

## **1. Introduction**

- 1.1 This paper has been developed by the Employment Related Services Association (ERSA) as a proposal for investment in the funding arrangements for active labour market programmes in the UK from 2017 onwards.
- 1.2 ERSA is the representative body of the employment support sector. It has around 250 members, spanning the public, private and voluntary sectors. Its membership includes all the current prime contractors of the main Department for Work and Pensions (DWP) contracted employment schemes, including Work Programme and Work Choice, plus a significant number of subcontractors. Three quarters of ERSA's members are not for profit. ERSA's membership is drawn from across England, Scotland, Wales and Northern Ireland, with dedicated networks, in Scotland (Employment Support Scotland), Greater Manchester and London. ERSA works across the UK to support members and commissioners at both a national and regional level.
- 1.3 The majority of ERSA members work with people furthest from work. This representation is based on their long experience of supporting these cohorts into sustained employment and is aimed at maximising quality support for them, whilst returning benefit to the exchequer.

## **2. The need for specialist employment support for people with disabilities and health conditions**

- 2.1 Specialist employment support is critical to supporting people into work and driving down unemployment in the UK. Since 2011, specialist employment support providers have undertaken delivery for a range of government employment programmes, most notably the Department of Work and Pensions' Work Programme and Work Choice, but also the Department for Education Youth Contract, family orientated and early intervention projects and a range of smaller schemes. These interventions have supported individuals with complex obstacles to work towards the labour market and into sustained employment.
- 2.2 At the Conservative Party Conference, Damian Green, Secretary of State for Work and Pensions, announced that the government was committed to supporting disabled people towards employment if appropriate, saying the following in his conference speech: *"I say this to anyone who wants to work: We stand with you, we will support you and will help you realise your dreams."* This is a laudable ambition for government, but one which will also require appropriate funding to ensure that government programmes can have real impact on the lives of disabled people. This is an area in which contracted specialist employment support providers are best placed to assist the government's aims.
- 2.3 Specialist employment support has maintained impressive coverage of people with disabilities and health conditions over the last five years, with over 336,000 Employment Support Allowance (ESA) claimants having accessed support through the Work Programme since it began in 2011, with an additional 385,000 people with disabilities having accessed the scheme through the Jobseekers Allowance cohort.<sup>ii</sup> Assessments by the Work and Pensions Select Committee and National Audit Office have reflected the overall value for money of the scheme. In addition, more than 63,000 people have accessed Work Choice's intensive support programme for people with disabilities, with a 59% job outcome rate in the last year.<sup>iii</sup> This success rate is significantly higher than that for ESA groups on the Work Programme reflecting its more suitable payment structure.

2.4 In addition, specialist providers have driven innovation and best practice in supporting people with disabilities into work. *Working Capital*, a European funded scheme operating in Central London supporting long-term unemployed ESA claimants, has seen real success with its holistic approach of close co-operation with health services and Jobcentre Plus branches to offer targeted support to jobseekers and expects to achieve an anticipated 32% job outcome rate by the programme's conclusion in 2020. Shaw Trust's Community Hubs pilot used a co-location model to let people access employment, financial, health and wellbeing support under one roof and has seen a significant rise in engagement and sustained employment outcomes as a result. Social enterprise Pluss, along with partner local authorities, has seen great success running Project SEARCH in Plymouth, Barnstaple and Torquay, offering internships and intensive employment skills training for young people aged 18-24 with learning disabilities, accomplishing a sustained job outcome rate of over 70%. In addition, *Working Well*, Greater Manchester's specialist employment support service providing integrated health and employment support for very long term ESA claimants, has been expanded to deliver services to a further 15,000 claimants.

### 3. The current trajectory of employment support

3.1 Despite the government's ambition to support more disabled jobseekers into work, the current outlook for specialist employment support for people with disabilities or health conditions is not positive. In April 2017 both the Work Programme and Work Choice are due to end, with the successor Work and Health Programme projected to commence in November 2017. DWP figures given to ERSA through a freedom of information request show a total spend on specialist employment support in 2013/14 of £868 million (including £636m on Work Programme and £86m on Work Choice). The new Work and Health Programme has a projected budget of only **£130 million**, a cut of more than 80% from the Work Programme and Work Choice alone.

3.2 ERSA has subsequently commissioned the Westminster Policy Institute (WPI) to model the potential impacts of this funding cut for people with disabilities and health conditions. It has found that whilst around 300,000 disabled people accessed employment support between 2012 and 2015, just 160,000 will be able to access support from 2017 to 2020. WPI analysis estimates that there are 1.3 million disabled people who are out of work who want to work and could benefit from specialist support to find employment, meaning that the current Work and Health Programme will leave more than **1.1 million** disabled people who want to work without specialist employment support.

3.3 Figures from WPI also offer a compelling argument for the value for money that additional funding for contracted specialist support offers. WPI modelling has found that an additional £130 million investment in the DWP's Work and Health Programme would translate to 45,000 more disabled people having access to specialist support for *each year* of this parliament (to 2020), translating to an additional 13,000 disabled people in sustained employment and net Exchequer benefits of **£280 million**. In addition, wider benefits to individuals, businesses, society and public services would yield even larger savings.

3.4 This current planned reduction also points to increasing pressure on Jobcentre Plus (JCP) services. JCP provides a basic employment support regime for all JSA and ESA claimants who are not referred to specialist support. With the rollout of Universal Credit, JCP is expected to see increased footfall of 1.3 million claimants,<sup>iv</sup> whilst the end of referral to the Work Programme will also see Jobcentre Plus supporting a further 200,000 non-disabled people per year who were previously being supported on the Work Programme. In addition, JCP is anticipated to be supporting careers advice in schools and the rollout of the Youth Obligation. This is occurring alongside the DWP attempt to reduce administration costs by 20%, placing pressure on JCP operating budgets. JCP support tends not to be

as effective for jobseekers with complex or serious barriers to work. Indeed, figures from the Learning and Work Institute indicate that a jobseeker on ESA in the Work Related Activity Group will receive on average only 90 minutes of support from JCP per year.<sup>v</sup> Rising caseloads from April 2017 will only exacerbate this issue and leave jobseekers with disabilities inadequately supported at a time when there may be increasing uncertainty about the UK's economic prospects and their impact on the labour market.

- 3.5 At the Conservative Party Conference, the Secretary of State for Work and Pensions described how the welfare system has changed over recent years, with jobcentres becoming more welcoming and efficient. The Minister pointed out that there are now *"No screens, no queues, no sense of sullen despair."*<sup>vi</sup> If government is to maintain that quality of service and prevent a backwards slide, it must ensure that there is funding available to alleviate the burden placed on Jobcentre Plus as a result of ending referrals to Work Choice and the Work Programme.
- 3.6 It may also be worth stating that JCP's relative success in upscaling its operation during the last recession was only achieved against a backdrop of the Work Programme and other outsourced interventions being in place. If there were an increase in unemployment over the coming period, this supporting framework of organisations will not be in place to anywhere near the same extent. Decisions taken now about the size of the Work and Health Programme are set to lead to a long term downgrade in the capacity of the employment support market, with a loss of frontline skills which will not be replaceable in the short to medium term.
- 3.7 Further investment in the DWP's Work and Health Programme is a simple way for the Chancellor's Autumn Statement to make a significant impact on the support available for disabled people seeking work, simultaneously driving forward the government's commitment to an economy that works for everyone and netting substantial savings for HM Treasury.

#### **4. Employment support for vulnerable cohorts**

- 4.1 Specialist employment support provision also has a crucial role in supporting other vulnerable cohorts into the labour market, such as ex-offenders, homeless people, people with alcohol or drug dependencies, single parents and carers. Often these obstacles are co-morbid, meaning that one jobseeker can face multiple circumstances holding them back from finding employment.
- 4.2 The new landscape around Work and Health Programme leaves these vulnerable cohorts in a precarious position. It appears likely that individuals will only be referred onto the programme if they have a disability with a prognosis of being able to enter work within 12 months or alternatively if they have been unemployed for more than two years. As a result, there will be people facing serious challenges, for which it is difficult to argue there is much associated deadweight, being left without any specialist support for as much as two years. While awaiting more specialist support, they may well have moved further from the labour market, entrenching obstacles and making their return to work even more challenging.
- 4.3 ERSA understands that these points are appreciated by ministers and officials. However, the government needs to ensure that the Work and Health Programme is adequately funded to offer support to these vulnerable cohorts, which will necessitate funding beyond the £130m currently being allocated. There is a clearly a growing need for specialist support for these cohorts – in the last year, Department for Communities and Local Government figures show a 10% increase in the number of homeless households,<sup>vii</sup> while Ministry of Justice (MoJ) figures show almost 86,000 people in prison,<sup>viii</sup> with the Howard League reporting overcrowding as high as 165% of capacity in some institutions.<sup>ix</sup>

- 4.4 Supporting vulnerable cohorts into sustained employment and to overcome obstacles is key to putting these individuals back on track and moving them away from a reliance on public services that is costly to the state. Prison leavers, for example, are a critical cohort that need to be supported from day one of release to prevent them moving further from the labour market and overcome the challenge of finding employment with a criminal record. This was recognised by the recent Dame Sally Coates review of prison education, with its recommendation, accepted by government, that day one specialist employment support should continue to be made available post Work Programme.<sup>x</sup> MoJ research clearly shows that P45 employment reduces the re-offending rate of ex-offenders by **over 30%**.<sup>xi</sup> Considering that it costs the government over £33,000 to keep a prisoner in jail each year,<sup>xii</sup> reducing reoffending should be another top priority both in terms of Exchequer savings and reducing overcrowding in our prisons.
- 4.5 To account for these audiences, specialist employment support funding must be expanded beyond the £130m allocated to the Work and Health Programme, which will be beneficial to society, public services and the treasury. Additional funding should be made available to support these cohorts and the objectives of the DWP, MoJ and DCLG.

## 5. Conclusion

- 5.1 This is a critical juncture for employment support in the UK. On the current trajectory, the government is at risk of leaving large numbers of jobseekers with significant obstacles to work without the support they need to enter sustained employment, with significant costs to public services. Specialist employment support and the Work and Health Programme could greatly alleviate these costs, but only if they are given the funding to do so. Current plans are likely to lead to a long term denuding of capacity in the specialist employment support market, plus an unsustainable increased pressure on Jobcentre Plus services. Subsequently, this threatens any government's aims in relation to full employment and closing the disability employment gap, whilst reducing options for government to respond to any subsequent economic downturn and its effects on the labour market.
- 5.2 Specialist employment support offers real return on investment for government and ERSA hopes that the Chancellor's Autumn Statement will account for this when allocating funds to the DWP and other departments involved in supporting people into employment.

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<sup>i</sup> Damian Green, 'Speech to Conservative Party Conference 2016', 4 October 2016, available at <http://press.conservatives.com/post/151336048820/green-speech-to-conservative-party-conference>, accessed 6 October 2016.

<sup>ii</sup> DWP, 'Stat-Xplore: Work Programme dataset', available at <https://stat-xplore.dwp.gov.uk/>, accessed 6 October 2016.

<sup>iii</sup> DWP, 'Work Choice Official Statistics: Data for 25th October 2010 – 24th June 2016', August 2016.

<sup>iv</sup> DWP, HM Treasury and The Rt Hon Iain Duncan Smith MP, 'Department for Work and Pensions' settlement at the Spending Review' available at <https://www.gov.uk/government/news/department-for-work-and-pensions-settlement-at-the-spending-review>, accessed 6 October 2016.

<sup>v</sup> Learning and Work Institute, 'Halving the gap: Making the Work and Health Programme work for disabled people', July 2016.

<sup>vi</sup> Damian Green, 'Speech to Conservative Party Conference 2016', 4 October 2016, available at <http://press.conservatives.com/post/151336048820/green-speech-to-conservative-party-conference>, accessed 6 October 2016.

<sup>vii</sup> DCLG, 'Statistical data set: Live tables on homelessness', 28 September 2016.

<sup>viii</sup> MoJ, NOMS and HM Prison Service, 'Population bulletin: weekly 30 September 2016', 30 September 2016.

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<sup>ix</sup> Howard League, 'Prison Watch' available at <http://howardleague.org/prisons-information/prison-watch/>, accessed 6 October 2016.

<sup>x</sup> Dame Sally Coates, 'Unlocking Potential A review of education in prisons', May 2016, available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/524013/education-review-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524013/education-review-report.pdf), accessed 6 October 2016.

<sup>xi</sup> MoJ, 'Analysis of the impact of employment on re-offending following release from custody, using Propensity Score Matching', March 2013.

<sup>xii</sup> MoJ, 'Costs per place and costs per prisoner: National Offender Management Service Annual Report and Accounts 2014-15 Management Information Addendum', 29 October 2015.