

HALVING THE DISABILITY EMPLOYMENT GAP

Written evidence to the Work and Pensions
Committee from Learning and Work Institute

9 May 2016

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

Learning and Work Institute

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SUMMARY RESPONSE

We welcome the Committee's inquiry into the government's commitment to halving the disability employment gap. We fully support the government's ambitions on disability employment but are concerned that significant cuts to the funding of employment support and the slow progress being made in developing coherent, cross-government and cross-sector action will hamper progress towards the target.

Our analysis shows that **funding of contracted-out employment support for disabled people is set to fall** over this Parliament, resulting in fewer disabled people receiving contracted-out employment support than in the last.

Our own and others' research points to the **importance of working with employers** to understand the benefits of recruiting disabled people; exploring the use of targeted financial incentives; and providing the right support to change recruitment practices, access services and promote opportunities.

The **Disability Confident campaign** is focusing on the right things and should be better publicised. The public sector need to be more prominent in the campaign and should be looking to use powers as commissioners to ensure that suppliers sign up as Disability Confident employers.

There are **six areas of development for the new Work and Health Programme** which need to be addressed:

1. **Joining up provision locally** through a new framework for local outcome agreements with devolved authorities;
2. **Aligning and increasing funding** through an AME/DEL agreement and supporting local joining up of funds such as ESF;
3. **Delivering the right support** by recognising the diverse needs of disabled people and the range of agencies able to support them;
4. **Putting the service user at the centre** through making the Work and Health Programme voluntary and maximising user voice;
5. **Making the market work** by learning from the Work Programme and recognising the distinct nature of the challenges of this work;
6. **Testing and Learning** by establishing a What Works Centre for employment which evaluates and supports innovation.

The **Payment By Results** element in the Work and Health Programme should be significantly lower than existed in the Work Programme, to minimise the risks of parking and of under-funding, and to create greater space for innovation and investment.

This is a submission from the Learning and Work Institute – formed in January 2016 following the merger of NIACE and the Centre for Economic and Social Inclusion.

We welcome the Committee's inquiry into the government's commitment to halving the disability employment gap. We fully support the government's ambitions on disability employment. However we are concerned that significant cuts to the funding of employment support and the slow progress being made in developing coherent, cross-government and cross-sector action will hamper progress towards the target. Our response below reflects the four areas where the Committee has asked for evidence.

1. STEPS REQUIRED TO HALVE THE DISABILITY EMPLOYMENT GAP

Fewer than half of disabled people are in work, compared with more than 80% of those who are not disabled. The gap between these employment rates gradually narrowed during the 2000s, but progress has stalled since 2011 – with the employment gap showing no signs of closing in recent years¹. Overall, the gap in employment for disabled people remains wider than for any other disadvantaged group.

We therefore welcome the government's goal to halve this employment gap over the next four years, which depending on precise definitions would mean around one million more disabled people in work in 2020 than now. However on current plans, government policies will not be sufficient to achieve this aim.

As we set out in our Fit for Purpose report in 2014², **we estimate that just one in ten disabled people who are out of work are currently receiving employment support, and just one in seven of these go on to secure employment.**

Therefore on current funding and performance, our employment programmes are increasing the employment of disabled people by at most 1% (and likely by much less than this). Therefore we need to do more, and to do it better.

However, **our analysis suggests that the funding of contracted-out employment support for disabled people is set to fall over this Parliament – with funding for the Work and Health Programme likely to be less than half of the amount spent on supporting disabled people through the Work Programme and Work Choice.** Funding for the new programme has been confirmed as between £400 and

¹ Source: Labour Force Survey

² Purvis, A. et al (2014) *Fit for Purpose: Transforming employment support for disabled people and those with health conditions*, Centre for Economic and Social Inclusion

£500 million in total³, compared with our estimates of expenditure for disabled people in Work Choice and the Work Programme of approximately £1.02 billion so far. Even allowing for those Work Programme participants that are disabled and claiming Jobseeker's Allowance (and so may be supported by Jobcentre Plus in the future), funding of the Work and Health Programme will be around one third lower than the programmes that it replaces. These calculations are set out in more detail in the attached Appendix.

Overall, the funding envelope for the Work and Health Programme for the period 2017 to 2021 is likely to be smaller than the amount DWP will have spent in each and every single year prior to 2017.

The consequence of lower funding means that fewer people will likely receive support. Based on reasonable assumptions of programme costs, the Work and Health Programme will be able to support between 100 and 400 thousand disabled people⁴. **So the number of disabled people receiving contracted-out employment support will be lower in this Parliament than in the last.**

In our view, this significant disinvestment in contracted employment support will both hamper the ability of the new programme to make any significant inroads to the disability employment gap, and reduce the prominence that disability employment support will have within local priorities and strategies.

Looking beyond the main employment programmes, there are four further areas that could make contributions to increasing the employment of disabled people:

- **Improving entry and retention through Access to Work.** The government's commitment to protect the Access to Work budget is welcome. Past research has identified a range of potential benefits from Access to Work including reduced sickness, improved attendance, retained employment and better health and well-being⁵. We have recently conducted a cost-benefit analysis of Access to Work for RNIB⁶, and estimated that its overall benefits to society outweigh its costs by a factor of more than three to one. However we note the ongoing concerns raised by disability charities and some employer bodies about its

³ Source: DWP Prior Information Notice

⁴ We estimate unit costs of £4,800 per participant in Work Choice, and £1,200 in the Work Programme. Using the mid-point of the funding range for the Work and Health Programme (£450 million), this leads to estimates of 95,000 participants on a Work Choice basis, and 370,000 on a Work Programme basis

⁵ Dewson, et al (2009) DWP Evaluation of Access to Work: Core Evaluation. Research Report No. 619

⁶ Melville, D. Stevens, C, and Vaid, L. (2015) *Access to Work Cost Benefit Analysis, a report for RNIB*, Centre for Economic and Social Inclusion

implementation, and apparent cuts in funding particularly for those requiring sign language.

- **Improving transitions to work, particularly for disabled young people.** Disabled young people face particular challenges in making the transition from learning to work. Our analysis of the Labour Force Survey has found that their employment rate is around 20 percentage points lower than for their non-disabled peers, and that disabled young people are more than twice as likely to be outside education or employment. These figures have been virtually unchanged in more than a decade.
- **Reducing exits from work**, through improved in-work support including the new Fit for Work Service. This service has now (in the last few months) fully rolled out, and the contract is due to run until 2019. However although DWP does not yet publish statistics on its performance, it appears that take-up of the service (which involves light-touch support for those off work for four weeks or more) has been low so far.
- **Improving the alignment of wider health, social care and locally-funded support.** We welcome the creation of the new DWP and Department of Health joint unit on work and health, the new health and work innovation fund, and the recent inclusion of employment within the outcomes framework for the NHS. All of these initiatives should drive greater co-operation, co-ordination and integration of services in the coming years. However it is important to note that we are starting from a very low base, and we are unlikely to see significant changes in how services work together in the immediate term.

Overall we strongly welcome the government's commitment to halving the disability employment gap and consider that this should be the top labour market priority for government in the years ahead. We remain concerned however that current funding, policy and performance are unlikely to deliver these ambitions.

2. SUPPORT FOR EMPLOYERS

Research points to a range of barriers for employers in recruiting and retaining disabled people. Our own research for Shaw Trust⁷ found that employers often had low awareness of the support and services that were available to them, were dependent on service providers to help them navigate support, and often had recruitment processes that were not accessible or less accessible for disabled people. However employers often valued highly the support that they did receive,

⁷ "Making Work a Real Choice", Shaw Trust, 2013

and in particular many pointed to the importance of financial support – which was mainly received through Access to Work.

A key government review on improving the accessibility of apprenticeships⁸ found similar issues. Focusing particularly on Learning Difficulties and/ or Disabilities (LDD), the review found that employer perceptions were a key issue – with employers lacking knowledge about disability and learning disabilities in general but also about the support that was available, including additional financial support. Few employers were accessing the funding available to support apprentices with an LDD and providers fed back that the process involved in applying for it meant that some employers failed to claim.

This and other research therefore points to the importance of **working with employers to understand the benefits of recruiting disabled people; exploring the use of targeted financial incentives; and providing the right support to change recruitment practices, access services and promote opportunities.**

We consider that the Disability Confident campaign is therefore focusing on the right things and should be welcomed. However we believe that there is scope to further increase awareness of the campaign, and in particular to use the weight of the public sector to raise its profile and take-up. In particular, **it is striking how few public sector organisations are listed as partner organisations for the campaign**⁹ - with just nine Councils signed up; only one government Department (the Department of Transport – in what must be an oversight, even DWP is not listed as a partner); three Colleges; no Universities; one NHS Foundation and no other parts of the NHS.

All parts of the public sector should be signed up as partners in Disability Confident.

Furthermore, the public sector should be looking to use its powers as the commissioners and purchasers of services to ensure that its suppliers are also signing up as Disability Confident employers.

3. EFFECTIVE EMPLOYMENT SUPPORT FOR DISABLED PEOPLE

As noted above, we welcome the focus on disability and health in the main DWP employment programme, but remain concerned on the level of funding available.

Notwithstanding this, looking ahead we consider that there are six key priorities for the design of the new Work and Health Programme.

⁸ “Creating an Inclusive Apprenticeship Offer”, Robert Little, 2012

⁹ <https://www.gov.uk/government/publications/disability-confident-partner-organisations>

3.1 Joining up provision locally

Most importantly, we consider that the Work and Health Programme needs to be one part of a wider, shared effort locally to increase employment and employability for disabled people and those with health conditions. This should focus on clear accountabilities between local partners – local authorities, health services, colleges and schools, employment services and the voluntary and community sector – with clearly defined responsibilities, shared objectives and outcome targets.

Practically, this means putting a new framework in place for devolution and local agreements. As we have set out previously, we would support the development of ‘Local Labour Market Agreements’ between local partnerships and central government, which would define the responsibilities, objectives and outcomes that will be achieved.

Alongside this, it would also require the alignment of commissioning timescales, boundaries and priorities, and efforts to improve how information is shared and services and support is co-ordinated.

There are few current examples of this level of co-ordination and alignment of effort, with particular barriers around both the integration of employment support (via DWP) and health support (via the NHS). Both central and local government can do more to improve this.

3.2 Aligning and increasing funding

First, the government should reconsider its decision to cap funding for the Work and Health Programme at £500 million. In our view funding is far too low to make inroads into the disability employment gap.

Importantly, **capping funding will also put a ceiling on success:** a funding cap means that if performance is higher than expected, then the government would need to stop paying for outcomes – the exact opposite of how outcome-based programmes should work. The funding cap will also, perversely, increase the risk that the government under-spends on the Work and Health Programme – as it will be determined to avoid any risks of over-spending, even where this is a consequence of high performance.

These issues of capped funding were partially addressed in the Work Programme through an agreement with HM Treasury to fund high performance through the increased benefit savings that this would bring. In the event, this agreement was never used – however its importance to the Work Programme design cannot be over-stated, as it meant that the Department did not have to cap performance as a

consequence of having capped funding. **We consider that a similar ‘AME/ DEL agreement’ is essential for the Work and Health Programme.**

Secondly, and following on from point 3.1 above, there is scope to amplify Work and Health Programme funding from other sources – in particular through the European Social Fund (ESF), the newly-devolved skills budgets and health budgets. A number of city regions are exploring these opportunities and links, but again this could be better facilitated by central government.

3.3 Delivering the right support

We set out in our *Fit for Purpose* report in 2014¹⁰ a range of recommendations for how employment support could be improved for those with health conditions and impairments. This project was supported by 26 organisations that deliver employment services and support to disabled people, and drew on reviews of ‘what works’ in the UK and internationally. In particular, we set out in *Fit for Purpose*:

- **That disabled people are a diverse group**, and often have a range of capabilities and support needs – with some impairment-specific barriers; often broader common barriers around time out of work, skills, confidence and work-readiness; and often multiple disadvantages and in particular poor mental health
- **The key importance of effective and often specialist advisers** – with evidence that smaller caseloads, more personalised and frequent contact, and well-trained advisers all make a difference
- **That Supported Employment models work** – based around high-quality adviser support, vocational profiling, effective employer engagement, early and intensive support to then match and broker people into the right jobs, and ongoing wrap-around support once in work
- **There is a range of learning from the UK and internationally** – in engaging the right groups, delivering the right interventions, and addressing particular impairments, conditions and needs

Drawing this together, we consider that this points to a higher degree of specification within the Work and Health Programme than existed in the Work Programme. **The ‘black box’ needs to be a bit greyer, with more specific expectations on service providers around the quality, intensity and relevance of support for**

¹⁰ Purvis, A. et al (2014) *Fit for Purpose: Transforming employment support for disabled people and those with health conditions*, Centre for Economic and Social Inclusion

participants. This will likely also point to engaging a wider range of delivery organisations, including specialist providers in the voluntary and community sectors.

3.4 Putting the service user at the centre

Building on this, there is clear evidence – reflected in the government’s Disability and Health Employment Strategy – that voluntary programmes are likely to be more effective for disabled people than mandatory ones, and that programmes that engage and empower service users are more effective than those that do not.

We would therefore call for the Work and Health Programme to be **voluntary by default.** This would be substantively different to the Work Programme, and would require a far greater focus on identifying those that may benefit, engaging with them effectively and enrolling them in support. This will in turn both require and support more effective partnership working. Indeed if the programme is not voluntary, then this would significantly undermine efforts to work with other partners that support disabled people, and in particular with health services.

Alongside this, **we believe that the programme should be underpinned by Service Guarantees** that set out clear and transparent service standards for participants – with a focus on what they should expect in terms of their engagement, activation, and support to prepare for work, as well as what will be expected of service users in return. Similar service standards or guarantees existed in previous programmes and internationally.

Finally, we would also welcome **a strong service user voice within the programme** – with this being captured through external oversight of the quality of provision and through surveys of participants themselves, with the results feeding into contractual reviews and performance management.

3.5 Making the market work

There are a number of areas where we can learn from, and improve on, practices in the Work Programme. In particular:

- **Having single providers in areas rather than provider competition** – this would support partnership working, make outreach easier, and improve the economies of scale for what will be a relatively small programme locally
- **Aligning boundaries and timescales** – in particular, commissioning should be aligned with sub-regional partnerships and LEPs

- **A new framework for devolution and integration** – as set out in point 3.1 above
- **A more flexible and responsive approach both to volumes and funding** – the Work Programme suffered significantly from errors in estimates of participant volumes and performance. To some extent this is inevitable, but a more open and flexible approach to this would be beneficial – so more transparency in how estimates are calculated, and more responsiveness in correcting these errors (which in the Work Programme have led to funding being around £1 billion lower than originally forecast – which has led to fewer people receiving support and fewer finding work)
- **A different approach to market management** – based on collaboration, responsiveness, and the place of the Work and Health Programme within local partnerships to raise employment of disabled people
- **A wider provider base** – as mentioned in 3.3 above, it is highly likely that a successful programme will need to draw on a wider range of organisations including those in the voluntary and community sectors

3.6 Testing and learning

Finally, there should be a far greater focus in the Work and Health Programme on innovation, testing and then learning. This was again a failing of the Work Programme, where the performance regime and ‘payment by results’ approach appeared to reduce the scope for genuine innovation in service design.

We repeat our call for a ‘What Works Centre’ for employment, to synthesise and share evidence of what works, and to oversee experiments of new approaches. We would like to see an element of the programme budget top-sliced to seed-fund this centre, and to enable it to fund specific innovations and evaluations which work with the providers and clients within the programme.

Alongside this, we would like to see an element of the new Work and Health Innovation Fund dedicated to testing improvements within the Work and Health Programme.

Payment by results

The Committee has asked specifically for views on ‘payment by results’. Overall we believe that PBR has sharpened the focus on achieving employment outcomes across employment services, and has therefore likely driven some marginal gains in employment for those who may have been closer to work. However, the evidence

from the evaluations of the Work Programme is clear that differential pricing – that is, higher outcome payments for some groups than for others – did not lead to different service levels and did not improve services for those groups.

Our analysis of funding and performance for ESA groups also found that the early years of the Work Programme were characterised by a vicious cycle of low performance, leading to low funding leading to still lower performance – largely a consequence of mistakes in the design in the PBR model for these groups.

Furthermore, there is extensive evidence from PBR programmes that they lead to those with more complex needs being ‘parked’ where they are not considered likely to achieve a job outcome. This parking is bad for individuals, the economy and society – as it leads to those participants becoming more disadvantaged and more detached from support.

In our view, well-designed PBR can play a role in driving marginal gains in performance, but there are significant risks attached to this for the commissioner as well as providers. We would argue therefore that the primary focus should be on getting right the six themes set out above. **The PBR element in the Work and Health Programme should be significantly lower than existed in the Work Programme, to minimise the risks of parking and of under-funding, and to create greater space for innovation and investment.**

4. LIKELY EFFECTS OF PROPOSED ESA REFORM

It is highly unlikely that the abolition of the ESA Work Related Activity Component will have any discernible impact on employment of disabled people. The cut was driven by fiscal rather than policy considerations, and only around one fifth of the savings in this Parliament have been reinvested in increased employment support for those affected.

The most significant impact of the cut will be to make the cliff-edge between the Support Group and the Work Related Activity Group far greater – which will further increase the perceived penalty for applicants of not being placed in the Support Group, and will increase the pressure on the WCA and appeals system.

It is important also to consider the cuts to ESA alongside the very large cuts to in-work support that will happen with the introduction of Universal Credit. Prior to 2011, those returning to work after a long period on incapacity benefits were entitled to claim a ‘Return to Work Credit’ both to incentivise work and to help to meet additional costs. This was abolished in 2011 in anticipation of improved incentives in UC. Given that these improved incentives no longer exist, and that the employment

challenges for these groups remain as significant as they did then, **we would urge the government to pilot the reintroduction of the Return to Work Credit, alongside a full evaluation of its impacts on employment.**

**Learning and Work Institute
9 May 2016**

Appendix – Note on calculation of employment programme expenditure on disabled people and ESA claimants

For **Work Choice**, DWP has previously stated in Parliamentary Questions that expenditure was £451 million between October 2010 and November 2015¹¹.

For the **Work Programme**, our quarterly analysis of Work Programme statistics sets out our estimates of programme expenditure¹². Overall we estimate that £2.2 billion has been spent on the Work Programme so far (July 2011 to December 2015), broken down as:

- £510 million in attachment fees, paid when participants joined the programme
- £546 million in job outcome payments, after three or six months of employment
- £1,143 million in sustainment payments, for subsequent sustained employment

Analysis of the DWP ‘Tabulation Tool’¹³ shows that disabled people account for:

- 36% of all Work Programme participants, and
- 23% of those that achieved job outcomes.

Applying these proportions to the attachment, outcome and sustainment figures above leads to an estimate of programme funding for disabled people of around £570 million.

This leads to a combined estimate of £1.02 billion.

Looking at **ESA claimants alone**, we estimate that Work Programme funding has been £235 million, using a similar methodology to that set out above. This gives a combined (Work Choice plus Work Programme) estimate of £685 million.

¹¹ <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2015-12-07/18894/>

¹² Source: Learning and Work Institute analysis,

http://www.learningandwork.org.uk/sites/niace_en/files/resources/WP_stats_Briefing_LW_Mar16.pdf

¹³ http://tabulation-tool.dwp.gov.uk/WorkProg/wp_cuml_jo/tabtool_wp_cuml_jo.html