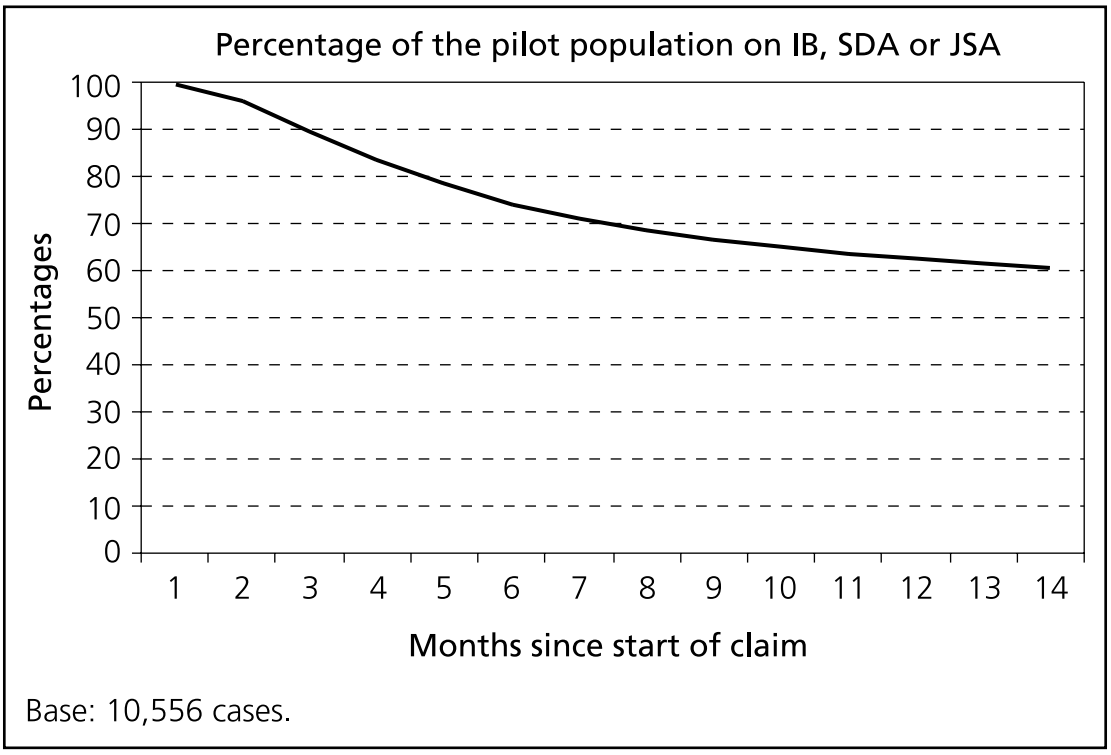
Base: 21,839 cases.

3.5.5 Receipt of either incapacity benefits or JSA

Figure 3.5 shows the percentage of individuals claiming either incapacity benefits or JSA in each successive month following the start of the qualifying claim for incapacity benefits in the October 2005 areas. This is designed to assess whether the decrease in the receipt of incapacity benefits was offset by the increase in JSA receipt. The proportion of customers on incapacity benefits or JSA decreased markedly over the first few months after the start of the qualifying claim, so that eight months later, about one-third were no longer on these benefits. After this point, the proportion on incapacity benefits or JSA fell a little less rapidly, so that 14 months after the start of the qualifying claim, 40 per cent were not claiming any of these benefits.

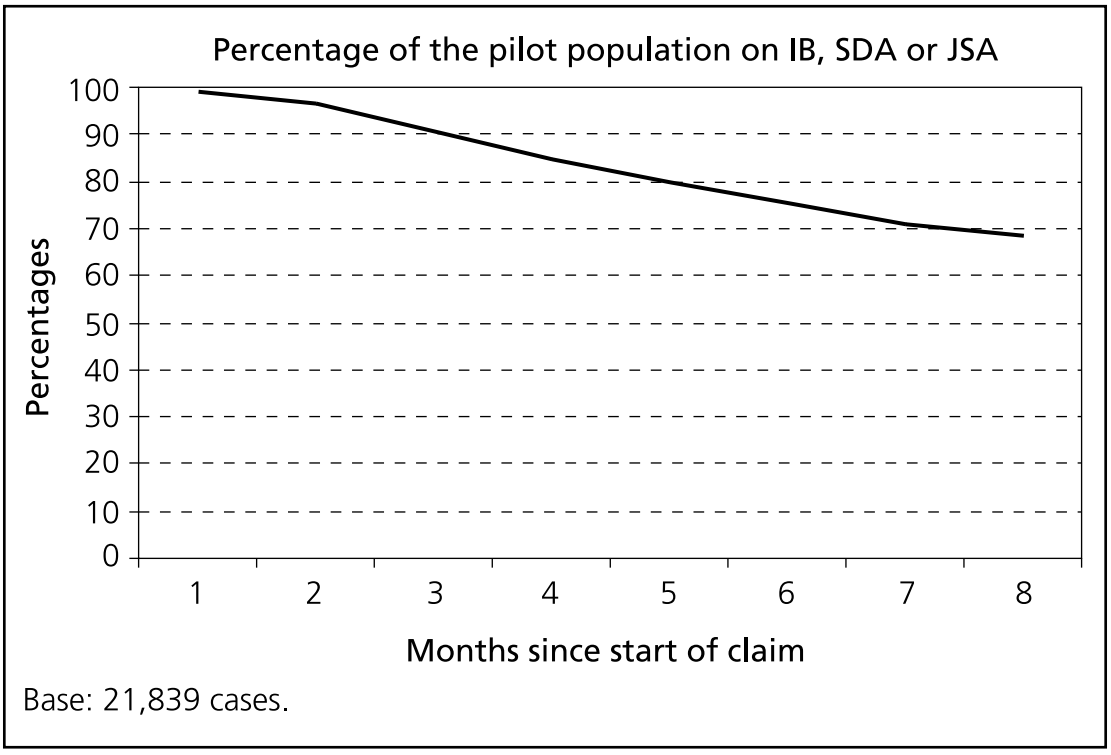
Turning to the April 2006 areas, Figure 3.6 shows that the percentage of individuals claiming either incapacity benefits or JSA in each month after the qualifying claim followed a very similar trend to that in the October 2005 areas. Once again, the proportion on these benefits eight months after the start of the claim was 68 per cent, the same as in the October 2005 areas at this same point.

Figure 3.5 Claims for either incapacity benefits or JSA, by month since start of claim for incapacity benefits – October 2005 areas



Base: 10,556 cases.

Figure 3.6 Claims for either incapacity benefits or JSA, by month since start of claim for incapacity benefits – April 2006 areas



Base: 21,839 cases.

3.6 Summary

This chapter has assessed the characteristics of those incapacity benefits customers used to analyse the impact of Pathways in the October 2005 and April 2006 areas. It has considered whether the two sets of areas diverged in terms of the gender, age or mental health of customers, or in their benefit history or receipt of benefits after the introduction of Pathways.

Generally speaking, incapacity benefits customers were fairly evenly spread across each of the Jobcentre Plus districts within either the October 2005 or the April 2006 expansion areas. However, the Glasgow district accounted for a relatively high proportion of customers in the October 2005 districts, whilst the number of customers from the Cumbria district was less than half this size.

When considering gender, age and mental health, the personal characteristics of incapacity benefits customers in the October 2005 and April 2006 areas were very similar. In addition, they were comparable to those in the original pilot areas. The history of claiming incapacity benefits and JSA over the previous three years was also similar between the expansion areas, with around two-thirds of the cohort not having claimed incapacity benefits over this period, but roughly half having claimed JSA.

When looking at the experiences of customers after the introduction of Pathways, repeat claims for incapacity benefits were unusual, with only around one in ten individuals making more than one claim for incapacity benefits over a 14-month period in the October 2005 areas.

Within both the October 2005 and the April 2006 areas, the levels of incapacity benefits receipt fell most steeply over the first six months after the start of the claim, but decreased less rapidly thereafter. In both areas, around 58 per cent of customers were on incapacity benefits after eight months. JSA receipt rose quickly in the early months after the claim for incapacity benefits, but then stabilised, so that after eight months around one in eight of those starting the period on incapacity benefits were on JSA. This pattern was evident in both of the first two groups of expansion areas.

When receipt of incapacity benefits and JSA were considered together to assess the extent to which the reduction in incapacity benefits receipt was offset by the increase in the proportion claiming JSA, it was apparent that, overall, there was a net reduction in the receipt of these benefits over time. This reduction was most striking in the early months after the start of the claim for incapacity benefits, but continued to fall fairly steadily so that eight months after the start of the claim, a little over two-thirds of those in the first two sets of expansion areas were still on either of these types of benefit.

In conclusion, the first two groups of expansion areas were very similar in terms of the characteristics of incapacity benefits customers, benefit history and outcomes experienced by customers over the comparable period of eight months following

the start of their claim. In addition, those in the expansion areas had similar characteristics to customers in the original pilot areas. Consequently, it would seem reasonable to expect the impact of Pathways in the first two sets of expansion areas to be similar to that observed in the original pilot areas. The next chapter moves on to explain the methods used to estimate the impact of Pathways in the expansion areas.

4 Methods

4.1 The evaluation problem

The purpose of this evaluation is to estimate the overall impact of Pathways. This impact is the difference between what happened to individuals in the expansion areas after the introduction of Pathways (the 'actual' outcome) and what could have been expected to happen had Pathways not been introduced. The latter hypothetical outcome is known as the 'counterfactual'. As the counterfactual is not observable, it must be estimated. There are several possible approaches to this.

One option is to use observed outcomes for individuals not subject to Pathways in the post-Pathways period as an estimate of the counterfactual. However, this is not a credible strategy if permanent differences exist between individuals in expansion and comparison areas in such a way that the outcomes would be expected to differ regardless of the implementation of Pathways.

Another possibility is to base the estimate of the counterfactual on observed outcomes for individuals in the expansion areas before Pathways was introduced. However, this approach suffers from the problem that changes in outcomes in the expansion areas may happen over time, regardless of Pathways. Using the pre-intervention outcome as the estimate of the counterfactual would then result in these changes over time being wrongly attributed to Pathways.

In this evaluation we use a difference-in-differences (DiD) methodology, which combines the two approaches described above and thus, avoids the problems which arise from using only one of them. This chapter explains how the DiD methodology works and the assumptions which must be satisfied for it to provide a correct estimate of the impact of Pathways. Finally, these assumptions are explored using historical data.

4.2 The difference-in-differences methodology

The DiD methodology compares the change in the outcome of interest for individuals in the expansion areas before and after the introduction of Pathways with the change for individuals in the comparison areas. The difference between these two before and after differences provides an estimate of the impact of Pathways.

Table 4.1 illustrates how the DiD estimator works using the observed percentages of incapacity benefits customers in the April 2006 areas and in the associated comparison areas. Such percentages are reported for the two groups of areas both before and after the introduction of Pathways. The 'before' column indicates that 80 per cent of individuals in the April 2006 areas who made a claim for incapacity benefits before Pathways was introduced were still claiming four months later. After Pathways was introduced this proportion was only 77 per cent (the 'actual' outcome). Therefore, there was a decrease of 3.0 percentage points in claims for incapacity benefits in the April 2006 areas after the intervention.

Table 4.1 An illustration of the DiD estimator

	(B) Percentage on incapacity benefits four months after start of pre-intervention claim	(A) Percentage on incapacity benefits four months after start of post-intervention claim	Percentage point difference (A-B)
Expansion areas	0.80	0.77	-3ppt
Comparison areas	0.80	0.81	1ppt
DiD estimate			-4ppt

Notes: Table reports the actual proportion of customers still on incapacity benefits four months after the start of their claim within the April 2006 areas. Unlike the impact estimates presented in Chapters 5 and 6, this example does not control for differences in customer characteristics.

If we calculate the same change for the comparison areas there was an increase of 1.0 percentage point in the receipt of incapacity benefits between these two points in time. In the absence of Pathways, it is assumed that there would have been the same change in the April 2006 areas. Under this 'common trends' assumption and assuming that the composition of the treatment and comparison groups remains unchanged, the DiD methodology can provide an unbiased estimate of the impact of Pathways.

Having made these assumptions, the counterfactual is simply the observed proportion of incapacity benefits customers in the expansion areas before the introduction of Pathways (80 per cent) plus the change in the proportion of claims in the comparison areas after the intervention (one per cent). This produces an estimated counterfactual of 81 per cent. The estimated impact of Pathways is

then the difference between the actual outcome (77 per cent) and the estimated counterfactual (81 per cent). Therefore, in the example shown in Table 4.1, Pathways produced a reduction of 4.0 percentage points in claims for incapacity benefits.

In practice, this double differencing is performed within a regression framework to control for the effect on outcomes of the following observed characteristics of the customers:

- gender;
- age (whether 18 to 29, 30 to 39, 40 to 49, or 50 to 59 at the time of the qualifying claim for incapacity benefits);
- whether the individual's main health condition is a mental or behavioural disorder;
- whether they claimed incapacity benefits in each of the eight quarters before the start of the qualifying claim;
- whether they claimed JSA in each of the eight quarters before the start of the qualifying claim for incapacity benefits.

This means that the DiD estimator indicates the impact of Pathways on incapacity benefits customers, having taken out differences due to these observed individual characteristics. The DiD methodology also allows us to control for the effect of such unobserved characteristics so long as these do not change over time or affect the expansion and comparison areas in a similar way.

For example, unobserved differences in the industrial structure may exist between expansion and comparison areas, resulting in differences in employment opportunities. This may in turn lead to differences in the proportion claiming incapacity benefits between areas. However, if the industrial structure in each area affects the proportion of people claiming incapacity benefits in the same way over time, the impact estimated by the DiD approach will be unaffected by these sustained differences.

Another possibility is that a general macroeconomic shock (for example, an economic downturn reducing the availability of jobs nationwide) may affect the proportion of customers in the expansion and comparison areas between the two points in time. Nevertheless, as long as this effect is common across both sets of areas, the DiD estimator removes its impact.

Differencing simultaneously through time and across groups removes the estimation bias caused by the two types of unobserved characteristics described. However, the DiD methodology is not able to control for those unobserved factors that affect the outcome and vary simultaneously across individuals and over time.

4.3 Plausibility of the DiD assumptions

In this section we consider whether the two key assumptions underpinning the DiD approach – constant composition and common trends – are likely to hold.

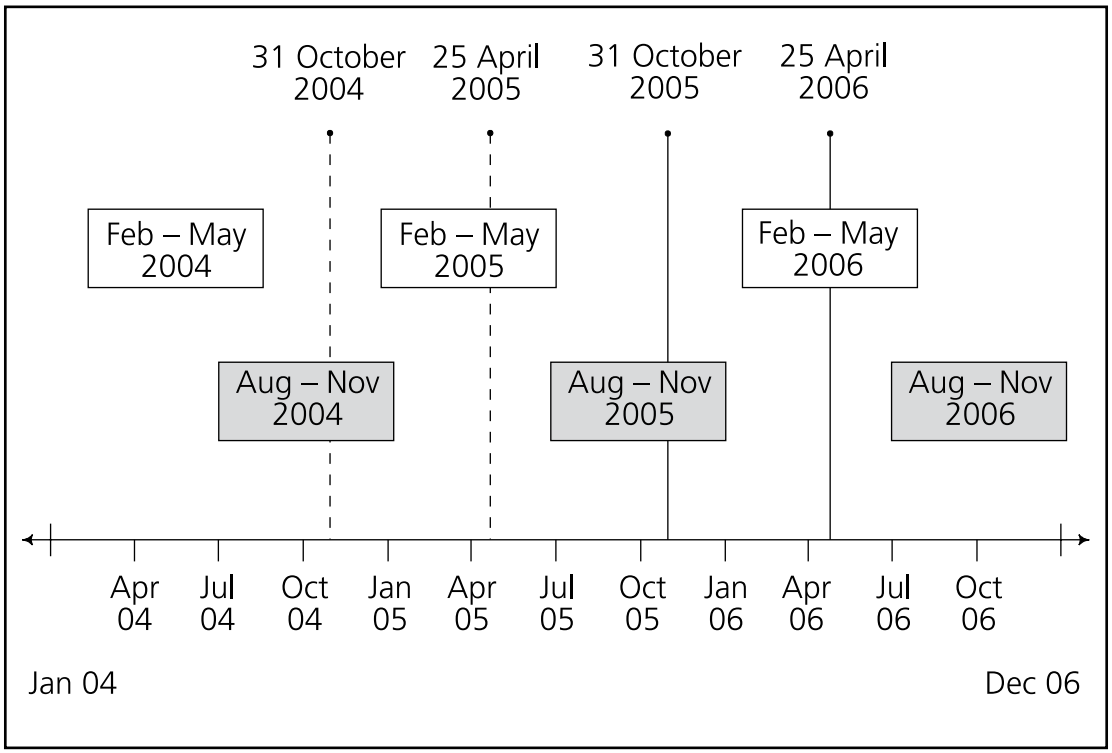
The constant composition assumption requires that the composition of the expansion and comparison area samples does not change after the introduction of Pathways. For example, if some individuals in the expansion areas were aware that Pathways was going to be rolled out before it actually happened they might choose to claim incapacity benefits earlier to avoid participating in Pathways. If this was the case, the pre-Pathways cohort in the expansion areas might be composed of less motivated individuals compared to the post-Pathways cohort, with a consequent impact on their likelihood of leaving benefits. If, in the pre-intervention period, customers were less likely to leave incapacity benefits in any given month as a result of being less motivated, the resulting DiD estimate would over-state the impact of Pathways.

In reality, it seems unlikely that many individuals would have brought forward their claim for incapacity benefits to avoid mandatory participation in Pathways since their ability to do this would probably be fairly limited. The possibility that more motivated individuals would delay the start of their claim for incapacity benefits until after the introduction of Pathways so that they could receive additional support is also unlikely, as those starting their claim before the introduction of Pathways in the expansion areas were able to participate voluntarily after roll-out. There would, therefore, be no advantage to delaying the start of the claim.

The common trends assumption can be explored by conducting a pre-programme test (Heckman and Hotz, 1989). This involves using the DiD estimator to check whether any statistically significant differences in trends between the expansion and comparison areas occurred between two points in time prior to the introduction of Pathways. If significant differences are apparent before Pathways was introduced, this suggests that a difference in trends might still exist after the introduction of Pathways. In essence, the approach amounts to testing the effect of an imaginary intervention taking place some time prior to Pathways. Should a significant effect of this imaginary intervention be found, this suggests the common trends assumption is unlikely to hold.

The remainder of this section reports the results of the pre-programme tests. Figure 4.1 shows the structure of the administrative data used to conduct such tests. Two cohorts of individuals are used. The first cohort includes individuals in both the expansion and the comparison areas who started a claim for incapacity benefits before an imaginary intervention taking place one year before the actual introduction of Pathways. Those in the second cohort started their claim after this hypothetical intervention. The tests use the DiD methodology within a regression framework to estimate the impact of the imaginary intervention on the probability of an individual claiming incapacity benefits in any of the 18 months following the start of their claim.

Figure 4.1 Timing of the start of the claim for the pre-intervention cohorts



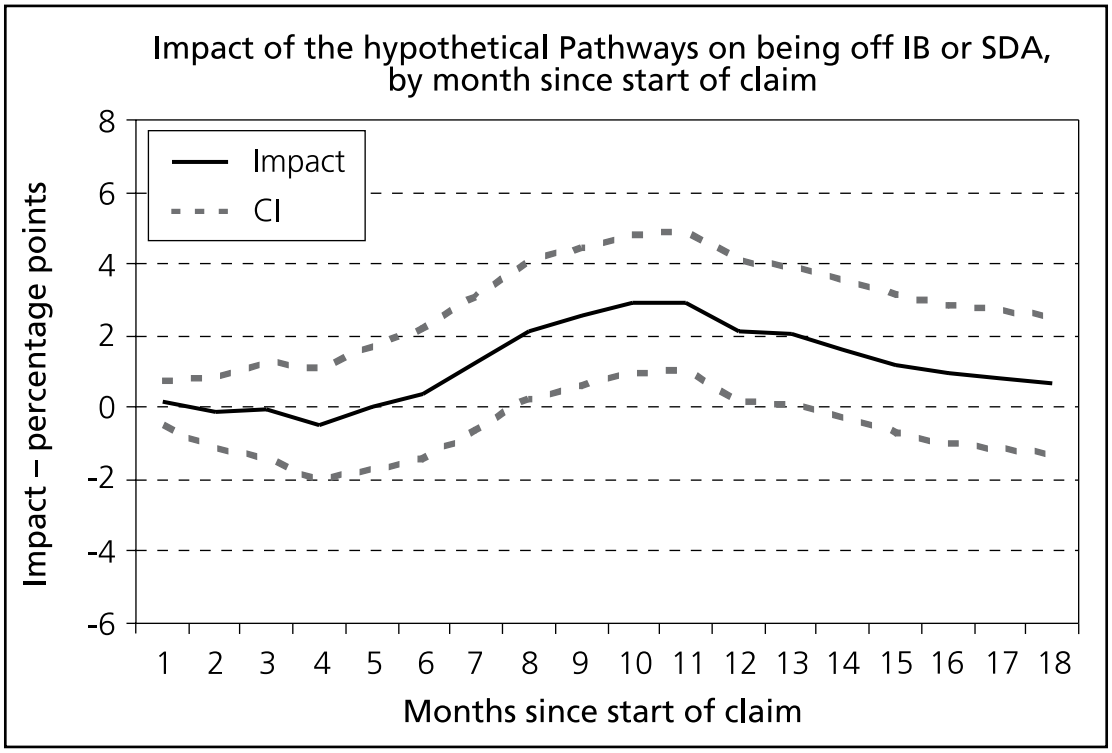
For the tests of the hypothetical intervention one year prior to the introduction of Pathways, the first pre-intervention cohort in the October 2005 areas started their claim for incapacity benefits between 1 February and 31 May 2004. The second pre-intervention cohort in these areas started their claim for incapacity benefits between 1 February and 31 May 2005. The dates when these two cohorts started their claim for incapacity benefits are indicated by the blocks in the top half of Figure 4.1. The lower half of the figure shows the dates when the first and second pre-intervention cohorts started their claim for incapacity benefits in the April 2006 areas. Those in the first pre-intervention cohort started their claim for incapacity benefits between 1 August and 30 November 2004, whilst those in the second pre-intervention cohort started their claim for incapacity benefits between 1 August and 30 November 2005.

4.4 Testing the common trends assumption

4.4.1 Pre-programme tests for the October 2005 areas

Figure 4.2 presents the results of the pre-programme tests for the October 2005 areas. These results show whether, one year prior to the actual introduction of Pathways, the expansion and comparison areas followed a common trend in the proportion of individuals no longer claiming incapacity benefits in each of the 18 months following the start of their claim.

Figure 4.2 Tests of the common trends assumption in the October 2005 areas one year before the introduction of Pathways



The solid line shows the difference in trends between expansion and comparison areas when the two cohorts were compared. This is the difference between the actual and the counterfactual probability of not being on incapacity benefits in each of the 18 months following the start of the claim. The dashed lines denote the 95 per cent confidence intervals, which indicate statistical significance. Where these are both on the same side of the x-axis, it is possible to conclude with a high degree of confidence that there was a difference between the actual and counterfactual patterns of claiming incapacity benefits between the two time points considered.

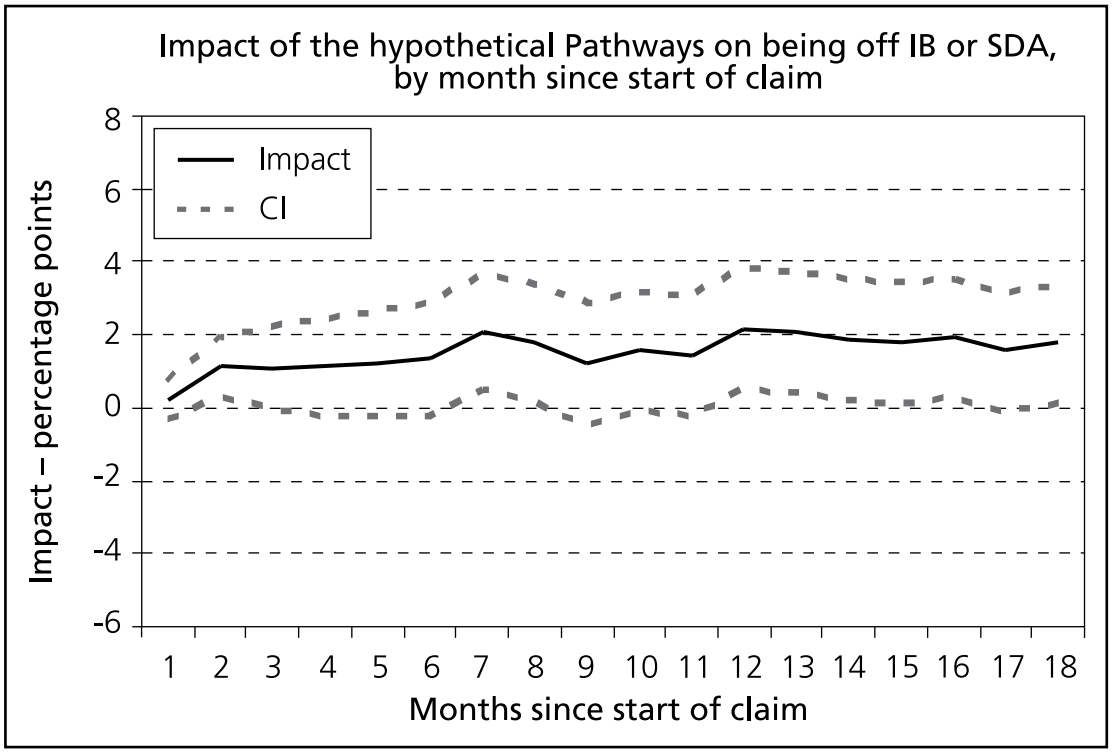
The figure indicates that there was no difference between the October 2005 areas and their comparators from months one to seven. However, there were significant differences between months eight and 13. One possible explanation for this is that after month five, members of the second pre-intervention cohort in the October 2005 areas who subsequently started a new claim for incapacity benefits, were mandated on to Pathways. Around 17 per cent of this pre-intervention cohort in the expansion areas started a new claim for incapacity benefits at some point over the two years following October 2005 and therefore, became eligible for Pathways. In addition to this, existing incapacity benefits customers in the second pre-intervention cohort could volunteer for Pathways after it was introduced. Therefore, it is probable that the differences in trends between the October 2005 areas and their comparators after seven months may be explained by the introduction of Pathways at this point.

4.4.2 Pre-programme tests for the April 2006 areas

Figure 4.3 presents the results of the pre-programme tests for the April 2006 areas. The results show that, one year before the introduction of Pathways, the April 2006 areas and their comparators followed a fairly similar trend in claims for incapacity benefits, but with statistically significant differences in months two, seven, eight, and from one year after the start of the claim. However, the statistically significant differences after month five can again perhaps be attributed to the introduction of Pathways in April 2006.

Compared to the October 2005 areas, a smaller proportion of those in the second pre-intervention cohort in the April 2006 areas made an additional claim for incapacity benefits after the introduction of Pathways (around four per cent). It seems probable that this reflects the shorter period over which repeat claims for incapacity benefits could be observed in the April 2006 areas, as well as differences between the October 2005 and April 2006 areas in the proportion of customers returning to incapacity benefits. This is reflected in the lower proportion of those in the comparison areas making a further claim for incapacity benefits after the introduction of Pathways in the April 2006 areas compared to the October 2005 areas (four per cent compared to 15 per cent). The impact of Pathways before month six in the April 2006 areas is positive but only statistically significant and small in month two.

Figure 4.3 Tests of the common trends assumption in the April 2006 areas one year before the introduction of Pathways



4.5 Implications for the analysis

The results of the pre-programme tests reported in this chapter provide an insight into the best approach to adopt when estimating the impact of Pathways. For both the October 2005 and April 2006 areas it was possible to estimate a reliable counterfactual in the period prior to the introduction of Pathways. Therefore, the analysis suggests that the DiD method is likely to provide a robust estimate of the impact of Pathways in the first two sets of expansion areas.

Because of the evidence that a proportion of the pre-intervention cohort became eligible for Pathways after its introduction (as they started a new claim for incapacity benefits after this point), the pre-intervention cohort used in the DiD analysis consisted of those starting a claim for incapacity benefits between 1 February and 31 May 2004 in the October 2005 areas, and 1 August and 30 November 2004 in the April 2006 areas. This meant that around 17 months would elapse before any of those in the pre-intervention cohort could receive the Pathways treatment, so that the estimate of the counterfactual would be free from estimation bias.

5 Results

5.1 Introduction

This chapter presents estimates of the impact of Pathways on a range of outcomes, derived using the methods described in the previous chapter. The outcomes considered include the receipt of incapacity benefits and JSA. The impact of Pathways was estimated separately for the October 2005 and April 2006 areas to assess whether it produced similar outcomes across different groups of Jobcentre Plus districts. As it was only possible to track individuals over an eight-month period in the April 2006 areas, the comparison between the two sets of expansion areas could only be made over this time-frame. However, this does give some indication of the similarity between the October 2005 and the April 2006 areas, and the likelihood that the impact of Pathways in the April 2006 areas would be comparable to that in the October 2005 areas beyond this point.

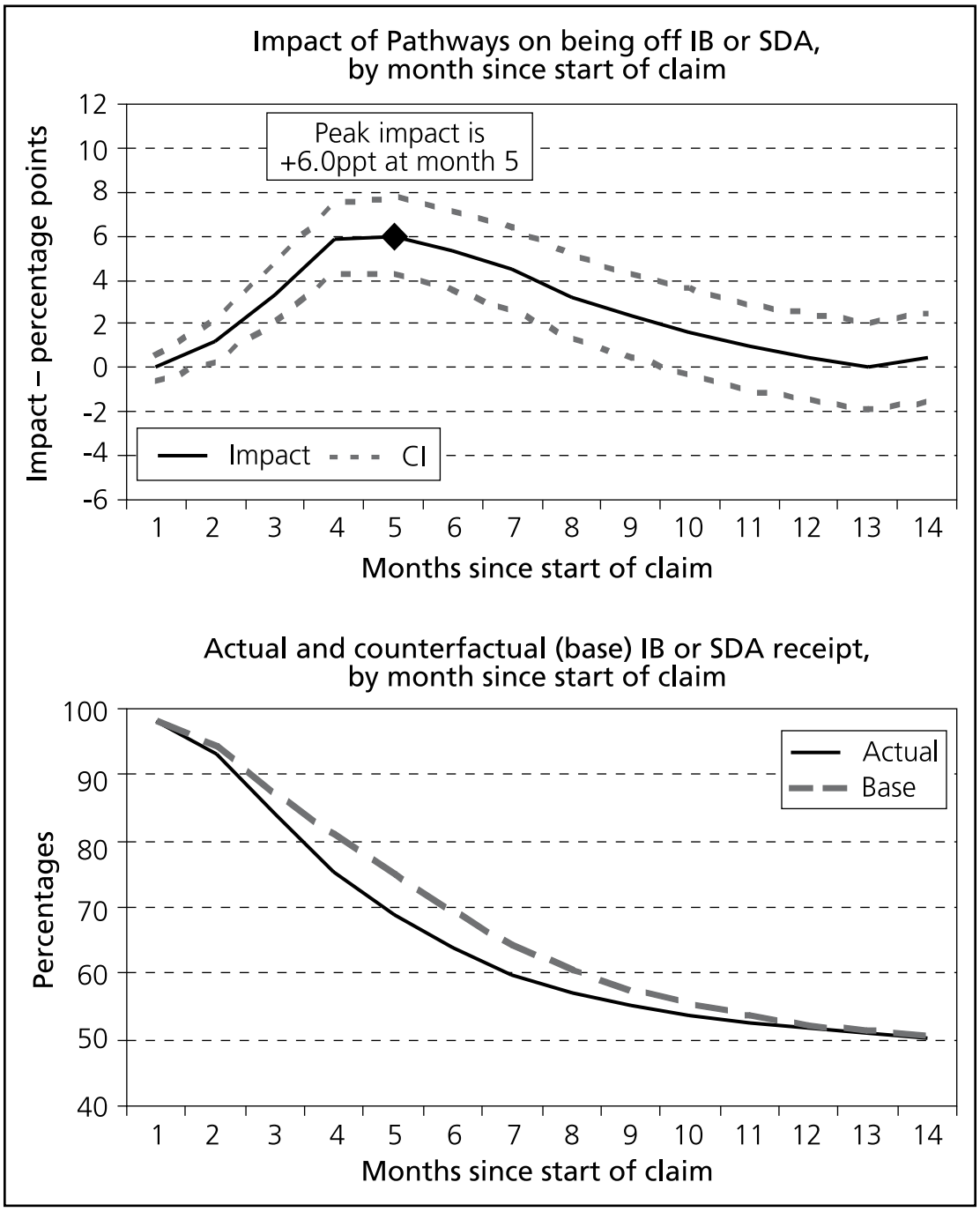
Whilst Chapter 3 presented descriptive statistics on the proportions of customers who moved off incapacity benefits, or on to Jobseeker's Allowance (JSA), in successive months following the start of their claim in the first two sets of expansion areas, this chapter assesses whether the patterns observed were due to Pathways, or to changes that would have occurred naturally over time. The analysis also takes into account differences over time in the characteristics of individuals in the expansion and comparison areas and their history of claiming benefits, to ensure that the observed impact of Pathways is not in fact explained by differences in the composition of each group.

5.2 The impact of Pathways on claims for incapacity benefits

The estimated impact of Pathways on the probability of claiming incapacity benefits in the October 2005 areas is shown in Figure 5.1. The impact is reported for each of the 14 months following the qualifying claim. The results suggest that Pathways reduced the proportion of customers on incapacity benefits from the second month after the qualifying claim through to month nine. However, after peaking at 6.0 percentage points in month five, the impact of Pathways appeared

to diminish, so that by month nine the positive impact of Pathways was only 2.4 percentage points.

Figure 5.1 Impact of Pathways on being off incapacity benefits, by month – October 2005 areas

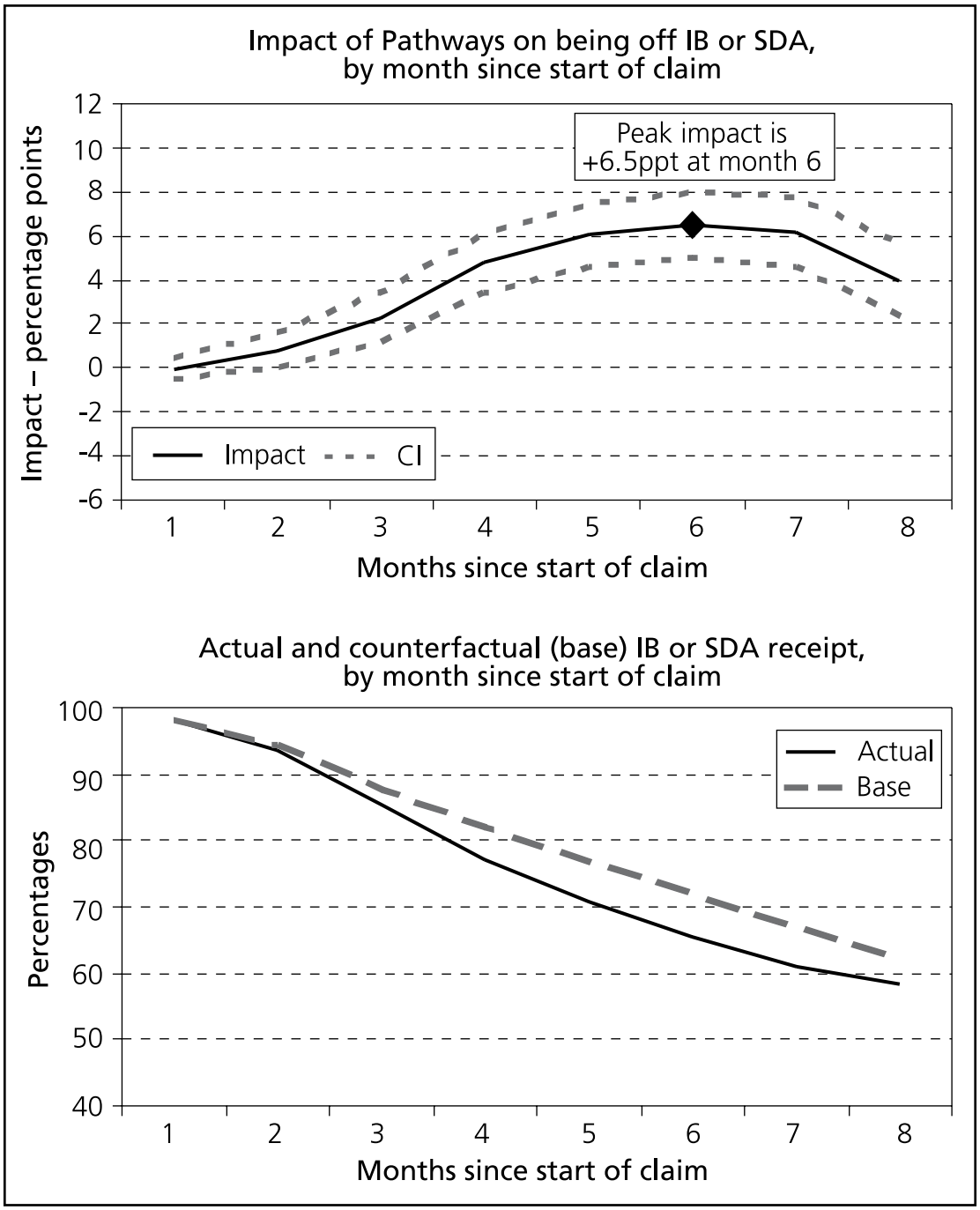


The estimate of the counterfactual in the lower half of Figure 5.1 (indicated by the broken line), shows the expected level of incapacity benefits receipt had Pathways not been introduced. Without Pathways, 60.5 per cent of those claiming incapacity benefits would have been expected to still be claiming eight months after the start of their claim. The solid line illustrates that Pathways reduced this figure to 57.3

per cent. Fourteen months after the start of the claim, around 50.6 per cent of customers could be expected to be on incapacity benefits, compared to 50.2 per cent after the introduction of Pathways.

Figure 5.2 shows the estimated impact of Pathways on the probability of claiming incapacity benefits in the April 2006 areas. The impact for these areas is reported for each of the eight months following the qualifying claim. Just as in the October 2005 areas, the results suggest that Pathways increased the proportion of people no longer claiming incapacity benefits. This positive and statistically significant effect was apparent from the third month after the start of their claim through to month eight. After peaking at 6.5 percentage points in month six, the impact of Pathways diminished, so that by month eight, Pathways only reduced the probability of claiming incapacity benefits by 4.0 percentage points. The estimate of the counterfactual in the lower half of Figure 5.2 shows that by month eight, 62.2 per cent of those claiming incapacity benefits initially would have been expected to still be on incapacity benefits. Pathways reduced this figure to 58.2 per cent. These estimates were similar to those for the October 2005 areas by this same point.

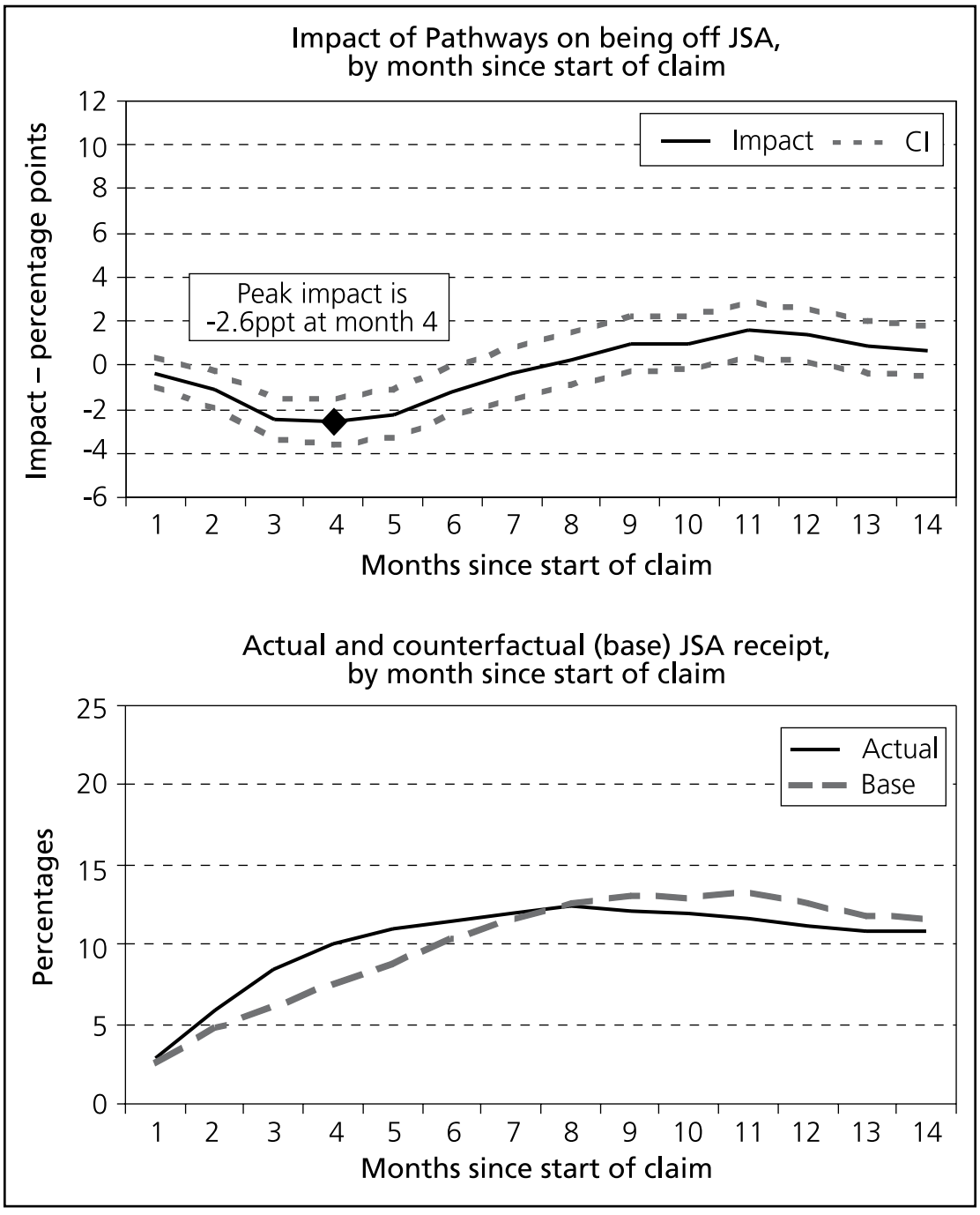
Figure 5.2 Impact of Pathways on being off incapacity benefits, by month – April 2006 areas



5.3 The impact of Pathways on claims for JSA

Figure 5.3 shows the impact of Pathways on JSA receipt in the October 2005 areas. Movement from incapacity benefits to JSA suggests that the customer is fit for work and actively engaged in job search activities. Therefore, if the introduction of Pathways initially increased the proportion of incapacity benefits customers switching to JSA, this could be regarded as a positive outcome, provided that it resulted in progress into work at a later date.

Figure 5.3 Impact of Pathways on being off JSA, by month – October 2005 areas



Over the first six months after starting the claim for incapacity benefits, the overall impact of Pathways was to increase the receipt of JSA by a statistically significant amount (between months two and six). Pathways raised JSA receipt most four months after the start of the claim for incapacity benefits, by 2.6 percentage points. However, the impact of Pathways on JSA receipt reversed in later months. Eleven months after the start of the claim for incapacity benefits, Pathways was associated with a 1.6 percentage point reduction in claims for JSA and this

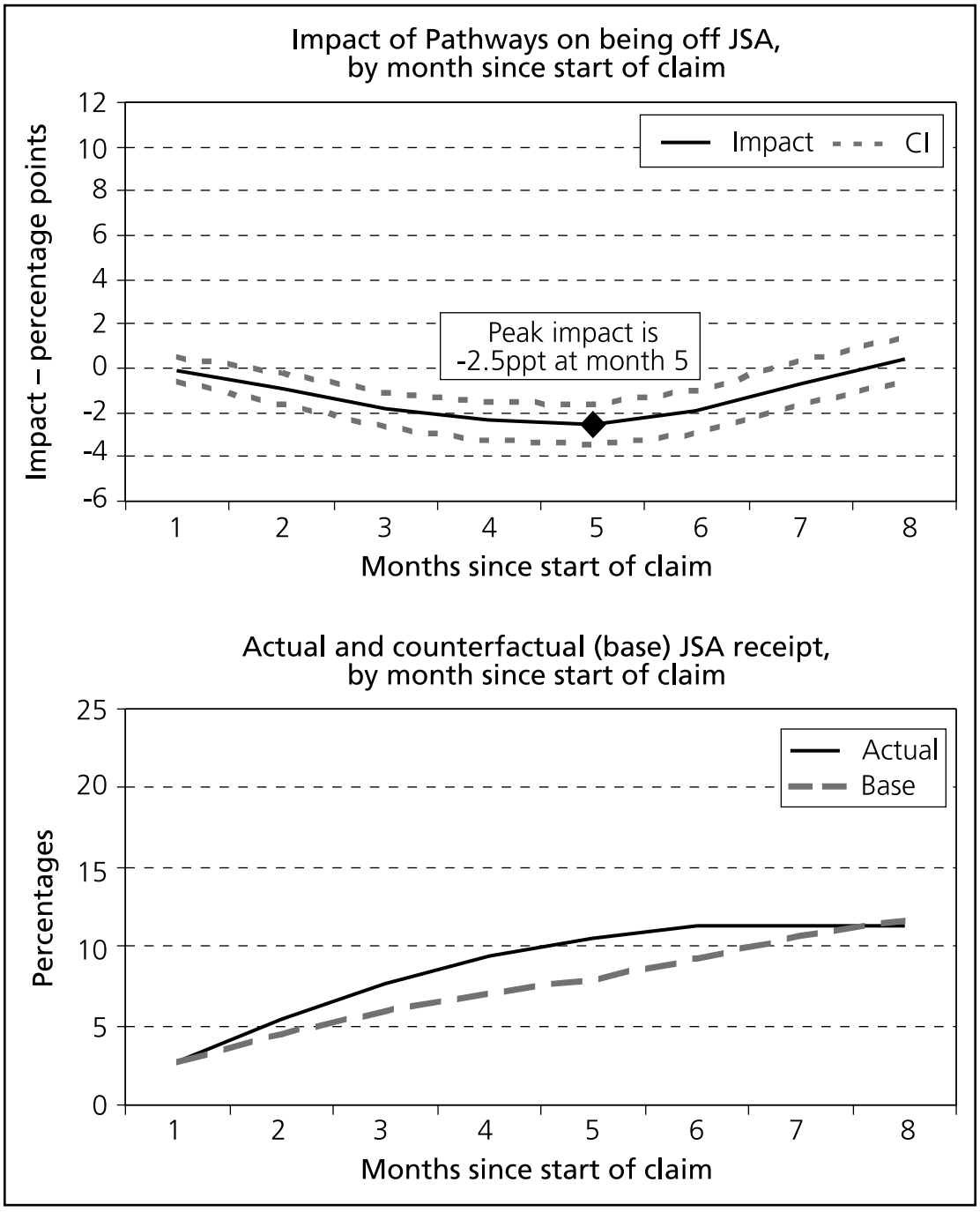
statistically significant effect was of a similar size in month 12. This pattern was consistent with Pathways resulting in customers moving from incapacity benefits to JSA initially, indicating a shift towards job-focused activity. It is less clear whether the reduction in the proportion of customers on JSA in later months was driven by progress into work, or movement back on to incapacity benefits.

The lower part of Figure 5.3 demonstrates that in month eight, Pathways reduced the proportion of claims for JSA from 12.6 to 12.4 per cent. By 14 months after the start of the claim for incapacity benefits, it was estimated that 11.6 per cent of this group would be claiming JSA without the introduction of Pathways, compared to 10.9 per cent as a result of Pathways.

Figure 5.4 shows the impact of Pathways on JSA receipt in the April 2006 areas. Over the first six months after the start of the claim for incapacity benefits, the overall impact of Pathways was to increase the receipt of JSA, with this effect attaining statistical significance from months two to six, just as in the October 2005 areas. The impact of Pathways on increasing JSA receipt was greatest five months after the start of the claim, when it peaked at 2.5 percentage points, again very similar in size and timing to the first set of expansion areas. From month seven onwards, the effect was not statistically significant.

The lower part of the figure indicates that eight months after the start of the claim for incapacity benefits, 11.7 per cent of this group would have been claiming JSA without Pathways, compared to 11.3 per cent as a result of Pathways. These proportions were a little lower than in the October 2005 areas at this same point in time.

Figure 5.4 Impact of Pathways on being off JSA, by month – April 2006 areas



5.4 The impact of Pathways on claims for either incapacity benefits or JSA

This section assesses the impact of Pathways on the receipt of either incapacity benefits or JSA. This approach makes it possible to explore whether Pathways reduced overall levels of out-of-work benefits receipt.

Figure 5.5 shows the results for the October 2005 areas. Pathways reduced the percentage of incapacity benefits customers on these benefits by a statistically

significant amount from month three to month 11. The size of the impact from Pathways peaked at 4.0 percentage points six months after the start of the claim and then decreased over the period up to month 11. The lower part of Figure 5.5 shows that, without Pathways, eight months after the start of the claim for incapacity benefits, 71.4 per cent of customers could be expected to be on incapacity benefits or JSA. Pathways reduced this proportion to 68.5 per cent. However, 14 months after the start of the claim, without Pathways, 61.3 per cent of this group could have been expected to no longer be claiming these benefits, compared to 60.4 per cent with the assistance of Pathways.

Figure 5.5 Impact of Pathways on not claiming incapacity benefits or JSA, by month – October 2005 areas

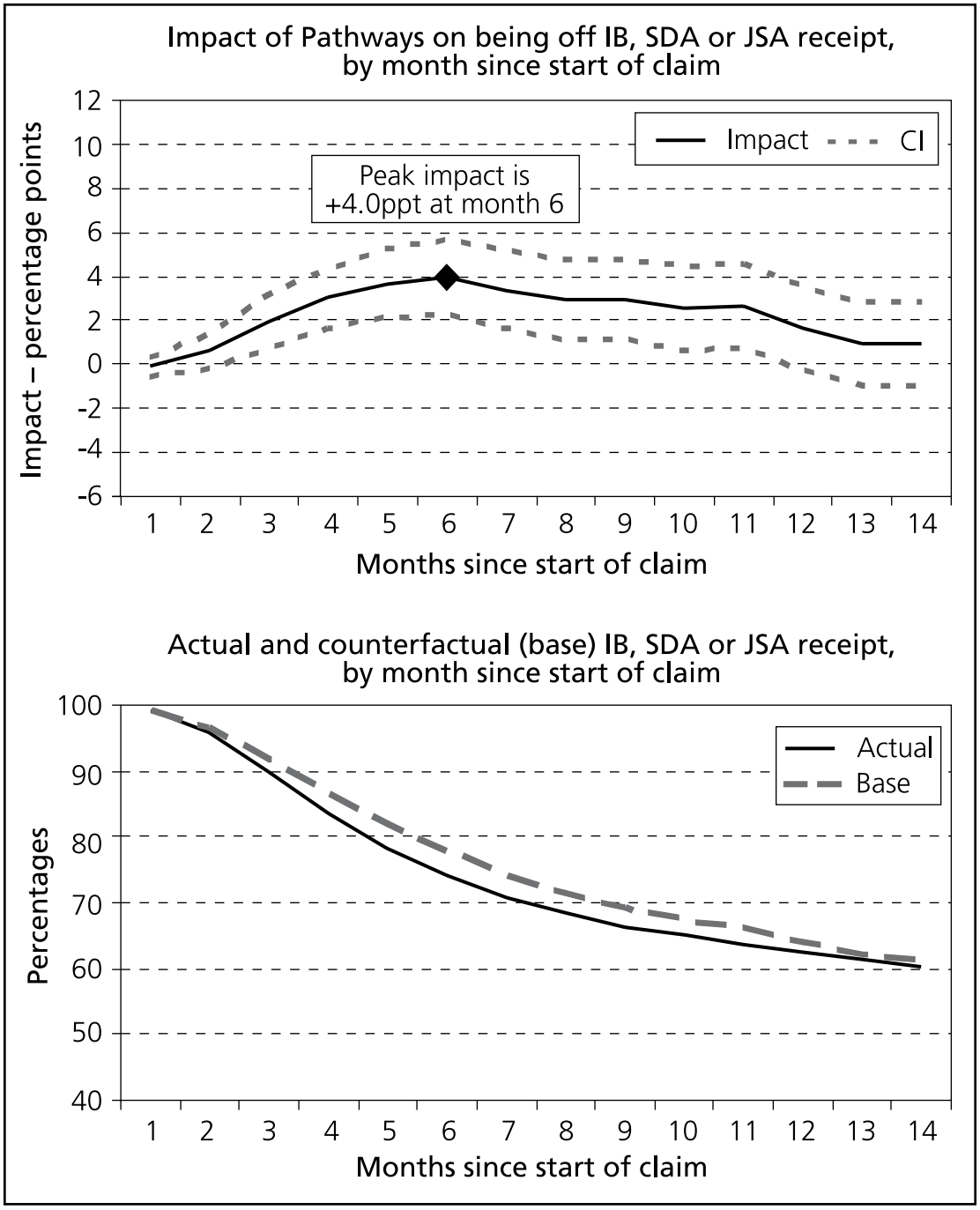
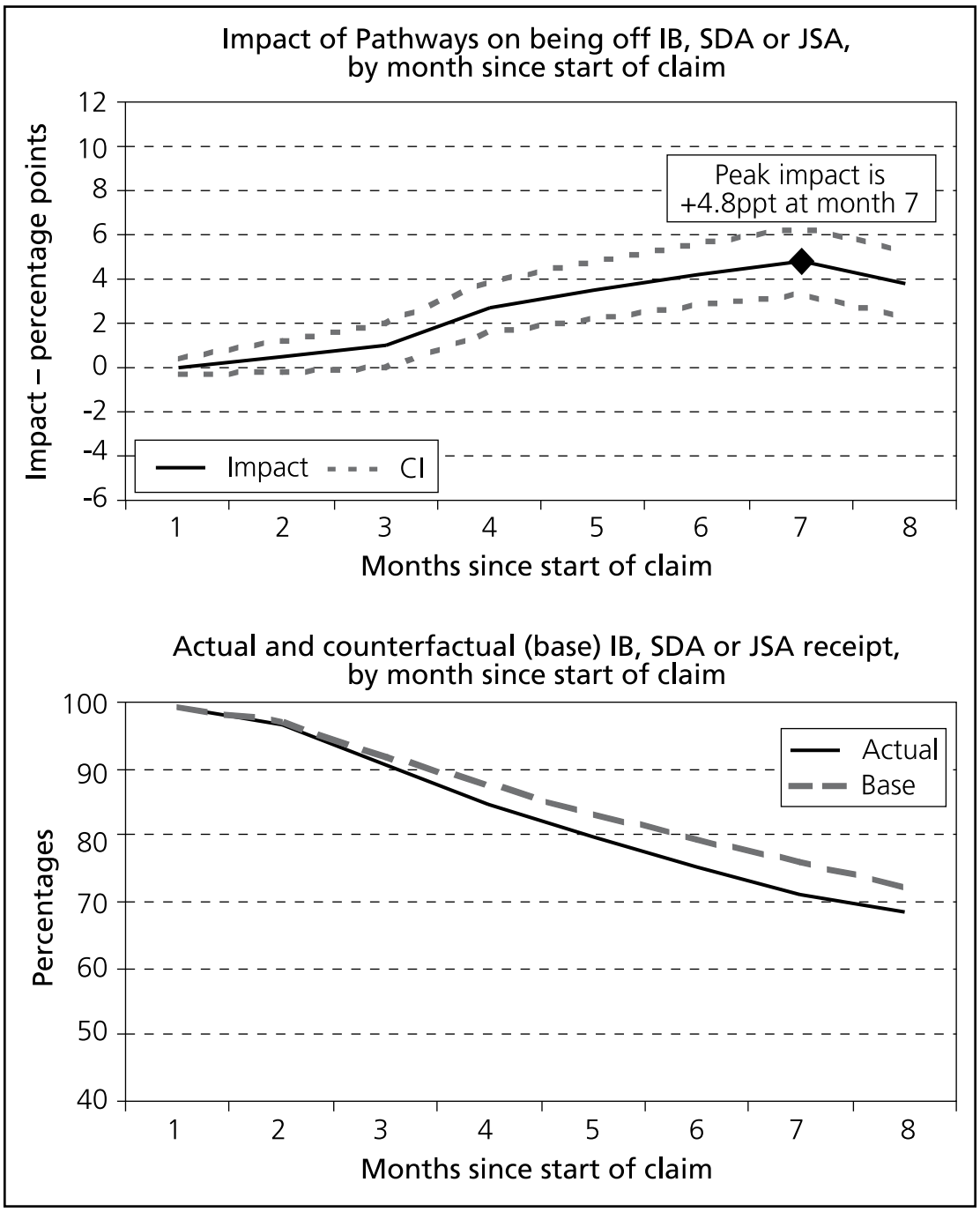


Figure 5.6 shows the impact of Pathways on the receipt of either incapacity benefits or JSA in the April 2006 areas. The results suggest that Pathways was successful in reducing claims for these benefits over much of the eight-month period following the start of the claim. The impact of Pathways on lowering benefit receipt emerged three months after the start of the qualifying claim and grew in magnitude up to month seven, when it peaked at 4.8 percentage points. It then fell to 3.8 percentage points in month eight. The pattern followed was again very similar to that observed in the October 2005 areas.

Figure 5.6 Impact of Pathways on being off incapacity benefits or JSA, by month – April 2006 areas



The lower part of Figure 5.6 shows that eight months after the qualifying claim, 72.3 per cent of customers would have been on incapacity benefits or JSA. Pathways reduced this figure to 68.4 per cent, fairly similar to the proportions at this same point in the October 2005 areas.

5.5 Summary

This chapter has examined the impact of Pathways on the receipt of incapacity benefits and JSA over a period of 14 months in the areas where it was introduced in October 2005, and eight months in the Jobcentre Plus districts where it was implemented in April 2006. This analysis indicated that over the first eight months following the introduction of Pathways, its impact on the receipt of incapacity benefits and JSA was very similar in both sets of expansion areas. Pathways lowered the proportion of claims for incapacity benefits from month two to month nine in the October 2005 areas and from month three to month eight in the April 2006 areas. The size of this impact was also very similar across both sets of areas, peaking at 6.0 percentage points in month five in the October 2005 areas and 6.5 percentage points in month six in the April 2006 areas.

It was possible to consider outcomes over a longer period in the October 2005 areas, and this indicated that the impacts from Pathways which emerged in the first year following the start of the claim were not sustained beyond about ten months. This may be explained by Pathways speeding up progress off incapacity benefits, but not actually affecting the likelihood that individuals leave incapacity benefits over a longer time-frame, so that those in the comparison areas eventually reached the same levels of benefit receipt. Another possibility is that Pathways encouraged customers to try working, but that they later returned to incapacity benefits. Finally, permitted work rules allow incapacity benefits customers to work for up to 16 hours a week whilst remaining on benefits, provided that they earn less than £86. This was encouraged under Pathways. The original pilot areas report highlighted the importance of observing the impact of Pathways on employment, as well as benefit receipt and there were signs that the positive employment effects only emerged over a longer period of analysis (Bewley *et al.,* 2007).

Initially, Pathways increased JSA receipt, with this impact being statistically significant between months two and six in both the October 2005 and the April 2006 areas, and peaking at 2.6 percentage points in month four and 2.5 percentage points in month five respectively. The longer run of outcomes from the October 2005 areas suggested that this went into reverse in months 11 and 12, so that Pathways reduced JSA receipt by 1.6 percentage points in month 11. However, this pattern was not sustained beyond this point. Overall, Pathways reduced the proportion of those claiming incapacity benefits or JSA over the period from three months after the start of the claim through to the end of the eight-month period observable in the April 2006 areas, and through to month 11 in the October 2005 areas, but again, these impacts were not sustained for the entire 14-month span.

The observed impact of Pathways on the receipt of incapacity benefits in the expansion areas was similar in many respects to that observed in the original pilot areas. Whilst the reduction in the receipt of incapacity benefits was sustained for a longer period in the original pilot areas (until month 15), the size of the effect and the timing of the peak were very similar. This supports the findings of the generalisability study on the receipt of incapacity benefits, which indicated that Pathways was likely to have a similar impact in new areas as in the original pilot areas. In addition, the analysis in the expansion areas provides evidence on the impact of Pathways on receipt of JSA, something that was not considered in the original pilot report.

6 Subgroup analysis

6.1 Introduction

This chapter assesses whether Pathways has a more pronounced impact on benefit receipt for individuals with particular characteristics, or whether it has a fairly similar effect across incapacity benefits customers, regardless of their personal circumstances. This is an important question as it indicates whether any beneficial impact from Pathways is confined solely to those groups of customers who are most likely to leave benefits with little assistance, or whether it is also effective for individuals who are generally more likely to remain on incapacity benefits for long periods. The Government has set a target of reducing the numbers of people claiming incapacity benefits by one million by 2015 and the success of Pathways in assisting those who find it hardest to return to work after a spell out of the labour force is likely to be an important factor in whether this goal is achieved (DWP, 2008).

The following sections consider the differential impact of Pathways on men and women, older and younger people and those with and without a mental health condition. As women generally take on greater responsibility for domestic work within the home and are more likely than men to seek flexible working arrangements, this can compound the difficulties associated with a return to work after a period on incapacity benefits (Hooker *et al.,* 2007; Speakman and Marchington, 1999). For example, lone parents returning to Income Support after a period in work typically cited reasons such as problems with the cost and reliability of childcare and difficulties balancing work and childcare responsibilities (Riccio *et al.* 2008). In the current context, it is interesting to consider whether Pathways is equally successful in moving women, as well as men, away from benefits and into work.

Previous studies have also found that older people often face particular difficulties in returning to work after a spell on benefits. Amongst incapacity benefits customers, older people tend to be further from work, being more likely to suffer from deteriorating health and having spent less time in employment in the recent past than younger people (Bailey *et al.,* 2007). The employment and training

opportunities of older customers can also be reduced by discrimination in the labour market, and for some people the motivation to find work diminishes as they near State Pension age (Corden and Nice, 2006; Metcalf and Meadows, 2006). Evidence that older people participating in Pathways are finding it more difficult to leave benefits than younger people might indicate that they need additional support.

Finally, as Chapter 3 showed, the main health problem of around two-fifths of people on incapacity benefits is a mental or behavioural disorder. The proportion of people claiming incapacity benefits for this reason has increased over recent years, having risen from 26 per cent in 1996 to 41 per cent in 2006. This means that current efforts to reduce the numbers of people claiming incapacity benefits must address the need to assist those with mental health conditions as well as those with physical disabilities (Black, 2008). Therefore, the effectiveness of Pathways for customers with mental or behavioural conditions is an important area for consideration.

As subgroup analysis involves assessing the impact of Pathways for particular groups of individuals, rather than for all eligible customers, there is a danger that the resulting reduced sample sizes make it more difficult to detect statistically significant results. Therefore, a failure to find a statistically significant effect should be viewed as showing that Pathways has not had a sufficiently large effect for it to be captured, rather than necessarily indicating that Pathways has had no effect for a particular subgroup.

To minimise the problem of failing to detect statistically significant effects because of small sample sizes, this chapter pools information on the first two sets of expansion areas, rather than assessing subgroup differences for the October 2005 and April 2006 areas separately. This means that outcomes can only be considered over an eight-month period, rather than the 14 months available in the October 2005 areas only. Chapter 5 demonstrated that over the eight months following the introduction of Pathways, its impact on benefit receipt was fairly similar in both of the first two sets of expansion areas. As there were no clear differences between the areas over this period, it seems reasonable to carry out the subgroup analysis by pooling information across areas.

The second consequence of estimating the effect of Pathways for subgroups is that comparisons of the two resulting estimates do not control for differences in the composition of the subgroups. Whilst the results can show that Pathways had a greater effect on some subgroups than others, this difference may not be directly attributable to the characteristic that identifies the subgroup. For example, if the subgroup analysis shows that the effect of Pathways is greater for women than men, it is not necessarily the case that being female increases the likely effect of Pathways. It may be that the combined characteristics of women predispose them to being affected more by Pathways than men, because of their different characteristics.

As in Chapter 5, the following sections consider whether Pathways affected the proportion of customers in each subgroup on incapacity benefits or Jobseeker's Allowance (JSA) in each of the eight months following the start of their qualifying claim. The statistical significance of any differences in the impact of Pathways between subgroups is also assessed.

6.2 The impact of Pathways by gender

6.2.1 The impact of Pathways on claims for incapacity benefits

Figures 6.1 and 6.2 show that the impact of Pathways on reducing the receipt of incapacity benefits by men and women was fairly similar in the eight months following its introduction. Pathways resulted in a statistically significant reduction in the proportion of men claiming incapacity benefits from the second through to the eighth month after the start of the claim. For women, the effect of Pathways was apparent over a slightly shorter window, from month three through to month eight. The impact of Pathways peaked in month five for men, when it produced a 6.0 percentage point reduction in the likelihood of claiming incapacity benefits. The peak for women was a very similar size (5.5 percentage points), but occurred in month six.

The estimates of the levels of receipt of incapacity benefits by men and women had Pathways not been introduced, shown in the lower parts of Figures 6.1 and 6.2, indicate that both groups could have been expected to follow a fairly similar pattern over the eight-month period considered. However, a higher proportion of women than men would have been expected to be claiming incapacity benefits eight months after the start of their claim, at 63.1 per cent, compared to 59.4 per cent for men.

When the impact of Pathways on men and women was compared over this eight-month period, it emerged that the small differences between Figures 6.1 and 6.2 were not statistically significant at the five per cent level. Therefore, Pathways had a similar impact on the receipt of incapacity benefits by men and women over the period considered.

Figure 6.1 Impact of Pathways on being off incapacity benefits, by month – men

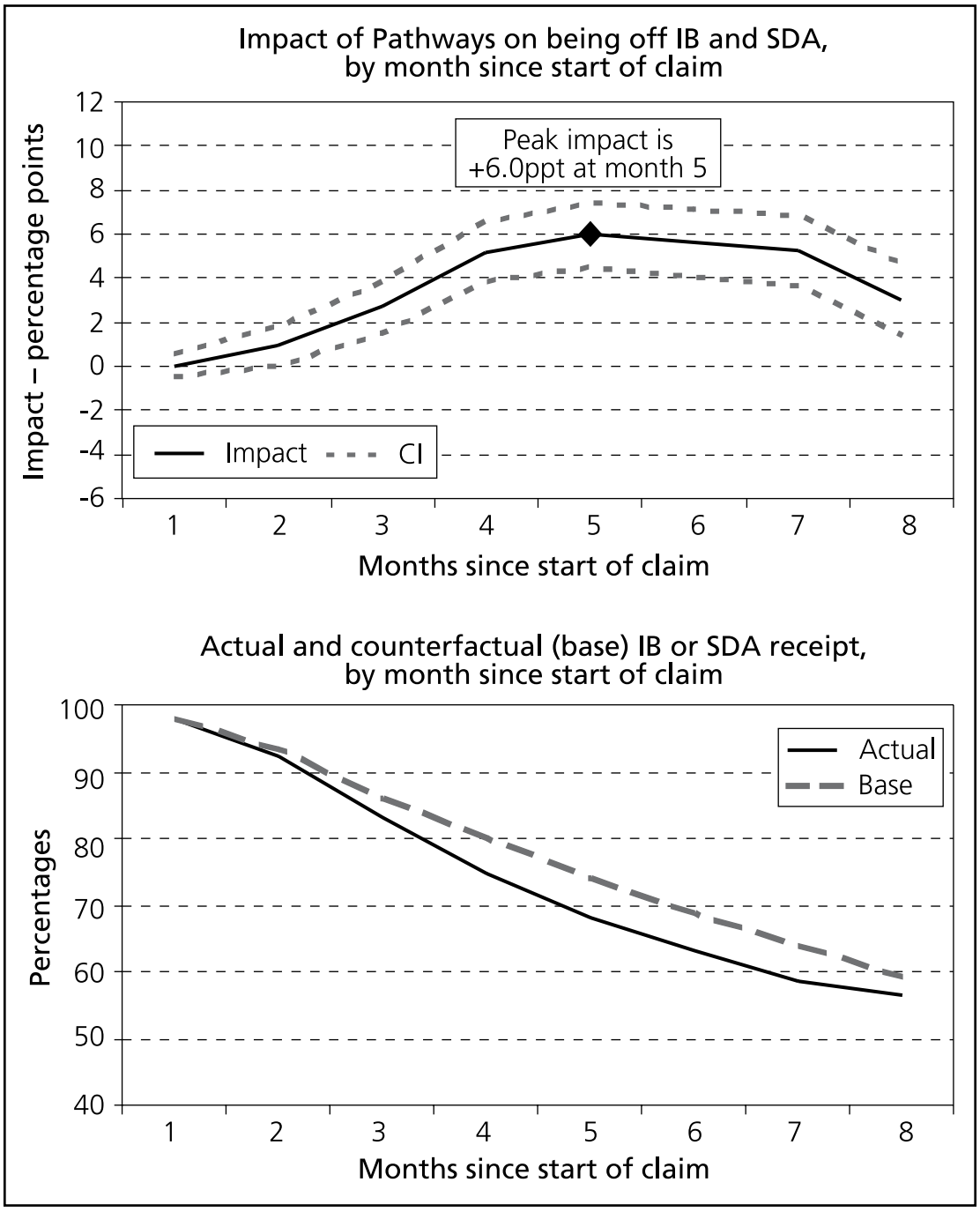
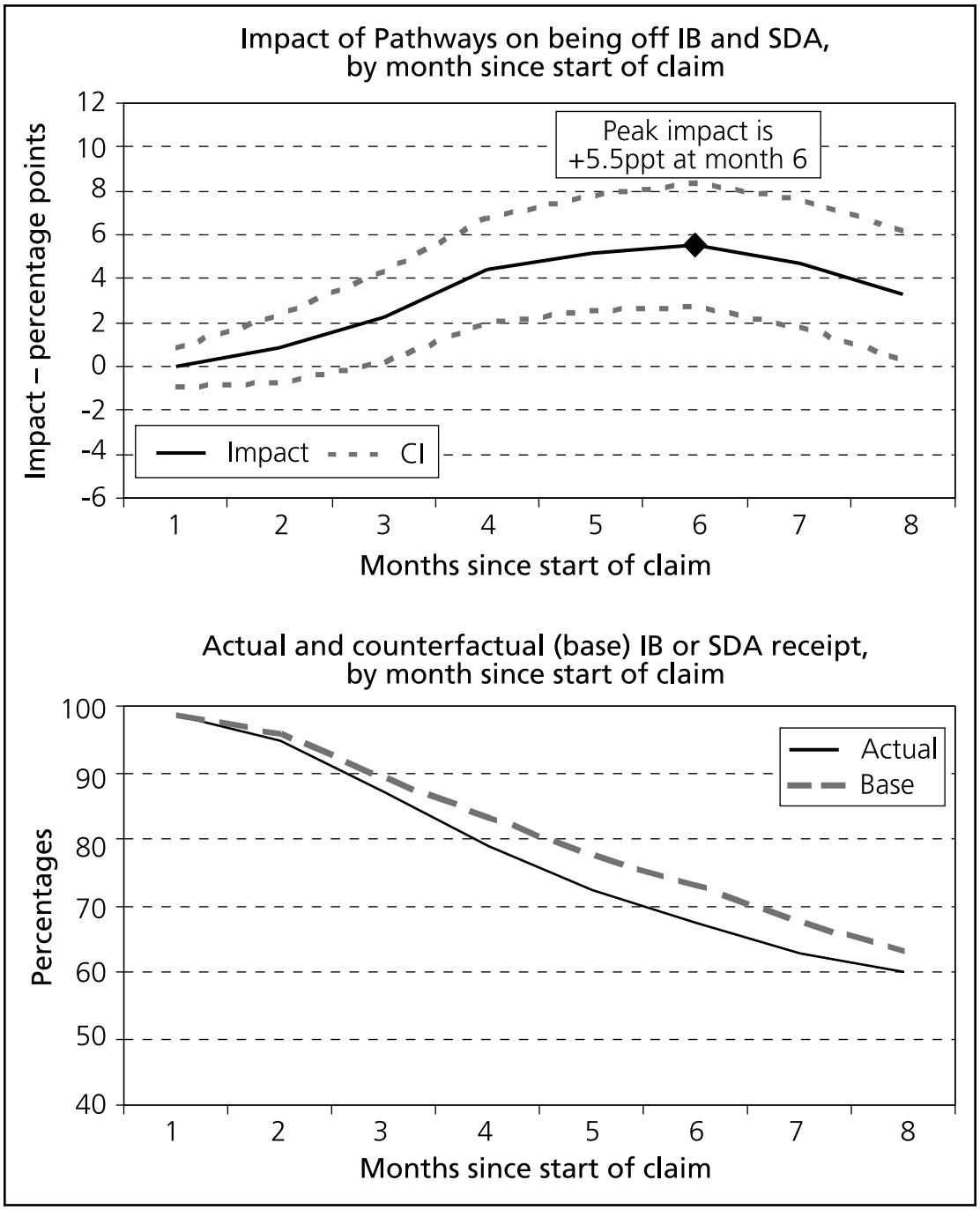


Figure 6.2 Impact of Pathways on being off incapacity benefits, by month – women



6.2.2 The impact of Pathways on claims for JSA

Pathways increased JSA receipt by men a little between two and six months after the start of their claim for JSA (Figure 6.3). Figure 6.4 shows a similar pattern for women, but the impact of Pathways was only statistically significant in months three and four. However, the lower part of each figure demonstrates that the expected levels of JSA receipt over the eight months following the start of the

claim for incapacity benefits were quite different for men and women, with a higher proportion of men moving onto JSA. There were no statistically significant differences between men and women in the impact of Pathways on JSA receipt over the eight months following the start of the claim for incapacity benefits.

Figure 6.3 Impact of Pathways on not claiming JSA, by month – men

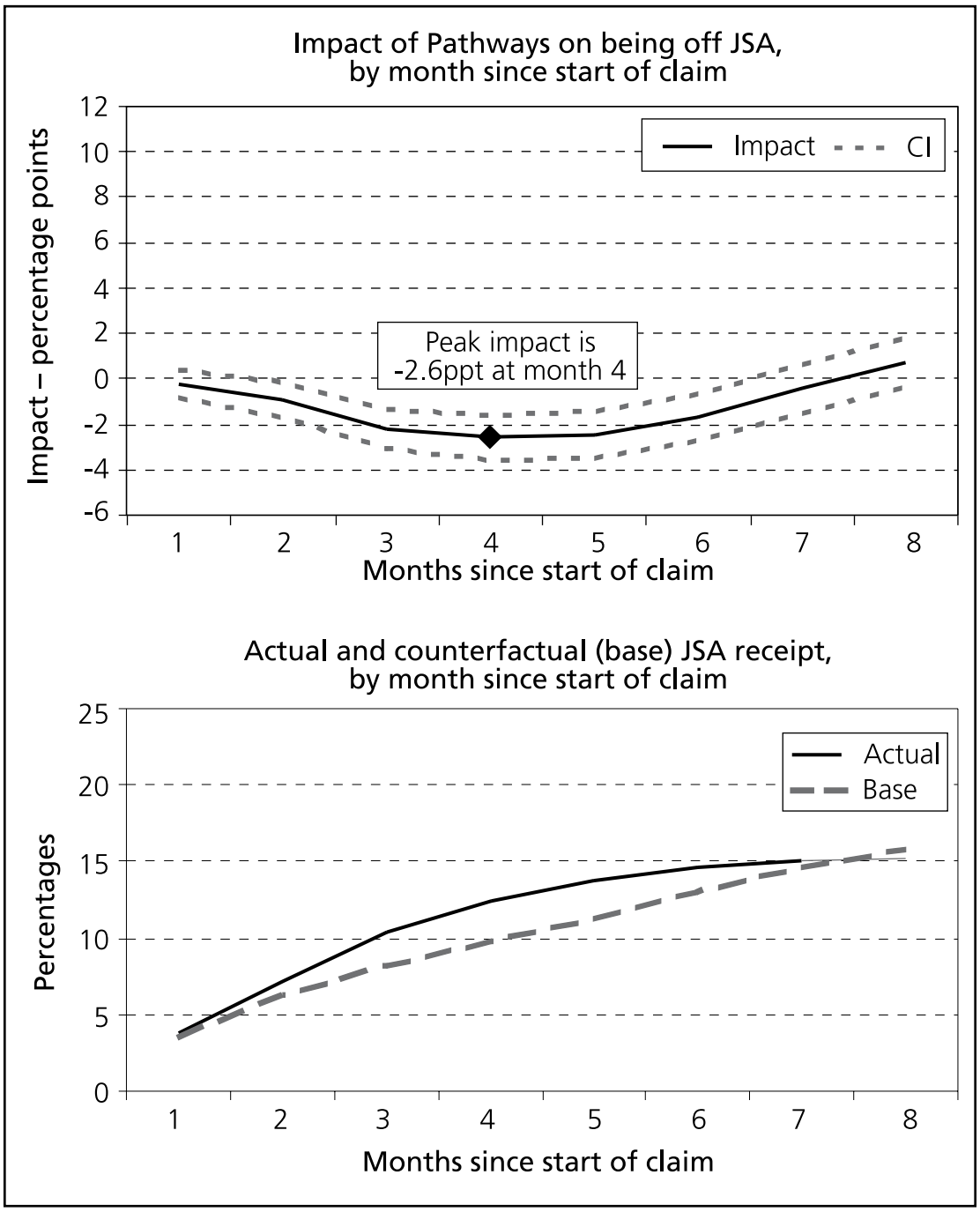
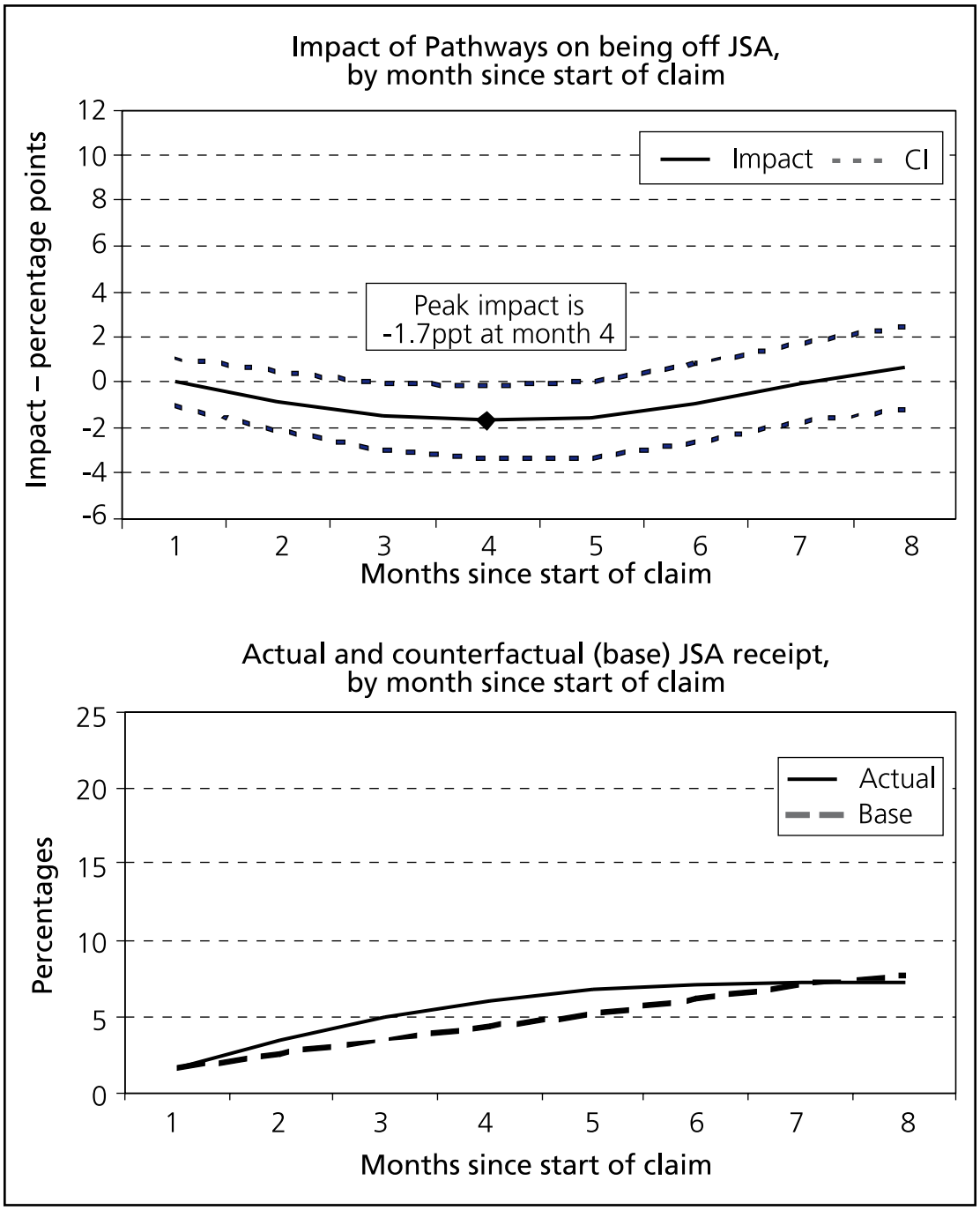


Figure 6.4 Impact of Pathways on not claiming JSA, by month – women



6.2.3 The impact of Pathways on claims for either incapacity benefits or JSA

In the period from three to eight months after the start of the claim for incapacity benefits, men were less likely to be on incapacity benefits or JSA as a result of Pathways (Figure 6.5). Pathways also reduced the likelihood of women being on incapacity benefits or JSA, but this was only apparent over the period from four

to eight months after the start of the qualifying claim (Figure 6.6). The expected decline in the rate of benefit receipt by men and women in the absence of Pathways was fairly similar and eight months after starting incapacity benefits, 73.2 per cent of men were still on either incapacity benefits or JSA, compared to 69.7 per cent of women. Once again, differences between men and women in the impact of Pathways on the receipt of incapacity benefits or JSA were statistically insignificant over the eight-month period considered.

Figure 6.5 Impact of Pathways on not claiming incapacity benefits or JSA, by month – men

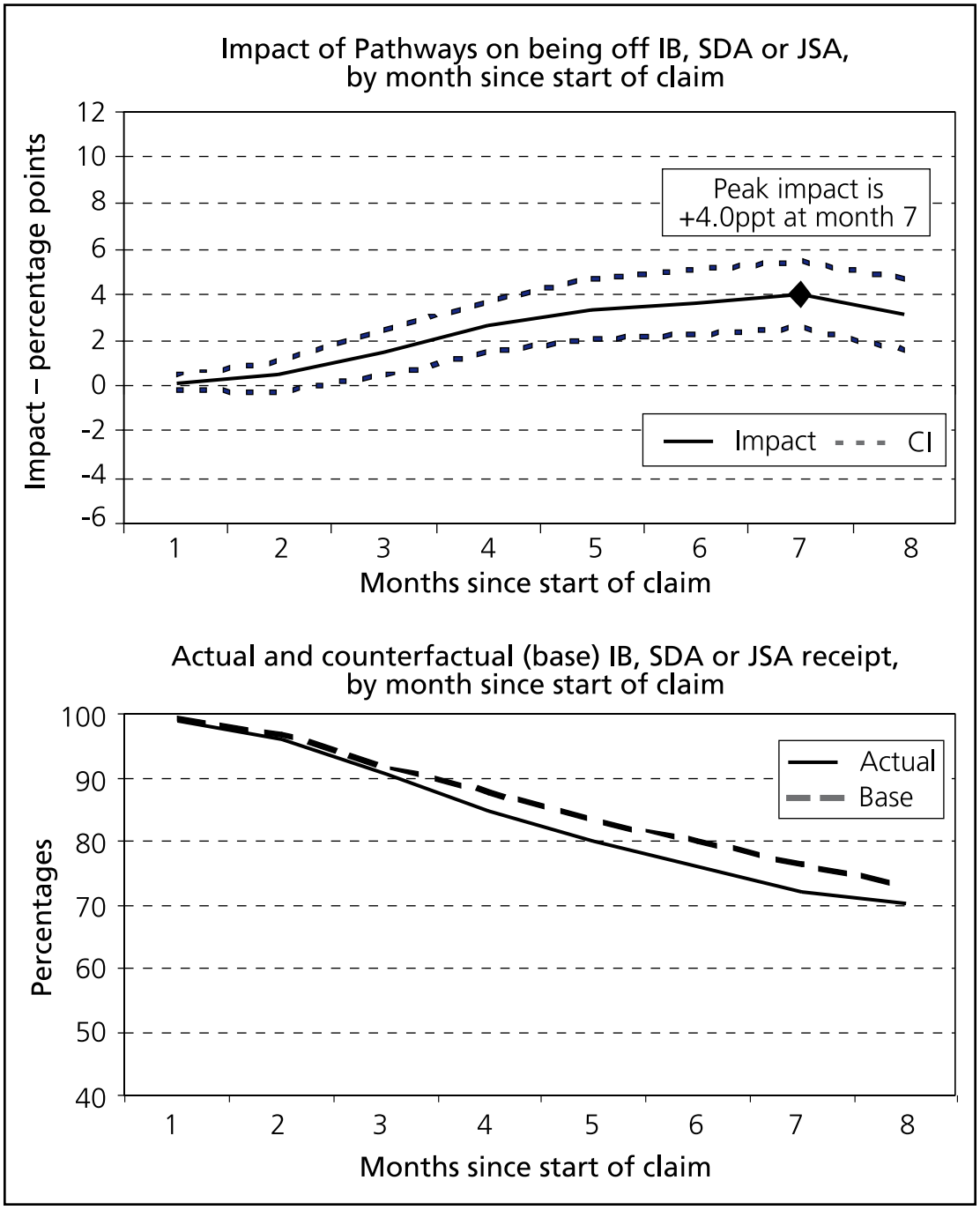
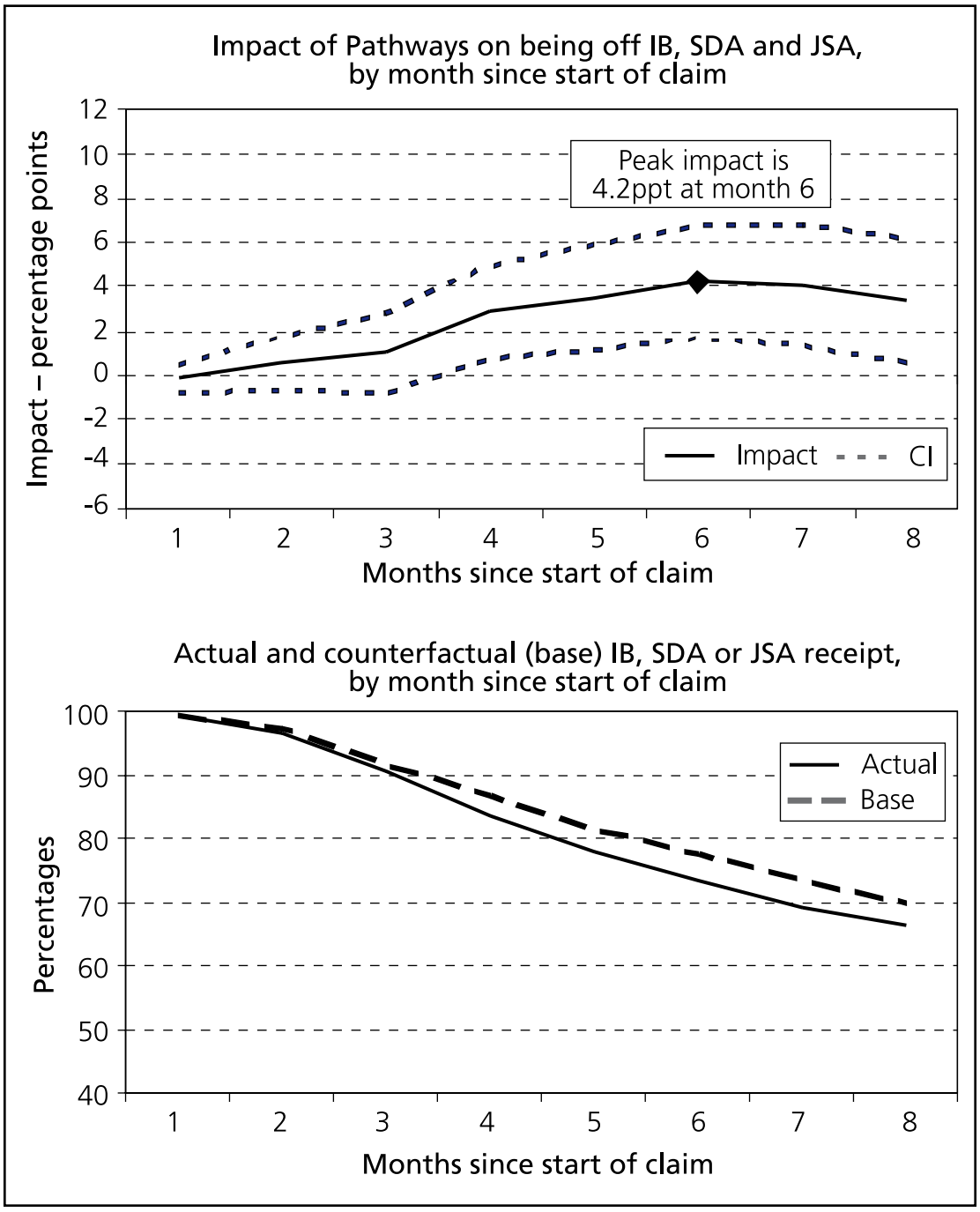


Figure 6.6 Impact of Pathways on not claiming incapacity benefits or JSA, by month – women



6.3 The impact of Pathways by age

6.3.1 The impact of Pathways on claims for incapacity benefits

Figures 6.7 and 6.8 indicate clear differences in the impact of Pathways on the receipt of incapacity benefits by those under the age of 50, and those aged 50 or more. Pathways reduced benefit receipt by the under-50s from the third month after the start of the claim for incapacity benefits onwards. Whilst a statistically

significant effect emerged at the same point for those aged 50 or more, the size of the impact was smaller and was short-lived. From the sixth month after the start of the claim for incapacity benefits, Pathways did not have a statistically significant impact on levels of incapacity benefits receipt by those aged 50 or more.

Figure 6.7 Impact of Pathways on being off incapacity benefits, by month – under the age of 50

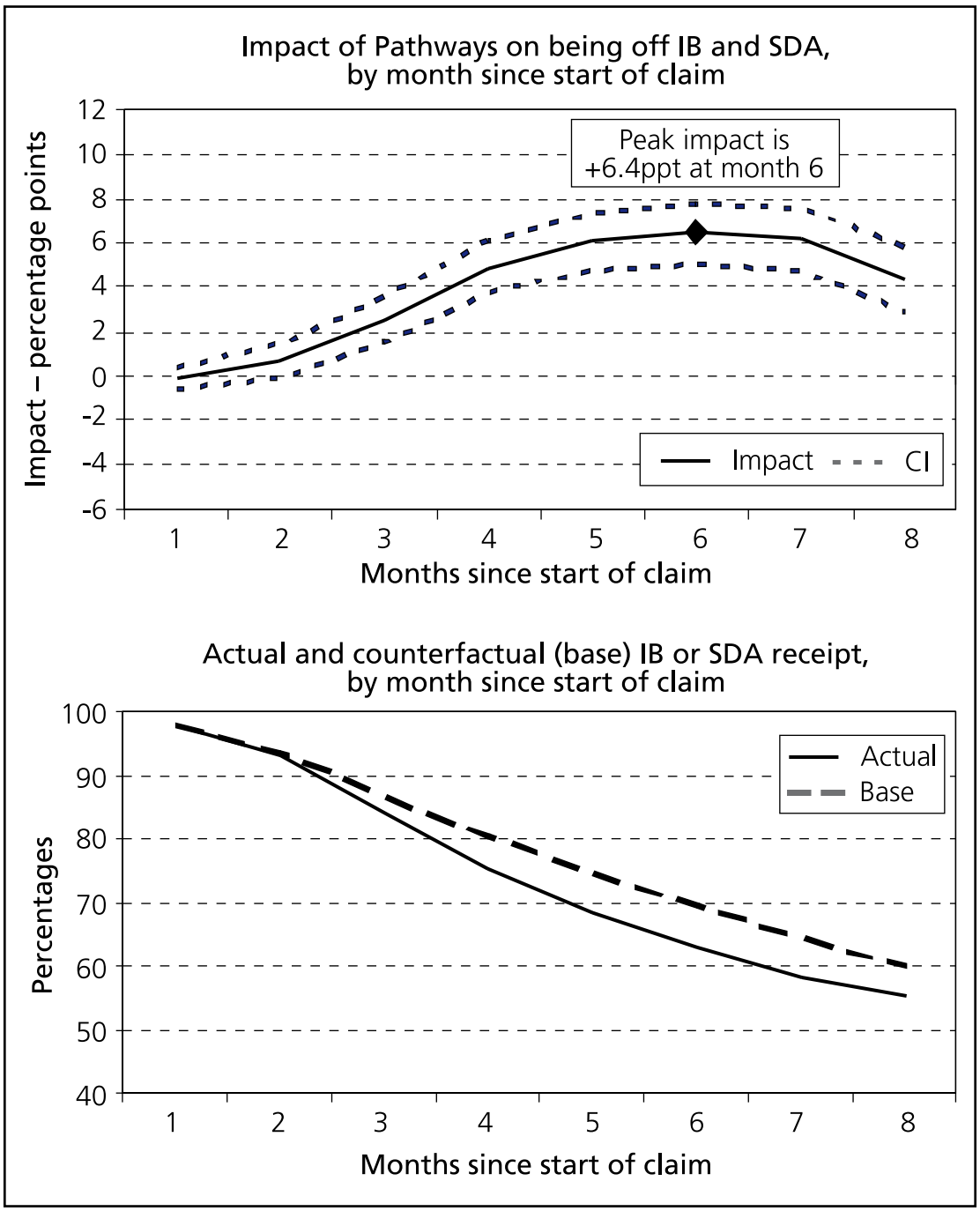
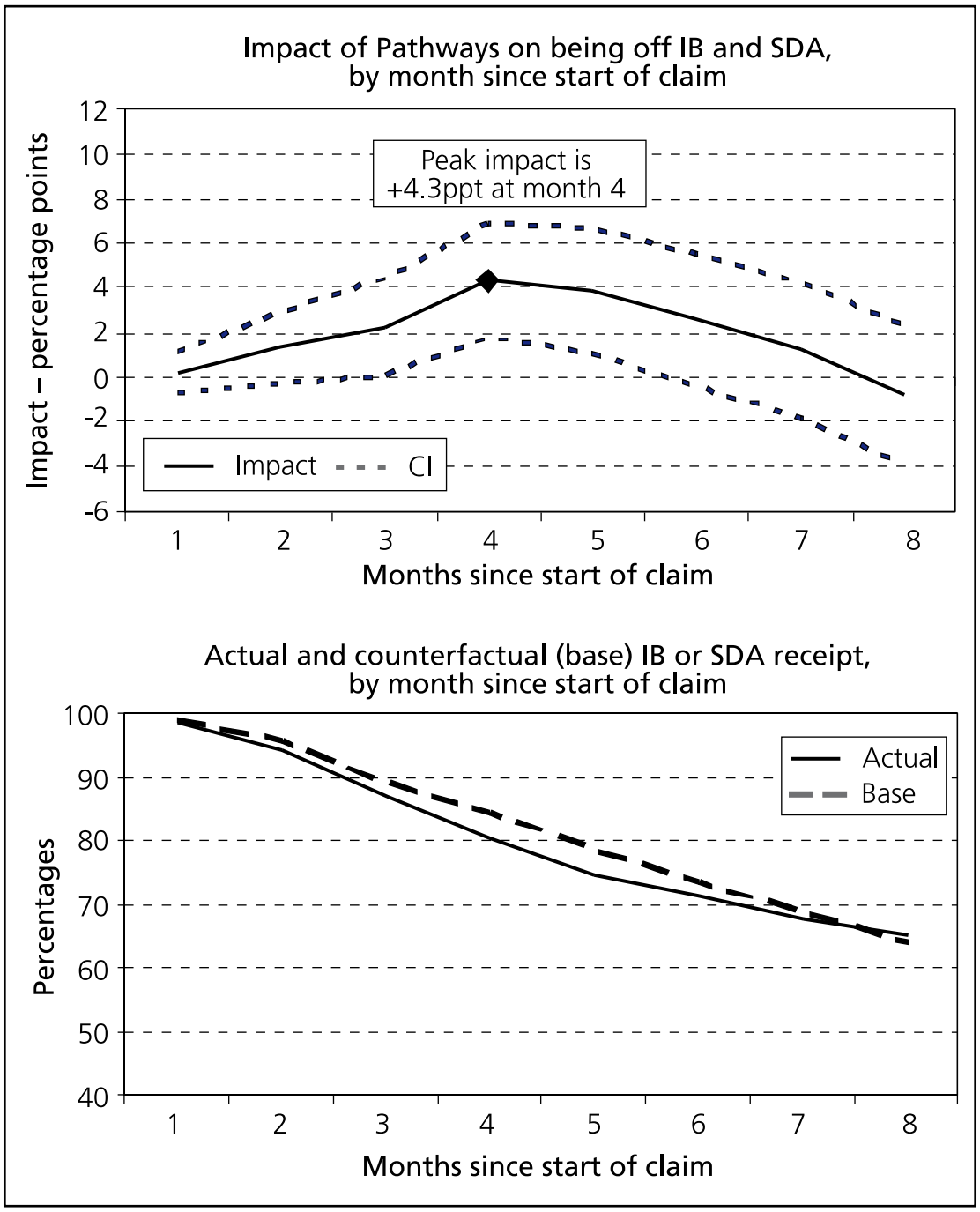


Figure 6.8 Impact of Pathways on being off incapacity benefits, by month – aged 50 or more



The difficulties of reducing benefit receipt by older customers are apparent when the expected levels of incapacity benefits in the absence of Pathways are contrasted. Eight months after the start of the claim for incapacity benefits, 59.9 per cent of those under the age of 50 were expected to still be on these benefits, compared to 64.4 per cent of those aged 50 or more.

When the impact of Pathways on each of these groups is compared, there was a statistically significant difference between those under the age of 50 and those aged 50 or more in the receipt of incapacity benefits over the period between six and eight months after the start of their claim. In these months, customers aged 50 and over were more likely to be on incapacity benefits, with the greatest difference between the two groups emerging in month eight, when the impact of Pathways in reducing benefit receipt by those under the age of 50 was 5.0 percentage points greater than its impact on those aged 50 or more.

6.3.2 The impact of Pathways on claims for JSA

The impact of Pathways on JSA receipt in the months following the claim for incapacity benefits was fairly similar for those aged under 50 and those aged 50 or more (Figures 6.9 and 6.10). Pathways increased JSA receipt by the under-50s in months three to six, and for those aged 50 or more in months two to five, and at its peak, the increase in JSA receipt as a result of Pathways was the same for both groups, at 2.3 percentage points. However, the expected level of JSA receipt over the eight-month period considered was much higher for those under the age of 50. Eight months after starting the claim for incapacity benefits, 13.5 per cent of those under the age of 50 would have been expected to be claiming JSA without Pathways. By comparison, only 8.9 per cent of those aged 50 or more would have been expected to be on JSA by this point.

Figure 6.9 Impact of Pathways on not claiming JSA, by month – under the age of 50

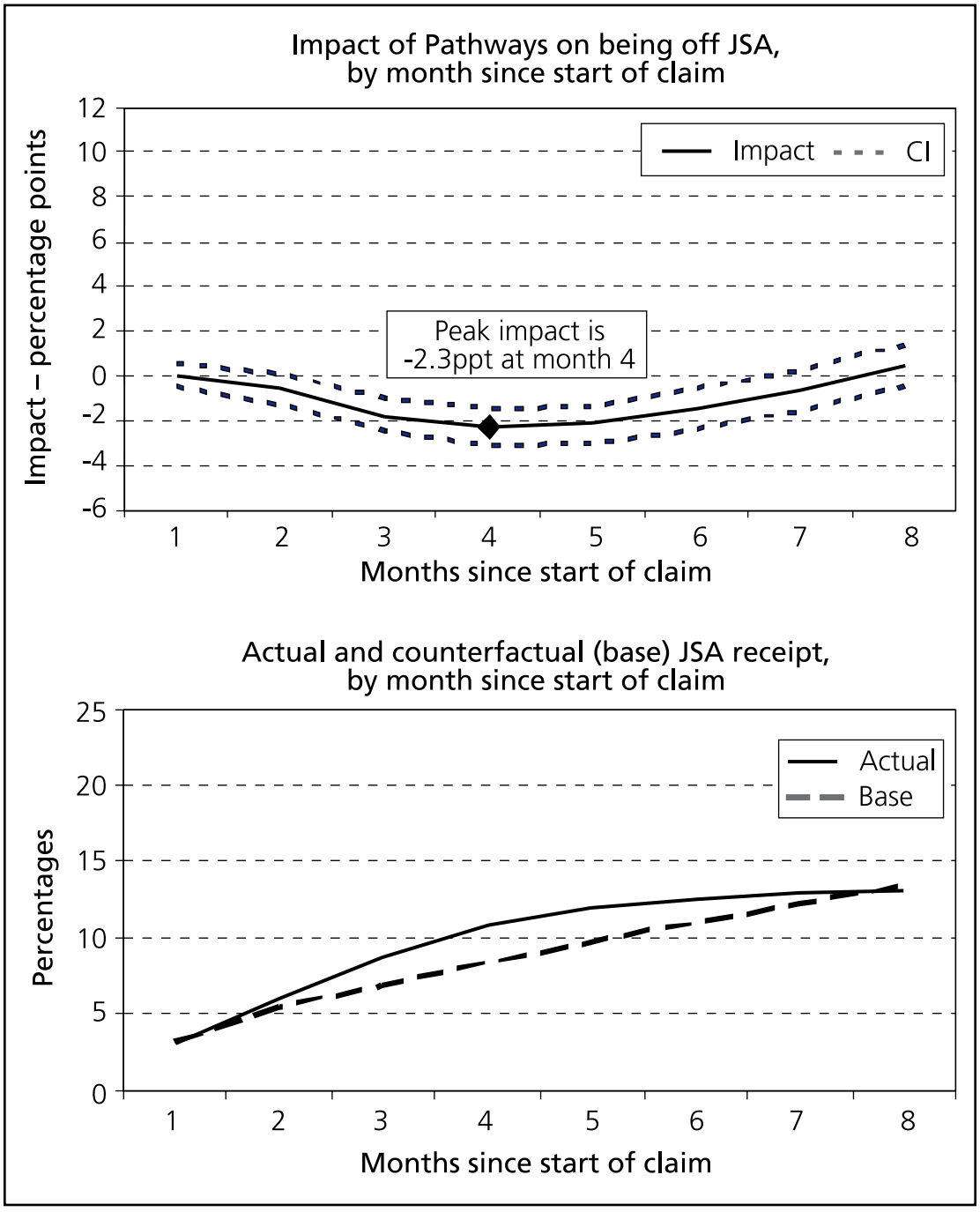
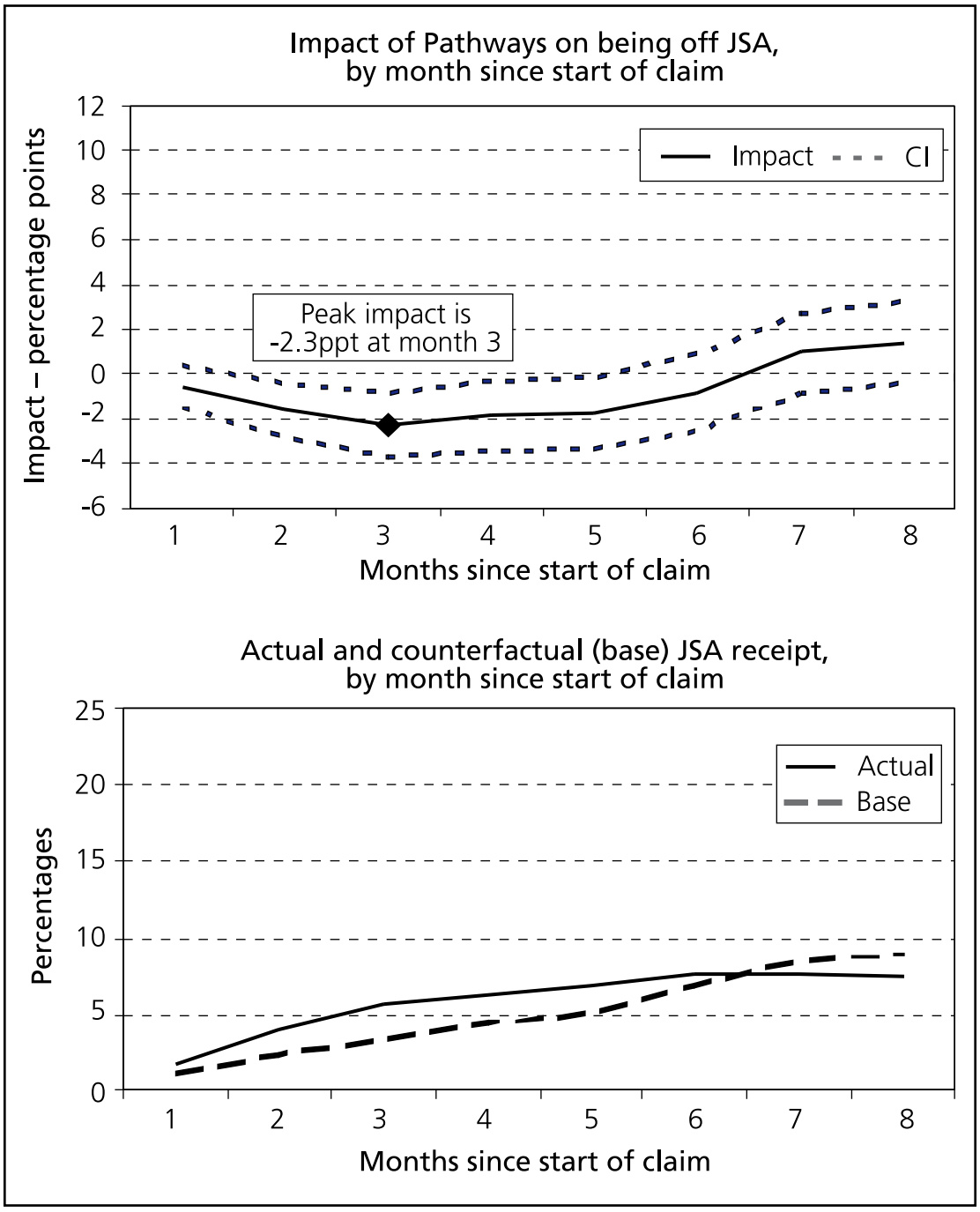


Figure 6.10 Impact of Pathways on not claiming JSA, by month – aged 50 or more



When differences in the impact of Pathways between the two groups were considered, the only statistically significant difference occurred seven months after the start of the claim for incapacity benefits. At this point, younger people were 1.6 percentage points more likely than those aged 50 or more to be claiming JSA as a result of Pathways. As this difference between the two groups was not sustained beyond month seven, it seemed that the impact of Pathways on JSA receipt did not vary greatly with the age of the worker.

6.3.3 The impact of Pathways on claims for either incapacity benefits or JSA

The stronger impact of Pathways on overall levels of benefit receipt by the younger age group compared to those aged 50 or more, emerges clearly in Figures 6.11 and 6.12. From the third month after the start of the claim for incapacity benefits right through to the eighth month, Pathways reduced the overall proportion of younger customers claiming incapacity benefits or JSA, with this impact peaking at 4.9 percentage points in month seven. By contrast, the only statistically significant impact of Pathways on benefit receipt by those aged 50 or more occurred in month four, when Pathways reduced claims by 2.3 percentage points.

Figure 6.11 Impact of Pathways on not claiming incapacity benefits or JSA, by month – under the age of 50

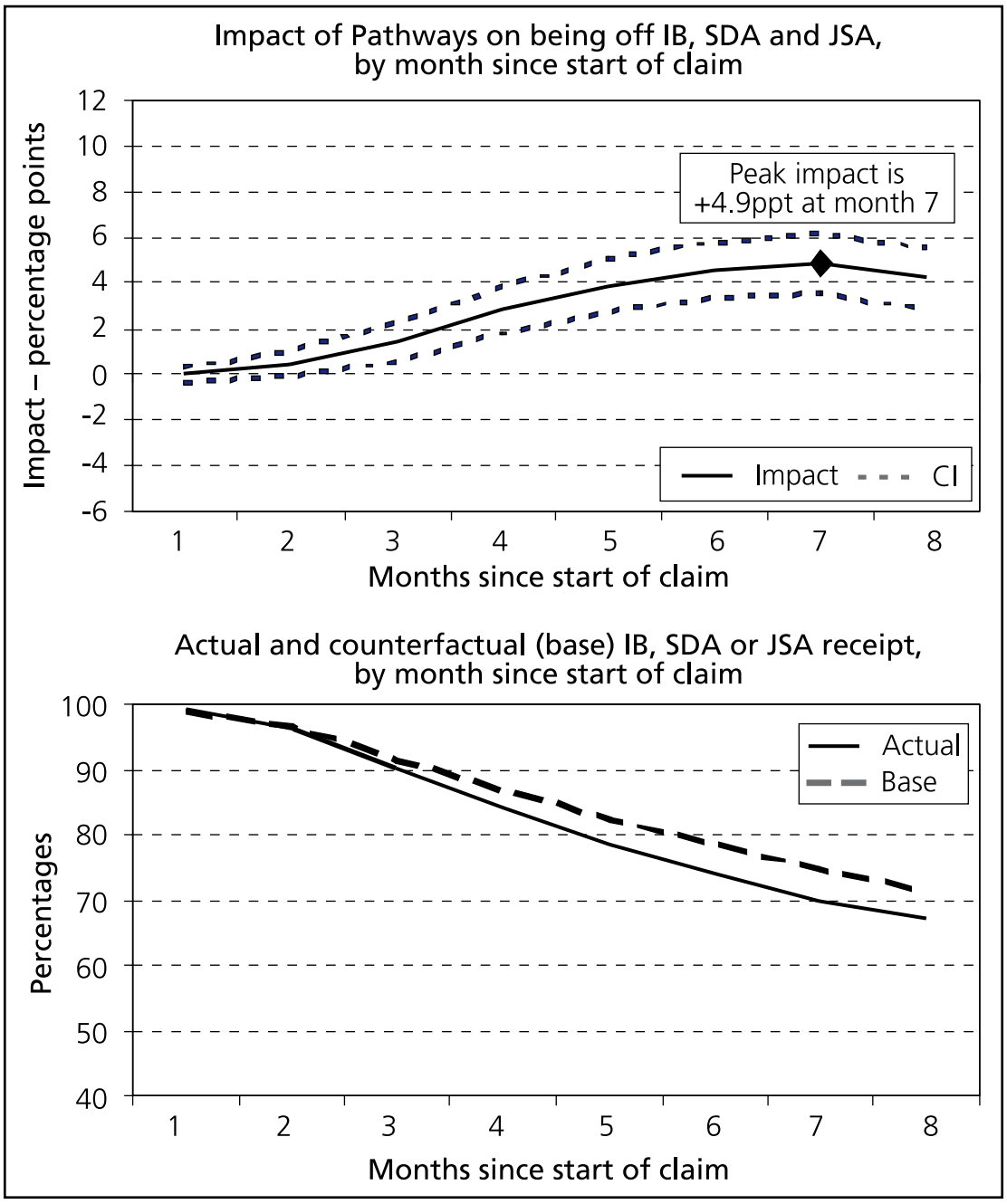
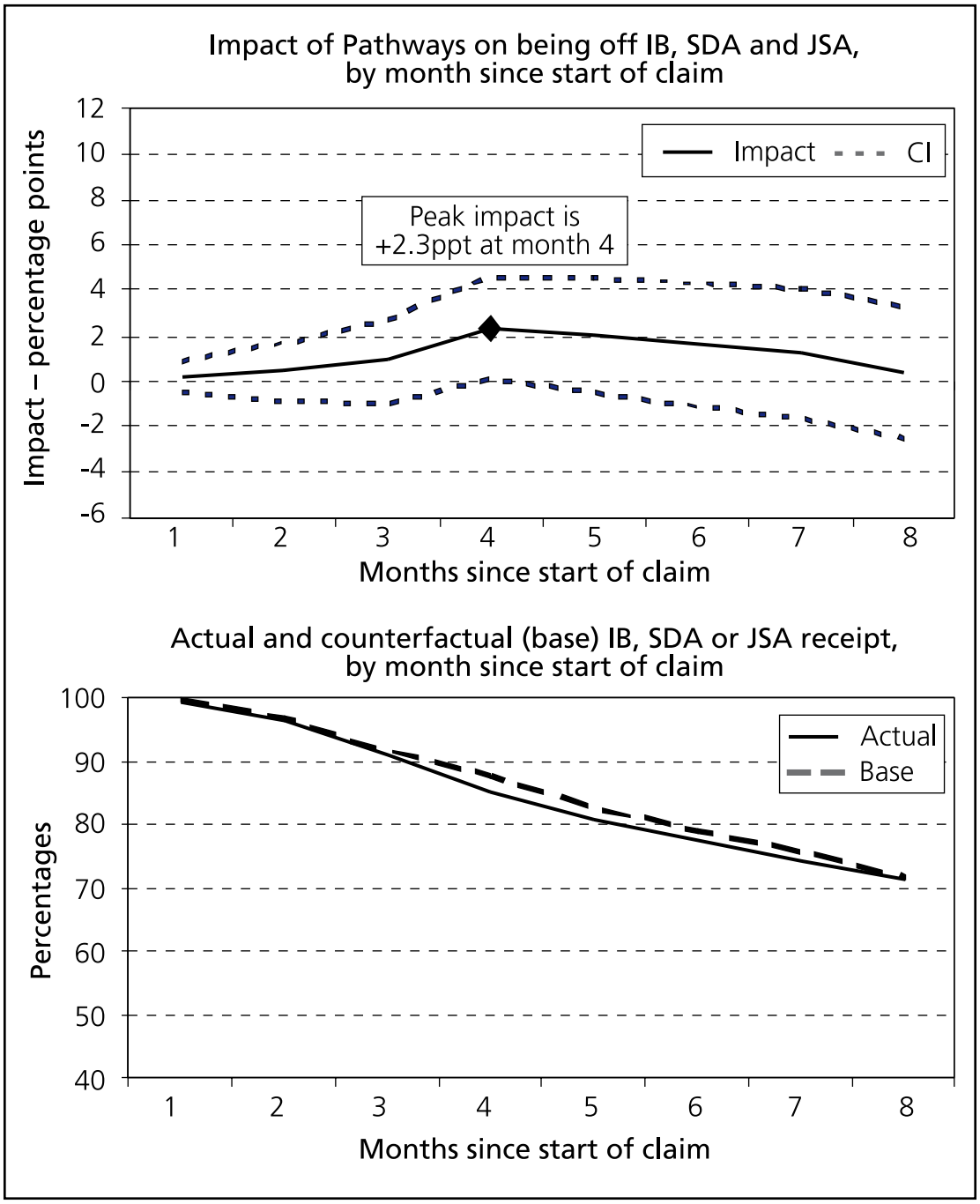


Figure 6.12 Impact of Pathways on not claiming incapacity benefits or JSA, by month – aged 50 or more



The lower part of the figures show that the overall level of claims for incapacity benefits or JSA in the absence of Pathways was fairly similar for older and younger customers, reflecting the fact that a higher proportion of the older age group continued to claim incapacity benefits, but a greater proportion of the under-50s moved onto JSA.

There were statistically significant differences between the two age groups in the impact of Pathways on combined benefits receipt from month six through to month eight. During these three months, these differences were pronounced, with Pathways reducing the rate of benefit receipt by the under-50s by between 3.0 and 3.8 percentage points more than for those aged 50 or more.

6.4 The impact of Pathways by the type of health condition

6.4.1 The impact of Pathways on claims for incapacity benefits

The differences in the impact of Pathways on those whose main health problem was a mental or behavioural disorder compared to those with another health condition are apparent in Figures 6.13 and 6.14. Whilst Pathways reduced the receipt of incapacity benefits by both groups, between three and eight months after starting the claim for those with a mental or behavioural disorder, and between two and eight months after the start of the claim for those with other health conditions, the size of the effect of Pathways was much greater for those with mental health conditions. At its peak in month six, Pathways lowered the receipt of incapacity benefits for those with a mental or behavioural disorder by 8.4 percentage points. At this same point, it reduced the receipt of incapacity benefits for those with other types of health problems by 3.5 percentage points. Even in month four, when the impact of Pathways was most pronounced for those with other health problems, it only reduced the receipt of incapacity benefits by 4.2 percentage points.

Figure 6.13 Impact of Pathways on being off incapacity benefits, by month – no recorded mental or behavioural disorder

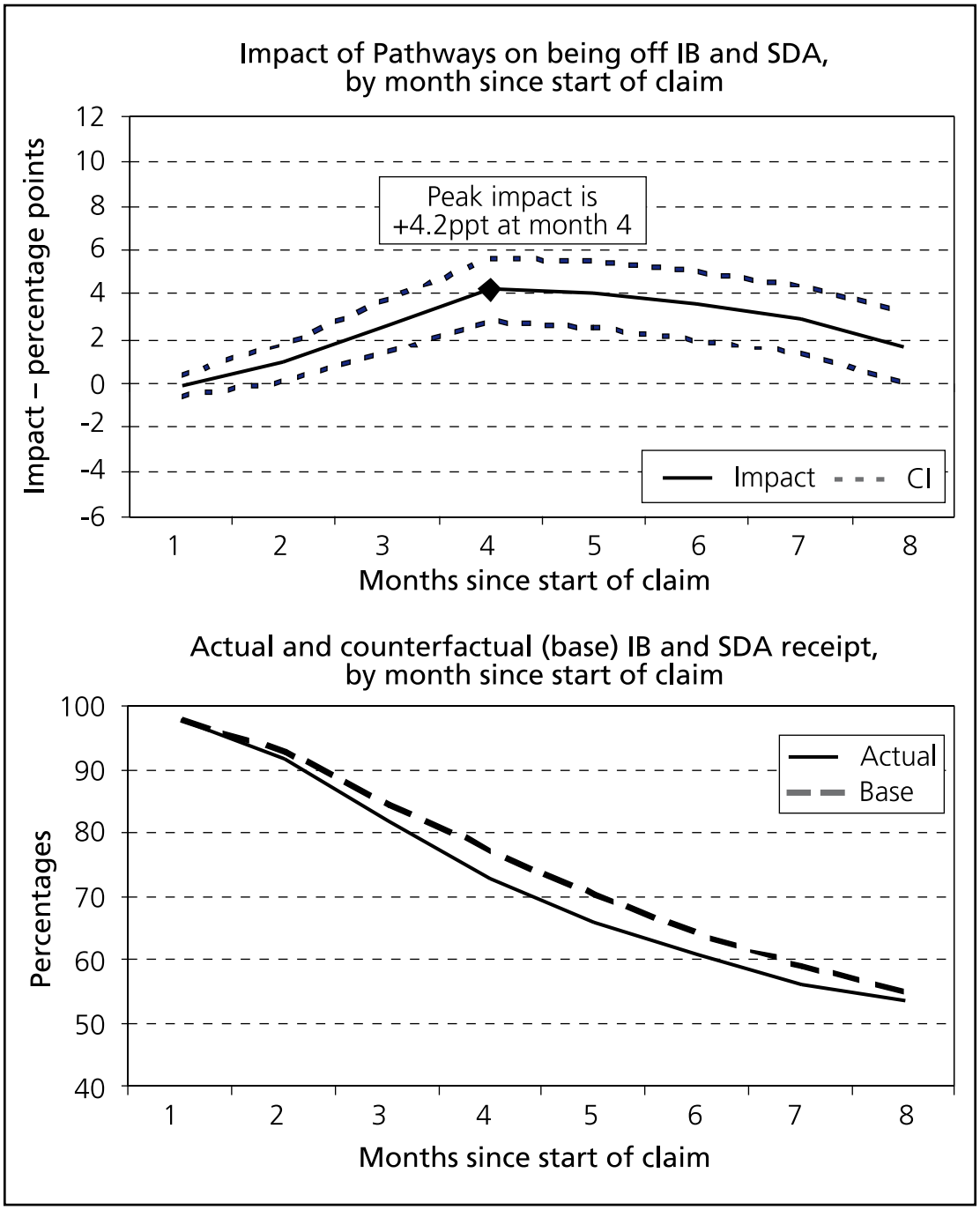
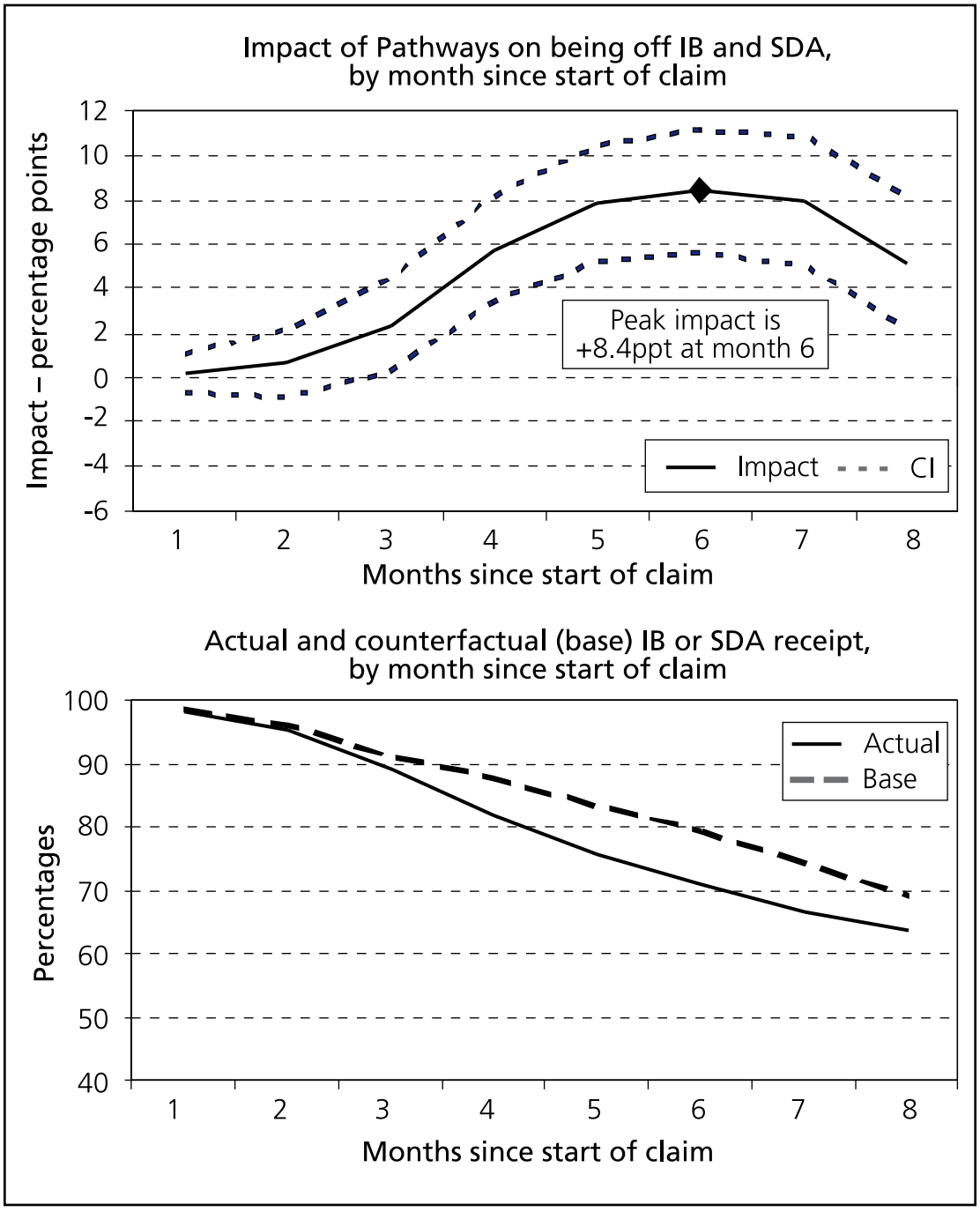


Figure 6.14 Impact of Pathways on being off incapacity benefits, by month – recorded mental or behavioural disorder



However, the lower part of the two figures demonstrates that the greater impact of Pathways in reducing benefit receipt amongst those with mental health conditions was to some extent a reflection of the higher levels of receipt of incapacity benefits by those with a mental or behavioural disorder in the absence of Pathways. Eight months after the start of the claim for incapacity benefits, 69.1 per cent of customers whose main condition was a mental or behavioural disorder were expected to still be on incapacity benefits. This compared to 55.2 per cent of those with some other type of health problem.

Nonetheless, when the differential impact of Pathways on the receipt of incapacity benefits by those with and without a mental health condition was compared, Pathways was more effective in reducing the receipt of incapacity benefits by those with a mental or behavioural disorder in the period five to eight months after the start of the claim. The difference in the impact of Pathways on those with and without a mental health condition was sizeable and statistically significant, with Pathways reducing the receipt of incapacity benefits by 5.1 additional percentage points for those with a mental or behavioural disorder compared to those with another type of health problem seven months after the start of their claim.

6.4.2 The impact of Pathways on claims for JSA

Figures 6.15 and 6.16 show that Pathways had a stronger impact in increasing JSA receipt by those whose main health problem was a mental or behavioural disorder, compared to those with other types of health problems. It had a statistically significant impact on levels of JSA receipt in months three to seven for those with a mental health condition, and months two to five and eight for those with another health problem. Five months after the start of the claim for incapacity benefits, Pathways increased JSA receipt by those with a mental or behavioural disorder by 3.7 percentage points. The impact of Pathways in increasing JSA receipt by those with another type of health problem peaked at 1.7 percentage points in month three.

Figure 6.15 Impact of Pathways on not claiming JSA, by month – no recorded mental or behavioural disorder

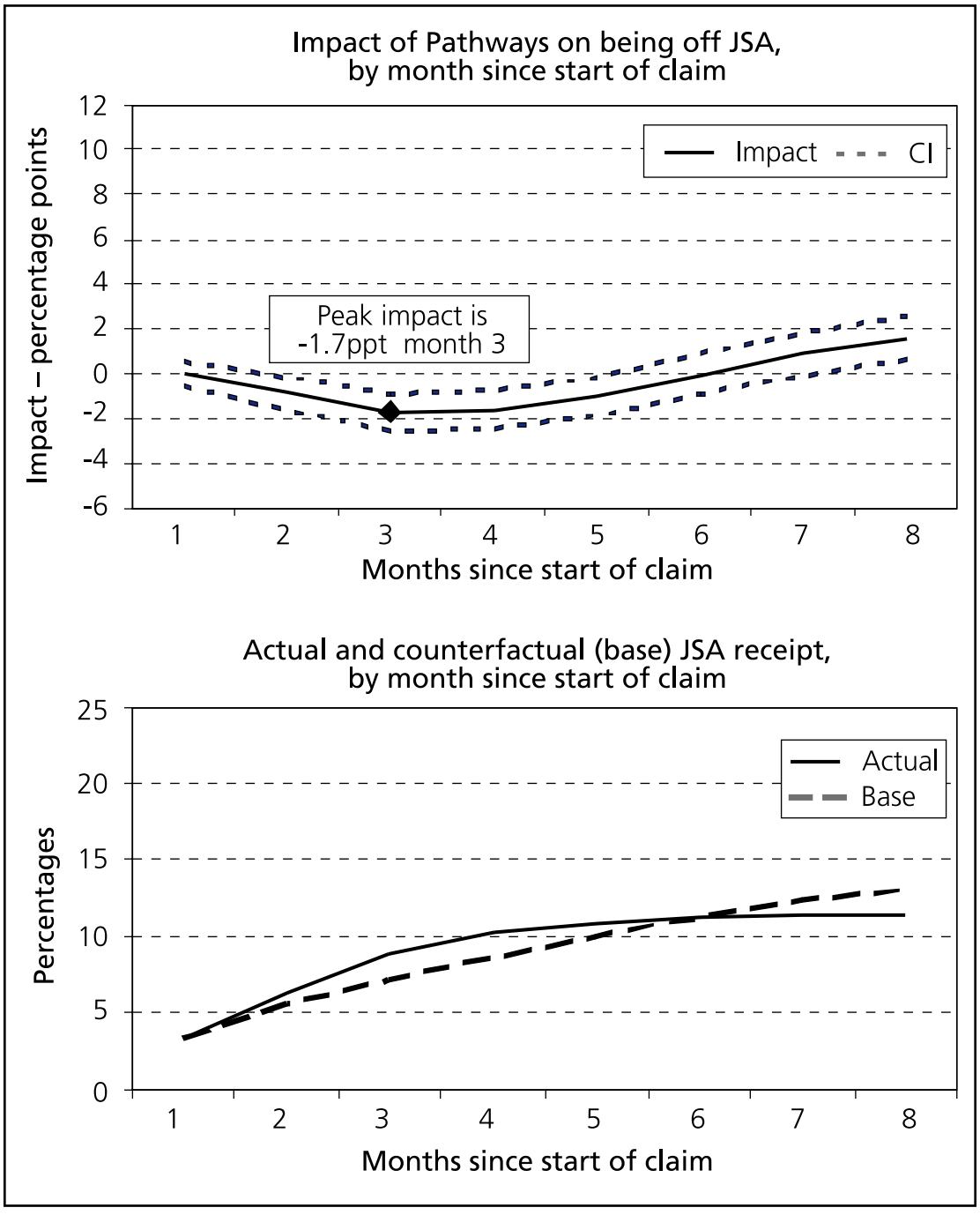
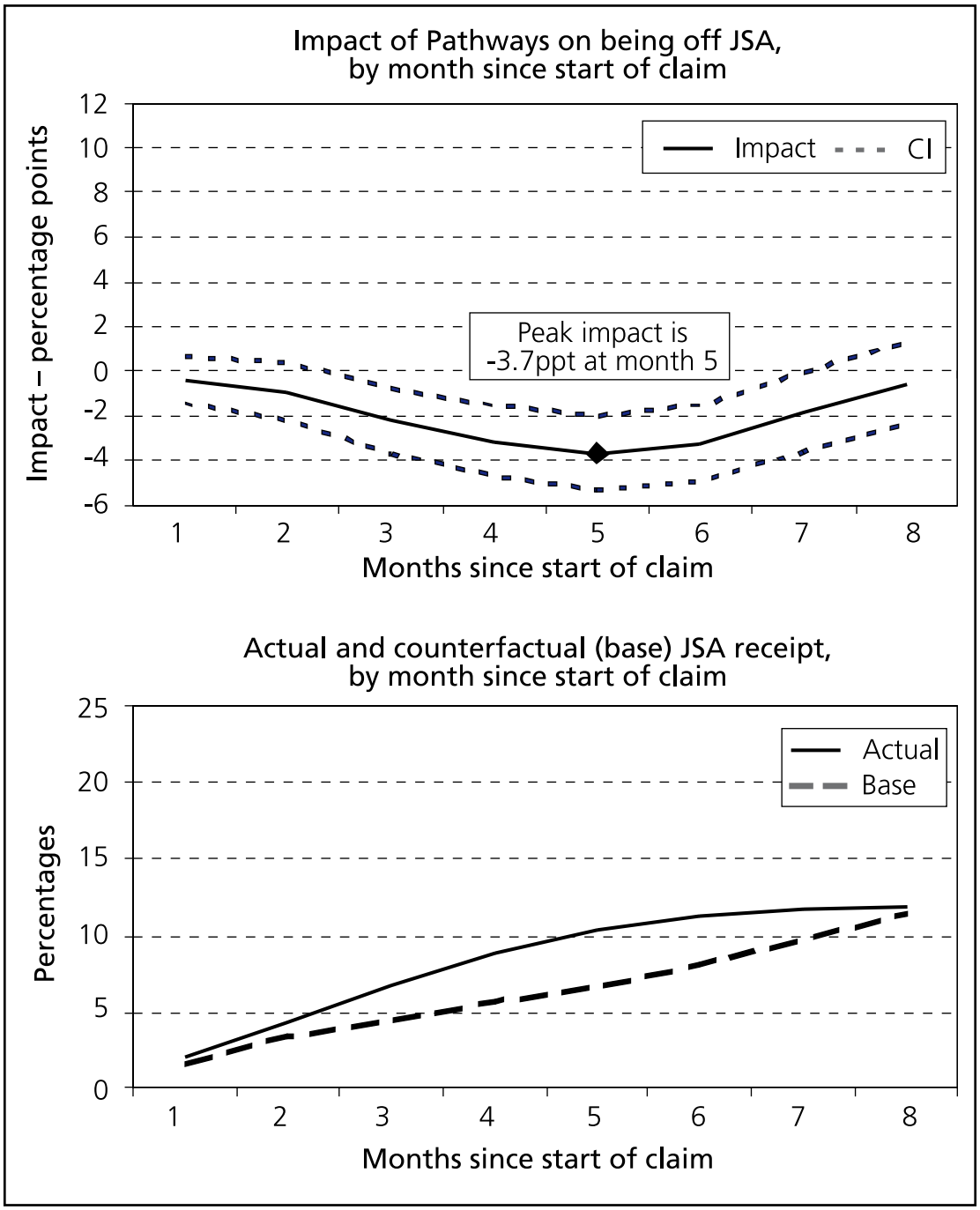


Figure 6.16 Impact of Pathways on not claiming JSA, by month – recorded mental or behavioural disorder



The lower part of the figures shows that in the absence of Pathways, the level of JSA receipt by those without a mental health condition would have been expected to increase more rapidly than that of customers with a mental or behavioural disorder over the first eight months following the start of the claim for incapacity benefits. By the eighth month, 11.3 per cent of those with a mental health condition could be expected to be on JSA, compared to 13.0 per cent of those with some other type of health problem.

When the impact of Pathways on JSA receipt by those with and without a mental health condition was compared, there were statistically significant differences between the two groups between four and eight months after starting the claim for incapacity benefits. Those with a mental or behavioural disorder were more likely to move on to JSA as a result of Pathways than those with some other type of health problem in each month during this period. This difference between the two groups was quite pronounced, with the impact on those whose main health condition was a mental or behavioural disorder some 3.2 percentage points higher than on those with other health problems in month six, when this difference was greatest.

6.4.3 The impact of Pathways on the receipt of either incapacity benefits or JSA

When the impact of Pathways on JSA receipt by those with and without a mental health condition was combined with its impact on levels of incapacity benefits, the statistically significant differences between the two subgroups of customers disappeared. Pathways reduced levels of benefit receipt by those without a mental health condition from the third month after the start of the qualifying claim, through to month eight (Figure 6.17). It resulted in a slightly larger reduction in benefit receipt amongst those with a mental or behavioural disorder, but this impact was sustained over a shorter period, from four months after the start of the claim for incapacity benefits through to month eight (Figure 6.18). There was no evidence that Pathways was more effective in reducing the overall level of incapacity benefits and JSA receipt for either group.

Figure 6.17 Impact of Pathways on not claiming either incapacity benefits or JSA, by month – no recorded mental or behavioural disorder

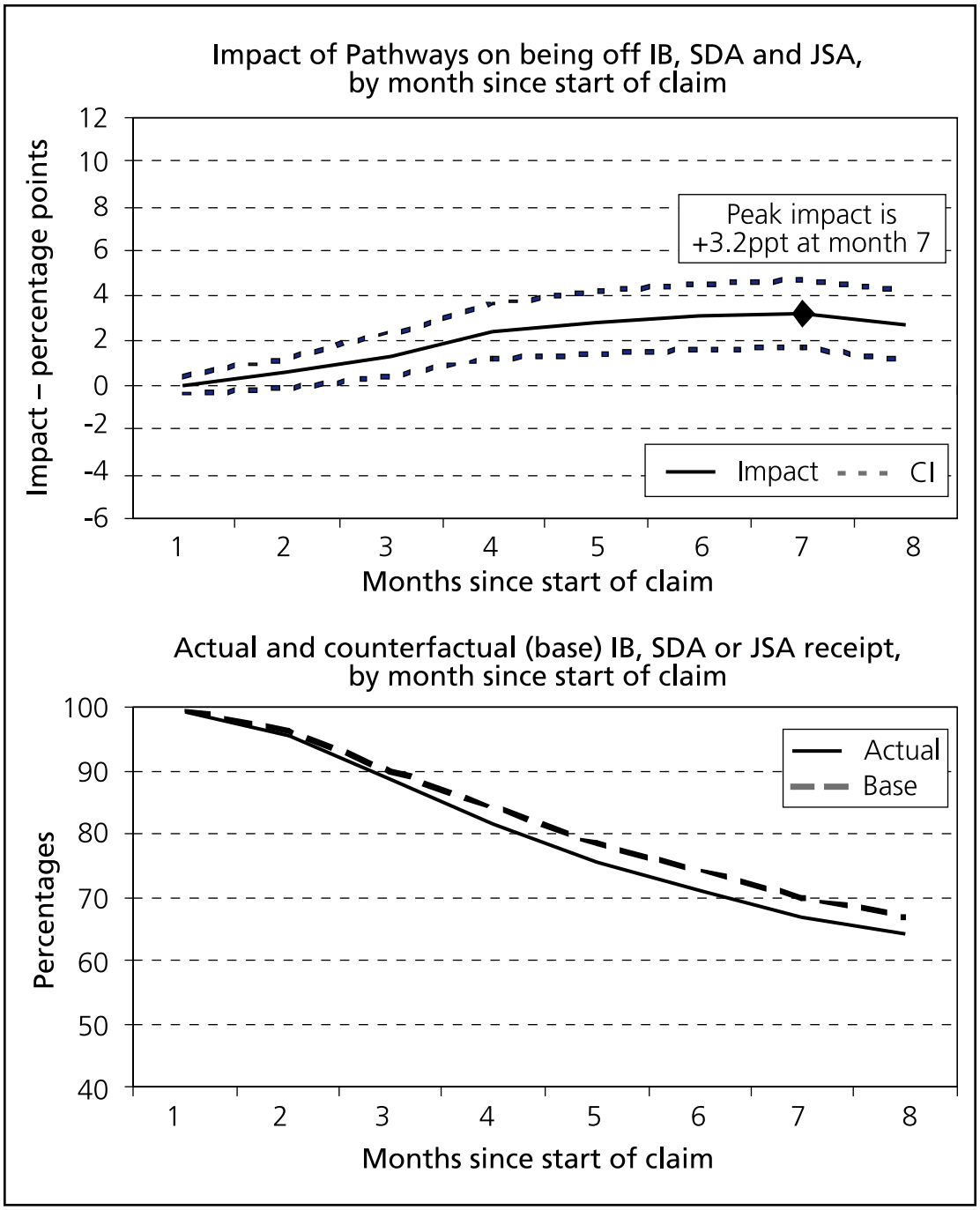
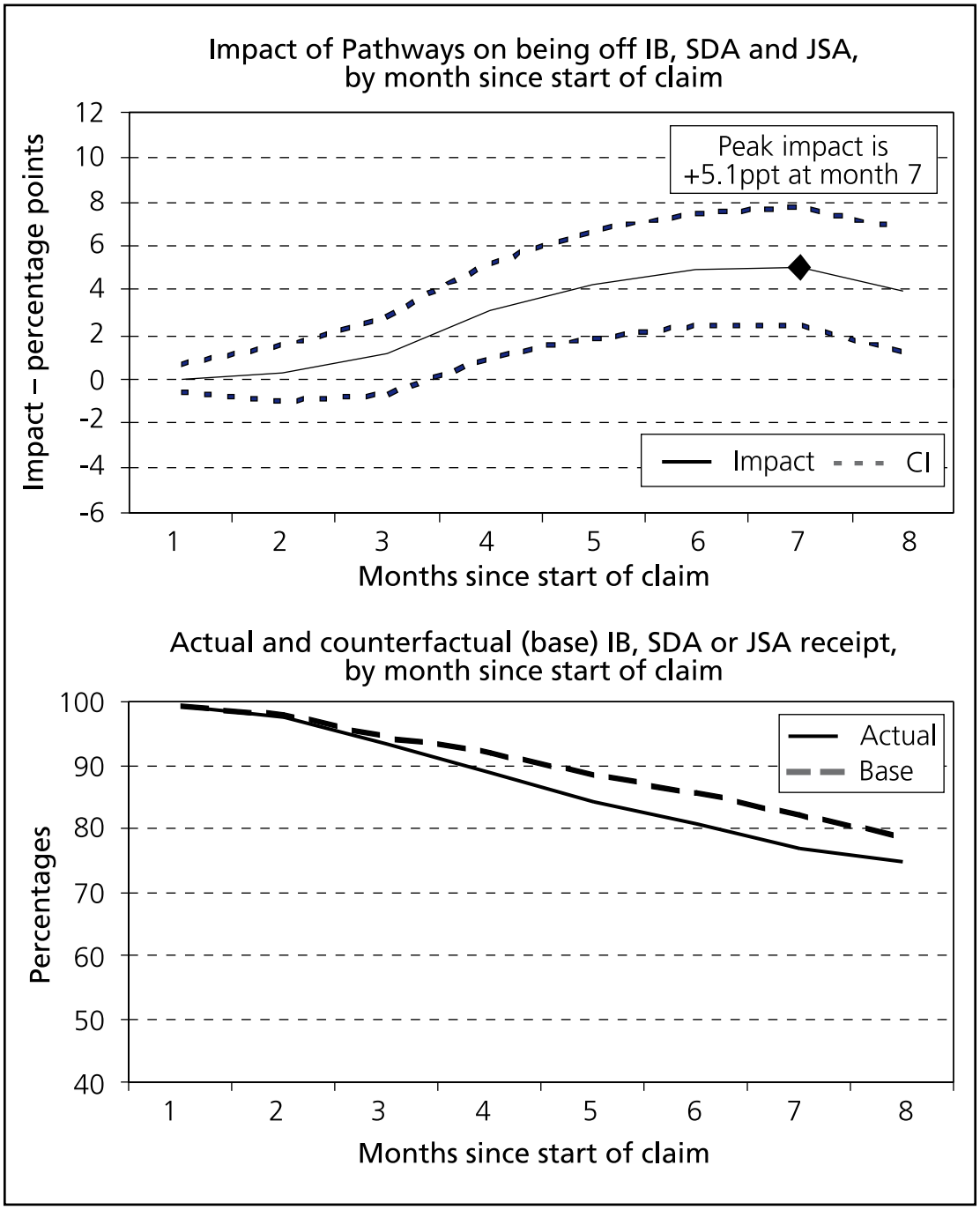


Figure 6.18 Impact of Pathways on not claiming either incapacity benefits or JSA, by month – recorded mental or behavioural disorder



Generally, those whose main health problem was a mental or behavioural disorder were less likely to move away from incapacity benefits or JSA than those with other health conditions. Without Pathways, around 78.6 per cent of those with a mental health condition would have been expected to still be on these benefits eight months after the start of the claim for incapacity benefits, compared to 66.7 per cent of those with another type of health problem.

6.5 Summary

The study of the original pilot areas explored the impact of Pathways on the subgroups considered in this report, but did not test the statistical significance of apparent differences in the impact of Pathways between groups. This report takes a different approach, calculating the statistical significance of differences in the impact of Pathways, as well as estimating the impact for each group. As a result, besides indicating whether the differences which emerged in the original pilot areas were also found in the expansion areas, it also provides an indication of the importance of differences between subgroups in the impact of Pathways.

There is little evidence that Pathways had a different impact on benefit receipt by men and women in the first two sets of expansion areas. The size of the percentage point reduction in levels of incapacity benefits claimed by men and women was very similar, and the effects were apparent over a comparable time span. The size of the effects, and their timing, was consistent with the findings in the original pilot areas. There were no statistically significant differences in the impact of Pathways on receipt of JSA between men and women. This suggests that Pathways was equally effective for both, reducing the overall level of benefit receipt when incapacity benefits and JSA were considered jointly, at least over the period considered.

It was less apparent that Pathways was equally effective for older and younger people. Whilst Pathways did reduce the receipt of incapacity benefits in the early months following the start of the claim for those aged 50 or more, this impact was sustained over a longer period for younger people, so that Pathways was more effective for those under the age of 50. Once again, this finding was comparable with the analysis carried out in the original pilot areas, where the impact of Pathways for younger people was apparent for a longer period than for older customers. Claims for JSA were also increased by Pathways for both older and younger people up to around six months following the start of the claim for incapacity benefits, but there was little evidence that the impact of Pathways on JSA receipt varied greatly by age.

Finally, Pathways was more effective in reducing the receipt of incapacity benefits by those whose main health problem was a mental or behavioural disorder compared to those with other health conditions. Pathways did reduce the receipt of incapacity benefits for both groups over some of the period considered, but the size of the reduction was greater for those with a mental health condition. This contrasts with the subgroup analysis in the original pilot areas, where the impact of Pathways was fairly similar for both groups and there were some signs that the impact was sustained for a longer period for those with other health conditions compared to those with a mental or behavioural disorder.

However, those with a mental health condition are a large and diverse group. Even though a similar proportion of customers in the pilot and expansion areas had each type of mental or behavioural disorder, it is possible that there were

some unobserved differences between the two groups. Variations in the local labour markets of the pilot and expansion areas may also explain why those with mental health conditions were more successful in leaving incapacity benefits in the expansion areas, although they were also more likely to move onto JSA, which might indicate more limited employment opportunities.

Another possibility was that there were differences between the pilot and expansion areas in the effectiveness of Pathways for those with a mental health condition. The experiences of implementing Pathways in the pilot areas may have resulted in more effective provision for those with a mental or behavioural disorder when it was rolled out in the expansion areas. For example, the qualitative evidence suggested that within the original pilot areas, some Personal Advisers encountered particular difficulties in helping customers with mental health conditions and felt that more training would be beneficial (Knight *et al.,* 2005). The effectiveness of the Condition Management Programme (CMP) may also have improved over time as lessons were learned from the roll-out in the pilot areas. Certainly the qualitative evidence suggested that initially a portion of referrals were inappropriate, and as a large proportion of those referred to the CMP had a mental or behavioural disorder, improvements in its operation could be expected to have a more pronounced impact on this group of customers (Barnes and Hudson, 2006). If the experience gained in implementing Pathways in the pilot areas resulted in improved provision from the outset in the expansion areas, this might, to some extent, explain the divergence between areas in the effectiveness of Pathways for those with a mental health condition.

In conclusion, there were few signs that Pathways was less effective for women compared to men, or those with a mental health condition compared to those with other types of health problems. However, those aged 50 or more were less likely to move off incapacity benefits as a result of Pathways than those in the younger age group, and so Pathways was less effective in helping this particular group of customers. The findings of the subgroup analysis in the first two sets of expansion areas were broadly similar to those in the original pilot areas, although the impact of Pathways in reducing the receipt of incapacity benefits by those with mental or behavioural disorders, compared to those with other kinds of health problems, was not apparent in the original pilot areas.

7 Conclusions

Pathways to Work was introduced with the aim of increasing the proportion of incapacity benefits customers returning to work. It sought to do this by providing tailored support in the period shortly after making the claim for incapacity benefits. This support was offered at the start of the claim because of the high risk that those on incapacity benefits for more than a year become long-term customers.

Pathways was initially introduced for new and repeat incapacity benefits customers in three Jobcentre Plus districts in October 2003. This pilot scheme was then extended into a further four areas in April 2004. Having evaluated the impact of Pathways over a year and a half in the original pilot areas, there was interest in whether the observed impacts would be replicated elsewhere. Adam *et al.* (2008) suggested that similar impacts were likely to arise if Pathways was implemented nationwide. However, this study provides the first evidence on the experience of implementing Pathways in new areas to verify this assessment.

Pathways was extended into four additional Jobcentre Plus districts in October 2005, with a further six districts following in April 2006. This report analysed the impact that Pathways had in these areas on levels of benefit receipt. Within the October 2005 areas it was possible to look at benefit outcomes over a 14-month period, whilst in the April 2006 areas, outcomes could only be assessed over a period of eight months. However, both sets of districts followed a similar trend over the first eight months considered, suggesting that the impact of Pathways in the April 2006 areas was likely to be very similar to that in the October 2005 areas over the full 14-month period.

The general pattern was that a statistically significant impact from Pathways emerged shortly after its introduction. From two months after the start of a claim for incapacity benefits, Pathways reduced the proportion of people continuing to claim. This impact was sustained until around nine months after the start of the claim in the October 2005 areas. After this point, there was no evidence that Pathways had a statistically significant impact on the proportion of people claiming incapacity benefits in each successive month. The greatest impact from Pathways was observed five months after the start of the claim for incapacity benefits in the October 2005 areas, or a month later in the April 2006 districts,

when it reduced the proportion of customers claiming incapacity benefits by 6.0 and 6.5 percentage points respectively.

The findings of the current study and the original pilot evaluation were similar in that they showed a statistically significant reduction in claims for incapacity benefits as a result of Pathways emerging around two months after the start of the claim. In both studies, this impact peaked at roughly 6.0 percentage points around five months after the start of the claim. This was unsurprising given that the mandatory elements of Pathways were concentrated in the early months after the start of the claim. However, in the original pilot areas, although the impact of Pathways diminished after five months, it remained at a statistically significant level until 15 months after the start of the claim for incapacity benefits. In the October 2005 areas, where it was possible to track outcomes over 14 months, the impact of Pathways became statistically insignificant from month ten onwards. This suggests that the impact of Pathways in the expansion areas was more short-term than in the original pilot areas.

The impact of Pathways on Jobseeker's Allowance (JSA) receipt changed over the course of the 14-month period observed. Initially, the proportion of incapacity benefits customers moving on to JSA increased as a result of Pathways, so that between two and six months after the start of the claim for incapacity benefits in both sets of expansion areas, Pathways produced a statistically significant increase in claims for JSA, peaking at 2.6 percentage points in the October 2005 areas four months after the start of the claim, and 2.5 percentage points a month later in the April 2006 areas. This was consistent with Pathways encouraging incapacity benefits customers to engage in job search and move onto JSA.

Despite the initial increase in claims for JSA as a result of Pathways, in the October 2005 areas, where it was possible to observe the impact of Pathways beyond eight months, Pathways was associated with a small reduction, of around 1.6 percentage points, in claims for JSA 11 and 12 months after the start of the claim for incapacity benefits. This may have indicated that customers were progressing off JSA and into work, or that they were going back on to incapacity benefits. However, this reduction in JSA receipt was not sustained after 12 months.

Overall, Pathways reduced combined levels of incapacity benefits or JSA receipt by a statistically significant amount in each month from three to 11 months after the start of the claim for incapacity benefits. The available evidence suggested that a similar impact emerged in both the October 2005 and the April 2006 areas. At its peak, receipt of incapacity benefits and JSA was reduced by 4.0 percentage points six months after the start of the claim in the October 2005 areas, or by 4.8 percentage points a month later in the April 2006 areas.

Turning to the subgroup analysis, Pathways had a similar impact on levels of receipt of incapacity benefits and JSA by men and women over the eight-month period considered in this part of the analysis. Although there were no statistically significant differences between men and women in the impact of Pathways on

benefit receipt, this was not the case when effects for other subgroups were compared. Whilst Pathways did reduce the proportion of both older and younger people claiming incapacity benefits for at least some of the period considered, it produced a more sustained reduction in the receipt of incapacity benefits for younger people compared to those aged 50 or more. This was consistent with the findings from the original pilot evaluation, and suggests that older people need more support in moving off incapacity benefits than younger people. The impact of Pathways on JSA receipt was fairly similar for both older and younger people.

In contrast to the evidence that Pathways was less effective in moving older people, who are generally considered harder to help, off incapacity benefits, it seemed to be more successful in helping those whose main health problem was a mental or behavioural disorder. The size of the reduction in claims for incapacity benefits which resulted from Pathways was significantly greater for those with a mental health condition compared to those with other health problems. In addition, JSA receipt was increased by Pathways by a greater amount for those with a mental or behavioural disorder, compared to those with other health conditions for five of the eight months considered.

The original pilot evaluation suggested that Pathways had a similar impact on the receipt of incapacity benefits by those with and without a mental health condition, but that this impact was sustained over a longer period for those without a mental or behavioural disorder. Therefore, the finding from the current study that Pathways was more effective for those with a mental health condition is somewhat surprising. However, there are a number of possible explanations for the observed differences between the pilot and expansion areas: Firstly, those with a mental health condition are a large and diverse group, and so it is possible that there are some compositional differences between the pilot and expansion areas which were not apparent in the available data. Secondly, there may have been differences between the pilot and expansion areas in the effectiveness of Pathways for those with a mental or behavioural disorder. If the experience gained in implementing Pathways in the pilot areas, and evident in the qualitative research with Personal Advisers and Condition Management Programme (CMP) practitioners, resulted in improved provision from the outset in the expansion areas, this could explain the differences in the apparent effectiveness of Pathways for those with a mental health condition between the pilot and expansion areas.

Overall, Pathways reduced receipt of incapacity benefits by each of the subgroups for at least some of the eight-month period considered. The subgroup analysis also supported the findings of the original pilot evaluation that the impact of Pathways on levels of incapacity benefits receipt was similar for both sexes, but that Pathways was more effective for younger people than for customers aged 50 or more. In addition, it provided evidence that Pathways was particularly effective in reducing claims for incapacity benefits and prompting movement on to JSA by those with a mental or behavioural disorder compared to those with other conditions. This difference was not apparent in the original pilot areas, but this

discrepancy could be explained by changes in the delivery of Pathways as it has been rolled-out.

The evaluation of the impact of Pathways in the first two sets of expansion areas raises a number of questions for future evaluations of Pathways: Firstly, this report is based solely on administrative data on benefit receipt. As a result, it was not possible to determine whether those leaving incapacity benefits as a result of Pathways were actually moving into employment. Within the original pilot areas, although benefit impacts were not sustained over the long-term, there were signs of a longer-term employment effect. In addition, when combined benefit and employment outcomes were considered, Pathways significantly increased the proportion working and not receiving incapacity benefits a year and a half after making an enquiry about claiming incapacity benefits. Personal Advisers sought to encourage work of less than 16 hours a week under Pathways. The permitted work rules, which allowed those earning less than £86 a week to remain on incapacity benefits, may have resulted in a positive employment effect, with a relatively smaller impact on benefit receipt, at least over the period of observation. Without employment data, it was not possible to explore whether Pathways had a similar impact on employment in the expansion areas to that which emerged over a slightly longer period in the original pilot areas.

A further report will assess the impact of Pathways on movements into full-time and part-time employment and health outcomes for survey respondents, as well as considering whether the impact that Pathways has on benefit receipt results in movements in to employment, or to other destinations. Additional analysis is also planned to investigate variations in the impact of Pathways between those with different types of mental health conditions in order to understand better the apparent differences in the impact of Pathways on this group between the pilot and expansion areas.

Another avenue for future research would be to look at longer-term outcomes in the expansion areas. The report on the original pilot areas was able to assess the impact of Pathways over a period of around a year and a half. Data limitations meant that it was only possible to consider the impact of Pathways over a shorter period in the expansion areas. For those areas where Pathways was introduced in October 2006, the time-frame over which outcomes could be measured was insufficient to carry out a meaningful analysis. Extending the analysis of the expansion areas to cover outcomes over a longer period would improve comparability with the analysis conducted in the original pilot areas.

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