

## A new deal for welfare: Empowering people to work

### Joined up for Jobs Partnership Forum – 6<sup>th</sup> April 2006

#### Presentation on UK Welfare Benefit Reform Green Paper A new deal for welfare: Empowering people to work

- The UK government acknowledges that the focus of welfare reform should support a shift from what people cannot do, effectively trapping them in enforced inactivity, to what they can do, opening up opportunities to take up work
- The Green Paper is strong on this message, but a little bit more lightweight on how its major target – cutting 1million claimants from the current 2.7 million on Incapacity Benefit (IB) over a ten year period – will be achieved and resourced
- The government's own figures show that people currently claiming IB for two or more years are more likely to retire or die than make a return to work
- If this reduction is achieved, then the government would move some considerable way to achieving its target of an 80% employment rate and savings of £7bn year on the current annual £12.5bn spend on IB
- There are also targets to assist 1 million older people and 300,000 single parents back into work

#### A Summary of the Green Paper – Main Proposals

- To replace Incapacity Benefit (IB), and Income Support paid on grounds of incapacity, with a new '**Employment and Support Allowance**' by 2008
- To pay an enhanced support component to those individuals who cannot (because of the severity of their condition) engage in 'any activity'
- To introduce mandatory work focused interviews supported by a mandatory action plan of return to work activity for new and existing claimants – with staged benefit sanctions for those who do not comply (reducing down to level of JSA)
- To revise the 'Personal Capability Assessment' (PCA), focusing on ability and support needs rather proving and sustaining incapacity –

and completing this assessment within 12 weeks of initial claim (in the majority of cases)

- To provide appropriate in work support to sustain employment – including a Return to Work Credit of £40 per week, payable for 52 weeks for those earning less than £15,000 per annum
- To simplify the Statutory Sick Pay (SSP) system to enable employers to better manage sickness and address the flow of people from SSP to incapacity benefits
- To raise awareness of the opportunities on offer e.g. through medical centres and GP surgeries and place employment advisers in GP surgeries
- To rollout the 'Pathways to Work' programme across the country by 2008 (a £360 million investment)
- To offer local authorities financial incentives to engage with the private and voluntary sectors, to establish local 'back to work' schemes for people claiming inactive benefits

#### **For Lone Parents –**

- To pilot anew Work Related Activity Premium (£20 per week) for lone parents on Income Support whose youngest child is at least 11 years old
- To increase the frequency of work focused interviews
- To work with employers to develop work taster programmes
- To explore new ways through which JC+ can increase support to those moving into or in work

#### **For Older Workers –**

- To align support for LTU aged 50-59 with that available to those in their 30s and 40s
- To improve back to work support for jobseekers over 50 and their partners
- To pilot 'face to face' guidance sessions to help people make decisions about work, training and retirement
- To work with employers to extend flexible working arrangements

#### **Reforming Housing Benefit –**

- To roll out the adjusted version of the Local Housing Allowance (LHA) to the deregulated private rented sector

## Scotland's Incapacity Benefit Profile

- At 287,000 (9%), the IB claimant level in Scotland is high – comparable with NW England, but slightly lower than NE England and Wales
- In the City of Edinburgh, the IB claimant level is 19,000 (6%) - (in comparison West Lothian 8,300 (8%), Midlothian 3,600 (7%), East Lothian 4,300 (8%) & Glasgow City 58,600 (16%))
- Male IB claimants tend to predominate in an older age group – more than half are aged 50-64
- Of this group, more than two thirds are former manual workers and most have substantial work experience
- Most have been on benefit for a very long time, around 50% for 5 years or more
- Around 25% moved onto IB directly from unemployment benefits
- As with the rest of the UK Scottish IB claimant rates increased dramatically in the 80's and 90's, but have now flattened off with overall rises between 1997 and 2003 largely accounted for by new women claimants (many presenting with mental health issues)

## What the government's one million / 10 year IB claimant reduction target really means (analysis courtesy of the Centre for Economic & Social Inclusion (CESI))

- Around 1 million IB claimants are within 10 years of retirement, but conversely
- There are 100,000 new claims per year by people within 10 years of retirement
- So, unless new claims are reduced these new claims will replace retiral reductions like for like
- JC+ claims job entry rates form IB of 60,000 per year (around 2.3%)
- In Pathways areas job entry rates are double that of non Pathways areas, at 4.6%
- Assuming the Pathways national rollout achieves this 4.6% success rate across the country, this will produce 1.1million job entries over 10 years
- New IB claims are approx. 670,000 each year and this has been falling by about 20,000 a year

- If this rate of reduction doubles to 40,000 year, new claims in 2016 will be down to 270,000
- There are approx. 690,000 IB claim terminations a year – if job entries and retirements are taken off this figure this leaves 466,000 terminations for other reasons e.g. return to jobs held open, return to JSA as medical certificates run out etc. In their calculations CESI assume this rate of other terminations will remain the same.
- **Taking all these factors together, a 10 year reduction of 1 million in the IB claimant count will require a doubling in the rate of reduction of new claims, and a doubling of the job entry rate**

## Reaction to the Green Paper . . . so far

### General Areas of Concern . . . The 'real' questions we should be considering

- Will the recommendations provide more support to enable people to return to and sustain work?
- Will the emphasis be on voluntary participation rather than enforced participation?
- Will the reforms deliver real financial security to those that cannot work and those returning to work?
- What safeguards will there be to ensure that participants are not required to undertake inappropriate activity in relation their disability or health condition?
- Will there be enough resources be deployed to make all this happen?
- Will there be more encouragement and requirements placed on employers to do more to assist and support people who become ill or disabled?
- Will IB claimants be divided into groups of those who can and those who can't?
- Will there be further legislation to extend the employment rights of disabled people?
- Will the healthcare system – NHS Trusts, GPs et al – be active partners in supporting more effective pathways to work?
- Will more be done to help geographically defined areas with higher claimant numbers e.g. cities, through more devolved funding structures and powers?

- Will increased responsibility on the part of the individual claimant be properly balanced by increased rights, support and resources?

## Emerging responses . . . from Individual Disabled People

"I can't really say how it will affect me until there is more detail. The government may force us to undertake work-related activities, but unless they have similar policies to force employers to take us on, there will be little purpose to it for a large number of claimants."  
**DG, SW England**

"The green paper should cause genuine claimants no problems. Hopefully the government will get it right, and we can get on with the rest of our lives without having to go through tests to prove we need financial help, because we happen to have a genuine disability."  
**KC, Edinburgh**

"People should be concerned regarding the benefits reform proposals. Not because the principle of the reforms is wrong, but because the reforms will be implemented by front-line staff within DWP, where staff are managed through targets and performance indicators. How many people will be sent for totally inappropriate jobs as a result?"  
**PU, Hampshire**

"I was placed on IB by my employer. As my employer is the government, I am genuinely confused as to what they will do with me. They have discriminated against me and will not allow me to return to my job. The government does not set a good example when it throws disabled people onto IB then tells them to get a job."  
**JT, London**

"I suffer from ME, I would love to be more active and have a job as well, but I just can't see this happening because of the hit and miss nature of my condition. I'm extremely concerned about this new system. I find it hard enough to get by on what I receive now, I just wonder where all these new employers are going to come from?"  
**Russell, Edinburgh**

"One year after becoming disabled mid-career, only 60% of workers still have a job. Two years on, only 36% of workers still have a job. If employers are so reluctant to make the reasonable adjustments needed to enable workers to retain their jobs, what makes the Government think these employers are going to recruit a million people from the Incapacity Benefit Register?"  
**BB, London**

## Emerging responses . . . from Disability Organisations

“Instead of threatening disabled people with benefits sanctions, the government should be concentrating on developing an effective retention strategy which prevents people being pushed out the labour market in the first place. Long term sick and disabled people need to be better supported by employers, and more should be done to encourage employers to recruit people with disabilities.”

**Disability Alliance**

“We express our concern that proposed IB reforms may force people with mental health problems back to work too soon, without providing the support they need both in and out of the workplace.”

**MIND**

“We believe that a lack of additional resources, the use of sanctions and the emergence of a divide between those who can and cannot work will undermine the system.”

**Disability Benefits Consortium**

“The reform proposals focus almost exclusively on the responsibilities of individuals to move from welfare to work. This is an unfair imbalance as the Green Paper says very little about the responsibilities of employers or government itself in this relationship. Furthermore, we do not believe that £360 million is sufficient to roll out the Pathways to Work approach. If current spending levels within the pilot areas are rolled out nationally, the cost would be nearer £500 million. As it is, we are concerned that these pilots may have engaged with easier to help groups, and that if all new claimants are involved costs will be higher.

**Scottish Campaign on Welfare Reform**

“The Trust feels that it would be unhelpful to place an arbitrary figure on the numbers to be removed from the benefit, as there is a danger in that approach of targets rather than individual need and circumstance driving the reforms.”

**The Disabilities Trust**

## Emerging responses . . . from Employers

“We welcome the government’s intentions to move ahead to improve a situation where approaching three million people of working age are claiming IB. Most of these people will want to return to employment. What is needed as part of any reform is a package of measures aimed at advising and assisting employers – particularly small enterprises – to play a part in helping those people get back to work.”

***Geraint Day, Head of Health Policy, The Institute of Directors***

"Small businesses need willing workers, particularly in sectors like tourism, hospitality and manufacturing. Going back to work can give people a sense of purpose and social interaction, which is just not there if you are off on sick leave. People coming off incapacity benefit must accept that having the right attitude is all-important from the moment they walk in for the interview. But small business owners cannot carry passengers. They will be cautious and suspicious that people who have been on long-term sick will have fallen into bad habits."

***Victoria Carson, The Forum of Private Business***

"With skills shortages in many parts of the economy, employers strongly support the Government's goal of helping more people back into work. Those who are genuinely unable to work deserve financial security in extremely difficult circumstances - but the burgeoning costs of Incapacity Benefit needed to be examined. Those people on IB want who to get back to work will value the extra support and advice Government intends to provide. It is also right that greater emphasis is to be placed on claimants to help themselves.

Sixty per cent of all firms already offer rehabilitation schemes to help people return to work. Many employers are also willing to play a full role in bringing those wanting to return to a job back into the workplace. But the Government must support companies in re-skilling those who have been out of work for some time, and by contributing to the consequential costs of special equipment, transport or mentoring. Proposals to simplify the current system of Statutory Sick Pay are welcome."

***John Cridland, Deputy Director, CBI***

## **Emerging responses . . . from other Key Stakeholders**

### **The Scottish Trades Union Council (STUC)**

"The STUC supports the main thrust of the PtW pilots and notes encouraging results in relation to the proportion of successful outcomes. It is of particular note that the 'person centred approach' where a dedicated advisor works with a claimant has proved particularly successful."

"A number of concerns exist in relation both to potential measures on compulsion and the formation of two separate rates of benefit."

"The proposal to differentiate between those who have a severe condition and those with potentially more manageable conditions is likely to be fraught with difficulties. The STUC is sceptical that a clear and effective medical differentiation will be achievable."

"One unfortunate aspect of the debate on IB is the public perception promulgated by the media that fraud is common among IB claimants. All available evidence is to the contrary."

## Other evidence

### CIPD & Employers' Forum on Disability (EFD)

Latest CIPD research shows that 60% of employers actively exclude groups with certain characteristics from the recruitment process. It is these 'core jobless' that the government wants to get back to work. The most excluded groups are those with a history of drug and alcohol problems, those with a criminal record and those with a history of long term sickness. Each of these groups is excluded by around 1 in 3 employers.

"Widespread reluctance on the part of employers to recruit the core jobless highlights the magnitude of the task facing the government as it strives to get more economically inactive claimants – especially those on IB – off welfare and into work."

**Dr. John Philpott, Chief Economist, CIPD**

"It is clear that organisations invest significantly less in disability, compared to race and gender. Our findings reveal that the way organisations respond to disability is usually left to HR - 36% or less set disability goals in departments outside HR and property services."

**EFD, Disability Standard Benchmark Survey**

### Other issues that will have an impact

The government has indicated that the private and voluntary sectors will play a key role in 'delivering' the packages of support to people making the move from welfare to work. There are some other issues which will have an impact on this –

- Much of the expertise and knowledge in delivering 'person centred' support to people with disabilities currently resides within small voluntary sector based services and projects – a significant proportion of this expertise may be lost over the next 2 years due to funding constraints e.g. the expected significant reduction in ESF funding, zero growth or even reductions in local authority core funding etc.
- The proposed rollout of Pathways to Work (PtW) would suggest that many of these smaller 'client group specific' or 'geographically focused' intermediaries will not be of sufficient size to enter into bidding for delivery contracts – with contracts ultimately being awarded to larger agencies or charities who are able to drive down contract pricing, possibly (but not always) at the expense of quality
- The formation of 'contract bidding' consortiums or operational partnerships or indeed entering into sub-contracting arrangements with larger contract holders potentially represent the only 'survival route' for these smaller agencies

The much awaited launch of the 'Employability Framework for Scotland' (or under its new working title Workforce Plus) will add in other variables –

- The potential creation of local area funding partnerships with membership across key partners including JC+, local authorities, local enterprise companies, NHS Trusts et al bringing greater focus and flexibility to local spending and resource allocation
- A greater focus on the delivery of post employment support mechanisms increasing sustainability rates in employment
- Bringing together agencies concerned with employability activity to achieve a more joined up approach – including delivery partnerships where individual intermediaries deliver specific elements on the pathway to work and in work support

The introduction of the 'Public Sector Duty' elements within the DDA will –

- Place new and practical obligations on public sector bodies to 'lead by example' in terms of good practice in recruitment, employment retention and employee development – this is not a paperwork exercise around the production of an 'action plan', but requires a real and practical commitment to changing practice

Current and ongoing labour market conditions –

- The influx of migrant workers from EU accession member states soaking up labour market demand, with employers adopting this recruitment route in preference to recruiting people currently on inactive benefits

