

Stepping up, breaking barriers.

Transforming employment
outcomes for disabled people.

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July 2016

Acknowledgements

We are extremely grateful to the individuals who participated in semi-structured interviews for the paper, and to Dr Stephen Beyer, Graeme Whippy MBE and others for their helpful comments on an earlier draft of this paper. The arguments and any errors that remain are the authors' and the authors' alone. Our thanks also to Emilie Sundorph.

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Executive summary

This paper is the third in a series on reforming the sickness and disability-related out-of-work benefits system. A priority for successive governments, reform to date has been inadequate and progress woeful, as the minimal shift in caseload numbers illustrates – in 2014-15 there were just over 2.5 million working age claimants of incapacity-related benefits, a decade earlier there were almost 2.8 million.¹

The *Reform* series aims to provide a blueprint for delivering the radical change needed to transform the outcomes of those parked on out-of-work benefits. *Working welfare: a radically new approach to sickness and disability benefits* laid out a new benefit model.² It argued that a single rate for out-of-work benefits is a necessary precursor to breaking the link between work capability and benefit eligibility. It is also key to delivering a more personalised conditionality and support system – one that moves away from categorisation based on benefit type to one that reflects an individual claimant's distance from the labour market.

Where *Working welfare* addressed the design of the benefit system – itself a huge barrier to work for many people on Employment and Support Allowance – this paper addresses the employment support services that should sit alongside a reformed system. It also explores the role of employers in ensuring that people with a disability or health condition are given every opportunity to move into, and stay in, work. Each area of reform is vital if the Government is to make progress towards its ambition to halve the disability employment gap;³ addressing just one issue will not be sufficient.

Despite the implementation of successive programmes designed to help claimants with a disability or health condition make the transition from welfare into employment, the evidence-base of what works is limited. Individual Placement and Support programmes have the strongest evidence-base, but for a limited cohort. Early intervention, co-location of services, personalisation and the quality of employment advisers all, however, seem to matter. These are characteristics that future programmes must build on, but innovation and robust evaluation are essential to find out what works for whom.

Devolution is seen as the way forward in delivering integrated public services, including in employment support. The concept is a good one – local agencies are better placed to bring multiple services together around users – but as yet there is little evidence that locally commissioned and managed welfare-to-work programmes are actually delivering improved job outcomes. Much more needs to be done to pilot local models and build capabilities. The Department for Work and Pensions (DWP) should provide funding to help enable local pilots, which should be run alongside a nationally delivered programme. In the longer-term, government should explore the possibility of devolving both welfare-to-work and benefit budgets to local areas via block grants. This would resolve the tension between devolving a key lever in managing the benefit bill (employment programmes), whilst retaining the cost of programme failure (higher benefit spend).

Outsourced welfare-to-work programmes have proven to be an effective model. They allow diversity of provision through supply chains of specialist providers, can flex to accommodate different referral volumes and can ensure financial risk is shifted from the taxpayer to the provider. The design of the programme is, however, key to maximising the benefit of outsourced provision. The payment structure must incentivise the outcomes government seeks, whilst remaining commercially viable for providers. Small attachment fees should be reintroduced and an accelerator model adopted. The funding envelope must reflect the complex and often multiple barriers many claimants face – and the benefits to the Exchequer of moving a long-term benefit claimant into sustainable

1 Department for Work and Pensions, *Benefit Expenditure and Caseload Tables 2016, Outturn and Forecast: March Budget 2016*, April 2016.

2 Charlotte Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits* (Reform, 2016).

3 Conservative Party, *The Conservative Party Manifesto 2015*, 2015.

employment. As such, the Government should return to the AME/DEL switch introduced for the Work Programme.

Innovation is key: the black box should be retained, but a more radical approach is needed. A ‘skunkworks’ model, akin to that used in the private sector, should be implemented. This would enable government and the sector as a whole to try new things and develop an evidence-base of what works. Taken together, these proposals would drive better performance, which means better outcomes for the people that really matter.

Over the last decade, the focus of welfare policy has been employment support provision, but this is only half the story. Ensuring that suitable jobs are available for when claimants complete the programme and that employers are willing to recruit disabled workers is essential. Despite a strong business case, many employers remain unsure about the risks and costs associated with recruiting disabled workers. Government policy should aim to lower these barriers through supported stepping stone jobs, apprenticeships and changes to Access to Work. These reforms are particularly important for small and medium-sized businesses, who hold significant potential in addressing the disability employment gap. Finally, giving the Disability Confident Campaign teeth would put businesses at the forefront of best practice to create more inclusive and accessible workplaces.

Work, it is well evidenced, plays a fundamental role in people’s health and wellbeing. It is unacceptable that so many people remain excluded from these benefits – trapped in a welfare system that discourages people from showing what they can do, that fails to provide a personalised system of support and that does not have the right balance of incentives for welfare-to-work providers and employers. This paper, combined with the recommendations in *Working welfare*, provides concrete proposals for the Government to address this.

Summary of recommendations

1. The Government should establish a local employment support pilot fund. This would financially support local welfare-to-work pilots that could be used to build and demonstrate capability and capacity in local government. Further devolution should be subject to pilot performance.
2. In the long term, the Government should explore the possibility of using a block-grant model to progress the devolution of welfare to combined authorities who have established their capability to deliver integrated and successful programmes at scale. This would give local government the flexibility to join up services, devolving both autonomy and accountability.
3. Claimants who participate voluntarily should have a choice of provider. The Department for Work and Pensions should not use a random allocation policy for employment support volunteers.
4. Providers should submit Minimum Service Levels as part of their bid. The offer should be sufficiently detailed for the Department for Work and Pensions to hold providers to account. However, in live running the Minimum Service Levels must be able to be amended, with the Department’s permission, as providers learn more about which interventions are most effective for their target cohort.
5. The Government should retain a two-year programme length, but pilot programme durations ranging from nine months to three years to understand if there is a better duration that delivers improved value for money.
6. The Government should revert back to using an AME/DEL switch. Total outcome payments (i.e. combined job outcome and sustainment) for the very hardest-to-help participants should be significantly higher than in the Work Programme.

7. To ensure a diverse provider base and sufficient support for participants further from the labour market, the DWP should reintroduce attachment fees. Each of the four participant groups should be allocated a different attachment fee, increasing in line with the complexity of the claimant group. The attachment fees should remain a small proportion of the overall payment.
8. A flat-fee interim payment should be available for moving claimants in the two hardest-to-help categories into a stepping stone job. These should be time limited to between six and 12 months. To ensure providers continue to prioritise unsupported sustained work, the value of progress payments should be significantly smaller than job outcome and sustainment payments.
9. A graduated accelerator payment model should be adopted. The outcome payment per cohort participant should increase at a faster rate as each volume target is achieved, with the volume of job outcomes needed to hit the next target becoming successively smaller.
10. Allow providers to apply for separate skunkworks project funding, which they can spend on innovative employment projects. The claimant groups referred to such trials should not be subject to standard performance measures, and there must be transparency regarding methods and outcomes.
11. To gain Disability Confident status, employers should be expected to offer a voluntary work experience scheme for disabled people of all ages. Disability Confident members should publically report how many placements are offered and completed each year.
12. The Government should expand the availability of supported internships to all disabled people, regardless of age and disability type. Receipt of benefits should be paused to enable claimants to take part in paid work placements. This would increase the number of employers offering short term placements and open up opportunities for disabled people.
13. Apprenticeships should be accessible for disabled people regardless of their disability type and age.
14. The Government should increase the overall funding available for disabled apprentices, in part through additional DWP funding.
15. Jobcentre Plus should identify disabled claimants who could benefit from an apprenticeship and refer them to a suitable training provider. This should be an alternative option to referral to a welfare-to-work programme.
16. Introduce a quota on the proportion of public sector apprenticeships that should be offered to people with a disability.
17. Access to Work applications and accounts should be available to complete online. The website must be designed to work with assistive technologies.
18. Claimants of Access to Work should be able to passport Access to Work grants between employers. This should include the transfer of equipment, support workers or travel costs, unless the new role is substantially different from their previous job.
19. The Government should compile an online catalogue of workplace adjustments. Individuals should be able to select the most appropriate workplace adjustment, with the support of an Access to Work adviser if needed, which is then approved by the employer.
20. DWP should contract workplace adjustment providers to manage Access to Work claims for employees of local small and medium sized businesses.

21. The Government should pilot occupational health services commissioning by GPs or Clinical Commissioning Groups. GP services should be paid on a Payment by Results basis when participants successfully return to work.
22. The Government should commission research to establish a behavioural script for recruiting disabled candidates. Multiple scripts should be tested to ensure efficacy across a range of disabilities, including mental health conditions.
23. Jobcentre Plus and Disability Confident employers should work together to establish local disability networks for employers and disabled employees. The Department for Work and Pensions should seed fund the establishment of user-led networks.
24. The Government should formalise the requirements of Disability Confident employers. An opt-in system, comparable to the Stonewall Index, should publically rank employers on how inclusive they are for disabled workers.
25. A network of Disability Champions should be used to lead the way on improving equal opportunities for disabled people. These should be businesses who have made a pledge to increase outreach, recruitment, and retention of disabled workers, and monitor and evaluate the progress of interventions.
26. The civil service should play a central role in championing innovative recruitment tools and retention strategies. The Government should leverage their purchasing power to encourage potential partners to be more inclusive towards disabled people.

Introduction

This paper is the third in a series on reforming the sickness and disability-related out-of-work benefits system. A priority for successive governments, reform has, to date, been inadequate and progress woeful.

In 2014-15 there were just over 2.5 million working-age claimants of incapacity-related benefits – a decade earlier there were almost 2.8 million.⁴ In the intervening period Incapacity Benefit was replaced by Employment and Support Allowance (ESA) with an expectation that a million of “those trapped by the current system” would move into work.⁵ Alongside the reforms to the benefit system, successive governments have put in place welfare-to-work programmes aimed at supporting people with a disability or health condition to make the transition into work.⁶ As the minimal shift in caseload numbers illustrates, none of these initiatives have delivered the step change in outcomes government has sought.

The *Reform* series aims to provide a blueprint for delivering the radical change needed to transform the outcomes of those parked on out-of-work benefits. *Working welfare: a radically new approach to sickness and disability benefits* laid out a new benefit model.⁷ It argued that a single rate for out-of-work benefits, regardless of circumstances, is a necessary precursor to breaking the link between work capability and benefit eligibility, and for scrapping the binary and much criticised Work Capability Assessment. It is also essential to delivering a more personalised conditionality and support system; one that moves away from categorisation based on benefit type to one that reflects an individual claimant’s distance from the labour market.

Where *Working welfare* addressed the design of the benefit system – itself a huge barrier to work for many people on ESA – this paper addresses the employment support services that should sit alongside a reformed system. It also explores the role of employers in ensuring that people with a disability or health condition are given every opportunity to move into, and stay in, work. Each area of reform is vital if the Government is to make progress towards its ambition to halve the disability employment gap;⁸ addressing just one issue will not be sufficient.

The model of welfare-to-work services proposed in this paper draws on the lessons of previous programmes. It recognises that successive governments have opted to outsource employment support services with good reason, and argues that government is ill-advised to revert to Jobcentre Plus (JCP) as a key provider of these services. JCP does not have the capacity or the diversity of specialist skills required, and in a JCP-led model, government also loses the ability to shift financial risk through a payment-by-results model.

Innovation will be key, and this paper puts forward recommendations on how to foster it. It also makes the case for a revised payment model with sharper incentives for providers to invest in supporting those furthest from the labour market.

Likewise, revisions to the apprenticeship payment model are put forward to incentivise employers and training providers to take on candidates with a disability. Supported ‘stepping stone jobs’ should be encouraged to help bridge the perception of risk felt by some employers in hiring people with a disability or health condition, and the risk perceived by claimants of moving into work.

Work, it is well evidenced, plays a fundamental role in people’s health and wellbeing. It is

4 Department for Work and Pensions, *Benefit Expenditure and Caseload Tables 2016, Outturn and Forecast: March Budget 2016*, April 2016.

5 John Hutton, ‘The Active Welfare State: Matching Rights with Responsibilities,’ Speech, January 16, 2006.

6 The major programmes have been New Deal for Disabled People, Pathways to Work, Work Choice, and Work Programme.

7 Charlotte Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits* (Reform, 2016).

8 Conservative Party, *The Conservative Party Manifesto 2015*, 2015.

unacceptable that so many people remain excluded from these benefits – trapped in a welfare system that discourages people from showing what they can do, that fails to provide a personalised system of support and that does not have the right balance of incentives for welfare-to-work providers and employers. This paper, combined with the recommendations in *Working welfare*, provides concrete proposals for addressing this.

1

Employment support: progress to date

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1.1 A brief history

Over the past two decades, successive governments have sought to reduce caseloads and increase employment outcomes through tighter benefit rules. Greater conditionality has been accompanied with increases in employment support for claimants.⁹ This move towards active labour market programmes can be observed internationally, but has until recent years focused predominantly on jobseekers – those claiming unemployment benefits.¹⁰ Indeed, the Organisation for Economic Cooperation and Development (OECD) have argued that the activation strategy applied to Jobseeker’s Allowance (JSA) claimants has been a contributory factor to the trend of growing caseloads of the comparatively passive incapacity-related benefits.¹¹ As jobseeker rolls have reduced, the focus has shifted to claimants with a health condition or disability.

As previous papers in this series have highlighted, the challenge of long-term dependency on out-of-work incapacity-related benefits is exercising developed nations across the world.¹² In the UK this has led to attempts to reform both the benefit itself – with the introduction of ESA in 2008 – and the attendant support services. Figure 1 details the different programmes that have been aimed at improving the labour market outcomes for claimants of incapacity-related benefits.

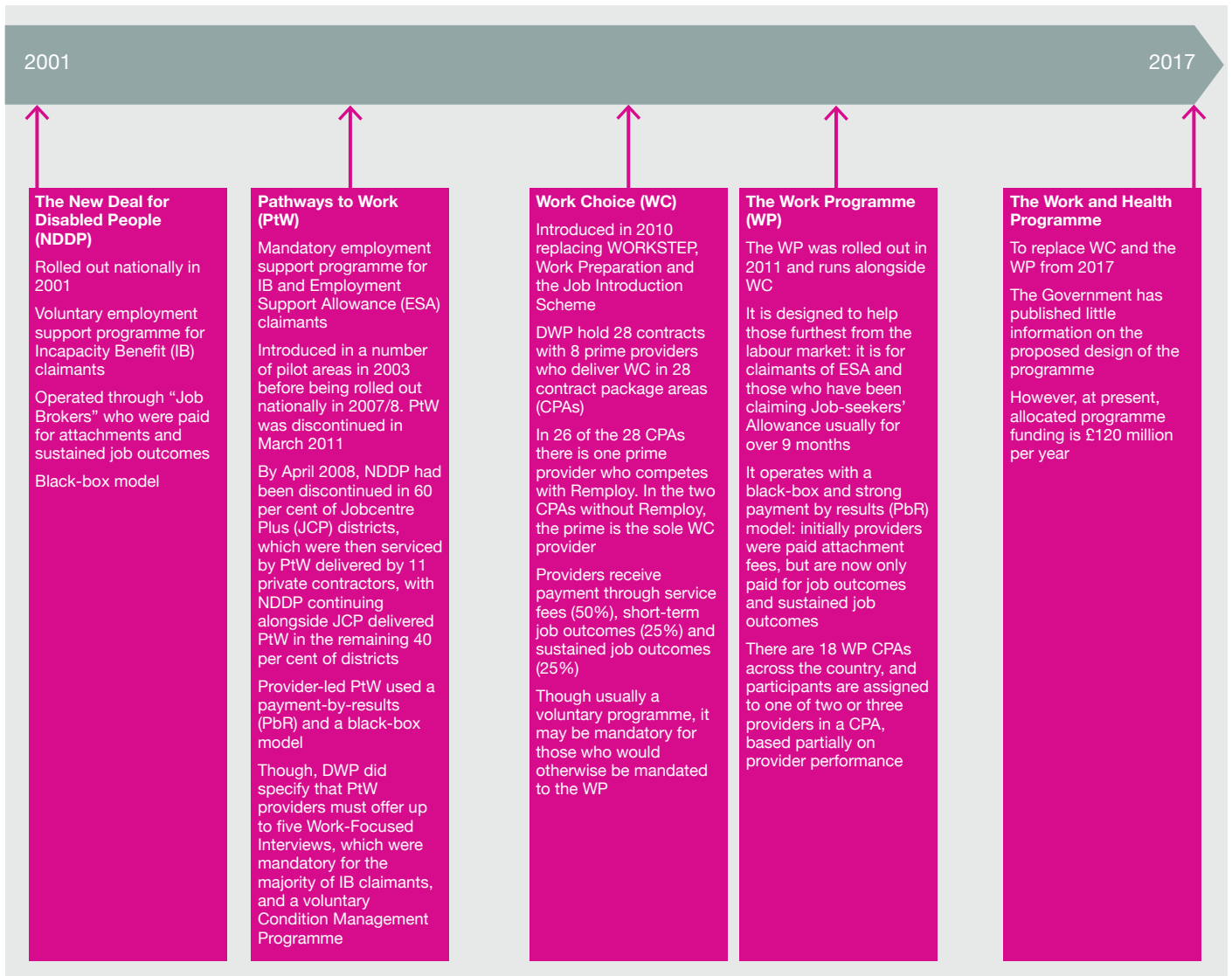
9 John Martin, ‘Activation and Active Labour Market Policies in OECD Countries: Stylised Facts and Evidence on Their Effectiveness,’ *Journal of Labor Policy* 4, no. 4 (2015).

10 *Ibid.*

11 OECD, *Mental Health and Work: United Kingdom* (Paris: OECD Publishing, 2014).

12 Ed Holmes, Hannah Tittley, and Charlotte Pickles, *Employment and Support Allowance: The Case for Change* (Reform, 2015); Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits*.

Figure 1: Major employment support programmes for Incapacity Benefit/ Employment and Support Allowance claimants



Source: Bruce Stafford, *New Deal for Disabled People: Third Synthesis Report – Key Findings from the Evaluation* (Department for Work and Pensions, 2007); Genevieve Knight et al., *Provider-Led Pathways to Work: Net Impacts on Employment and Benefits* (Department for Work and Pensions, 2013); Elizabeth Becker, Oliver Hayllar, and Martin Wood, *Pathways to Work: Programme Engagement and Work Patterns – Findings from Follow-up Surveys of New and Repeat and Existing Incapacity Benefit Customers in the Jobcentre Plus Pilot and Expansion Areas* (Department for Work and Pensions, 2010); Department for Work and Pensions, *Evaluation of the Work Choice Specialist Disability Employment Programme*, 2013; Pippa Lane et al., *Work Programme Evaluation: Procurement, Supply Chains and Implementation of the Commissioning Model* (Department for Work and Pensions, 2013).

In addition to the national employment support programmes outlined in Figure 1, there are also a number of devolved local programmes that target employment outcomes for this cohort. The most notable of these programmes are *Working Well*, in Greater Manchester, and *Working Capital*, in London. Both are pilot programmes that offer employment support to claimants who have already been on the Work Programme (see Chapter 2 for further details).

1.2 Limited evidence

One of the key challenges to delivering effective employment support is the lack of robust evidence on the effectiveness of different interventions. A 2010 review of studies on “what helps chronically ill and disabled people into employment in the UK?”, for example, found no conclusive quantitative evidence on which interventions are effective in increasing employment outcomes.¹³ A 2013 Department for Work and Pensions (DWP) working paper similarly found “an overall lack of robust international evidence to determine ‘what works for whom’ to help disabled people into, and to remain in, work”, though it identified some general themes such as flexible workplaces and supported employment programmes that should shape initiatives.¹⁴ The paper also notes that where examples of robust evaluations do exist, questions remain regarding the applicability of the findings to a wide range of health conditions and ambiguity around the exact nature of the interventions.¹⁵

In the UK, the ‘black-box’ approach to commissioning – a feature of all major employment support programmes since the New Deal for Disabled People (NDDP) – has inadvertently contributed to the limited evidence base. This is because, under a black-box model, employment support providers have the freedom to deliver whatever interventions they think best, and are not required to disclose their model.

A further contributory factor is the failure to measure JCP on job outcomes, meaning that it is only possible to ascertain whether a claimant has left benefits, not why. Research conducted in 2009 estimated that only 61 per cent of those in the “Off-Flow Potentially to Employment” group – that is, those who have not left their out-of-work benefit to claim a different benefit or because of retirement or death – had actually moved into paid employment.¹⁶ Therefore, despite there being a greater level of transparency on the services JCP deliver than is available for providers, it is not possible to say whether these interventions are actually moving people into work.

The Coalition recognised this dearth of evidence and took steps towards building an evidence base.¹⁷ RAND Europe were commissioned by the Department of Health (DH), DWP and the Cabinet Office Contestable Policy Fund to examine the existing evidence on mental health interventions (which they found to be “limited”) and to propose new approaches in order to help develop an evidence base.¹⁸ Three of the suggested policy approaches were then piloted in feasibility trials.

- > **Individual Placement and Support (IPS) in Increasing Access to Psychological Therapies (IAPT).** In this pilot, vocational support based on the IPS model was embedded into the IAPT programme.
- > **Telephone support.** Specialist providers offered JSA claimants, who were struggling with their job search, telephone-based psychological wellbeing and employment-related support.
- > **Group work.** A week-long intervention was offered to JSA claimants struggling with their job search. They were invited to group-work sessions led by a specially trained “facilitator” which aimed to build resilience to setbacks experienced whilst job seeking.

Participants were measured before and after the interventions using anxiety and depression questionnaires, as well as the World Health Organisation Wellbeing Index and

¹³ Stephen Clayton et al., *Assembling the Evidence Jigsaw: Insights from a Systematic Review of UK Studies of Return to Work Initiatives for Disabled and Chronically Ill People* (Public Health Research Consortium, 2010).

¹⁴ Nick Coleman, Wendy Sykes, and Carola Groom, *What Works for Whom in Helping Disabled People into Work?* (Department for Work and Pensions, 2013), 9.

¹⁵ *Ibid.*

¹⁶ Jan Shury et al., *Off-Flows Potentially to Employment Destination Report* (Department for Work and Pensions, 2010).

¹⁷ House of Commons Public Administration Select Committee, *Public Engagement in Policy-Making, Second Report of Session 2013-14*, HC 75 (London: The Stationery Office, 2013).

¹⁸ Christian van Stolk et al., *Psychological Wellbeing and Work: Improving Service Provision and Outcomes* (Department for Work and Pensions, Department of Health, RAND Europe, 2014).

a Job Search Self-Efficacy scale. All three pilots generated improvements on these measures,¹⁹ and 15 of the 240 IPS in IAPT pilot participants achieved paid employment.²⁰ However, these pilots were not specifically focused on ESA claimants (the Telephone Support and Group Work pilots were targeted at JSA claimants), and in the absence of control groups, the evaluations cannot confirm that any positive outcomes were the result of the specific interventions.²¹

1.3 Cause for optimism?

1.3.1 The Work Programme

The design and delivery of employment support programmes for disabled people has been a priority for successive governments, and, despite there not yet being a robust evidence base, the outcomes and costs of the Work Programme indicate that progress has been made. As Figure 2 shows, employment outcomes of at least 13 weeks on the Work Programme has maintained or improved on the level of previous programmes, but at a lower cost – a finding also reported by the National Audit Office (NAO).²²

Figure 2: Outcomes and costs of employment support programmes since the New Deal for Disabled People

Programme	Outcomes	Cost per outcome
New Deal for Disabled People	By the end of 2006, around 42 per cent of total registrations had achieved a job entry (measured as day one in work). ²³ Of those achieving a job entry by August 2006, 57 per cent achieved sustained employment (lasting 13 or more weeks). ²⁴ This translates to a 13-week job outcome rate of around 24 per cent.	The DWP estimate that cost per job entry was between £2,000 and £3,000 whereas cost per sustained job was between £4,000 and £5,000. ²⁵
Pathways to Work (PtW)	18 per cent of starts on provider-led PtW and 17 per cent of starts on JCP-led PtW achieved a job entry across the whole programme (measured as day one in work). ²⁶	The NAO estimated that the cost of PtW to the end of March 2009 was £2,942 per job entry. ²⁷

19 Karen Steadman and Rosemary Thomas, *An Evaluation of the "IPS in IAPT" Psychological Wellbeing and Work Feasibility Pilot* (The Work Foundation, 2015); NatCen Social Research, *Evaluation of the Telephone Support Psychological Wellbeing and Work Feasibility Pilot* (Department for Work and Pensions, 2015); NatCen Social Research, *Evaluation of the Group Work Psychological Wellbeing and Work Feasibility Pilot* (Department for Work and Pensions, 2015).

20 Steadman and Thomas, *An Evaluation of the "IPS in IAPT" Psychological Wellbeing and Work Feasibility Pilot*.

21 Ibid.; NatCen Social Research, *Evaluation of the Telephone Support Psychological Wellbeing and Work Feasibility Pilot*; NatCen Social Research, *Evaluation of the Group Work Psychological Wellbeing and Work Feasibility Pilot*.

22 National Audit Office, *The Work Programme*, 2014.

23 Department for Work and Pensions, "Department for Work and Pensions Tabulation Tool, Data to November 2015", Accessed July 2016; Stafford, *New Deal for Disabled People: Third Synthesis Report – Key Findings from the Evaluation*.

24 Stafford, *New Deal for Disabled People: Third Synthesis Report – Key Findings from the Evaluation*.

25 David Greenberg and Abigail Davis, *Evaluation of the New Deal for Disabled People: The Cost and Cost-Benefit Analyses* (Department for Work and Pensions, 2007).

26 Gary Gifford, *Provider-Led Pathways to Work: Official Statistics* (Department for Work and Pensions, 2011).

27 The National Audit Office, *Support to Incapacity Benefits Claimants through Pathways to Work*, 2010.

Programme	Outcomes	Cost per outcome
Work Choice	<p>For the Q4 2013-14 cohort (latest full available data), 50 per cent of starts achieved a supported or unsupported job outcome (measured as work <i>expected</i> to last at least 13 weeks).</p> <p>22 per cent achieved a sustained unsupported job outcome (measured as unsupported work lasting at least six months).²⁸</p>	<p>Data availability for the cost of Work Choice is poor, and <i>Reform</i> Freedom of Information requests were rejected.</p> <p>However, a DWP report on Residential Training Colleges compares them to Work Choice, and estimates that in 2011-12, the average cost per 13-week job outcome on Work Choice was £30,000.²⁹</p>
Work Programme	<p>For the December 2013 cohort (latest available data), job outcomes (measured as 13 weeks in work) by payment group were:³⁰</p> <ul style="list-style-type: none"> > New ESA excluding 12 month prognosis: 20.8 per cent > New ESA 12+ month prognosis only: 12 per cent > ESA ex-Incapacity Benefit: 5.1 per cent. 	<p>The maximum 13-week job outcome payment for New ESA claimants is £1,200 and for ESA ex-IB claimants is £3,500.³¹</p> <p>(When sustainment payments are included, this rises to £6,500 and £13,720, respectively.)</p>

1.3.2 Individual Placement and Support

Multiple randomised control trials (RCTs) suggest the IPS approach is more effective than other approaches in securing and sustaining competitive employment outcomes for people with severe mental health conditions.³² For example, a five-year follow-up study comparing IPS users with users of traditional vocational services (based on a 'train-place' model) found the mean number of weeks worked annually was 21.4 for IPS users compared with 7.4 for vocational service users over the five-year period.³³ Another study found the average tenure of employment after starting work was 214 days for IPS users in comparison with only 108 days for vocational service users.³⁴ Such evaluations have led to widespread support for the IPS model across the welfare-to-work and health sectors.³⁵ The NHS states that:

*The IPS employment model is internationally recognised as the most effective way to support people with mental health problems and/or addictions to gain and keep paid employment. It is based on over 20 years of research.*³⁶

An evidence-based approach to employment support is the right one. However, there are a number of problems with extrapolating the results of IPS trials. Firstly, the narrow eligibility criteria for IPS trials means that widespread effectiveness for the whole ESA cohort cannot be assumed. The majority of IPS interventions are limited to those with

28 Department for Work and Pensions, *Work Choice: Official Statistics*, 2016.

29 Department for Work and Pensions, *Residential Training Provision – Independent Advisory Panel Report*, 2013.

30 Department for Work and Pensions, "Work Programme Statistical Summary: Data to 31 March 2016," June 2016.

31 House of Commons Work and Pensions Committee, *Can the Work Programme Work for All User Groups? First Report of Session 2013-14*, HC 162 (London: The Stationery Office, 2013).

32 Gary Bond, Robert Drake, and Deborah Becker, 'Generalizability of the Individual Placement and Support (IPS) Model of Supported Employment Outside the US,' *World Psychiatry* 11, no. 1 (2012); Tom Burns, Jocelyn Catty, and EQOLISE Group, 'IPS in Europe: The EQOLISE Trial,' *Psychiatric Rehabilitation Journal* 31, no. 4 (2008); R Crowther et al., 'Vocational Rehabilitation for People with Severe Mental Illness,' *Cochrane Database of Systematic Reviews*, no. 2 (2001).

33 Holger Hoffmann et al., 'Long-Term Effectiveness of Supported Employment: 5-Year Follow-Up of a Randomized Controlled Trial,' *American Journal of Psychiatry* 171, no. 11 (2014).

34 Tom Burns et al., 'The Effectiveness of Supported Employment for People with Severe Mental Illness: A Randomised Controlled Trial,' *The Lancet* 370, no. 9593 (2007).

35 Central and North West London NHS, 'Individual Placement and Support (IPS) Service,' Webpage, (2016).

36 Ibid.

severe mental health conditions.³⁷ A 2014 report by RAND Europe found that “IPS is effective for people with severe mental health conditions”, but that “there is only anecdotal evidence on its effectiveness for people with common mental health problems from specific locations in the UK.”³⁸ Similarly, for claimants with physical disabilities, there is no evidence to support an IPS model. Given it is estimated that two-thirds of sickness absence and long-term incapacity is due to mild to moderate conditions,³⁹ and that musculoskeletal conditions are the second most common impairment of ESA claimants,⁴⁰ IPS, together with other approaches to employment support for disabled people, must be more widely trialled before their suitability for the whole ESA cohort can be determined. Islington council have identified this evidence gap and recently tendered for a trial of IPS for people with physical health conditions.⁴¹

Secondly, the recruitment method of IPS studies limits the generalisability of their results. Participants of many IPS studies are recruited through health rather than welfare services.⁴² This means that participants include people who have been unemployed for a relatively short time, for example, six months,⁴³ and may therefore be closer to the labour market than many ESA claimants – over 50 per cent of whom have already been on the benefit for more than two years.⁴⁴ Equally, some participants may not claim benefits, indicating they have either a support network in place or financial assets. The lack of cross-over between IPS study samples and the ESA claimant cohort generates significant questions about the extent to which the IPS evidence base can be used to design welfare-to-work programmes.

Nonetheless, the results are certainly worthy of further testing, and welfare-to-work providers can learn from the IPS principles.

Figure 3: The key principles of Individual Placement and Support

- | | |
|---|---|
| 1 | Focus on competitive employment |
| 2 | Everyone who wants to participate can; nobody is required to |
| 3 | Early job search rather than pre-employment training |
| 4 | Integration of employment support and mental health treatment |
| 5 | Attention to customer job preferences |
| 6 | Time-unlimited and individualised support |

Source: Gary Bond, ‘Supported Employment: Evidence for an Evidence-Based Practice’, *Psychiatric Rehabilitation Journal* 27, no. 4 (2004).

37 Lisa Ottomanelli, Scott Barnett, and Rich Toscano, ‘Individual Placement and Support (IPS) in Physical Rehabilitation and Medicine: The VA Spinal Cord Injury Experience.’ *Psychiatric Rehabilitation Journal* 37, no. 2 (June 2014); Judith Cook et al., ‘Integration of Psychiatric and Vocational Services: A Multisite Randomized, Controlled Trial of Supported Employment,’ *The American Journal of Psychiatry* 162, no. 10 (October 2005).

38 van Stolk et al., *Psychological Wellbeing and Work: Improving Service Provision and Outcomes*.

39 Gordon Waddell and A Kim Burton, *Is Work Good for Your Health and Well-Being?* (Department for Work and Pensions, 2006).

40 Ed Holmes, Hannah Titley, and Charlotte Pickles, *Employment and Support Allowance: The Case for Change* (Reform, 2015).

41 British Association for Supported Employment, ‘Islington Tenders for IPS Provider,’ Webpage, (2016).

42 Tom Burns et al., ‘A Randomised Controlled Trial of Time-Limited Individual Placement and Support: IPS-LITE Trial,’ *The British Journal of Psychiatry* 207, no. 4 (October 2015); Cook et al., ‘Integration of Psychiatric and Vocational Services: A Multisite Randomized, Controlled Trial of Supported Employment.’

43 Burns et al., ‘A Randomised Controlled Trial of Time-Limited Individual Placement and Support: IPS-LITE Trial.’

44 DWP tabulation tool. Data to November 2015. Accessed July 2016.

1.4 Best practice

Though the initiatives that have been developed and tested in the UK and abroad over the last 20 years have not, as yet, provided a conclusive evidence base applicable to the whole ESA cohort, they have nevertheless highlighted approaches most likely to be characteristic of effective models.

1.4.1 Early intervention

Supportive interventions at an early stage of unemployment are crucial to the future work prospects of claimants.⁴⁵ There is strong evidence that spells out of work lead to ‘unemployment scarring’, whereby future employment and earning prospects are damaged.⁴⁶ Moreover, the longer the spell of unemployment, the more detached people become from the labour market, reducing the likelihood of returning to work and thus exacerbating the scarring effect.⁴⁷ It is unsurprising, then, that effective employment support should focus on minimising the period of unemployment, a key principle underpinning the IPS model, through early intervention.

The success of early placement is, however, contingent on strong in-work support. In IPS programmes, this typically takes the form of on-going engagement with a ‘job coach’, who will usually have been the principal point of contact throughout the job placement process. However, such support can also be offered in the form of ‘on-the-job’ training. This focuses on providing the employee with the necessary skills to perform the job whilst concurrently maintaining and building the discipline and confidence associated with a regular working routine.⁴⁸

1.4.2 Personalisation

Many ESA claimants have varied and complex needs. Effective support services must, therefore, be personalised so that the particular needs of the claimant and the most appropriate support can be identified.

Personalisation is also supported by the IPS literature, which finds that the length of initial job tenure is longer when individual claimants’ job preferences and strengths are taken into consideration.⁴⁹ In his 2008 report, *Realising Potential*, Paul Gregg argues that “increased flexibility...would target those in need of more intensive help...breaking down benefit dependency at its root.”⁵⁰ There is also an appetite for personalisation amongst service users: based on a qualitative study of service user experiences in London, the Learning and Work Institute and London Councils suggest “[e]mployment support must be flexible and personalised, in reflection of the diversity and complexity of individual circumstances.”⁵¹

1.4.3 Co-location

The efficacy of employment support can also be increased through co-location with rehabilitative health services. Pilots that integrated the IAPT programme staff with employment advisers observed increased service usage as a result of integration.⁵² Though the effects on employment status were statistically insignificant, the pilot

45 OECD, *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings Across OECD Countries* (Paris: OECD Publishing, 2010).

46 Wiji Arulampalam, Paul Gregg, and Mary Gregory, ‘Unemployment Scarring,’ *The Economic Journal* 111, no. 475 (2001); Daniel Cooper, *The Effect of Unemployment Duration on Future Earnings and Other Outcomes* (Federal Reserve Bank of Boston, 2014).

47 Carol Black and David Frost, *Health at Work – an Independent Review of Sickness Absence* (Department for Work and Pensions, 2011).

48 Stephany Carolan, *Employment in Mind* (The Poppy Factory and Centre for Mental Health, 2016).

49 Gary Bond, ‘Supported Employment: Evidence for an Evidence-Based Practice,’ *Psychiatric Rehabilitation Journal* 27, no. 4 (2004): 355.

50 Paul Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support* (Department for Work and Pensions, 2008), 12.

51 Jane Harrison, *Personal Experiences of Employment Support in London* (London Councils, 2015), 3.

52 Terence Hogarth et al., *Evaluation of Employment Advisers in the Improving Access to Psychological Therapies Programme* (Department for Work and Pensions, 2013).

evaluation acknowledged that more disadvantaged users were referred to employment advisers but that outcomes were on par with other IAPT users.⁵³ This suggests that the disadvantage may have been addressed by the advisers. Greater service use and high levels of user satisfaction were also reported across a range of co-location initiatives between health and social care services,⁵⁴ indicating that the combination of services can make them more accessible to some users. These results have been echoed in research undertaken into co-locating the Pathways Advisory Service in general practitioner (GP) surgeries, which also reported significant increases in employment service use as a direct consequence of co-location.⁵⁵ In addition, 91 per cent of patients rated the meeting with their Pathway Service Adviser as “quite” or “very” useful.⁵⁶

Not only can co-location increase the use of employment services, but it has been shown to facilitate greater levels of professional and informal communication between different service providers, improving efficiency, mutual understanding and operational cohesiveness.⁵⁷ This is essential for providing an integrated service based on a meaningful recognition of the health benefits of employment. The importance of such integration is discussed in more detail later in the report.

1.4.4 Employment advisers

The role of the employment adviser is also of great importance in determining how effective an employment support programme will be.⁵⁸ High-quality advisers can play an instrumental role in assessing a participant’s barriers to work and identifying ways in which to help overcome them. A pilot conducted by the Behavioural Insights Team, for example, found an increase in benefit off-flow of five per cent following a revision to job adviser training.⁵⁹ A DWP evaluation also found that varying levels of adviser adherence to a system for conducting client interviews (the “PIGEEP” structure) led to discrepancies in how well client skills and barriers were identified.⁶⁰ Depending on the programme, advisers may also serve as a ‘job broker’, combining an understanding of a claimant’s preferences and barriers with knowledge of the local labour market to find suitable vacancies. The previous report in this series emphasised the importance of specialist employment advisers, with an understanding of different clients’ needs and significant scope for discretion in the planning of the claimant’s support programme.⁶¹

An interviewee for this report went so far as to describe the quality of the client-adviser relationship as the “active ingredient in getting a job.” However, ensuring high quality employment advisers through the design of the programme is difficult owing to the importance of ‘soft’, interpersonal skills which are not necessarily captured by formal qualifications.⁶² Nevertheless, research into the key skills for employment advisers has informed the development of training programmes that, in initial trials, have shown positive results.⁶³ Given the central role of the adviser in moving people back to work, such training initiatives would likely feature in an ideal model.

53 Ibid.

54 Ailsa Cameron et al., *Factors That Promote and Hinder Joint and Integrated Working between Health and Social Care Services* (Social Care Institute for Excellence, 2012).

55 Roy Sainsbury et al., *The Pathways Advisory Service: Placing Employment Advisers in GP Surgeries* (Social Policy Research Unit, University of York, 2008).

56 Ibid., 34.

57 Cameron et al., *Factors That Promote and Hinder Joint and Integrated Working between Health and Social Care Services*.

58 Chris Hasluck and Anne Green, *What Works for Whom? A Review of Evidence and Meta-Analysis for the Department for Work and Pensions* (Department for Work and Pensions, 2007).

59 The Behavioural Insights Team, *The Behavioural Insights Team: Update Report 2013-2015*, 2015.

60 Anne Bellis et al., *Identifying Claimants’ Needs: Research into the Capability of Jobcentre Plus Advisers* (Department for Work and Pensions, 2011).

61 Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits*.

62 Abigail Davis, Elspeth Pound, and Bruce Stafford, *New Deal for Disabled People Extensions: Examining the Role and Operation of New Job Brokers* (Department for Work and Pensions, 2006).

63 David Imber, *Why Are Certain Employment Support Skills Important?* (Vocational Rehabilitation Consultants, 2013).

1.5 Conclusion

Despite the implementation of successive programmes designed to help claimants with a disability or health condition make the transition from welfare into employment, the evidence-base of what works is limited. The 'black box' approach – in which providers are left to deliver the interventions they see fit – is an important feature of welfare-to-work programmes, but is opaque. JCP does not even measure job outcomes, never mind what might help achieve them. IPS has a strong evidence-base, but for a limited cohort. Early intervention, personalisation, co-location of services and the quality of employment advisers all, however, seem to matter. These are characteristics that future programmes must build on. Fundamentally, innovation and robust evaluation are needed to find out what works for whom – the following chapters lay out how this might be achieved.

2

Towards devolution?

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Government policy has a clear direction towards greater devolution and localised approaches.⁶⁴ There is cross-party support for this:⁶⁵ ten devolution deals have been agreed to date and a further 34 proposals were received from local areas in England in September 2015.⁶⁶ The deals aim to achieve broadly-framed objectives to support economic growth, public-service reform and improved local accountability.⁶⁷

Employment and skills provision has been a key part of this story. Combined authorities who are furthest towards devolution are piloting local welfare-to-work programmes.⁶⁸ “Integration with local partners” has been prioritised as a bid criterion for the new Work and Health Programme, showing that the DWP is serious about moving forward on this agenda.⁶⁹ Moreover, the new national programme will be co-commissioned in Manchester and London, with a further ten local authorities piloting co-commissioning,⁷⁰ and five others involved in co-designing the programme.⁷¹

Despite increasing appetite for greater localisation of welfare-to-work provision,⁷² the budget for employment services remains largely centralised: for most areas, contracts are commissioned at a national level and the DWP is responsible for the performance management of prime providers.⁷³ This enables economies of scale, simplifies the procurement process and keeps the responsibility for supporting claimants into work with the Department paying the benefit bill. It has been argued, however, that central commissioning limits the ability to integrate services at a local level.⁷⁴ Despite the Work Programme’s black box providing flexibility for providers to deliver joined-up services, implementation has lacked the formal involvement of local government. This means that services are too often duplicated and data-sharing barriers persist.⁷⁵

For claimants with complex barriers to work, including health conditions, this is problematic – many would likely benefit from a holistic approach which brings together multiple services. At a local level, services can be linked more easily – through joint-commissioning, shared-outcome frameworks and data sharing⁷⁶ – in a way that top-down contracts struggle to achieve.⁷⁷ Pooled funding across health, housing and employment services would help to deliver a coordinated approach and local government should be more attuned to regional needs and priorities.⁷⁸ Together, this could lead to better employment outcomes at lower cost and deliver efficiency savings by avoiding duplication of services.⁷⁹

Devolution of welfare-to-work services must, however, consider the capacity and capability of local government to effectively design, commission and performance manage programmes.⁸⁰ Devolution proposals for England must recognise that local capacity varies. For this reason, the following chapter presents recommendations for a national programme which is principally commissioned and performance managed by the

64 Mark Sandford, *Devolution to Local Government in England* (House of Commons Library, 2016).

65 The Education and Training Foundation, ‘Leading in Local Areas,’ Webpage, (2015).

66 National Audit Office, *English Devolution Deals*, 2016.

67 Ibid.

68 Sandford, *Devolution to Local Government in England*.

69 Department for Work and Pensions and HM Treasury, ‘Department for Work and Pensions’ Settlement at the Spending Review,’ Press release, (November 25, 2015).

70 “Councils and DWP to Agree Disability Employment Scheme Devolution Pilots,” *Public Sector Executive*, June 9, 2016.

71 Local Government Association, *LGA Background Note – Work and Health Programme*, 2016.

72 National Audit Office, *English Devolution Deals*.

73 House of Commons Work and Pensions Committee, *Welfare-to-Work, Second Report of Session 2015–16*, HC 363 (London: The Stationery Office, 2015).

74 Francesca Froy et al., *Building Flexibility and Accountability Into Local Employment Services: Synthesis of OECD Studies in Belgium, Canada, Denmark and the Netherlands* (OECD, 2011).

75 Nathan Hudson-Sharp, Jonathan Portes, and Heather Rolfe, *Local Authority Schemes Supporting People towards Work* (National Institute of Economic and Social Research, 2015); Jayne Banks et al., *Employment Support Services: Making the Work Programme Work Better* (G4S, 2013).

76 Dan Finn, *Welfare to Work Devolution in England* (Joseph Rowntree Foundation, 2015).

77 Rob Whiteman et al., *Aligning Public Services: Strategies for Local Integration* (Public Finance, 2015).

78 Robert Jay Dilger and Eugene Boyd, *Block Grants: Perspectives and Controversies* (Congressional Research Service, 2014).

79 Magdalena Flatscher-Thoni, Roland Rapold, and Oliver Reich, ‘An Empirical Investigation of the Efficiency Effects of Integrated Care Models in Switzerland,’ *International Journal of Integrated Care* 12 (January 2012); Mila Garcia-Barbero and Oliver Grone, ‘Integrated Care: A Position Paper of the WHO European Office for Integrated Health Care Services,’ *International Journal of Integrated Care* 1 (June 2001).

80 Finn, *Welfare to Work Devolution in England*.

DWP. Alongside this, however, central government should use the contract duration to facilitate capacity-building amongst those local areas that could benefit from it, and who wish to have the welfare-to-work budget devolved to them. Akin to the approaches in Greater Manchester and London, these areas should be required to pilot suitably scaled welfare-to-work programmes to demonstrate capability and refine their approach.

For combined authorities who are further along their devolution journey and can demonstrate their capacity to deliver better employment outcomes than a national welfare-to-work programme, the Government should use this time to begin exploring the potential for devolving not only the programme budget, but also the benefit bill. This would give regions complete autonomy over welfare provision and ensure that the benefits bill and welfare-to-work provision remain linked. This can be achieved through block grants, which are already used in the United States, Germany and the Netherlands.⁸¹ The reward (savings) of successfully reducing the benefit bill during the period of the block grant would go to local government, but equally the risk of the bill going up due to poor programme performance would be shouldered by them.

2.1 Building local capability and capacity

Devolving the welfare-to-work budget to local government should be a gradual process. As the OECD note, government must “avoid a ‘chicken and egg’ situation in relation to capacities”, whereby the present lack of capacity at a local level blocks policies allowing them to ever develop it.⁸² On the other hand, one interviewee for the paper commented that devolution to Manchester had been too rapid. To avoid either situation, capacity must be built over time, by involving local stakeholders in designing, commissioning and performance managing welfare-to-work programmes. In addition, the Government should provide opportunities to demonstrate this capability by “devolving whenever possible where the accountability risk is judged to be minimal”, and “piloting innovative actions in small groups of areas.”⁸³

Integrated service delivery is being piloted in several local areas. West London Alliance (WLA)'s *Working Places, Working People* coordinates JCP, housing providers, education, health and youth services to deliver holistic employment support.⁸⁴ Fiscal benefits of the programme over a 10-year period are projected to be £2.9 million.⁸⁵ *Working Places, Working People* is also expected to deliver non-monetised results including improved individual wellbeing, and result in reduced usage of other public services, for example health:

*By adopting a positive and inclusive approach across the entire workless population, we hope to reduce inequalities and raise aspirations... We expect reduced demands on public services particularly council services, over a period of years as a result of people moving into work and being more economically independent.*⁸⁶

Integration of services with employment support is also a key feature of Greater Manchester Combined Authority's programme *Working Well*. The pilot was set up to support 5,000 participants and has expanded to support an additional 10,000 people.⁸⁷ The programme targeted moving 20 per cent of these into a job, with 15 per cent of them remaining in work for 12 months.⁸⁸ The design of the programme broadly resembles that of the Work Programme: it is delivered by two providers – *Biglife* and *Ingeus* – who

81 Ibid.

82 Froy et al., *Building Flexibility and Accountability Into Local Employment Services: Synthesis of OECD Studies in Belgium, Canada, Denmark and the Netherlands*, 76.

83 Ibid.

84 West London Alliance, *West London Community Budget: Working Places, Working People Pilot Programme, Full Business Case*, 2014.

85 Ibid.

86 Ibid., 4, 50.

87 Matthew Ainsworth, 'Devolution – Expansion of Working Well and Co-Commissioning of the Work Programme' (Manchester City Council Economy Scrutiny Committee, October 28, 2015).

88 Interview for this report.

receive payments both for job starts and sustained job outcomes.⁸⁹

This model is overseen by the *Working Well* Integration Board which includes representatives of those services supporting *Working Well* clients. A key worker is responsible for coordinating and sequencing support services for the individual.⁹⁰ The level of integration, however, goes beyond service delivery to pooling of budgets as the pilot is financed through local welfare-to-work, health and adult skills budgets.⁹¹ This helps to ensure ownership for delivering employment outcomes across all service areas.

The early results of *Working Well* show it underperforming against its target. Two years after the implementation of *Working Well* the pilot had achieved 207 job outcomes – just over 4 per cent of their first cohort.⁹² This compares to job outcomes achieved for 11.4 per cent of the first cohort of New ESA claimants excluding 12 month prognosis claimants on the Work Programme, and 8.3 per cent of 12 month prognosis claimants only.⁹³ Although the early results of *Working Well* seem underwhelming, the pilot was only allowed to accept participants who did not qualify for any DWP programme and total payments per claimant are less than half that of both group 6a and 6b.⁹⁴ This makes it difficult to compare the results directly with those of the Work Programme. Other possible benefits, such as reduced use of other services, have also not been evaluated. The lack of evidence on the effectiveness of local programmes indicates a need to evaluate the pilots over a longer period of time. Similarly, assigning the same types of claimants to local programmes as the mainstream welfare-to-work programme is important to fairly evaluate pilot effectiveness.

2.1.1 Enabling local pilots

Establishing an employment support pilot fund would enable the DWP to expand on the current limited number of pilots by allowing local areas to bid for sponsorship of pilot programmes of a similar scale to *Working Well*. DWP would have to consider what type of activities the funding should support, which is likely to vary by region. Given that the Government is testing the potential of integration to deliver better employment outcomes, it would be reasonable to assume that the purpose of this funding should primarily be to help pay for employment outcomes rather than the integration process itself. This is similar to the funding agreements between DWP and combined authorities with devolution deals, whereby funding is for the payment by results (PbR) element of local pilots. For *Working Well*, the DWP fund 80 per cent of programme costs and the ten local authorities fund the remaining 20 per cent.⁹⁵ In order to secure funding from the pilot fund, the local area would have to present a compelling business case. This could include established regional boards, planned service integration with the financial and administrative commitment of the requisite service areas, and proven interest from welfare-to-work providers.

Once the pilot is established, participants should be referred randomly to either the centrally commissioned programme or local pilot. This would create a 'quasi-RCT' allowing for a direct comparison of the pilot programme's effectiveness with the centrally commissioned service. Further devolution of the employment support budget should be dependent on demonstrable pilot success. This would allow local areas to build administrative capacity whilst minimising the risk to government and the taxpayer.

89 Scott Dickinson, *Interim Evaluation of Working Well* (Big Life Enterprises, 2015).

90 Angela Harrington, 'Working Well' (Manchester City Council Economy Scrutiny Committee, March 11, 2015).

91 Tony Lloyd and Sir Howard Bernstein, 'Budget March 2016 Announcement: Further Devolution to Greater Manchester,' March 18, 2016; Ainsworth, 'Devolution – Expansion of Working Well and Co-Commissioning of the Work Programme.'

92 Interview for this report

93 Department for Work and Pensions, 'Work Programme Cohort Data to March 2016,' 2016.

94 House of Commons Work and Pensions Committee, *Can the Work Programme Work for All User Groups? First Report of Session 2013-14*, chap. 5.

95 Harrington, 'Working Well.'

Recommendation 1:

The Government should establish a local employment support pilot fund. This would financially support local welfare-to-work pilots that could be used to build and demonstrate capability and capacity in local government. Further devolution should be subject to pilot performance.

2.2 Block grants

There are several barriers to effective integration such as different workplace cultures, coordinating services administratively, and data sharing.⁹⁶ In addition, for social security, there is considerable risk in devolving the welfare-to-work budget when it is a key lever in managing the benefit caseload. Devolution of this budget to local authorities removes this lever – as long as benefits are paid centrally, DWP retains the risk of paying the benefit bill but no control over the efficacy of the programmes designed to reduce it. Conversely, local bodies would have responsibility for the design and delivery of the programme, with little fiscal accountability for success. Devolution of the welfare-to-work budget in isolation is, therefore, problematic.

Devolution of the welfare-to-work budget and benefit bill through block grants is an approach taken in other countries such as the USA,⁹⁷ Germany and the Netherlands.⁹⁸ Block grants are transferred from central to local government to assist them in delivering broad services such as public health, social services, and welfare-to-work.⁹⁹ Significant discretion is given to local governments in how to spend the money. The aim is to allow them more freedom to design programmes, simplify administration, and improve access to services.¹⁰⁰ In Germany and the Netherlands, the main reason for localised provision was greater integration of employment services.¹⁰¹

Block grants are not, however, 'no strings attached' funding. Local governments bear responsibility for paying federal out-of-work benefits and must meet accountability requirements.¹⁰² This means that there are strong incentives for federal states to move people off benefits and into work, as they are able to carry forward the savings from a reduced benefit spend if their programme is successful.¹⁰³ Equally, they must cover the cost of increases in the benefit caseload if local programmes underperform.¹⁰⁴ In the United States, federal states receive block grants to address broad purposes such as law enforcement, community development and unemployment.¹⁰⁵ States must contribute local funds to support block-grant funded programmes¹⁰⁶ and all federal grants of over \$100,000 must be audited.¹⁰⁷ Data reporting and work-activity requirements have also been attached to some welfare grants such as Temporary Assistance for Needy Families (TANF).¹⁰⁸

The TANF block grant was designed to fund a wide range of benefits and services for low-income families with children.¹⁰⁹ Following the introduction of TANF block grants in 1996, the number of families receiving cash assistance fell from five million to 1.6 million in

96 Grant Thornton, *Implementing Mergers and Consolidation across the Public Sector*, 2010; NHS England, *Integrated Care and Support Pioneer Programme: Annual Report 2014* (NHS England, 2015).

97 Dilger and Boyd, *Block Grants: Perspectives and Controversies*.

98 Finn, *Welfare to Work Devolution in England*.

99 Dilger and Boyd, *Block Grants: Perspectives and Controversies*.

100 Margy Waller, 'Block Grants: Flexibility vs. Stability in Social Services,' *The Brookings Institution Policy Brief: Center on Children & Families* 34 (December 2005).

101 Finn, *Welfare to Work Devolution in England*.

102 Ibid.; Dilger and Boyd, *Block Grants: Perspectives and Controversies*.

103 United States General Accounting Office, *Welfare Reform: Early Fiscal Effects of the TANF Block Grant*, 1998.

104 R. Kent Weaver, *The Structure of the TANF Block Grant* (The Brookings Institution, 2002).

105 Dilger and Boyd, *Block Grants: Perspectives and Controversies*.

106 The Center on Budget and Policy Priorities, *Policy Basics: An Introduction to TANF*, 2015.

107 Ron Haskins, *Means-Tested Programs, Work Incentives, and Block Grants* (The Brookings Institution, 2012).

108 Ibid.

109 Congressional Budget Office, *Temporary Assistance for Needy Families: Spending and Policy Options*, 2015.

March 2015,¹¹⁰ with caseloads dropping by over 60 per cent between 1997 and 2015.¹¹¹ TANF has most profoundly impacted the employment rate for women: the proportion participating in unsubsidised employment has increased from 57.3 per cent before TANF funded programmes were introduced, to 67.4 per cent in 2014.¹¹² Evaluations of TANF concluded that states were using their freedom to “transform the nation’s welfare system into a work-focused, temporary assistance program” and were using their resources to “shift the emphasis from entitlement to self-sufficiency, enhancing support services, and increasing work participation rates.”¹¹³ Local TANF support has proven successful in increasing labour market participation – of single mothers in particular – and enabling federal states to increase support for working families, advancement for low-earners, and develop initiatives to tackle youth unemployment.¹¹⁴

Local governments in the UK are calling for greater autonomy over budgets, allowing them to pool local budgets, jointly commission services and design programmes that are responsive to local labour market needs. It is important that the transition to localised control is carefully managed. However, the Government should consider whether handing over budgetary control without the associated welfare bill risk is advisable. On this basis, if the Government is serious about devolution, block grants must be considered as a possible end goal. This would ensure that responsibility for programme design and delivery is not disaggregated from risk, and that local government have the flexibility to join up services in a strategic way.

Recommendation 2:

In the long term, the Government should explore the possibility of using a block-grant model to progress the devolution of welfare to combined authorities who have established their capability to deliver integrated and successful programmes at scale. This would give local government the flexibility to join up services, devolving both autonomy and accountability.

2.3 Conclusion

Devolution is seen as the way forward in delivering integrated public services, including in employment support. The concept is a good one – local agencies are better placed to bring multiple services together around users. There is as yet, however, limited evidence that locally commissioned and managed welfare-to-work programmes are actually delivering improved job outcomes. Much more needs to be done to pilot local models and DWP should work with local areas to build capabilities. They should also provide funding to help enable local pilots. These pilots should run alongside a nationally delivered programme. In the longer-term, government should explore the possibility of devolving both welfare-to-work and benefit budgets to local areas via block grants. This would resolve the tension between devolving a key lever in managing the benefit bill (employment programmes), whilst retaining the cost of potential programme failure (higher benefit spend).

110 Gene Falk, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions* (Congressional Research Service, 2016).

111 The Center on Budget and Policy Priorities, *Policy Basics: An Introduction to TANF*.

112 Elizabeth Lower-Basch, *TANF 101: Work Participation Rate* (CLASP, 2016).

113 United States General Accounting Office, *Welfare Reform: Early Fiscal Effects of the TANF Block Grant*, 5.

114 Ron Haskins, *Welfare Reform, Success or Failure?* (The Brookings Institution, 2006).

3

The future model

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Successive governments have used an outsourced model of employment support for good reasons. Whilst jobseekers requiring light-touch, temporary help can be adequately served by JCP, claimants with more significant barriers to work require more intensive, personalised services involving specialist expertise.

JCP is not well placed to provide this at scale: it does not have the capacity or the diversity of specialist skills required. Even with the greater investment the Government is putting in to JCP, it cannot hope to cover all the possible support needs of hard-to-help claimants – diverse supply chains can do a better job of this. In addition, financial-risk shift cannot happen in a JCP-delivered welfare-to-work model – PbR is only possible where capital is invested by private or third-sector providers. For these compelling reasons, the Government should outsource employment provision for everyone needing anything more than low level help.

3.1 Programme participation

In the current system, the level of employment support a claimant receives is based principally on the out-of-work benefit they claim, which for people with a disability or health condition is determined by the Work Capability Assessment (WCA). Benefits are a poor proxy for a claimant's distance from the labour market and level of need. The Work and Pensions Select Committee has called for welfare-to-work provision to be based on a "characteristic-based" assessment of barriers to work, echoing the calls of its predecessor for a more sophisticated approach to claimant segmentation.¹¹⁵ Back in 2011 the Centre for Economic and Social Inclusion published a paper on the importance of assessment, identifying the need to take into account "attitudes and motivations" in addition to characteristics.¹¹⁶ A more holistic model is, they argued, "likely to be more appropriate for customers with diverse and complex needs".¹¹⁷

The much-criticised WCA also conflates benefit eligibility and capacity for work, inadvertently encouraging claimants to focus on demonstrating how sick they are, rather than engaging in an open conversation about what they might do with support.¹¹⁸ As the previous paper in this series argued, introducing a single out-of-work allowance and abolishing the WCA are necessary precursors to a more personalised approach to support and conditionality. To achieve this, *Working Welfare* proposed a radically different assessment model.¹¹⁹

Building on Universal Credit (UC), *Reform* proposed that the Government should implement a single online application for a new single-rate benefit. The assessment should include a basic administrative assessment to determine eligibility, plus a 'Proximity to the Labour Market Diagnostic' and health questionnaire to determine a claimant's distance from work (see Figure 4). Unlike the binary 'pass/fail' WCA, the assessment would take a broad view of a claimant's multiple barriers to work, including educational attainment, family background, housing, and 'biopsychosocial' factors. It would capture the characteristics, attitudes and motivations that help determine the level of support a claimant really needs.

It would also inform which conditionality regime the claimant would be assigned to and the intensity of work-related activity required of them. To accommodate fluctuating conditions and changes in claimants' circumstances, well-trained employment advisers would then be given a high degree of discretion in how they apply that conditionality.¹²⁰

¹¹⁵ House of Commons Work and Pensions Committee, *Welfare-to-Work, Second Report of Session 2015–16*.

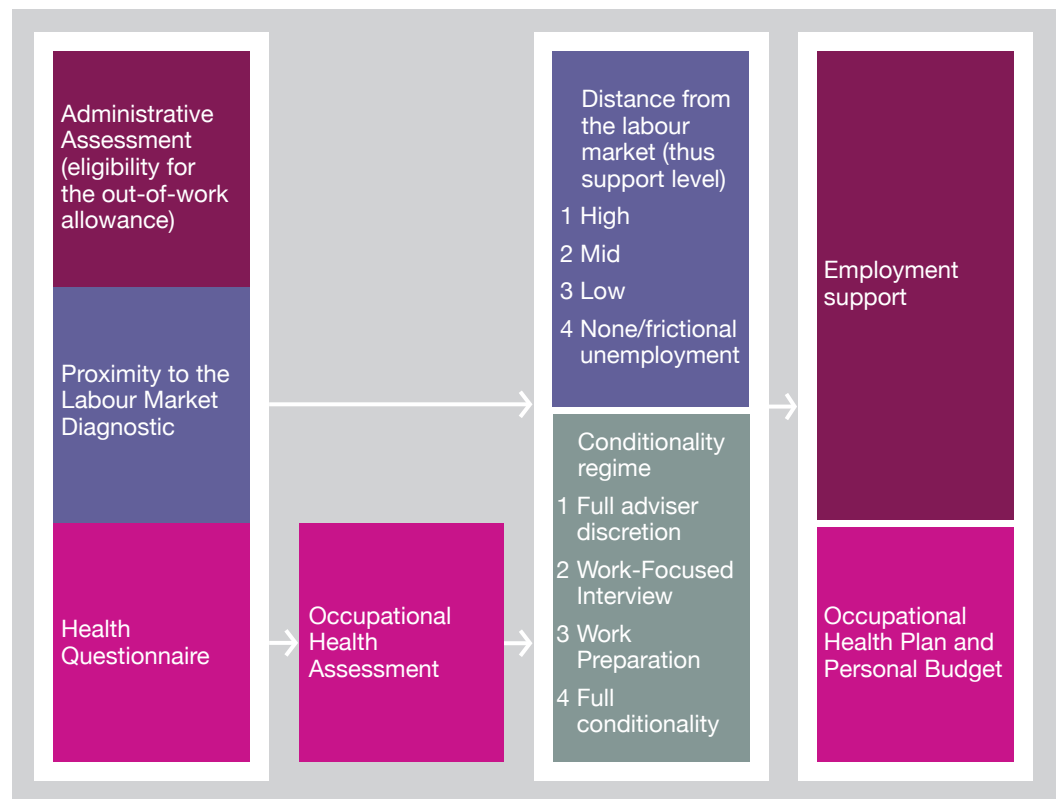
¹¹⁶ Nick Coleman and Fran Parry, *Opening up Work for All: The Role of Assessment in the Work Programme* (Centre for Economic and Social Inclusion, 2011).

¹¹⁷ *Ibid.*, 18.

¹¹⁸ Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits*.

¹¹⁹ *Ibid.*

¹²⁰ *Ibid.*

Figure 4: Proposed Universal Credit assessment model

Source: Charlotte Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits (Reform, 2016)*.

3.1.1 Claimant segmentation

The employment-support programme laid out in this chapter is designed for claimants whose point score places them in one of the two middle groups. For claimants in group four, with low barriers to work, a 'light touch' menu of generic support delivered by JCP is sufficient – many will move into work independently and hence allocating significant resources to them would build in avoidable deadweight cost.

Claimants in group one, however, should be able to volunteer to participate in a support programme. In this instance, participants should be informed of the options available and the process they would follow if they choose to engage. This is crucial given that more than half of ESA claimants say that they "want to work"¹²¹ and that many disabled people, including those with significantly limiting disabilities, do work.¹²² Once a claimant has volunteered for a programme, they would be mandated to participate with adviser discretion to flex conditionality to accommodate changing circumstances and fluctuating conditions.

The need for mandation in employment programmes is practical: using a PbR model, providers are required to invest in personalised support and rely on being able to work with the claimant to achieve outcomes. Without this guarantee, referral volumes are likely to be low and the cost-effectiveness of interventions is limited and valuable resources are directed away from other claimants. This is evidenced by poor take-up and drop-out rates on voluntary welfare-to-work programmes. An evaluation of the NDDP, for example, points out that only 3.1 per cent of those eligible volunteered for the programme in the year ending 2006.¹²³ Between November 2013 and 2014, only around 1.2 per cent of

¹²¹ Department for Work and Pensions, *A Survey of Disabled Working Age Benefit Claimants*, 2013, 38.

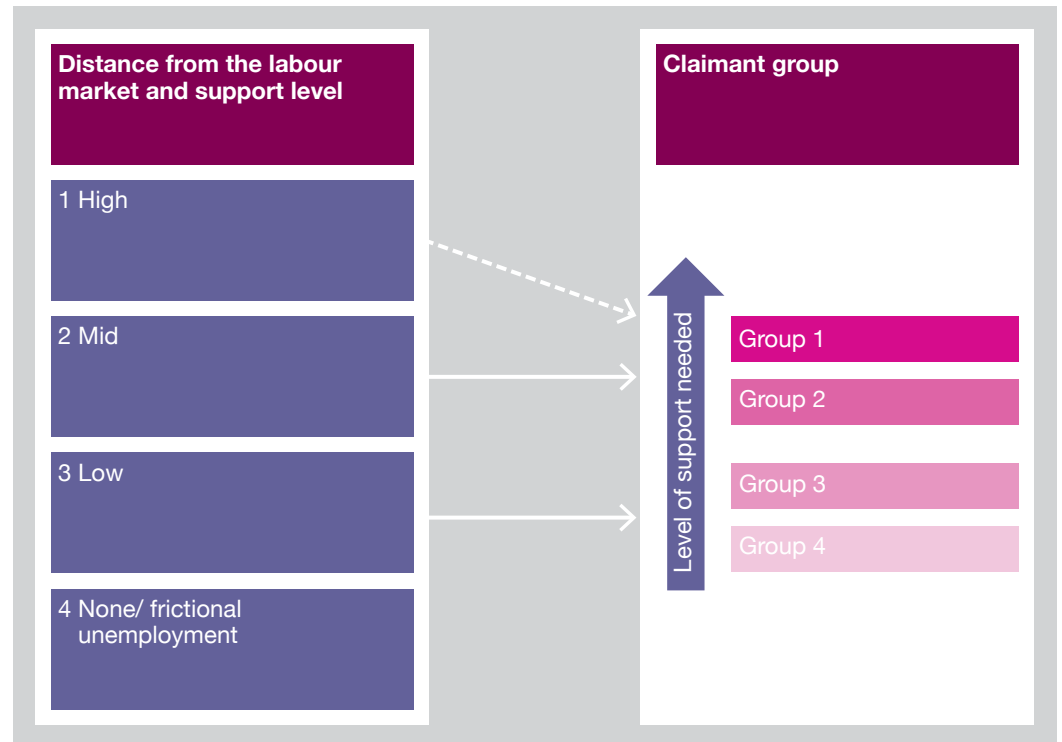
¹²² Papworth Trust, *Disability in the United Kingdom 2016: Facts and Figures*, 2016, 42.

¹²³ Stafford, *New Deal for Disabled People: Third Synthesis Report – Key Findings from the Evaluation*, 1.

ESA claimants eligible to volunteer for the Work Programme did so.¹²⁴ For Work Choice, an average of 22 per cent of those referred have failed to attach to the programme,¹²⁵ whilst for *Working Capital*, this figure is 38 per cent.¹²⁶

With simplicity the aim, the two groups should subdivide into four groups to help shape the payment model for employment support services (see Figure 5) and, for the reasons above, participation should be mandatory.

Figure 5: New claimant groups



3.1.2 Referral mechanism

On the Work Programme, participants are randomly referred to a prime provider by JCP.¹²⁷ The volume of referrals is dictated by a provider's market share¹²⁸ and DWP does not contractually guarantee the volume of claimants per provider.¹²⁹

The referral mechanism is a key lever of performance management. Using JCP as a 'middle man', DWP is able to change referral volumes so that the highest performing providers are rewarded with a greater market share.¹³⁰ For this reason, the current referral mechanism for claimants who are mandated to engage in employment support should be retained. At the start of a contract, the volume of referrals should be split equally between providers in a Contract Package Area (CPA). The referral volume should then shift in line with provider performance.

Work Programme providers in the UK have been encouraged to market directly to non-mandated claimants on ESA – and, until March 2015, claimants of Incapacity Benefit and

¹²⁴ Department for Work and Pensions, "Work Programme Statistical Summary: Data to 31 March 2016"; Department for Work and Pensions, "Department for Work and Pensions Tabulation Tool, Data to November 2015."

¹²⁵ Department for Work and Pensions, "Work Choice Official Statistics: Data to March 2016."

¹²⁶ Kamal Motalib, 'Welcome to Working Capital,' June 29, 2016.

¹²⁷ European Social Fund, *Work Programme Provider Guidance: Chapter 1 – Introduction and Overview* (Department for Work and Pensions, 2016).

¹²⁸ Ibid.

¹²⁹ Ibid.

¹³⁰ European Social Fund, *Work Programme Provider Guidance: Chapter 11 – Market Share Shift* (Department for Work and Pensions, 2016).

Income Support (payment group eight)¹³¹ – to encourage them to participate in the Work Programme. This is, however, completely undermined by the random allocation of these participants by JCP, which means that volunteers will not necessarily be referred to the provider who did the outreach work.¹³² This is a clear disincentive for providers to engage with claimants who are furthest from work and who could benefit most from support. It is essential, therefore, that random allocation is not used for voluntary participants. Volunteers should be able to choose the provider they wish to work with, with information and guidance provided by JCP as needed.

This recommendation was made in 2014 by a best practice taskforce set up by the DWP.¹³³ The Department accepted the recommendation but has not clarified whether it will be included in future employment support programmes, including the proposed Work and Health Programme.

Recommendation 3:

Claimants who participate voluntarily should have a choice of provider. The Department for Work and Pensions should not use a random allocation policy for employment support volunteers.

3.2 Design framework

3.2.1 The black box and minimum service levels

Black-box contracting has been a feature of the major employment programmes since NDDP (see Figure 1). Rather than delivering a ‘one-size-fits-all’ approach, providers can draw on their expertise to personalise support for claimants in a way that reflects the local labour market.¹³⁴ Coupled with the PbR model, the black box is designed to stimulate innovation and, as a result, lead to the delivery of more effective services.¹³⁵ In a report on *Tackling worklessness through innovation*, Nesta cited the Work Programme as a “key space for innovation”, in part due to the freedom providers have to deliver within a black box.¹³⁶ Providers interviewed for this paper also favour the black box model. A review of voluntary and private sector providers undertaken in the Summer of 2013 found that the “principle has widespread support” and “contribute[s] to better outcomes for programme users.”¹³⁷

As discussed in Section 1.2, however, the opaqueness of the black box makes it difficult to assess the extent to which innovation is actually taking place within the Work Programme. Evaluations of the programme suggest that it has not been as effective in driving innovation as initially anticipated. In a 2014 report DWP stated that there was “limited evidence of innovation in service design and delivery at the prime provider or subcontractor level.”¹³⁸ Reports suggest that this is not through a failure of the black-box model, but a combination of design features such as the performance-management regime and payment model.¹³⁹ The use of a 100 per cent PbR payment model may also

131 House of Commons Work and Pensions Committee, *Can the Work Programme Work for All User Groups? First Report of Session 2013-14*, chap. 5.

132 European Social Fund, *Work Programme Provider Guidance: Chapter 1 – Introduction and Overview*.

133 Department for Work and Pensions, *Work Programme: Best Practice Report – DWP Response*, 2014. For the full list of organisations who participated in this task force, see page 4.

134 Department for Work and Pensions and The European Social Fund, *The Work Programme*, 2012.

135 Ibid.

136 Jo Casebourne and Nick Coleman, *Making It Work: Tackling Worklessness through Innovation* (Nesta, 2012).

137 ACEVO and Shaw Trust Work Programme Review Group, *Refinement or Reinvention? The Future of the Work Programme and the Role of the Voluntary Sector*, 2013.

138 Centre for Economic and Social Inclusion et al., *Work Programme Evaluation: Operation of the Commissioning Model, Finance and Programme Delivery* (Department for Work and Pensions, 2014), 121.

139 Centre for Economic and Social Inclusion and NIACE, *Welfare to Work and Reaching the Hardest to Help: Written Evidence to the Work and Pensions Committee from the Centre for Economic and Social Inclusion and NIACE*, 2015; House of Commons Work and Pensions Committee, *Welfare-to-Work, Second Report of Session 2015-16*.

have limited investment in testing new ideas.¹⁴⁰

In practice providers of the Work Programme have not been free to test and learn. Although there are no mandatory service components, in their bids providers were required to define a minimum level of service that each participant would receive.¹⁴¹ Minimum Service Levels (MSLs) are designed to protect individuals from being “parked”.¹⁴² They help DWP to hold providers accountable, ensuring every participant has access to an adequate standard of service.

These service levels are enforced by DWP performance managers.¹⁴³ The current approach to MSLs is, however, problematic. Providers have argued that they saw the model submitted in the bidding process as an outline of the service they intended to deliver, rather than a binding arrangement. This, they argue, has prevented them from being able to flex provision during live running in order to meet client needs and refine services based on lessons learnt.¹⁴⁴ The inflexibility of rigid MSLs has also been noted in interviews conducted for this report, with one prime provider claiming that “the black box has become increasingly grey”.

The wide variability of MSLs amongst primes,¹⁴⁵ and in some cases the vagueness of their offer,¹⁴⁶ has also been cited as a concern. In their recent inquiry, the Work and Pensions Select Committee found that the standards “vary greatly in detail and measurability”, and that some were “so vague as to permit providers to virtually ignore some participants if they so choose.”¹⁴⁷ Variability should not in itself be a concern – that is the point of a black box that allows providers to deliver the best model they see fit – but the Committee’s argument that there were insufficient safeguards to ensure that all participants receive an appropriate service level is valid.¹⁴⁸ They recommended introducing a “single set of measurable minimum standards” which could be applied by all providers.¹⁴⁹

Although this would guarantee a level of service for all participants, it would undermine the concept of a black-box model. Unlike provider-led MSLs, universal minimum standards challenge the basic principle that providers have the expertise and local insight to know what is best for their customers. Instead, providers would be performance managed against a single set of centrally-driven service levels, which, needing to reflect the wide variation in local labour markets, user needs and provider approaches, would need to be either overly prescriptive or completely vague. Neither of these is an attractive option. Moreover, specifying one-size-fits-all MSLs run contrary to the repeated calls for truly personalised programmes.¹⁵⁰

Providers should be afforded real flexibility in their delivery model (the black box), matched by rigorous performance management and appropriate financial incentives to move all participants into work. The Government should, therefore, return to the original intention of the black box – to leave frontline professionals to use their expertise in tailoring support to individual claimants – and avoid prescription, which inevitably leads to a focus on inputs rather than outcomes.

As such, providers should retain responsibility for setting and delivering against MSLs. The offer should be detailed in the initial bid, but be reviewed and amended as

140 Centre for Economic and Social Inclusion and NIACE, *Welfare to Work and Reaching the Hardest to Help: Written Evidence to the Work and Pensions Committee from the Centre for Economic and Social Inclusion and NIACE*.

141 Pippa Lane et al., *Work Programme Evaluation: Procurement, Supply Chains and Implementation of the Commissioning Model* (Department for Work and Pensions, 2013), 9.

142 “Work Programme Not Reaching the Most Disadvantaged Say MPs,” *The Age and Employment Network*, 21 May 2013.

143 Lane et al., *Work Programme Evaluation: Procurement, Supply Chains and Implementation of the Commissioning Model*.

144 *Ibid.*, 3.

145 House of Commons Work and Pensions Committee, *Can the Work Programme Work for All User Groups? First Report of Session 2013-14*, chap. 6.

146 “Work Programme Not Reaching the Most Disadvantaged Say MPs.”

147 House of Commons Work and Pensions Committee, *Welfare-to-Work, Second Report of Session 2015-16*, 24.

148 “Work Programme Not Reaching the Most Disadvantaged Say MPs.”

149 House of Commons Work and Pensions Committee, *Can the Work Programme Work for All User Groups? First Report of Session 2013-14*, chap. 6.

150 *Ibid.*, 39.

appropriate during live running. DWP should provide guidelines on the level of detail expected in bids to ensure that MSLs are measurable.

Recommendation 4:

Providers should submit Minimum Service Levels as part of their bid. The offer should be sufficiently detailed for the Department for Work and Pensions to hold providers to account. However, in live running the Minimum Service Levels must be able to be amended, with the Department's permission, as providers learn more about which interventions are most effective for their target cohort.

3.2.2 Programme length

Participants stay on the Work Programme for up to two years. After achieving a job outcome, providers can claim sustainment payments every four weeks for up to one year, eighteen months or two years depending on a participant's distance from the labour market.¹⁵¹ The Coalition Government argued that "[t]his gives providers longer than in previous UK welfare-to-work programmes to build a relationship with each participant, and to personalise support to meet their needs."¹⁵² Sustainment payments ensure that providers keep people in work, either in the job they originally moved in to or by helping them quickly find another job if that one does not work out.¹⁵³ The Employment Related Services Association (ERSA) consider an optimum duration to be two years or more,¹⁵⁴ and private and voluntary-sector providers have supported the Work Programme length:

[T]he programme gives providers up to two years to work with individual clients and help them back to work. This is an important strength of the Work Programme, as the complex and varied needs of many Work Programme participants could not be adequately addressed over a shorter time period. It also gives providers time, if they are unsuccessful in placing somebody into a sustained job, to try a second time to help them into a different role, although sometimes even two years is not long enough for those facing particularly significant barriers to employment.¹⁵⁵

Clearly employment programmes must strike a balance: they must be long enough to adequately support long-term unemployed jobseekers, but short enough to be cost-effective. In interviews for this report, there was a split in opinion over the optimal programme length. Some providers suggested that two years was too short to support those with very complex needs. Other interviewees believed that two years was adequate, and one expert argued that a shorter, one-year programme may be more effective.

There is some evidence to suggest that shorter, more intensive programmes can have a positive motivational effect leading participants to move into work more quickly. A randomised control trial found only relatively small performance discrepancies between IPS programmes of nine months and traditional 18-month programmes for claimants with a mental-health condition: the proportion finding work of at least one day in the 18-month follow up period was 5 per cent lower in the shorter programme, whilst the proportion staying in work for at least 13 weeks was 6 per cent lower.¹⁵⁶ 'IPS-LITE' is therefore considered more cost-effective than other IPS programmes.¹⁵⁷ However, whilst in small pilot programmes performance differences of 5 and 6 per cent are relatively small, such discrepancies effect a significant number of people when delivered on a national scale. It

¹⁵¹ Department for Work and Pensions and The European Social Fund, *The Work Programme*.

¹⁵² *Ibid.*, 10.

¹⁵³ Department for Work and Pensions and The European Social Fund, *The Work Programme*.

¹⁵⁴ Employment Related Services Association, *ERSA Response to: Scottish Devolution (Further Powers) Committee Consultation on Scotland Bill Draft Clauses*, 2015.

¹⁵⁵ ACEVO/Shaw Trust Work Programme Review Group, *Refinement or Reinvention? The Future of the Work Programme and the Role of the Voluntary Sector*, 2013, 15.

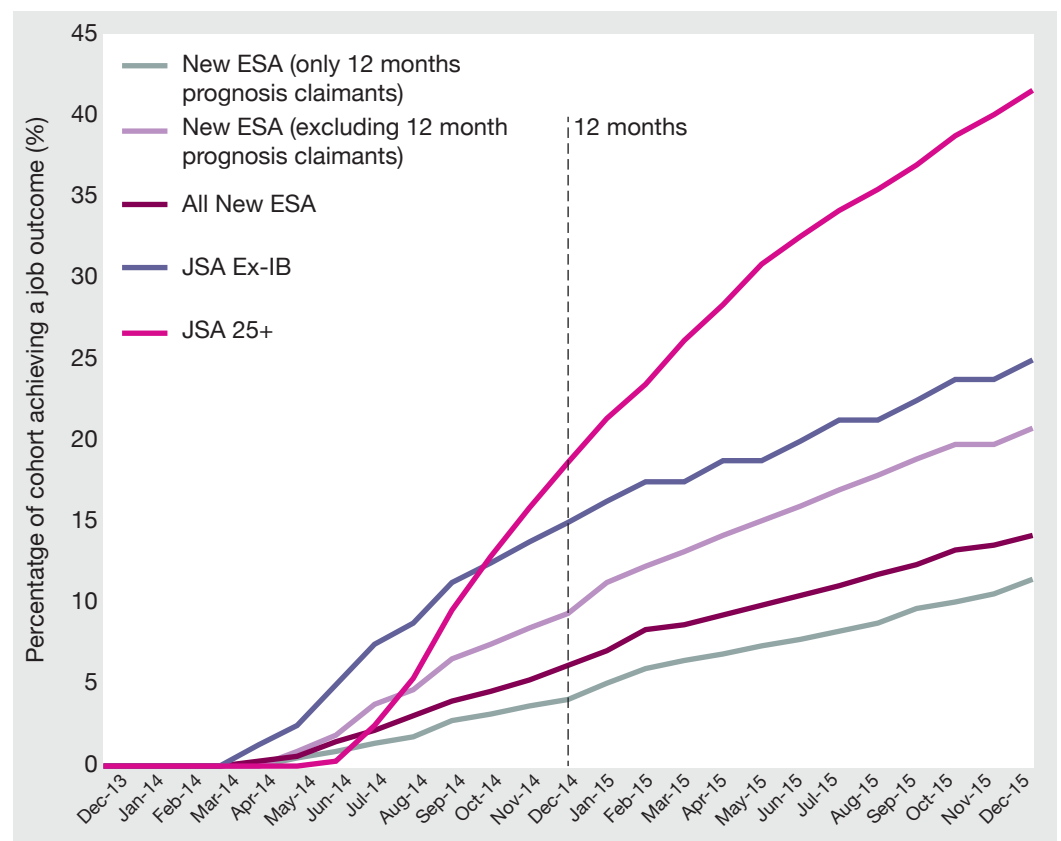
¹⁵⁶ Burns et al., 'A Randomised Controlled Trial of Time-Limited Individual Placement and Support: IPS-LITE Trial.'

¹⁵⁷ *Ibid.*

is also difficult to extrapolate from the findings: participants had mental-health conditions of a severity that meant they were in contact with a community-health team. To fully assess the value of these shorter programmes, it is essential to measure their effectiveness for benefit claimants with multiple barriers to work, including those with common mental health problems and physical disabilities.

The argument made by the Coalition Government that a longer programme is more appropriate for people who are further from the labour market appears to be borne out by Work Programme statistics. As Figure 6 shows, job outcome rates for ESA participants are higher in the second year of the programme than during the first 12 months.¹⁵⁸ Of the new ESA claimants who achieved a job outcome in the latest cohort for which full two-year job outcome data is available, 43.6 per cent did so in year one compared to 56.4 per cent in year two.¹⁵⁹

Figure 6: Proportion of Work Programme December 2013 cohort achieving a job outcome



Source: Department for Work and Pensions, *Work Programme Statistics*, March 2016

Without a fuller understanding of provider and participant behaviour, it is hard to fully understand the relationship between programme duration and job outcomes. For example, providers might work more intensively with participants if they had less time, and this could have either a positive or negative impact on participant motivation. It may also be that the steady trend of job outcomes would continue over a third year. The DWP should therefore consider piloting programmes of different lengths in order to better understand the best duration for delivering value for money (the optimal outcomes-to-cost balance). In the meantime, given the Work Programme job-outcome statistics and market support for a two-year programme, there is no clear case for changing this.

¹⁵⁸ Department for Work and Pensions, "Work Programme Statistical Summary: Data to 31 March 2016."

¹⁵⁹ Ibid.

Recommendation 5:

The Government should retain a two-year programme length, but pilot programme durations ranging from nine months to three years to understand if there is a better duration that delivers improved value for money.

3.2.3 The funding envelope

The funding envelope must strike a balance between providing sufficient incentives for providers and ensuring value for money for the taxpayer. This is difficult when there is limited evidence around what works meaning the cost of successfully supporting different cohorts into work is unclear.¹⁶⁰

There is, however, a strong case to suggest that Work Programme funding has been too low to adequately incentivise providers to invest in the hardest to help. A 2014 Centre for Economic and Social Inclusion analysis of the Work Programme suggested that significant increases in Work Programme performance could have been delivered with only relatively modest increases in funding – if spend per ESA claimant had been the expected £1,170 rather than the actual £690, they predict that job outcomes would have been 20 per cent higher.¹⁶¹ The lower levels of investment resulted from a combination of lower than expected performance (meaning fewer outcome payments), an eroding attachment fee and lower referrals.¹⁶² The recommendations in this report go some way to addressing these, but the overall investment should still be considered. The OECD has also argued that higher investment is needed: “[t]here is some evidence to suggest that parking has occurred within the Work Programme and higher levels of funding would be necessary to address this.”¹⁶³

Given the substantial benefits to the Exchequer (both in terms of benefit expenditure saved and tax taken) of moving ESA claimants into work, there is a strong argument for being less conservative in the allocation of programme funding. This means offering higher payments for moving the very hardest to help into sustained employment. Using the now largely abandoned ‘AME/DEL’ switch (where programme spend is taken from future benefit savings) would minimise costs to the Exchequer.

In his 2007 report, the now Lord Freud estimated the annual saving to the state of moving an IB claimant into work at £9,000.¹⁶⁴ Once the average period of time spent on benefits is accounted for – eight years – he estimated that moving such a claimant into long-term work would save the State £62,000.¹⁶⁵ Accurately projecting the average claim duration for ESA claimants is difficult as the benefit is relatively new and IB claimants were still being migrated as recently as March 2014.¹⁶⁶ Current ESA average claim periods are therefore shorter than those for IB, despite many claimants having spent several years on IB immediately prior to being migrated. However, claim duration trends and benefit off-flow rates give no reason to assume that claimants will spend less time on ESA than they did on IB. Between November 2013 and November 2015, the number of people who had been claiming ESA for between six and 12 months and one to two years fell by 47 and 31 per cent respectively. Over the same period, the number who had been claiming for two to five years almost trebled and the caseload claiming for more than five years increased to over 25 times the size. This is despite the overall cohort size increasing by 19 per cent over the two-year period (see

160 National Audit Office, *Outcome-Based Payment Schemes: Government's Use of Payment by Results*, 2015, 18.

161 Timothy Riley, Paul Bivand, and Tony Wilson, *Making the Work Programme Work for ESA Claimants* (Centre for Economic and Social Inclusion, 2014), 6.

162 Riley, Bivand, and Wilson, *Making the Work Programme Work for ESA Claimants*.

163 OECD, *Connecting People with Jobs: Activation Policies in the United Kingdom* (Paris: OECD Publishing, 2014), 225.

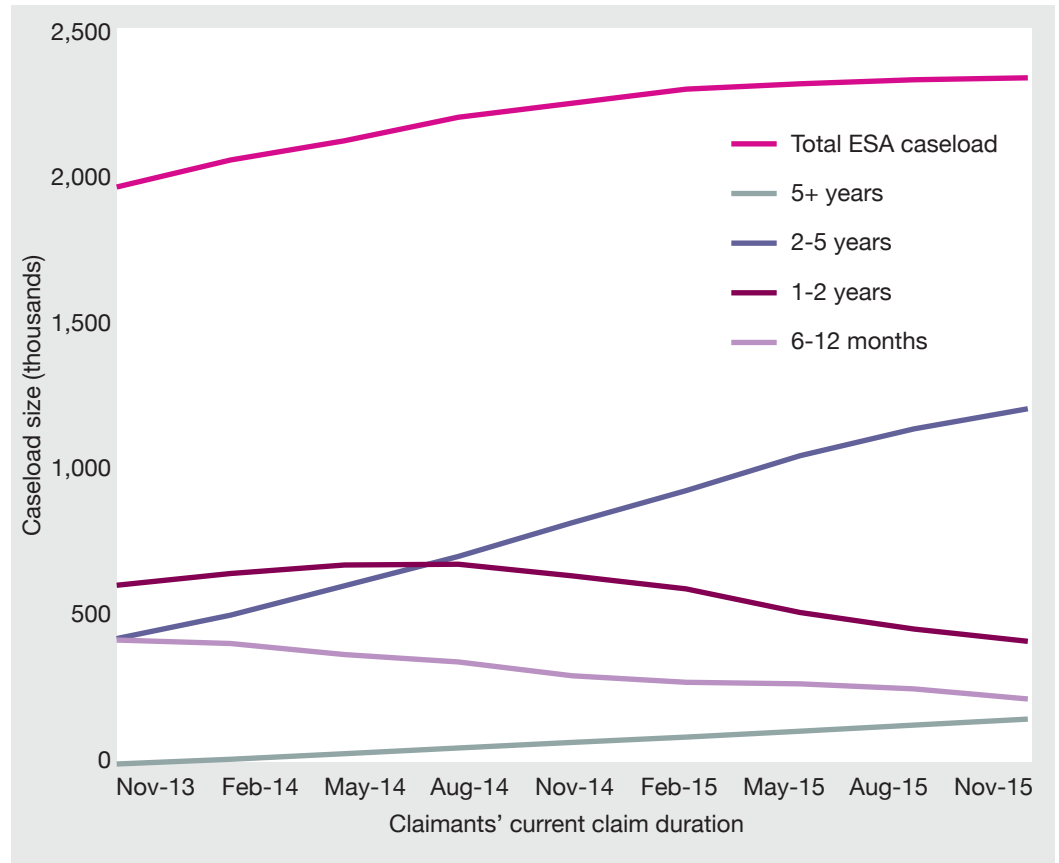
164 David Freud, *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work* (Department for Work and Pensions, 2007), 7.

165 *Ibid.* 8.

166 Steven Kennedy, *Incapacity Benefit Reassessments* (House of Commons Library, 2014), 5.

Figure 7).¹⁶⁷ This trend in increasing duration on benefit combined with an average monthly off-flow from the WRAG of just 0.7 per cent between August and November 2015, for example, indicates ESA will replicate IB.¹⁶⁸

Figure 7: Claim duration caseload change, November 2013-15



Source: Department for Work and Pensions, *Tabulation tool, Data to November 2015*, accessed July 2016.

Freud's estimates can, therefore, offer a sensible proxy for the value to the Exchequer of an ESA claimant finding long-term work. This demonstrates the significant capacity to increase investment in moving the very hardest to help into work – the current maximum payment in the Work Programme is £13,720 less than a quarter of Freud's 2007 figure of £62,000. The new ESA payment group is around a tenth. Even assuming ESA claimants supported into work remain there for two years, this means a payment of up to £18,000.

The social and economic benefits of delivering a step change in employment outcomes for ESA claimants is huge and the Government should be willing to pay appropriately for success. An accelerator-payment model (detailed below) that is outcomes-based and uses the AME/DEL switch, minimises the financial exposure of government whilst properly incentivising providers to support those with even the most complex barriers to work. As such, the Government should be prepared to spend considerably more per participant at the upper levels of the accelerator than the current pricing for the hardest-to-help Work Programme participants.

¹⁶⁷ Department for Work and Pensions, "Department for Work and Pensions Tabulation Tool, Data to November 2015." 6-12 months: 431.63 – 229.37. 1-2 years: 619.73 – 427.26. 2-5 years: 436.65 – 1225.72. 5+ years: 6.1 – 160.25. Overall ESA cohort: 1986.94 – 2361.85.

¹⁶⁸ Ibid. Tab tool. Aug 2015: 465,860. Nov 2015: 453,690. Difference: 12,170. Monthly average: 3,043.

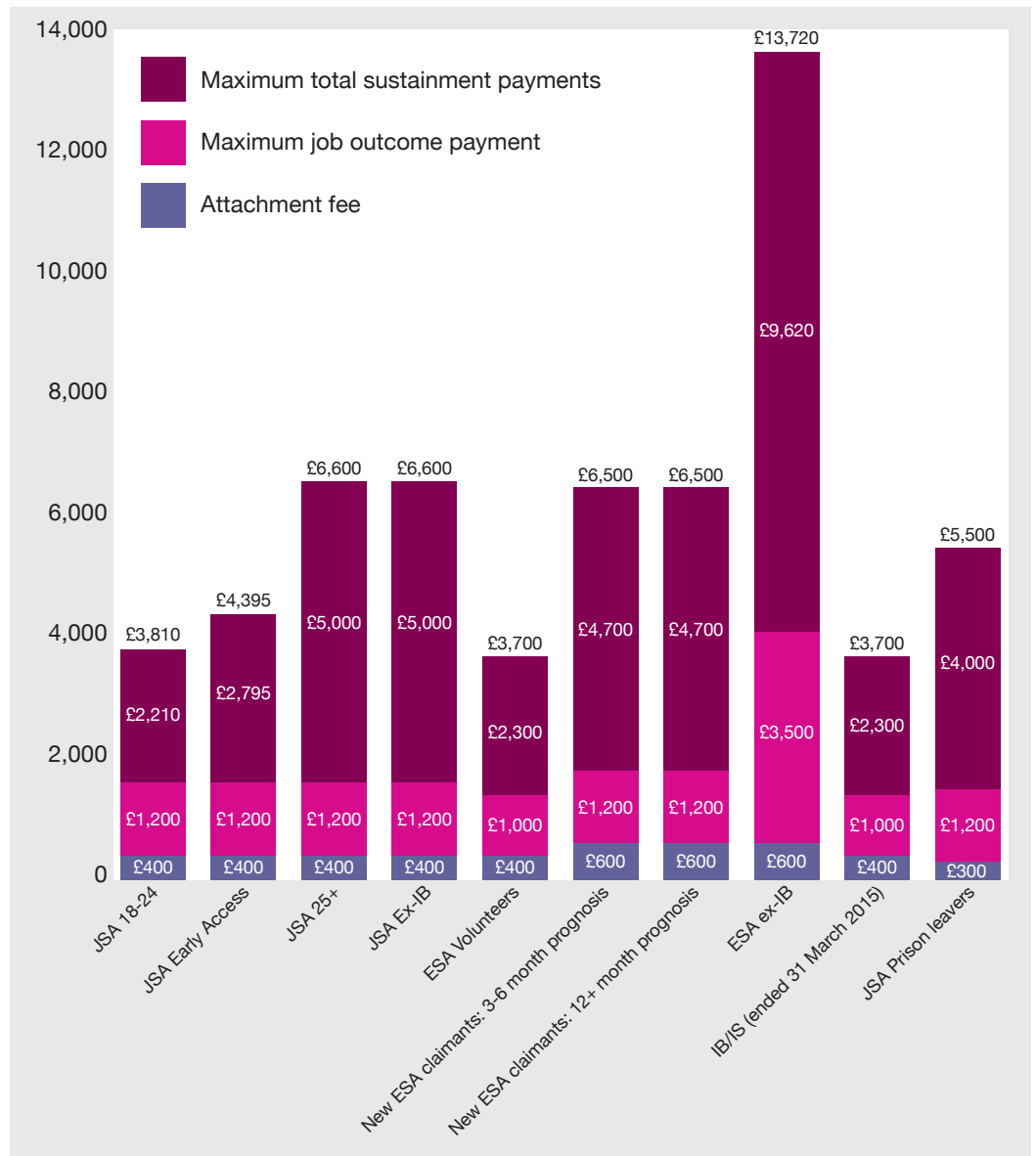
Recommendation 6:

The Government should revert back to using an AME/DEL switch. Total outcome payments (i.e. combined job outcome and sustainment) for the very hardest-to-help participants should be significantly higher than in the Work Programme.

3.2.4 Payment model

The Work Programme receives referrals from JCP, who allocate claimants to one of nine 'Payment groups' (See Figure 8).¹⁶⁹ Claimants are assigned to a group largely based on their benefit type.¹⁷⁰ As shown in Figure 8, differential pricing is used to reflect distance from the labour market, with higher payments for more challenging claimant groups.

Figure 8: Work Programme differential payment model



Source: House of Commons Work and Pensions Committee, *Can the Work Programme Work for All User Groups? First Report of Session 2013-14*, 2013.

169 House of Commons Work and Pensions Committee, *Can the Work Programme Work for All User Groups? First Report of Session 2013-14*, chap. 5.
 170 Ibid.

The Work Programme differential pricing model was designed to incentivise providers to support all participants.¹⁷¹ In practice, however, this has not worked. As discussed in Section 3.1, categorisation by benefit type is considered a crude measure of the barriers to work a claimant may face.¹⁷² There is also consensus amongst experts and providers that the payment model is unnecessarily complicated due to the volume of payment groups. In addition, the difference between pricing across some groups is not sufficient to drive provider behaviour.¹⁷³

The Proximity to the Labour Market Diagnostic and health questionnaire, discussed in Section 3.1, combined with a more effective payment model, would help to address these issues.¹⁷⁴

Paying for sustained jobs

Paying for services that deliver the intended outcomes is essential for ensuring value for money. In welfare-to-work, this means paying for services that deliver sustained job outcomes, rather than services that may appear conducive to, but do not actually translate into, increased employment. An emphasis on payment for outcomes shifts the financial risk of failure from the Department to the provider, incentivising success – this was the premise behind the Work Programme’s PbR model.¹⁷⁵

Whilst the optimal balance between attachment, job-entry and job-outcome payments is not well evidenced, analysis of previous UK welfare-to-work programmes is instructive. Some programmes have placed the emphasis on job entry, seeing the principal challenge as moving a participant into work. This was the approach taken in the NDDP and the provider-led PtW programmes. Though it is not possible to obtain the exact payment structure for NDDP as payments varied between Job Brokers, the payment model shows the majority of the available payments were for service fees and job entry.¹⁷⁶ On the provider-led PtW programme, service fees represented 30 per cent and job entry 50 per cent of the total available payments.¹⁷⁷

These payment structures do not appear to have been as effective at incentivising sustained employment as the Work Programme, which pays for job outcomes and continued time in work. The NDDP, for example, had impressive rates of job entry – around 240,000 of the 372,000 who registered with a Job Broker up to 2007 moved into work¹⁷⁸ – but sustainment rates were less impressive. The NAO estimated that the average duration of initial employment from NDDP was 33 weeks, with only 40 per cent remaining in work for at least 12 months.¹⁷⁹ This, they argue, is because “mainstream employment programmes have placed limited emphasis on sustainable employment”.¹⁸⁰ Available data for the sustainment rates for PtW is limited, but the NAO estimated that just over one in four participants had been on the programme before, indicating “continued movement between employment and benefits.”¹⁸¹

In the Work Programme, there has been an average of 13 sustainment payments per job outcome for payment group 6a (new ESA 3-6 month prognosis) – translating into 65

171 Ibid.

172 James Rees, Adam Whitworth, and Eleanor Carter, *Support for All in the UK Work Programme? Differential Payments, Same Old Problem* (Third Sector Research Centre, 2013).

173 House of Commons Work and Pensions Committee, *Welfare-to-Work, Second Report of Session 2015–16*, chap. 5; ACEVO and Shaw Trust Work Programme Review Group, *Refinement or Reinvention? The Future of the Work Programme and the Role of the Voluntary Sector*; Maximus, ‘Written Evidence WTW0016 to the House of Commons Work and Pensions Committee Welfare-to-Work Inquiry,’ 2015; Gingerbread, ‘Written Evidence WTW0031 to the House of Commons Work and Pensions Committee Welfare-to-Work Inquiry,’ 2015; National Housing Federation, ‘Written Evidence WTW0020 to the House of Commons Work and Pensions Committee Welfare-to-Work Inquiry,’ 2015.

174 Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits*.

175 Chris Grayling, ‘Powerful Ideas,’ Speech, (February 3, 2011).

176 Lane et al., *Work Programme Evaluation: Procurement, Supply Chains and Implementation of the Commissioning Model*, 6.

177 OECD, *Connecting People with Jobs: Activation Policies in the United Kingdom* (Paris: OECD Publishing, 2014), 238.

178 Department for Work and Pensions, “Department for Work and Pensions Tabulation Tool, Data to November 2015.”

179 National Audit Office, *Sustainable Employment: Supporting People to Stay in Work and Advance* (The Stationery Office, 2007), 17.

180 Ibid., 19.

181 The National Audit Office, *Support to Incapacity Benefits Claimants through Pathways to Work* (The Stationery Office, 2010), 8.

weeks in work. For payment group 6b (New ESA 12 months prognosis only), this figure is nine – or 49 weeks.¹⁸² These sustainment rates appear to support the move to an emphasis on paying for sustained job outcomes rather than simply job entry.

3.2.4.1 Attachment fees

Nonetheless, there remains a case for small upfront payments. In the Work Programme, providers were initially paid an up-front attachment fee for every participant that registered with them.¹⁸³ These fees reduced over the first three years of the contract, until being completely phased out by the beginning of year four.¹⁸⁴ This approach was intended to assist with initial set-up costs, after which providers would operate with their job outcome and sustainment payments.¹⁸⁵

Concerns have been raised about the viability of such contracts for smaller providers. Following the withdrawal of attachment fees, a Work Programme evaluation reported that “the programme was possibly less viable for subcontractors now that attachment fees were not available to meet upfront costs.”¹⁸⁶ The risk to the financial viability of smaller, specialist subcontractors was also frequently noted in evidence submitted to the Work and Pensions Committee.¹⁸⁷ A survey of subcontractors in 2013 indicated that 89 per cent were due to receive reduced up-front funding from their prime provider following the removal of attachment fees.¹⁸⁸ Providers have also suggested that capital-flow problems are particularly acute with respect to the hardest-to-help participants:

*[T]he increase in ESA referrals and the relative decline in the more ‘job ready’ JSA participants... had led to a need for more training, changes to provision and specialist support to deal with the more complex barriers of ESA participants. Some providers mentioned this had contributed to financial problems, in light of an end to attachment fees.*¹⁸⁹

The Work Programme was designed to enable effective subcontracting with specialist providers who may be better placed to help those with the most complex barriers. In the Invitation to Tender, the DWP were clear that providers were “expected to work with a wide range of local partners” and to increase the number of welfare-to-work subcontracts from the voluntary sector.¹⁹⁰ However, the withdrawal of attachment fees appears to have hindered the ability of specialist providers to successfully deliver the Work Programme.

As argued in the recent *Reform* paper, *The Work and Health Programme: levelling the playing field*, an element of up-front funding should therefore be reintroduced.¹⁹¹ This should be smaller for those who are closest, and larger for those who are furthest away, from the labour market. This reflects the larger investment required to support harder-to-help claimants. In the proposed model, each of the four participant groups would, therefore, be allocated a different level of attachment fee. Attachment fees should remain a small proportion of the total payment available, continuing the heavy focus on payment for outcomes – the model must not be commercially viable unless providers are placing participants in sustained employment.

182 Department for Work and Pensions, “Quarterly Work Programme National Statistics to December 2015,” March 2016.

183 Aliyah Dar, *Work Programme: Background and Statistics* (House of Commons Library, 2016), 10.

184 Centre for Economic and Social Inclusion et al., *Work Programme Evaluation: Operation of the Commissioning Model, Finance and Programme Delivery*, 68.

185 House of Commons Work and Pensions Committee, *Work Programme: Providers and Contracting Arrangements, Fourth Report of Session 2010–12*, HC 718 (London: The Stationery Office, 2011), 24.

186 Centre for Economic and Social Inclusion et al., *Work Programme Evaluation: Operation of the Commissioning Model, Finance and Programme Delivery*, 127.

187 House of Commons Work and Pensions Committee, *Work Programme: Providers and Contracting Arrangements, Fourth Report of Session 2010–12* (London: Stationery Office, 2011); House of Commons Work and Pensions Committee, *Welfare-to-Work, Second Report of Session 2015–16*.

188 Centre for Economic and Social Inclusion et al., *Work Programme Evaluation: Operation of the Commissioning Model, Finance and Programme Delivery*, 266.

189 *Ibid.*, 158.

190 Department for Work and Pensions, *The Work Programme: Invitation to Tender*, 2011, 16.

191 Alexander Hitchcock, Charlotte Pickles, and Alasdair Riggs, *The Work and Health Programme: Levelling the Playing Field* (Reform, 2016).

Recommendation 7:

To ensure a diverse provider base and sufficient support for participants further from the labour market, the DWP should reintroduce attachment fees. Each of the four participant groups should be allocated a different attachment fee, increasing in line with the complexity of the claimant group. The attachment fees should remain a small proportion of the overall payment.

3.2.4.2 Interim payments

As stated above, outcome-based payments help ensure that government is securing value for money in programmes. There have, however, been calls for the introduction of ‘progress payments’ to recognise distance travelled towards the labour market. The National Council of Voluntary Organisations (NCVO) has argued that payment “milestones” could include “completing a recognised qualification, overcoming substance misuse issues or securing a stable address.”¹⁹² Whilst these are indeed key steps that can contribute to getting and keeping a job, in the context of employment programmes they are outputs not outcomes.

The European Support Fund (ESF) Support for Families with Multiple Problems, which pays against progress measures, is instructive. Whilst difficult to directly compare to the Work Programme due to cohort and duration differences, the ESF programme does not appear to show that progress payments increase employment outcomes.¹⁹³ By the end of the programme in June 2015, 108,110 progress measures had been achieved by 46,600 participants, but just 9,130 job outcomes.¹⁹⁴ Overall, 11.8 per cent of participants achieved a job outcome 18 months after joining the programme, but for non-JSA participants this was just 8.4 per cent.¹⁹⁵ For the latest cohort for whom 18-month job-outcome data is available (February 2014), this was higher at 9.7 per cent for non-JSA participants.¹⁹⁶ Clearly the programme had wider objectives than sustained job outcomes, but for the February 2014 cohort of new ESA claimants on the Work Programme, 10.6 per cent had achieved a job outcome at 18 months.¹⁹⁷ In a programme focused on getting people into sustained employment, paying for outputs along the way represents deadweight cost – providers should be addressing barriers as part of the work they do to move someone into work and thereby claim their outcome payments.

Cash flow is another argument used to support introducing progress payments.¹⁹⁸ As discussed, a fully PbR model has proven difficult for smaller providers to deliver services. Progress payments are not, however, the answer. Reintroducing a sliding scale attachment fee helps tackle the challenge of cash flow whilst keeping outcome payments focused on actual jobs.

There is, though, a role for interim payments in a very specific context. Evidence shows that ‘stepping stone’ jobs such as internships often translate directly into jobs as they enable both participants and employers to ‘test’ suitability (see Chapter 4 for further discussion).¹⁹⁹ Providers should therefore be encouraged to use ‘stepping-stone’ jobs – longer work experience programmes and supported internships – if this represents the most realistic step towards securing sustained, unsupported employment. Given that these should last several months, there is a good argument for including an interim payment for placing a claimant into an appropriate stepping stone job.

¹⁹² Ramzi Suleiman, *Stepping Stones: The Role of the Voluntary Sector in Future Welfare to Work Schemes* (National Council of Voluntary Organisations, 2014), 18.

¹⁹³ European Social Fund, *DWP Provider Guidance Chapter 1: ESF Support for Families with Multiple Problems (England)* (Department for Work and Pensions, 2015).

¹⁹⁴ Department for Work and Pensions, *ESF Support for Families with Multiple Problems – December 2011 to August 2015*, 2015.

¹⁹⁵ *Ibid.*

¹⁹⁶ *Ibid.*

¹⁹⁷ Department for Work and Pensions, “Work Programme Cohort Data to March 2016.”

¹⁹⁸ Suleiman, *Stepping Stones: The Role of the Voluntary Sector in Future Welfare to Work Schemes*.

¹⁹⁹ Paul Wehman et al., ‘Competitive Employment for Youth with Autism Spectrum Disorders: Early Results from a Randomized Clinical Trial,’ *Journal of Autism and Developmental Disorders* 44, no. 3 (March 2014).

Such an interim payment must, however, ensure the right incentives and be robust to gaming.²⁰⁰ If payments are too high, the incentive for providers to prioritise unsupported sustained work for all participants is weakened. Equally, if providers are rewarded for keeping participants in stepping stone jobs for too long, this would effectively create supported job placements, rather than sustainable, independent employment. Stepping-stone jobs that are eligible for a progress payment should therefore be limited to a minimum of six months (to help ensure a meaningful, high-quality experience) and a maximum of 12 months. The Government recommends that supported internships are at least six months to ensure sufficient time to meet participant and employer needs.²⁰¹

It is also important that providers do not see stepping stone jobs as an ‘easy win’ for participants who could, with the right support, move straight into unsupported work. Payments should therefore be restricted to participants who are placed in the two hardest-to-help conditionality groups, as these claimants, by definition, are those with the greatest labour market barriers. As such, they are the most likely to need work experience to support their transition into work. The payment should be a flat fee to keep the model as simple as possible and only one fee should be available per participant.

To ensure interim payments for stepping-stone jobs deliver value for money and are conducive to finding sustained unsupported work, they must be of high quality. DWP should therefore dip test the quality of placements at appropriate intervals. This would require providers to submit details of any programmes used, including conversion rates into unsupported jobs (either with the placement employer or another employer). This would also help the Department to build an understanding of what types of placements work best for different types of participants.

Recommendation 8:

A flat-fee interim payment should be available for moving claimants in the two hardest-to-help categories into a stepping stone job. These should be time limited to between six and 12 months. To ensure providers continue to prioritise unsupported sustained work, the value of progress payments should be significantly smaller than job outcome and sustainment payments.

3.2.4.3 The accelerator model

In a differential pricing model, the remuneration available for moving a participant into work may not accurately reflect the cost to the provider, causing creaming and parking. This can be mitigated by using an ‘accelerator’ payment system, whereby providers are paid incrementally higher payments as they move more participants into work.²⁰² Under such a model, the length of time taken for the participant to move into work is used as a proxy for how hard they were to help, and therefore the payment level.²⁰³

This has the dual benefit of removing incentives to cream and park, and mitigating against paying for deadweight. The participants who find a job first – and who are thus comparatively easy to help – carry a smaller fee than those who move into work later on.

There have been numerous calls for the introduction of an accelerator model in welfare-to-work policy.²⁰⁴ Under the last Labour Government, DWP committed to testing an

200 OECD, *Connecting People with Jobs: Activation Policies in the United Kingdom*, 221.

201 Department for Education, *Supported Internships*, 2014.

202 Jane Mansour and Richard Johnson, *Buying Quality Performance: Procuring Effective Employment Services* (Work Directions, 2006), 12.

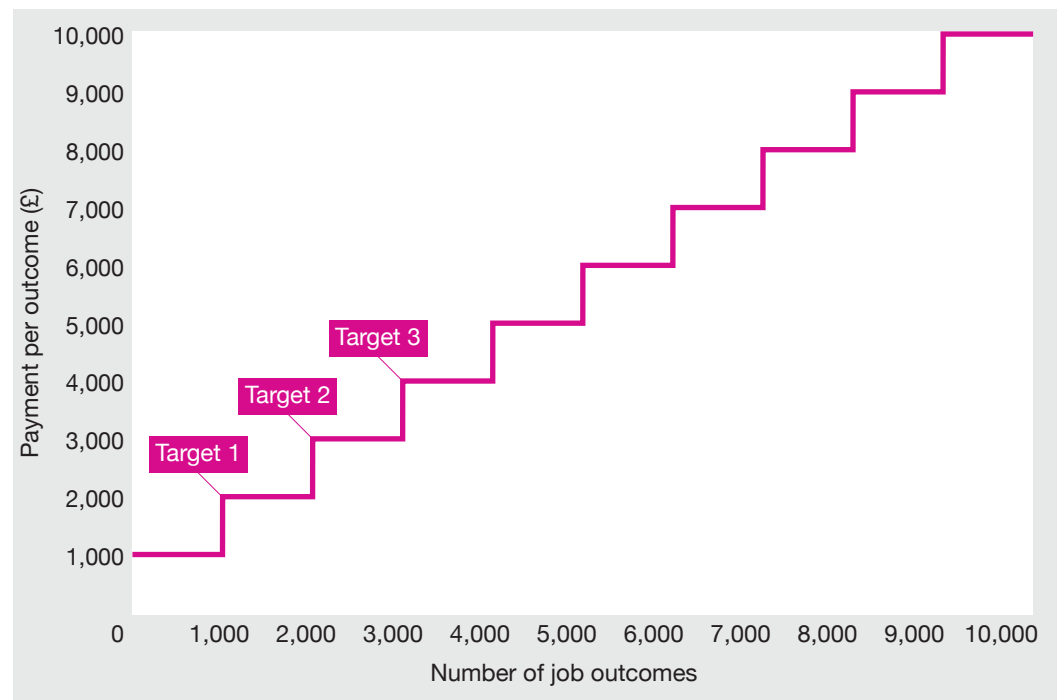
203 Paul Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support* (Department for Work and Pensions, 2008), 85.

204 Ian Mulheirn et al., *Vicious Cycles: Sustained Employment and Welfare Reform for the next Decade* (Social Market Foundation, 2009), 115; Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*, 85; Mansour and Johnson, *Buying Quality Performance: Procuring Effective Employment Services*, 11; House of Commons Work and Pensions Committee, *DWP’s Commissioning Strategy and the Flexible New Deal: Government Response to the Committee’s Second Report of Session 2008-09*, HC 526 (London: Stationery Office, 2009), 34.

accelerator as part of the proposed Personalised Employment Programme pilot.²⁰⁵ The pilot was due to start in 2011,²⁰⁶ but the Coalition Government decided not to go ahead with it, instead announcing the introduction of the Work Programme.²⁰⁷

Nevertheless, interest in the model remains both within the Department and the sector: in evidence submitted to the Work and Pensions Committee in 2015, the DWP indicated that they were considering introducing an accelerator;²⁰⁸ and evidence from ERSA supported the model on the grounds that it would “continue to incentivise providers to move further into the jobseeker cohort”.²⁰⁹

Figure 9: The standard accelerator model



The values used in Figure 9 are illustrative to demonstrate that in this traditional accelerator model, the number of additional job outcomes needed to reach the next target and the corresponding payment increase remain constant. For example, the payment increase for claimant 1,001 – 2,000 is the same as from 8,001 – 8,000.

Accelerator 2.0

The constant rate at which payment levels and job-outcome targets increase in the traditional accelerator model assumes that providers will consistently strive to reach the next payment level, even if the participants are becoming disproportionately hard to help.

The rate at which participants’ barriers are likely to increase as the provider moves deeper into the cohort is implied by the differences in performance across different Work Programme payment groups. For example, cumulatively the percentage of referrals achieving a job outcome for payment group 6a (New ESA three to six month diagnosis) is roughly three times higher than for payment group 7 (ESA: ex-IB),²¹⁰ despite the maximum payment per claimant available for payment group 7 being more than double that for 6a

²⁰⁵ House of Commons Work and Pensions Committee, *DWP’s Commissioning Strategy and the Flexible New Deal: Government Response to the Committee’s Second Report of Session 2008–09*.

²⁰⁶ House of Commons Work and Pensions Select Committee, *Fourth Report of Session 2009–10, Management and Administration of Contracted Employment Programmes*, HC 101 (London: The Stationery Office, 2010), 29.

²⁰⁷ House of Commons Work and Pensions Committee, *Work Programme: Providers and Contracting Arrangements, Fourth Report of Session 2010–12*, 8.

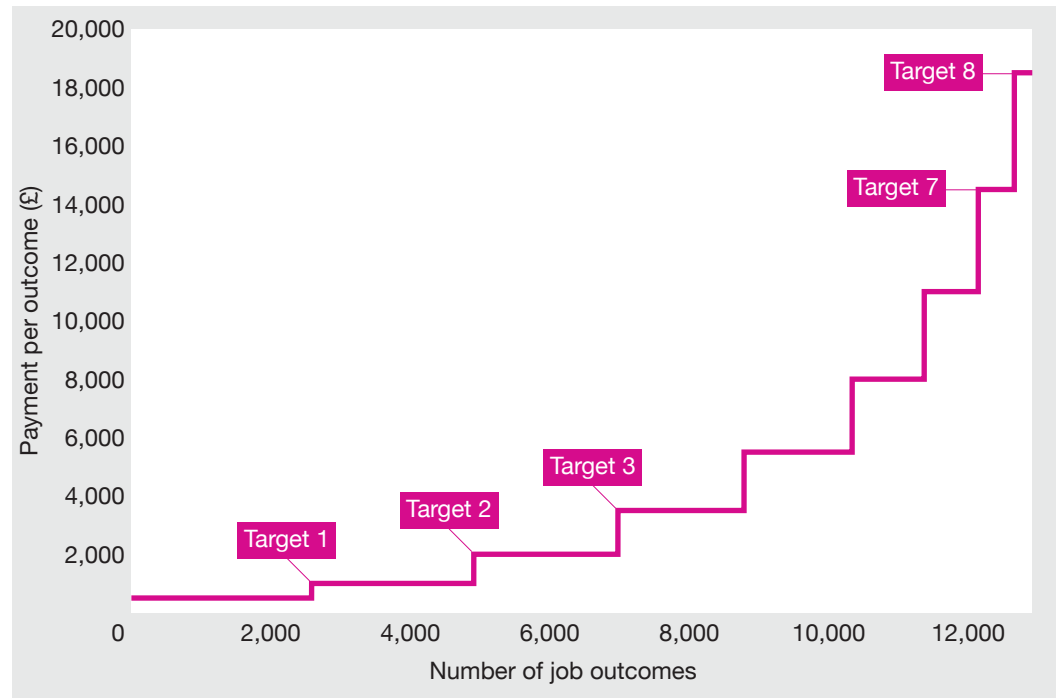
²⁰⁸ House of Commons Work and Pensions Committee, *Welfare-to-Work, Second Report of Session 2015–16*, 21.

²⁰⁹ The Employment Related Services Association, “Written Evidence from the Employment Related Services Association (WTW003),” 2015.

²¹⁰ Department for Work and Pensions, *Quarterly Work Programme National Statistics to Dec 2015*, 2016.

(see Figure 8). Flat-rate increases in payments may, therefore, only be sufficient to encourage the provider to reach a mid-level target, at which point reaching the next target may appear commercially unviable. To ensure the hardest to help are not left behind, it is crucial to strengthen the financial incentives for providers to support those furthest from work. A modified accelerator model that encompasses this is therefore preferable.

Figure 10: Proposed accelerator model



Again, the values in Figure 10 are illustrative. The payment level increases more steeply as the provider moves more participants into work and the number of job outcomes needed to move to the next target decreases. For example, for a provider to move between target 1 and 2, they must increase their job outcomes by 2,250, after which they will receive an additional £1,000 per outcome. In order to reach target 3, the provider must achieve a smaller increase in job outcomes of 2,000, for which they will be rewarded with a larger increase in payment per outcome of £1,500. At the top end, providers are rewarded with significant increases in payment for only a relatively small increase in job outcomes. To move between target 7 and 8, for example, providers must only achieve 500 more job outcomes, but are rewarded with an additional £4,000 per job outcome thereafter for doing so. This is reflective of the substantial labour market barriers participants moving into work at this stage will face, and the sizeable investment the provider will have made in them. This method of ‘back-loading’ the value of the contract further enhances the incentives for providers to move as many participants into work as possible, regardless of their distance from the labour market.

A cohort-based approach

The accelerator applies to cohorts of attachments, meaning that the payment level for a given participant is dependent on how many job outcomes the provider has achieved for the cohort that participant belongs to. A cohort approach prevents providers being paid high outcome fees for moving easy-to-help participants into work, simply because those participants joined the programme after its initial roll-out. As with the Work Programme, a participants’ cohort should be determined by the month they attached to the programme.

Funding split

In this model, the attachment fee is determined by the Proximity to the Labour Market Diagnostic (see Section 3.1), whilst the size of the total pot for a job outcome and subsequent sustainment payments is determined by the accelerator. It is very difficult to say exactly where the divide between job outcome and sustainment should fall as multiple options have not been tested. DWP should therefore work with providers to determine the most appropriate division, with the aim of maximising provider incentives and delivering value for money.

Recommendation 9:

A graduated accelerator payment model should be adopted. The outcome payment per cohort participant should increase at a faster rate as each volume target is achieved, with the volume of job outcomes needed to hit the next target becoming successively smaller.

3.2.5 Innovation

To achieve the radical improvements in employment outcomes that the Government is pursuing, it must understand what works. This requires innovation accompanied by robust evaluation. Programmes targeted at claimants with a health condition have so far had limited success – whilst the Work Programme has performed as well as previous programmes (and at a lower cost),²¹¹ around 85 per cent of new ESA participants do not move into work.²¹² Part of the challenge is that, as discussed, the Work Programme has not delivered the envisaged innovation.

The DWP has taken some initiative to pursue innovation in employment support more generally by establishing an Innovation Fund where providers are funded upfront by investors through Social Impact Bonds (SIBs), and DWP funding is 100 per cent PbR.²¹³ However, over the last Parliament, SIB-funded programmes only accounted for about 0.03 per cent of externally delivered ‘human services’ commissioned by the Government.²¹⁴ The Joint Work and Health Unit – a partnership between DWP and the DH – also has an Innovation Fund, but it remains to be seen what the £40 million will be spent on.²¹⁵ If the DWP wants to rapidly encourage innovation, they cannot rely on social investment or ad hoc innovation fund spending. They must instead build innovation into their core employment programme.

3.2.5.1 A skunkworks model

While it is often assumed that the public sector is inherently less innovative than the private sector, public-sector innovation is absolutely crucial in tackling complex modern policy challenges whilst containing cost pressures.²¹⁶ In the late 1990s, companies concerned with the slow pace of innovation, adopted the so-called skunkworks approach.²¹⁷ The approach has produced a variety of innovative outcomes and lessons learnt should be applied to employment services.

Skunkworks is a term used to describe the allocation of a project, usually to a small team, freed of standard management constraints with the aim to solve a specific problem.²¹⁸ The model originated at the Lockheed Martin factory during the Second World War, where

211 National Audit Office, *The Work Programme*.

212 Department for Work and Pensions, “Work Programme Cohort Data to March 2016.”

213 Centre for Social Impact Bonds, Cabinet Office, ‘Department for Work and Pensions Innovation Fund,’ Webpage, (2016).

214 Bridges Ventures, *Better Outcomes, Better Value: The Evolution of Social Impact Bonds in the UK*, 2016.

215 HM Treasury, *Spending Review and Autumn Statement 2015*, 2015.

216 Geoff Mulgan and David Albury, *Innovation in the Public Sector* (Strategy Unit, 2003).

217 Peter Gwynne, ‘Skunk Works, 1990s-Style,’ *Research Technology Management* 40, no. 4 (August 1997).

218 ‘Skunkworks,’ *The Economist*, August 25, 2008.

they succeeded in creating a new type of fighter jet in just 43 days.²¹⁹ It has been adopted in many different formats across the private sector, often with significant success. Both Google²²⁰ and Motorola²²¹ established locations separate from their main offices, allowing teams to pursue independent projects free of regular company constraints, and both reported successful outcomes.

There have been widespread calls to apply a skunkworks approach in the public sector. Healthcare,²²² education,²²³ and even libraries²²⁴ have internationally been highlighted as areas where skunkworks could drive innovation. In the Netherlands, public libraries that have given staff freedom and funding to initiate new projects have seen a radical increase in visitor numbers.²²⁵ In the UK, the Behavioural Insights Team could have been described as a skunkworks unit when it was housed in the Cabinet Office.²²⁶

Skunkworks in welfare-to-work

A skunkworks element should be introduced to welfare-to-work provision to boost innovation and help build a repository of evidence on what is – and is not – effective in supporting people with health conditions or disabilities into sustainable employment.

The Department should invite providers to bid for a skunkworks element as part of their offer. This should be voluntary. To encourage providers to participate and increase the chance of speedy innovation, the Department should suspend standard performance measurements (explicitly acknowledging that failure is part of the learning process) and increase the total funding envelope payable for success. To mitigate the substantial commercial risk to providers of trying untested interventions, the attachment as well as outcome payments should be higher than in the core programme. That said, the large majority of the payment should continue to be outcome-based. The Department should still exercise oversight of the programmes.

Given the high risk of failure in skunkworks,²²⁷ PbR is a way of ensuring that taxpayer money is not wasted. Skunkworks are therefore designed to provide greater freedom to innovate for providers who have confidence in their ideas, and are willing to risk testing them in pursuit of increased outcome payments. As such, the innovative measures they are planning to carry out should be described in their bid, although they should have complete freedom to amend these as they test and learn.

A key condition for provider eligibility – and a mitigation against any inappropriate or non-innovative activity – is a commitment to complete transparency of methods and outcomes. Each provider would have to agree to a robust, independent evaluation of each skunkworks project, sourced and funded by the Department.

219 Terrence E. Brown, 'Skunk Works: A Sign of Failure, a Sign of Hope?', in *Innovation, Entrepreneurship and Culture: The Interaction between Technology, Progress and Economic Growth*, ed. Terrence E. Brown, Jan Ulijn (Cheltenham, United Kingdom: Edward Elgar Publishing, 2004).

220 Marziah Karch, 'Google X, the Secret Google Lab,' *About Tech*, April 18, 2016.

221 'Skunkworks.'

222 Thandiwe Letsie, Anita Van der Merwe, and Delene Botha, 'Intrapreneurship amongst Unit Nurse Managers at Public Hospitals,' *International Journal of Advanced Nursing Studies* 3, no. 2 (November 2014).

223 Amy Dee and Ken Badley, 'Creating an Educational Ethos Where Innovation and Accountability Flourish: A New Model for Transparency in Educational Organizations,' *International Journal of Educational Leadership Preparation* 5, no. 4 (December 2010).

224 Bethany Nowvickie, 'Skunks in the Library: A Path to Production for Scholarly R&D,' *Journal of Library Administration* 53, no. 1 (January 2013).

225 Cat Johnson, 'How a New Dutch Library Smashed Attendance Records,' *Shareable*, July 21, 2014; Lark Birdsong, 'The Innovative Dutch: Libraries, Universities, and 'Research Institutes in the Netherlands,' *Searcher Magazine* 18, no. 2 (March 2010).

226 Peter John, 'Policy Entrepreneurship in UK Central Government: The Behavioural Insights Team and the Use of Randomized Controlled Trials,' *Public Policy and Administration* 29, no. 3 (July 2014).

227 Bertrand Liang, *Managing and Leading for Science Professionals: (What I Wish I'd Known When Moving Up the Management Ladder)* (Oxford, UK: Elsevier, 2014), 64.

Recommendation 10:

Allow providers to apply for separate skunkworks project funding, which they can spend on innovative employment projects. The claimant groups referred to such trials should not be subject to standard performance measures, and there must be transparency regarding methods and outcomes.

3.3 Conclusion

Outsourced welfare-to-work programmes have proven to be an effective model. They allow diversity of provision through supply chains of specialist providers, can flex to accommodate different referral volumes and can ensure financial risk is shifted from the taxpayer to the provider. Government should not take a backwards step by retrenching services to JCP. The design of the programme is, however, key to maximising the benefit of outsourced provision. The payment structure must incentivise the outcomes government seeks, whilst remaining commercially viable for providers. Small attachment fees should be reintroduced and an accelerator model adopted. The funding envelope must reflect the complex and often multiple barriers many claimants face – and the benefits to the Exchequer of moving a long-term benefit claimant into sustainable employment. As such, the Government should return to the AME/DEL switch. Innovation is key: the black box should be retained, but a more radical approach is needed. A ‘skunkworks’ model, akin to that used in the private sector, should be implemented. This would enable government and the sector as a whole to try new things and develop an evidence-base of what works. Taken together, these proposals would drive better performance, which means better outcomes for the people that really matter.

4

The role of employers

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Getting employment support right is crucial to helping disabled claimants prepare for and find work. However, it is only effective so far as employers are willing to offer those jobs to disabled candidates. It is easy to forget the demand side of the market when government resources are spent largely on welfare-to-work programme provision. The supply of suitable and accessible jobs, however, will determine the success of such programmes. Buy-in to this agenda by employers is central to opening up sustainable employment opportunities to disabled candidates and ensuring that, once in work, they are supported to remain in work and progress.

4.1 The business case

The business case for recruiting and retaining people with a health condition is strong.²²⁸ Studies show that on average disabled employees are as productive as non-disabled workers and stay with their employers for longer, increasing retention and saving money on recruiting new staff.²²⁹ Disabled people can bring additional skills, such as problem-solving and resilience, into the workplace,²³⁰ and the perception of working for an inclusive employer can bring benefits to the wider workforce.²³¹

A 2015 NAO report emphasised the importance of diversity and inclusion “in increasing capability.”²³² It stated that greater inclusivity in the civil service should deliver value for money “through a more productive and engaged workforce.”²³³ Many employers recognise these benefits²³⁴ and have been pro-active in breaking down barriers to ensure that disabled people have the opportunity to fulfil their potential in the workplace.²³⁵ However, the persistent disability employment gap demonstrates that the business case is not sufficient in itself to ensure workforce representation of disabled people. Despite widespread awareness of disabled people as an untapped talent pool, a number of barriers remain which prevent the business case from selling itself.

If the Government is to meet its ambitious pledge to halve the disability employment gap by 2020, it must help around one million more disabled people into work. Encouraging employers to recruit more disabled people and helping employers to support disabled employees in work must be a key Government priority.

4.2 Barriers to a competitive business case

Despite legislation to tackle employment discrimination towards disabled people,²³⁶ the employment rate gap between disabled and non-disabled workers has remained constant over the last 15 years, at just over 30 percentage points.²³⁷ Recent studies have identified a number of perceived barriers to hiring and retaining disabled workers.²³⁸ An American survey of 468 employers found that the principal barriers to employing disabled

228 Department for Work and Pensions, “Quarterly Work Programme National Statistics to December 2015.” Work Programme participants with a health condition have a similar job sustainment rate than those without a health condition. Providers indicate that ESA claimants move between jobs less frequently over the two-year period compared to JSA claimants.

229 Wendy Parent and Jane Everson, ‘Competencies of Disabled Workers in Industry: A Review of Business Literature,’ *Journal of Rehabilitation* 52, no. 4 (October 1986).

230 Department for Work and Pensions, *Employing Disabled People and People with Health Conditions*, 2016.

231 Helen Hartnett et al., ‘Employers’ Perceptions of the Benefits of Workplace Accommodations: Reasons to Hire, Retain and Promote People with Disabilities,’ *Journal of Vocational Rehabilitation* 34, no. 1 (2011); Trades Union Congress, *Sickness Absence and Disability Discrimination* (Trades Union Congress, 2013).

232 National Audit Office, *Equality, Diversity and Inclusion in the Civil Service* (National Audit Office, 2015), 5.

233 *Ibid.*, 9.

234 K. A. Dixon, Doug Kruse, and Carl E. Van Horn, *Restricted Access: Work Trends Survey of Employers About People with Disabilities* (John J. Heldrich Center for Workforce Development, 2003).

235 Department for Work and Pensions, *Disability Confident Case Studies* (Department for Work and Pensions, 2016); Employers for disability Northern Ireland, *Showcasing Disability: Best Practice* (Equality Commission Northern Ireland, 2012).

236 The Disability Discrimination Act was introduced in the 1995 and amended in 2001 and 2005. The Equality Act has replaced legislation with a single statute in 2010.

237 Work and Pensions Select Committee, ‘Disability Employment Gap Inquiry Launched.’

238 Jana Burke et al., ‘Employers’ Attitudes Towards Hiring and Retaining People with Disabilities: A Review of the Literature,’ *The Australian Journal of Rehabilitation Counselling* 19, no. 1 (July 2013); H. Stephen Kaye, Lita Jans, and Erica Jones, ‘Why Don’t Employers Hire and Retain Workers with Disabilities?’, *Journal of Occupational Rehabilitation* 21, no. 4 (March 2011).

people included a lack of awareness about how to deal with and accommodate workers with disabilities, fear of legal liability and concern over costs and job performance.²³⁹ Jobseekers with disabilities similarly often cite employer attitudes and workplace discrimination as barriers to acquiring and keeping a job.²⁴⁰ The next section looks at the main barriers that employers face, identified as perceived risks or costs. Lowering barriers for employers to hire and support disabled people in work should be central to the Government's employment strategy.

4.2.1 Risks

4.2.1.1 Uncertainty and unconscious bias

Assessing whether an applicant is right for the job is important for employers. Attracting well-qualified candidates is crucial to any organisation's success – evidenced by a sizeable recruitment industry and increasingly sophisticated assessment tools.²⁴¹ Despite a range of tools available in recruitment to reduce bias,²⁴² the hiring process still relies largely on human decision-making which too often disadvantages disabled candidates. Specifically, the taboo attached to disability may prevent open discussion about a candidate's workplace needs at interview, making them less likely to be selected. In the survey of employers, this was cited as the third most common barrier to hiring a disabled person. 73 per cent of respondents agreed with the statement "I can't ask about a job applicant's disability, making it *hard to assess* whether the person can do the job."²⁴³ Concerns over job performance or qualifications were also cited as a common barrier to recruitment.²⁴⁴

Unlike most other situations where behavioural scripts exist,²⁴⁵ there is no well-established way that employers can raise disability-related issues. For example, should an employer ask a candidate in a wheelchair about how their condition affects their ability to work? Similarly can a candidate with mental illness explain periods of unemployment on their CV, without being discounted by the employer?²⁴⁶ The Equality Act 2010 means that it is unlawful for employers to ask about an applicant's disability or health, unless it is integral to the job role, until that person has received a job offer. Uncertainty around what an employer can or cannot ask limits their capacity to establish whether a job applicant would be able to undertake activities intrinsic to the job with reasonable workplace adjustments.²⁴⁷ The lack of understanding about how to address disability in the recruitment process could lead to perceived risk on behalf of the employer and a poor hiring decision.

There is a significant body of evidence that unconscious bias influences the way that we engage with people and the decisions we make about them.²⁴⁸ Employer discrimination constitutes a substantive barrier for disabled candidates and, given that unconscious bias is stronger against people with a disability than on the basis of gender or race,²⁴⁹ it is likely to pose a greater challenge to disabled people than other disadvantaged jobseekers.

239 Kaye, Jans, and Jones, 'Why Don't Employers Hire and Retain Workers with Disabilities?'

240 Steven Grow and Paula Daye, 'Barriers to Employment Identified by Blind and Vision-Impaired Persons in New Zealand,' *Social Policy Journal Of New Zealand Te Puna Whakaaro*, no. 26 (November 2005); William Draper, Christine Reid, and Biran McMahon, 'Workplace Discrimination and the Perception of Disability,' *Rehabilitation Counseling Bulletin* 55, no. 1 (October 2011).

241 Elizabeth Linos and Joanne Reinhard, *A Head for Hiring: The Behavioural Science of Recruitment and Selection* (Chartered Institute of Personnel and Development, 2015).

242 Ibid.

243 Kaye, Jans, and Jones, 'Why Don't Employers Hire and Retain Workers with Disabilities?'

244 Ibid.

245 Gordon Moskowitz, *Social Cognition: Understanding Self and Others* (New York: Guilford Press, 2004).

246 Mind, *We've Got Work to Do: Transforming Employment and Back-to-Work Support for People with Mental Health Problems* (Mind, 2014).

247 Graeme Lockwood, Claire Henderson, and Graham Thornicroft, 'The Equality Act 2010 and Mental Health,' *The British Journal of Psychiatry* 200, no. 3 (March 2012).

248 Cheryl Staats, *State of the Science: Implicit Bias Review 2014* (Kirwan Institute, 2014).

249 Employers Network for Equality and Inclusion, *Disability: A Research Study on Unconscious Bias* (Employers Network for Equality and Inclusion, 2014). One in three people unconsciously discriminated against people with a disability, perceiving them as less valuable at work than people without a disability. This compares to one in four people on the basis of gender and on average, one in eight against people from an ethnic minority background.

4.2.1.2 Legal liability

Under the 2010 Equality Act, it is unlawful to discriminate against disabled people.²⁵⁰ The Act places a legal duty on employers to make reasonable workplace adjustments so disabled people can participate fully in work.²⁵¹ The purpose of anti-discriminatory legislation is to promote equality of opportunity and legally protect disadvantaged groups from unfair treatment.²⁵²

Despite good intentions, studies suggest that the Act has not improved employment outcomes for people with ill health or a disability.²⁵³ Discussions with providers for this report emphasised a fear among employers of ‘what happens if it doesn’t work out’ making them more cautious about hiring disabled candidates. More than four fifths of survey participants in an American study stated that fear of lawsuits and discrimination complaints was a central barrier to hiring disabled workers.²⁵⁴ This is reinforced by studies which indicate that employers are fearful of the risk of employment tribunals and associated costs.²⁵⁵ The perceived risk is not unfounded: the number of employment tribunals held each year as a result of disability discrimination is equivalent to the combined total of cases on the basis of age, race and religious discrimination.²⁵⁶

Analysis of equivalent anti-discrimination legislation in the U.S revealed the cost of complying with the Act and perceived risk of legal liability led to reduced demand for disabled workers.²⁵⁷ Employment of men with disabilities fell by 10.9 percentage points after enactment of the *Americans with Disabilities Act*, relative to a 3.1 percentage point decline in the employment rate of non-disabled men.²⁵⁸

A recent report by Newcastle University highlighted several other unintended consequences of the legislation:²⁵⁹

[T]he fact that discrimination claims are adversarial in nature makes employers view equality as a cause of conflict. Instead of being motivated to improve their practices to achieve equality, claims or fear of claims from employees can actually make employers defensive and resistant to change.

Similarly the Disability Law Service submitted evidence suggesting that employers feel uncomfortable about showing “favouritism” towards disabled employees when altering working arrangements under the Equality Act, which could deter them from hiring disabled candidates.²⁶⁰

4.2.2 Costs

4.2.2.1 Additional costs

Employers frequently make adjustments for disabled and non-disabled workers to perform effectively.²⁶¹ This is central to human resources (HR) strategy and a routine process in managing a productive workforce. Despite this, one of the main concerns of

250 Clare Bamba and Daniel Pope, ‘What Are the Effects of Anti-Discriminatory Legislation on Socioeconomic Inequalities in the Employment Consequences of Ill Health and Disability?’, *Journal of Epidemiology & Community Health* 61, no. 5 (2007).

251 HM Government, *Equality Act 2010*, Chapter 15.

252 Alan Roulstone and Jon Warren, ‘Applying a Barriers Approach to Monitoring Disabled People’s Employment: Implications for the Disability Discrimination Act 2005,’ *Disability & Society* 21, no. 2 (2006).

253 Bamba and Pope, ‘What Are the Effects of Anti-Discriminatory Legislation on Socioeconomic Inequalities in the Employment Consequences of Ill Health and Disability?’; Clare Bamba and Daniel Pope, ‘Has the Disability Discrimination Act Closed the Employment Gap?’, *Disability Rehabilitation* 27, no. 20 (October 2005); David Bell and Axel Heitmüller, ‘The Disability Discrimination Act in the UK: Helping or Hindering Employment Amongst the Disabled?’, *Journal of Health Economics* 28, no. 2 (March 2005).

254 Kaye, Jans, and Jones, ‘Why Don’t Employers Hire and Retain Workers with Disabilities?’

255 Home Office (Government Equalities Office), *Review of the Need for Employment Tribunals to Have the Power to Make Wider Recommendations*, 2012.

256 Ministry of Justice, *Tribunals and Gender Recognition Certificate Statistics Quarterly: October to December 2015*, 2016.

257 Thomas DeLeire, ‘The Unintended Consequences of the Americans with Disabilities Act,’ *Regulation* 23, no. 1 (Spring 2000).

258 Ibid.

259 Lois Thwaites, *The British Equality Framework Is Incapable of Achieving Equality in the Workplace*, vol. 2 (North East Law Review, 2014), 144.

260 House of Lords Select Committee on the Equality Act 2010 and Disability, *The Equality Act 2010: The Impact on Disabled People, Report of Session 2015-16*, HL Paper 117 (London: The Stationery Office, 2016).

261 Department for Work and Pensions, *Disability Confident Case Studies*.

employers is that reasonable workplace adjustments for disabled people will incur excessive costs.²⁶² This was the most common barrier to employing and retaining a disabled person, identified in the American survey of employers. 81 per cent of employers were in agreement with the statement “I am worried about the *cost of providing reasonable accommodations* so that workers with disabilities can do their jobs.”²⁶³ The cost of higher levels of sickness absence were also highlighted as perceived barriers.²⁶⁴

Studies that quantify the costs of adjustment suggest they are often less than employers expect.²⁶⁵ Simple workplace modifications, for example moving an employee to a quieter workplace or allowing an employee with a social anxiety disorder to work at a designated desk, rather than hot-desking, come at no extra cost to the employer. Employees with physical or more severe mental disabilities are likely to require more significant workplace adjustments or in work support for which the cost would be higher. The Disability Rights Commission calculated the average cost of reasonable adjustments per individual to be about £75.²⁶⁶

As reported by the Federation of Small Businesses (FSB), the perception that adjustments will be overly costly are most significant for smaller and medium-sized businesses.²⁶⁷ Many small businesses claim that the costs of adjustments are too great to bear,²⁶⁸ and some regard it as unfair that they are expected to bear adjustment costs at all.²⁶⁹

The cost savings that can be realised from having a robust and open workplace adjustment process are also often overlooked. Having this process in place helps all employees, not just those who self-identify as disabled or meet the definition of disabled under the Equality Act. A study of companies who regularly make workplace adjustments found:

*There is a blurred line between colleagues with disabilities and those without. We think it is nonsense to focus on the definition of someone's disability or health condition. We simply make the workplace accessible, flexible and productive. This benefits everybody.*²⁷⁰

Funding adjustments

Many employers are not aware of the government funding available to cover the costs of workplace adjustments. For disabled workers, the Access to Work scheme (AtW) can pay 100 per cent of the costs of workplace adjustments for employers with less than 50 employees, and then 80 per cent of costs above a threshold value for larger employers.²⁷¹ Despite significant available funding, of up to £40,800 per year per individual,²⁷² awareness and take up of the scheme is low, particularly among smaller and medium-sized businesses.²⁷³ In 2014/15 AtW supported 36,780 disabled people;²⁷⁴ around 1.1 per cent of the 3.3 million working age disabled people in the UK.²⁷⁵ Disability Rights UK research suggests that around 3 per cent more, or around 110,000 disabled people,

262 Karen Needels and Robert Schmitz, *Economic and Social Costs and Benefits to Employers of Retaining, Recruiting and Employing Disabled People And/or People with Health Conditions or an Injury: A Review of the Evidence* (Department for Work and Pensions, 2006).

263 Kaye, Jans, and Jones, 'Why Don't Employers Hire and Retain Workers with Disabilities?'

264 Ibid.

265 Karen Needels and Robert Schmitz, *Economic and Social Costs and Benefits to Employers of Retaining, Recruiting and Employing Disabled People And/or People with Health Conditions or an Injury: A Review of the Evidence*.

266 The Disability Rights Commission, *Top Tips for Small Employers: A Guide to Employing Disabled People* (The Disability Rights Commission, 2006); Department of Health, *Advice for Employers on Workplace Adjustments for Mental Health Conditions*, 2012. This estimate may understate the cost of workplace adjustments as it is based on granted adjustments, rather than those deemed unaffordable by employers.

267 Peter Urwin et al., *Small Businesses in the UK: New Perspectives on Evidence and Policy* (Federation of Small Businesses, 2008); Interview with Federation of Small Businesses representative.

268 Karen Needels and Robert Schmitz, *Economic and Social Costs and Benefits to Employers of Retaining, Recruiting and Employing Disabled People And/or People with Health Conditions or an Injury: A Review of the Evidence*.

269 Ibid.

270 Kate Nash, *Secrets & Big News: Enabling People to Be Themselves at Work* (Kate Nash Associates, 2014), p.57.

271 Disability Rights UK, 'Access to Work: Disability Rights UK Factsheet F27,' Webpage, (2015).

272 Department for Work and Pensions, *Access to Work: Factsheet for Employers*, 2016.

273 Liz Sayce, *Getting In, Staying in and Getting on: Disability Employment Support Fit for the Future* (Department for Work and Pensions, 2011).

274 Department for Work and Pensions, *Access to Work: Individuals Helped to End of December 2015*, 2016.

275 Action on Disability & Work UK et al., *Access to Long-Term Unemployment – or Access to Work?*, 2015.

would benefit from workplace adjustments that they do not currently have access to.²⁷⁶ The FSB, amongst others, has argued that “Access to Work is the best kept secret in the DWP.”²⁷⁷

The Sayce Review on effective disability employment support identified the lack of awareness of funding, specifically AtW, as a major barrier to employing more disabled people:

*Most SMEs are still terrified of being lumbered with additional costs if they employ a disabled person. What we need is hard facts to demonstrate that this simply isn't true. Access to Work is there to support employers to keep disabled people at work, and take more disabled people on. We need greater awareness of Access to Work amongst SMEs, this would enable more small employers to see for themselves that disabled people are an asset, rather than a liability.*²⁷⁸

The report recommended reform to AtW including an awareness campaign. This would help to alleviate perceived risk assumed by the employer in making workplace adjustments.²⁷⁹

4.3 Enabling employers to create an inclusive workplace

Reducing potential risks and costs for employers would help to lower barriers to entry for disabled candidates. The importance of an employer-led approach has been emphasised by providers and employers in *Reform's* research. The consistent message was that disabled people must meet real demand for labour and add value to the organisation to ensure that hiring decisions are sustainable. The Government must focus on ensuring policies are in place that minimise perceived and real barriers to employing disabled people.

4.3.1 'Stepping stone' jobs

Stepping stone jobs are time-limited jobs which combine real work with support and training. They enable disabled workers to acquire transferable skills and establish an employment record in a supportive environment, with the aim of moving into unsupported work. For employers, it provides a trial period to see whether a disabled worker is suitable for a full-time position, thereby reducing the risk of hiring. Stepping stone jobs include work experience placements, supported internships and apprenticeships.

Stepping stone jobs have traditionally been used to help young people make the transition from school to work. The Government's employment support efforts have had a particular focus on young people. The apprenticeship funding model favours applicants under the age of 23,²⁸⁰ and apprenticeship grants, an additional £1,500 financial incentive for employers, are reserved for apprentices aged 16-24.²⁸¹ In the March 2016 Budget, the Chancellor announced that the savings from the ESA WRAG rate reduction would be used to fund specialist employment support “for those suffering from mental health conditions and young disabled people”,²⁸² despite the fact that just 4 per cent of WRAG claimants are aged 24 or under.²⁸³

Placing age-related restrictions on stepping stone jobs adds an unnecessary barrier to valuable work opportunities for disabled people. As most disabled people develop their

276 Disability Rights UK, *Disability Rights UK Submission to the Work and Pensions Select Committee Inquiry into Access to Work*, 2014.

277 House of Commons Work and Pensions Select Committee, *The Equality Bill: How Disability Equality Fits within a Single Equality Act, Third Report of Session 2008–09* (London: The Stationery Office, 2009).

278 Sayce, *Getting In, Staying in and Getting on: Disability Employment Support Fit for the Future*, 2011, 55.

279 Action on Disability & Work UK et al., *Access to Long-Term Unemployment – or Access to Work?*

280 Jeanne Delebarre, *Apprenticeships Policy, England 2015* (House of Commons Library, 2016).

281 Skills Funding Agency, 'Apprenticeship Grant: Employer Fact Sheet,' Webpage, (2016).

282 HM Treasury, *Budget 2016*, 2016, 40.

283 Department for Work and Pensions, “Department for Work and Pensions Tabulation Tool, Data to November 2015.”

disability in adult life,²⁸⁴ it is important that temporary work placements are accessible to all unemployed people, regardless of age. The prevalence of disability rises with age: in 2012/13, 7 per cent of children were disabled (0.9 million), compared to 22 per cent of adults.²⁸⁵ Given that 78 per cent of Support Group claimants and 83 per cent of WRAG claimants are aged 35 or over, it is important that they are able to access opportunities to gain work experience.²⁸⁶ For older people, particularly those with limited or fragmented work histories, temporary work placements have been found valuable in increasing their chances of achieving a permanent role.²⁸⁷

The potential of stepping stone jobs for disabled people means that the Government should take this further. Structural reform of the apprenticeship funding formula would help to incentivise employers to take on disabled candidates. Allocating a proportion of high-quality apprenticeships to disabled candidates would formalise this requirement. Similarly, providing small interim payments for welfare-to-work providers who support disabled claimants in high-quality temporary work experience or internships would recognise the value of on-the-job training. JCP and providers should make strong links with local employers to secure work experience and supported internships for disabled customers. This reform, explored in more detail below, would harness the potential of stepping stone jobs to tackle the disability employment gap.

4.3.1.1 Work experience

Work experience is seen as a catch-all term for short-term voluntary work in industry.²⁸⁸ Work experience placements are usually occupied by university students or school leavers. Placements offer a range of benefits to individuals, including practical experience in the industry they wish to work in, access to professional networks, and development of interpersonal skills. The value employers place on industry experience is reflected by the increasing number of entry level jobs requiring practical experience, in addition to academic qualifications.²⁸⁹ For the individual, a trial period may lead to a firm offer of employment or improve job opportunities at other organisations. Marks & Spencer (M&S) use work experience placements as a key recruitment tool, in this case offered specifically for disadvantaged jobseekers (see case study below). Over 50 per cent of participants on M&S' two to four week work placement for disabled people are offered a full-time job at M&S at the end of the placement.²⁹⁰ A survey of employers, carried out by the Confederation of British Industry, listed "future recruitment" as one of the main reasons for offering work experience schemes.²⁹¹

284 Gill O'Toole, *Review of Different Approaches to Work Skills Development for Disabled Young People (14-25) and Disabled Working Adults in the UK and Internationally* (Institute for Policy Studies in Education, London Metropolitan University, 2014).

285 Papworth Trust, *Disability in the United Kingdom 2014: Facts and Figures*, 2014. This figure refers to 16 per cent of working-age adults (6.1 million) and 43 per cent of adults over the state pension age (5.1 million).

286 Department for Work and Pensions, "Department for Work and Pensions Tabulation Tool, Data to November 2015."

287 Gingerbread, 'Training Courses for Single Parents,' Webpage, (2016).

288 Institute of Directors, 'Internships & Placements: Information For Employers,' 2016.

289 The Big Choice, 'Benefits of a Work Placement,' 2016.

290 M&S Careers, 'Marks & Start Experiences,' 2016. Data supplied by M&S for this report.

291 CBI, *Ready to Grow: Business Priorities for Education and Skills. Education and Skills Survey 2010, 2010.*

Marks and Start: supported work placements

Marks & Spencer (M&S) launched their work placement scheme 'Marks & Start' in 2004, initially to support homeless people into employment.²⁹² They have since widened the scope of the scheme and offer placements to three key groups of people: lone parents, homeless people, and people with a disability or health condition.²⁹³ In 2011 they partnered with the recruitment service Remploy, who specialise in facilitating access to sustainable employment for disabled people.²⁹⁴ Remploy recruit individuals to join a work placement, lasting either two or four weeks, in an M&S retail position or at their national distribution centre. Before they start their placement, candidates go through pre-employment modules developed by Remploy. Only those successfully completing these modules will go on to take up the actual placement, a way of ensuring M&S that candidates are willing and able to do so.

Throughout the placement, participants are paired up with an on-site employee 'buddy', and receive separate support from a coach. If they successfully complete the scheme, they qualify directly for any appropriate M&S position advertised within six months, meaning that they won't follow the usual recruitment process. Upon employment Remploy provides additional support to store managers in accommodating any special needs the employee may have.

The 'Marks & Start' programme has achieved an employment rate of over 50 per cent. Between 2011 and 2014, 1,079 of Remploy's candidates achieved permanent positions with M&S.²⁹⁵ Even the participants who do not achieve permanent positions benefit from the scheme, with 90 per cent reporting an increase in confidence upon completion.²⁹⁶

An impact assessment of the Government's work experience scheme provided evidence that taking part in work experience reduces the time 19–24-year-old JSA claimants spend on benefits and increases the time they spend in employment.²⁹⁷ There is growing recognition that short-term work placements are valuable for people other than young people, who have limited or fragmented work histories, for example, disabled people, ex-offenders or lone parents.²⁹⁸ Evaluation of JCP work placement initiatives for disabled claimants revealed work experience to be most effective in achieving employment outcomes relative to in-house personal development and vocational training courses ($p < 0.001$).²⁹⁹ Increasing access to work experience for older people is therefore important, particularly in the context of disability – only two per cent of disabled people are disabled from birth.³⁰⁰ As businesses who have committed to provide greater employment opportunities for disabled people, Disability Confident employers should be leading this agenda. The requirements of Disability Confident, discussed later in the chapter, should include offering work experience placements to disabled individuals.

Recommendation 11:

To gain Disability Confident status, employers should be expected to offer a voluntary work experience scheme for disabled people of all ages. Disability Confident members should publically report how many placements are offered and completed each year.

292 Alexandra Jones, Max Nathan, and Andy Westwood, *Marks & Start: Opening the Door to Employment?* (The Work Foundation, 2004).

293 M&S Careers, 'Helping You Find Work,' 2016.

294 Remploy, 'Marks & Spencer Case Study,' 2016.

295 Sophie Brooks, 'Our Partnership with Remploy Gives Us Access to Job-Ready, Capable and Motivated People,' *Remploy Blog*, August 11, 2014.

296 Sophie Brooks, '10 Years of Marks & Start,' *Marks and Spencer*, November 21, 2014.

297 Department for Work and Pensions, *Work Experience: A Quantitative Impact Assessment*, 2016.

298 M&S Careers, 'Marks & Start Experiences.'

299 Sheila Riddell, P. Banks, and Alastair Wilson, 'A Flexible Gateway to Employment? Disabled People and the Employment Service's Work Preparation Programme in Scotland,' *Policy and Politics* 30, no. 2 (2002).

300 O'Toole, *Review of Different Approaches to Work Skills Development for Disabled Young People (14-25) and Disabled Working Adults in the UK and Internationally*.

4.3.1.2 Supported internships

Supported internships are typically longer than work experience placements (normally one year) and involve a personalised programme of study, which includes the chance to gain relevant qualifications and English and maths to an appropriate level if required. Participants are expected to need a higher level of support than unsupported trainees or apprentices.³⁰¹ The Government offers supported internships to young people (aged 16-24) with a learning difficulty or disability who want to move into work and need extra support to do so.³⁰² For this group, supported internships have been found to be effective. An evaluation of supported internships found that interns were five times more likely to move into paid employment than their peers: 36 per cent of supported internships resulted in paid employment in 2012/13, compared with a national average employment rate of just 7 per cent for people with moderate to severe learning difficulties.³⁰³ Offering supported internships is one way to reduce perceived risk by the employer: fixed term placements and support from job coaches (for interns and employers) effectively provides a trial period before hiring a disabled intern.

As with work experience, restrictive eligibility criteria on the basis of age and type of disability limits the number of people who can benefit from a supported internship. For this reason the supported internship scheme should be opened to all motivated disabled people, regardless of age or disability type. The main source of funding for supported internships is the Education Funding Agency (EFA).³⁰⁴ Expanding this scheme to non-student jobseekers would require additional Department for Education (DfE) or DWP funding. Recognising a paid supported internship as progress towards a job, by paying providers an interim payment (as recommended in Section 3.2.4.2), would be one way to increase their use where appropriate.

Evidence suggests that employers are keen to offer more supported internships to disabled people and other disadvantaged jobseekers.³⁰⁵ However, many large firms do not offer placements because the conditions of benefits prevent them from offering paid work to claimants. One interviewee observed “a general nervousness” among employers when it comes to unpaid schemes. This is because, she noted, “they are concerned that it will be perceived as taking advantage of free labour.” She emphasised the importance of working with “really credible partners and have very well established programmes of high quality”, to avoid such risks. The risk of reputational damage has made employers reluctant to offer unpaid internships to benefit claimants. Enabling benefits to be paused while claimants undertake temporary periods of paid stepping stone jobs would mitigate against this risk. Pausing benefits should be simpler when Universal Credit is rolled out as the system is designed to reduce the financial risks associated with entering work through the use of real time information.³⁰⁶

Recommendation 12:

The Government should expand the availability of supported internships to all disabled people, regardless of age and disability type. Receipt of benefits should be paused to enable claimants to take part in paid work placements. This would increase the number of employers offering short term placements and open up opportunities for disabled people.

301 Department for Education, *Supported Internships*.

302 Ibid.

303 Preparing for Adulthood, *PfA Fact Sheet: Supported Internships*, 2016.

304 Department for Education, *Supported Internships*.

305 This was a common complaint raised by employers in semi-structured interviews for this report.

306 David Finch, *Making the Most of UC* (Resolution Foundation, 2015).

4.3.1.3 Apprenticeships

The Conservative manifesto outlined a commitment to delivering three million more apprenticeship starts by the end of this Parliament.³⁰⁷ This will be funded by a new apprenticeship levy on all employers with a pay bill over £3 million.³⁰⁸ Up until now, many have considered apprenticeships as second class training to university degrees.³⁰⁹ Announcing the 2020 vision, the Prime Minister committed to address this and ensure placements are more rigorous and responsive to the needs of employers:

Top employers have said that their apprenticeship entrants are just as good, if not better, than their graduate intake. So that's why we've expanded the numbers, and we're making good on our commitment to reach three million apprentices trained in this parliament by 2020... It's why we've set higher standards, making sure each apprenticeship lasts at least a year, and it's why we've introduced higher-level apprenticeships and apprenticeships which contain a full degree.³¹⁰

The upfront investment in apprenticeships from April 2017 holds significant potential for disabled people. It opens up more doors to employment, providing the opportunity to learn on the job and upskill by studying for a nationally recognised qualification – a National Vocational Qualification.³¹¹ The benefits are mutual: 96 per cent of employers that take on an apprentice report benefits to their business. These include improved productivity, reduced recruitment costs and lower staff turnover.³¹² In the long term, apprentices can be trained to meet skill shortages and develop a committed workforce.³¹³ Apprenticeships also make a contribution to the wider economy, with data from the National Audit Office showing that every £1 spent on apprentices brings an £18 return to the economy.³¹⁴

As one of the Government's key strategies to target youth unemployment, there are several features of apprenticeships which favour young people. The first is the funding formula. DfE and BIS cover a proportion of training costs which varies according to the apprentice's age.³¹⁵ This means that the provider and employer receive a higher level of funding for training a young person. The purpose of a training provider is to match apprentices with suitable employers and support employers to deliver their apprenticeship programme.³¹⁶

A new payment model for apprenticeships will be introduced in 2017. The main change is that, unlike the current model, where training providers are paid by government to provide a service, employers will be allocated funds in an online account. Employers will then be able to transfer funds to a provider for a negotiated fee and service.³¹⁷ Instead of a fixed service fee, employers and providers will agree a price to meet the costs of training and end-point assessment for each apprenticeship.³¹⁸ The payment model includes an incentive for employers to recruit 16-18 year olds (see Figure 11). This amount varies depending on the level of training provided.³¹⁹ In Figure 11, this is denoted by the apprenticeship caps 1- 6. The maximum total government contribution is £28,800, depending on the employer's and apprentice's circumstances.³²⁰

307 Conservative Party, *The Conservative Party Manifesto 2015*, 2015.

308 Department for Business, Innovation & Skills, 'Apprenticeship Levy: How It Will Work,' Webpage, (2016).

309 David Cameron, 'This Is a Government That Delivers,' Speech, (2015).

310 Ibid.

311 Disability Rights UK, 'Careers and Work for Disabled People: Disability Rights UK Factsheet F24,' Webpage, (2015).

312 CIPD, *Apprenticeships That Work: A Guide for Employers*, 2014.

313 James Hardy, 'Hiring an Apprentice: The Benefits for a Small Company,' *Small Business UK*, July 4, 2013.

314 National Audit Office, *Adult Apprenticeships: Estimating Economic Benefits from Apprenticeships – Technical Paper*, 2012.

315 Skills Funding Agency, *Funding Rates and Formula 2015 to 2016: Version 2*, 2015.

316 The Electrotechnical Skills Partnership, *What Makes a Good Apprenticeship Training Provider*, 2015.

317 Skills Funding Agency, *Apprenticeship Standards Funding Rules 2016 to 2017: Version 2*, 2016.

318 Ibid.

319 Ibid.

320 Ibid.

Figure 11: Apprenticeship standards funding model 2017

	Cap 1	Cap 2	Cap 3	Cap 4	Cap 5	Cap 6	
Maximum core government contribution (£2 for every £1 from employer)	£2,000	£3,000	£6,000	£8,000	£13,000	£18,000	
Employer contribution if the cap maximum is required	£1,000	£1,500	£3,000	£4,000	£6,500	£9,000	
Co-payment for training and assessment if the cap maximum is required	£3,000	£4,500	£9,000	£12,000	£19,500	£27,000	
Additional incentive payments	Recruiting a 16 to 18-year-old	£600	£900	£1,800	£2,400	£3,900	£5,400
	For a small business (<50)	£500	£500	£900	£1,200	£1,950	£2,700
	For successful completion	£500	£500	£900	£1,200	£1,950	£2,700
Maximum total government contribution	£3,600	£4,900	£9,600	£12,800	£20,800	£28,800	

Source: Skills Funding Agency, *Apprenticeship Standards Funding Rules 2016 to 2017: Version 2, 2016*

The Government have committed to halving the disability employment gap, as well as delivering three million new apprenticeships. Aligning these two objectives would help the Government to achieve both ambitious targets, benefitting disabled people and employers, who would be incentivised to access to a wider talent pool. Aligning these objectives was a key recommendation of a recent independent review, the Maynard Review, on access to apprenticeships for people with learning disabilities.³²¹

Therefore, if an apprenticeship is the right option, it should be available to disabled people regardless of age. For training providers and employers, the current funding formula for apprenticeships does not incentivise recruiting a disabled apprentice. To increase access for disabled people, the funding model of apprenticeships needs to be amended, including removing age-related criteria. The Maynard Review specifically recommended a pilot to test how the new apprenticeship funding model might be “flexed to incentivise employers to recruit apprentices with learning disabilities.”³²²

The Government have indicated that this is the direction of travel. Earlier this year when the DWP, BIS and DfE set up the Maynard taskforce, Nick Boles, then Skills Minister, said:

*Our commitment to apprenticeships is giving people everywhere the chance to develop vital skills while working in a real job and being paid. This taskforce will focus on how apprenticeships can be more accessible to people with learning disabilities so everyone can be part of the apprenticeships success story.*³²³

This is a promising first step to make apprenticeships and training opportunities more accessible. This approach should be taken further, to provide equal opportunities for all disabled jobseekers, regardless of their disability type. We also support Maynard’s recommendation on the need to adjust the minimum standards of English and Maths for apprentices with learning difficulties. This would ensure apprenticeships are equally accessible to all disabled applicants.³²⁴

³²¹ Paul Maynard, *Taskforce Recommendations: Improving Access to Apprenticeships for People with Learning Disabilities*, 2016.

³²² Ibid.

³²³ Department for Work and Pensions, Department for Education, and Department for Business, Innovation & Skills, ‘Announcement of Taskforce to Look at Improving Accessibility of Apprenticeships for People with Learning Disabilities,’ Press release, (2016).

³²⁴ Maynard, *Taskforce Recommendations: Improving Access to Apprenticeships for People with Learning Disabilities*.

Recommendation 13:

Apprenticeships should be accessible for disabled people regardless of their disability type and age.

The funding model

As outlined, the funding arrangement for apprenticeships does not recognise that disability will affect the cost of delivering apprenticeship training. 'Creaming' has been identified in the current apprenticeship model whereby candidates who require the least support are prioritised.³²⁵ A BIS Committee report recommended the inclusion of prior attainment in the funding arrangement for apprenticeships.³²⁶ Recognising a disability or health condition in the funding arrangement would also reduce incentives to 'cream and park'.

There are two elements of the funding model that need to be amended to align the incentives of training providers and employers. The first is an overall increase in the maximum amount of government funding available for disabled apprentices. Training a disabled apprentice could cost an employer more and therefore it is important that the funding formula reflects this. For example, a disabled apprentice on a cap 3 level apprenticeship should be eligible for more than the £9,600 government funding, the current cap. This would enable training providers to provide more intense or specialist support to disabled apprentices if needed.

As outlined in Figure 11, additional incentive payments are available to employers to help align the demand for apprentices with government priorities. Incentives are available to small businesses (<50 people), for young apprentices (aged 16-18) and for successful completion of the programme.³²⁷ The addition of a disability-related incentive should encourage employers to recruit more disabled apprentices, and help to remove any cost-related disincentives. Comparable to the 16-18 incentive payment, the employer would have discretion over the use of these funds and may, for example, use it to provide additional on-site support or pay for the support services of a specialist disability training provider.

For the training provider and employer to claim additional funding, disabled apprentice candidates must have a work-limiting health condition or disability under the Equality Act 2010.³²⁸ Those who are claiming benefits would have been identified via the UC assessment, and would have been assigned to one of the four groups outlined in Section 3.1. Whilst not all disabled apprentices will have been benefit claimants, there should be a drive to use apprenticeships as an alternative to a welfare-to-work programme where appropriate. As such, given the clear benefits to DWP of moving more disabled people into apprenticeships, the Department should contribute towards the additional funding costs.

The combination of a favourable funding formula and incentive payment for disabled apprentices may also help to develop a market of specialist training providers who employers can then work with.

Recommendation 14:

The Government should increase the overall funding available for disabled apprentices, in part through additional DWP funding.

³²⁵ House of Commons Business, Innovation and Skills Committee, *Apprenticeships, Fifth Report of Session 2012-13*, HC 83-III (London: The Stationery Office, 2012).

³²⁶ *Ibid.*

³²⁷ Skills Funding Agency, *Apprenticeship Standards Funding Rules 2016 to 2017: Version 2*.

³²⁸ HM Government, *Equality Act 2010*.

The referral route

It is important that, where an apprenticeship may be the best option for a disabled claimant, they are referred to a suitable training provider as soon as possible to explore the option – before they are attached to an employment programme. JCP currently serves as the ‘gateway’ to employment programmes including the Work Programme and Work Choice, as well as other services.³²⁹ JCP staff should therefore use their initial conversations with a claimant to identify whether they would be suitable for an apprenticeship and to set up an initial meeting with a training provider. If a claimant is suitable, benefits would be paused while they participate on the apprenticeship programme. If the claimant subsequently drops out of the apprenticeship before completing they should be mandated to join the welfare-to-work programme.

Recommendation 15:

Jobcentre Plus should identify disabled claimants who could benefit from an apprenticeship and refer them to a suitable training provider. This should be an alternative option to referral to a welfare-to-work programme.

Public sector opportunities

As part of the Government’s pledge to increase new apprenticeship starts, the then Prime Minister has committed public sector organisations to increase apprenticeship delivery. A speech at the end of 2015 set a quota for apprenticeship delivery by public sector organisations and from April 2017, apprentices must fill 2.3 per cent public sector roles.³³⁰

The public sector makes up nearly one fifth of the UK workforce, on the latest data employing 5.3 million people.³³¹ The Government’s public sector pledge means that it has committed to offer nearly 122,000 apprenticeships. Introducing a quota on apprenticeships for benefit claimants with a disability to the performance targets of public sector organisations would formalise the Government’s expectation of them to offer placements. This echoes the Maynard Review which recommended that “BIS and DWP lead by example with their own apprenticeship programmes for people with learning disabilities, and encourage wider Civil Service and public sector commitment” to this agenda.³³²

Recommendation 16:

Introduce a quota on the proportion of public sector apprenticeships that should be offered to people with a disability.

4.3.2 Covering costs

The cost of workplace adjustments for disabled employees are often lower than employers expect. Research has shown that almost half of workplace adjustments for disabled people cost less than £50.³³³ Studies have also shown that retaining people who have become disabled, may be more cost effective than recruiting and training a new employee to the position.³³⁴ The Government offers funding and occupational health support, through AtW and the Fit for Work service, to prevent cost from becoming a barrier to hiring and retaining disabled workers. However, both initiatives have been underutilised which has limited their impact.³³⁵

³²⁹ House of Commons Work and Pensions Select Committee, *The Role of Jobcentre Plus in the Reformed Welfare System*, 2014, 163.

³³⁰ Cameron, ‘This Is a Government That Delivers.’

³³¹ Office for National Statistics, *Public Sector Employment, UK: December 2015*, 2016.

³³² Maynard, *Taskforce Recommendations: Improving Access to Apprenticeships for People with Learning Disabilities*.

³³³ Coleraine Borough Council, *Balancing Disability Rights and Health and Safety Requirements: A Guide for Employers*, 2003.

³³⁴ Ibid.

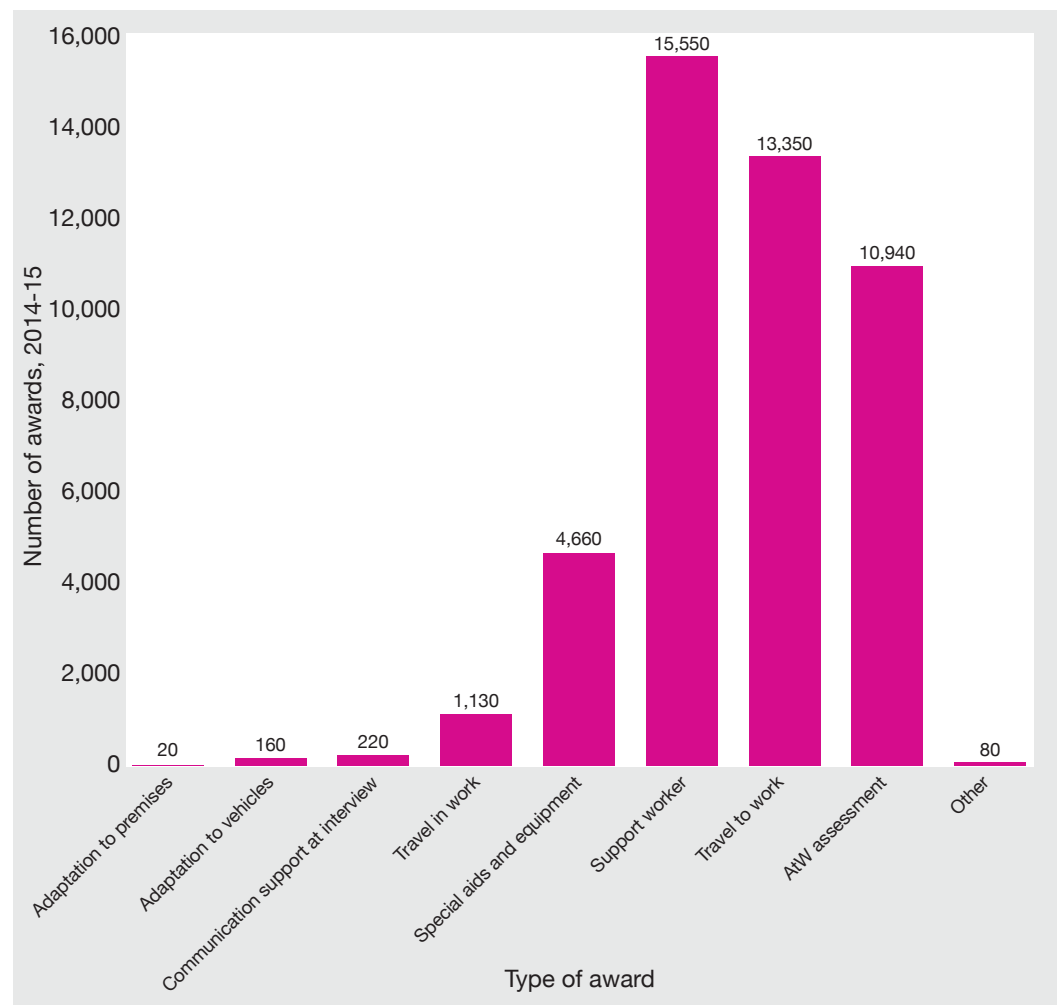
³³⁵ House of Commons Work and Pensions Committee, *Improving Access to Work for Disabled People, Second Report of Session 2014-15*, HC 481 (London: The Stationery Office, 2014).

4.3.2.1 Funding for workplace adjustments

AtW is a DWP programme delivered through JCP. It provides financial support for disabled people who are in work or about to start a job.³³⁶ The aim of AtW is to ensure equal access to work by providing advice and covering the costs of workplace adjustments that are not reasonable for an employer to pay, as required by the Equality Act 2010.³³⁷ In 2013-14, AtW supported 35,450 users through £108 million worth of funding.³³⁸ Despite more generous funding for smaller employers, AtW has been used mainly by large companies who are more likely to be aware of the scheme and support their employees in making a bid for funding.³³⁹

Liz Sayce's independent review of disability employment support documented "overwhelming support" for the AtW programme³⁴⁰ – a finding which was repeatedly endorsed in interviews for this report. The main reason for this popularity is the personalised nature of the funding. AtW is flexible compared to other disability employment programmes as it can cover the cost of a range of workplace adjustments, the combination of which is personalised to meet the claimant's needs. Nonetheless, in 2014-15, awards were mainly granted for support workers and travel to work (see Figure 12).

Figure 12: Reasons for Access to Work awards, 2014-15



Department for Work and Pensions, *Access to Work: individuals helped to end of December 2015, July 2016*.

336 Aliyah Dar, *Access to Work Scheme for People with Disabilities* (House of Commons Library, 2016).

337 Disability Rights UK, 'Access to Work: Disability Rights UK Factsheet F27.'

338 House of Commons Work and Pensions Committee, *Improving Access to Work for Disabled People, Second Report of Session 2014-15*, 10.

339 Federation of Small Businesses, *Small Business, Big Employers, Good Employers*, 2009.

340 Sayce, *Getting In, Staying in and Getting on: Disability Employment Support Fit for the Future*, 2011. 14.

Despite widespread support for the programme, the reach has been limited and there is strong evidence that AtW supports only a fraction of the disabled people who might benefit.³⁴¹ Limited publicity has kept demand low, which some suggest is one of the ways the Department has ensured adequate provision for disabled people with higher levels of need.³⁴² Commentators have repeatedly called for the Government to increase awareness and access to the programme.³⁴³

Although the Government accepted Sayce's recommendation to double the numbers supported by AtW in 2011, this hasn't happened. In 2010-11, the year Sayce's review was published, the AtW caseload was 35,820.³⁴⁴ In 2014-15, this had increased only marginally to 36,800 AtW users.³⁴⁵ The tension between increasing volumes within a restricted budget is clear.³⁴⁶ Attempts to increase the number of people helped by the programme, within an only marginally increased budget, risk impacting the awards of people who happen to have relatively high cost needs.³⁴⁷ Part of the problem is that the effectiveness of AtW funding is not measured. In stark contrast to other employment support programmes, which use an element of PbR, the focus of AtW funding is on input rather than outcomes. AtW data reports on the number and size of claims, but not on whether this has helped a disabled worker to get or stay in work. Without tracking the outcomes of this funding, it is difficult to understand whether AtW actually delivers value for money and where efficiencies could be found so that more people can be helped. Government should consider how to better assess whether the funding is being used to greatest effect.

Fundamentally, AtW should be simple and easy to use – for disabled workers and their employers. For disabled individuals, the current application process is unnecessarily burdensome. Applications for AtW funding require the completion of a handwritten form, which for some disabled people is particularly difficult – particularly those with learning difficulties or visual impairments. For employers, who are required to pay for adjustments upfront, there is a risk that the application will not be granted and they will have to bear the cost. Outlined below is a series of short term changes to improve the user-experience and accessibility of AtW.

Eligibility letter

As outlined at the start of this Chapter, some employers are anxious about costs associated with workplace adjustments. To alleviate this concern, DWP introduced AtW pre-employment eligibility letters. The letter can be taken to interviews by disabled candidates to inform the employer that they are likely to be entitled to financial support through the AtW scheme.³⁴⁸ As stated by the Work and Pensions Select Committee:³⁴⁹

The intention is to “reassure employers that they will not incur excessive costs as a result of taking on a disabled person” and increase the confidence of disabled people to apply for jobs, knowing that they were likely to be eligible for support.

In interviews about AtW for this report, however, no interviewee mentioned the pre-employment eligibility letter. Several commented on the risk for employers of the current application process if the disabled worker does not complete the application form. To reduce concerns for employers around the cost of workplace adjustments, the AtW eligibility letter must be promoted more widely and application process for disabled

341 House of Commons Work and Pensions Committee, *Improving Access to Work for Disabled People, Second Report of Session 2014-15*.

342 *Ibid.*, 16.

343 Mind, *We've Got Work to Do: Transforming Employment and Back-to-Work Support for People with Mental Health Problems*; Dar, *Access to Work Scheme for People with Disabilities*; Liz Sayce, *Getting In, Staying in and Getting on: Disability Employment Support Fit for the Future* (Department for Work and Pensions, 2011).

344 House of Commons Work and Pensions Committee, *Improving Access to Work for Disabled People, Second Report of Session 2014-15*, 10.

345 Department for Work and Pensions, *Access to Work: Individuals Helped to End of December 2015*.

346 Action on Disability & Work UK et al., *Access to Long-Term Unemployment – or Access to Work?*

347 Dar, *Access to Work Scheme for People with Disabilities*.

348 Jobcentre Plus, Department for Work and Pensions, 'Access to Work Eligibility Letter,' March 2015.

349 House of Commons Work and Pensions Committee, *Improving Access to Work for Disabled People, Second Report of Session 2014-15*, 21.

individuals made as simple and user-friendly as possible. A starting point should be improved access through online application forms.

The Maynard Review also highlighted the importance of AtW eligibility letters. The Review recommended that the “DWP updates the AtW eligibility letter to ‘sell’ the support available better and emphasise that this support is available in situations which require more than reasonable adjustments.”³⁵⁰

Online application

For people with specific disabilities, such as those who are blind or have a visual impairment, are deaf or hard of hearing, or have learning difficulties, completing a written application could be a burdensome task. Many individuals with these disabilities use assistive technology, such as screen reading software and captions, to access online information.³⁵¹ At a meeting of the All-Parliamentary Party Group (APPG) for Disability in April 2016, frustration was expressed by disabled people about having to complete and post hard-copy forms.³⁵² The Government are increasing access to services online, including UC claims and accounts. AtW should not be left behind. The option of online applications and access to AtW accounts would improve the accessibility and user-experience for many disabled workers. Moreover, online access should improve the efficiency of AtW administration: claim forms are likely to be completed with fewer mistakes and information can be updated and processed in real time.

Recommendation 17:

Access to Work applications and accounts should be available to complete online. The website must be designed to work with assistive technologies.

Transfer between jobs

The AtW website states that, if a claimant changes employers, they “may be able to:”³⁵³

- > Transfer equipment to a new job
- > Get a different amount of grant

It is crucial that AtW does not become a barrier to claimants moving between jobs – this is one way that disabled people may progress in their career. To simplify AtW for claimants and improve efficiency, DWP should ensure that claimants are able to transfer their equipment to a new employer. Under existing AtW regulations, individuals cannot transfer support workers or awards for travel costs.³⁵⁴ This leads to wasted resources. At the April APPG meeting, one claimant explained how she had been forced to undertake ‘mock interviews’ with a range of support workers when she changed jobs, before re-hiring her existing support worker.³⁵⁵ Stripping unnecessary bureaucracy from AtW would save time and make the application process easier for the claimant, as well as avoid wasting resources on reapplying for the same level of support. Online AtW accounts would make it easier for a claimant to update their information. New AtW claims should only be necessary if a claimant moves to a job that is substantially different to their current role, or whose change in circumstances warrants a new assessment. As with other benefits, the claimant should be responsible for reporting such a change of circumstance.

350 Maynard, *Taskforce Recommendations: Improving Access to Apprenticeships for People with Learning Disabilities*.

351 Vanita Gupta, “Ensuring Access to Work for People with Disabilities,” *U.S. Department of Justice Blogs*, May 12, 2015.

352 APPG for Disability- Call for Evidence on Halving the Disability Employment Gap, 13 April 2016

353 GOV.UK, “Access to Work: Eligibility,” Webpage, (2016).

354 Department for Work and Pensions, *Access to Work: Factsheet for Employers*.

355 All Party Parliamentary Group for Disability, 13 April 2016. The Committee have not published a transcript of this meeting but one of the authors of this report was in attendance.

Recommendation 18:

Claimants of Access to Work should be able to passport Access to Work grants between employers. This should include the transfer of equipment, support workers or travel costs, unless the new role is substantially different from their previous job.

Purchasing workplace adjustments

The current process of purchasing workplace adjustments is individualised. Employers and the claimant decide what would be most useful in overcoming workplace barriers, with the assistance of an AtW adviser. This has the advantage of increasing personalisation but leads to inefficiency, whereby goods are purchased at higher costs and more time is spent on identifying suitable equipment. Use of a central catalogue of workplace adjustments can help to address this and deliver value for money through economies of scale. With the exception of very specialist equipment, individuals should be able to select items from a single online catalogue, via their AtW account, which are then approved online by the employer.

As seen in the case of Lloyds Banking Group below, several employees can request the same or similar workplace adjustments allowing Microlink (Lloyds' adjustments service supplier) to purchase them together at a lower cost. As shown in Figure 11, there is considerable homogeneity in the types of AtW claims. This suggests that savings could be made through economies of scale. DWP have tried to harness some of these potential savings. In March 2015 Mark Harper MP, then Minister for Disabled People, announced plans to centrally commission taxi services:

Over 30 per cent of Access to Work spending is on taxis for customers with mobility problems. This is a transformative service for customers and I want to ensure that improvements to customer service, reliability, value for money and accessibility standards for wider society can be driven by Government using its buying power to drive quality and performance. Starting early in 2015-16, we will look to pilot contracted services for customers across our largest towns and cities³⁵⁶

This call was reiterated by the Work and Pensions Select Committee in September 2015.³⁵⁷ They argued that contracting provision would “ensure quality standards by using Government’s purchasing power to leverage better accessibility standards across providers.”³⁵⁸ There is little evidence however that the pilot has materialised and no evaluative evidence on whether it has been effective.

The use of an online catalogue should initially be limited to ‘cataloguable’ items, for example ergonomic chairs, portable aids, and hearing and visual assistive technology. The efficiency savings of this could then be used to ensure sufficient funding for comprehensive assessments of people with highly specialist needs and ensure they are provided with appropriate adjustments. If a catalogue is proven to be successful for ‘off-the-shelf’ items, there would be potential to extend its use to specialist staffing agencies of support workers in the longer term.

Recommendation 19:

The Government should compile an online catalogue of workplace adjustments. Individuals should be able to select the most appropriate workplace adjustment, with the support of an Access to Work adviser if needed, which is then approved by the employer.

³⁵⁶ Mark Harper, ‘Access to Work: Written Statement,’ March 12, 2015, HCWS372.

³⁵⁷ House of Commons Work and Pensions Committee, *Improving Access to Work for Disabled People: Government Response to the Committee’s Second Report of Session 2014–15*, HC 386 (London: The Stationery Office, 2015).

³⁵⁸ *Ibid.*, 12.

Lloyds Banking Group: best practice in workplace adjustment

In 2010 Lloyds radically changed their approach to workplace adjustments for disabled employees. This was initiated following a survey which found that the process of obtaining adjustments was long and complicated. The new scheme was launched in March 2010 and has received wide recognition for its achievements.³⁵⁹

One of the factors most critical to the success of the scheme has been a change to the way adjustments are funded.³⁶⁰ Instead of being tied to the budgets of individual Lloyds teams, they are now funded centrally, meaning that there is no longer any disincentive for line managers to support their implementation.

The evaluation process was also overhauled. Applications are now processed through an external partner, Microlink, who specialise in workplace adjustments for people with disabilities. This means that there is a single point of entry for all adjustments, and first assessments are made by experts. Furthermore, with the advice of Microlink, Lloyds have decided on a list of pre-approved items that can be provided without any assessments at all. These changes have reduced the average case duration from 90 days in 2009 to 14 days in the first quarter of 2014.³⁶¹

The cost of workplace adjustments has also reduced.³⁶² This is partly due to the removal of the requirement for formal assessments conducted by a human resources team or occupational health specialists, and partly because Microlink are in a position to negotiate economies of scale with suppliers.

The new scheme appears to have had a significant positive effect on the Lloyds workforce. 62 per cent of employees who have used the new system, and 63 per cent of their managers, have reported a reduction in absence levels. 85 per cent of line managers reported a significant improvement in performance and 100 per cent would recommend the use of a similar workplace adjustment service in any company.³⁶³

Support for SMEs

To improve the efficiency and effectiveness of AtW funding, structural reform is required. Increasing the capacity of SMEs to recruit more disabled workers will be a key way to improve the employment prospects of disabled workers.

Many small businesses do not possess a human resources function to purchase workplace adjustments and support disabled employees in completing their AtW application. For many small businesses, who have never completed an AtW claim, this could be a daunting task. A local intermediary support service, similar to the Microlink support provided for Lloyds Banking Group, would remove this burden. In interviews for this report, experience in making an AtW claim was cited as a main determinant of whether AtW funding would be granted. A local AtW service for SME employees would have the capacity, expertise and time to process AtW claims and therefore provide greater equality of access for SMEs to AtW funding.

Recommendation 20:

DWP should contract workplace adjustment providers to manage Access to Work claims for employees of local small and medium sized businesses.

³⁵⁹ Lloyds Banking Group, 'Disability,' Webpage, (2016).

³⁶⁰ Susan Scott-Parker, *Moving from Ad Hoc to Streamlined Efficiency: The Lloyds Banking Group Case Study* (Business Disability Forum, 2014).

³⁶¹ Ibid

³⁶² Ibid

³⁶³ Ibid

4.3.3 Occupational health support

As discussed in section 3.2, a lack of awareness of how to deal with and accommodate workers with disabilities is a common concern of employers.³⁶⁴ The cost of sickness absence and not knowing what to do if a disabled employee's condition worsens can lead to unnecessary fear. This is more likely for employers who are not familiar with successfully accommodated disabled workers.³⁶⁵ The Government has tried several initiatives to reduce this fear. These range from disability awareness campaigns³⁶⁶ and specialist disability support,³⁶⁷ to in-work occupational health advice.³⁶⁸

The Fit for Work service is one of the most recent government-led initiatives, which aims to help employees return to work after a period of sickness absence.³⁶⁹ It is a free national service to complement existing occupational health services provided by employers. In addition to health and work advice, occupational health therapists can conduct assessments and co-design a 'Return-to-Work' plan with employees in the early stages of sickness absence.³⁷⁰ Employees are referred by their GP if they have reached or are expected to reach, four weeks of sickness absence, or by their employer with permission after the fourth week of absence.³⁷¹ The Government has also introduced an annual tax exemption of up to £500 per employee for medical treatments to help employees return to work. This applies to treatments recommended by health professionals in Fit for Work and private occupational health services.³⁷²

Rolled out nationally in 2014, the Fit for Work Service is still in the early stages of development. Pilots of the service which ran from June 2010 to 2013 showed promising results: 72 per cent of clients returned to work by the time they left the pilot. Compared to baseline estimates for sickness absence length, two out of three pilot clients returned to work more quickly than their local comparator group.³⁷³ On average, clients spent around 10 to 12 weeks on the pilot.³⁷⁴ A cost-benefit analysis however revealed significant variation in the cost-effectiveness of the pilots. The average cost of the pilots was around £1,000 per client, but the costs varied from around £500 to over £2,000 per person where a range of in-house support services were supplied.³⁷⁵

A key criticism of the Fit for Work service was the low take-up and lack of referrals from GPs and employers – actual participation was just 40 per cent of planned numbers.³⁷⁶ The pilot depended on receiving referrals from GPs, who were likely to be the first point of contact for people absent due to sickness, but just 21 per cent of clients were directly referred by GPs.³⁷⁷ The evaluation identified reasons why engaging with GPs was more challenging than anticipated, including difficulties with gaining access to GPs; gaining interest from GPs when accessed; and ensuring information about the service was effectively communicated.³⁷⁸

Employment is increasingly being recognised as an important health outcome by health professionals.³⁷⁹ However, the Fit for Work service has encountered the same challenge as other employment support programmes: buy-in of the health sector. Supporting individuals with a health condition to return to work needs to have GPs on board. Many of

364 Kaye, Jans, and Jones, 'Why Don't Employers Hire and Retain Workers with Disabilities?'

365 Ibid.

366 GOV.UK, 'Recruitment and Disabled People: Encouraging Applications,' Webpage, (2015).

367 Job Centre Guide, 'Disability Employment Advisors,' Webpage, (2016).

368 Fit for Work, 'Occupational Health Support,' 2016.

369 Ibid.

370 Department for Work and Pensions, *Fit for Work: Guidance for Employers*, 2014.

371 Ibid.

372 Ibid.

373 Institute for Employment Studies and University of Liverpool, *Evaluation of the 2010–13 Fit for Work Service Pilots: Final Report* (Department for Work and Pensions, 2015), 16.

374 Department for Work and Pensions, *Fit for Work: Guidance for Employers*.

375 Ibid.

376 Institute for Employment Studies and University of Liverpool, *Evaluation of the 2010–13 Fit for Work Service Pilots: Final Report*.

377 Department for Work and Pensions, *Fit for Work: Guidance for Employers*.

378 Institute for Employment Studies and University of Liverpool, *Evaluation of the 2010–13 Fit for Work Service Pilots: Final Report*.

379 Department of Health, *The NHS Outcomes Framework 2015/16*, 2014.

them already recognise the benefits of work, but may be reluctant to engage with a DWP programme. This programme needs to be led by GPs who can decide what is best for their patients.

Allowing local groups of GPs or Clinical Commissioning Groups (CCGs) to commission the Fit for Work service would put GPs in control. The national infrastructure of Fit for Work could provide remote work and health advice. Face-to-face services and more intense support could be commissioned by health professionals which would increase specialist provision that is tailored to local demand. Paying GPs a fee for a successful outcome (i.e. quicker return to work than baseline) would ensure that taxpayer money was only paying for what works. Unlike current provision, the service should incorporate careers advice as the participant may no longer be suited to their existing role or industry.

Recommendation 21:

The Government should pilot occupational health services commissioning by GPs or Clinical Commissioning Groups. GP services should be paid on a Payment by Results basis when participants successfully return to work.

4.3.4 Equipping employers

4.3.4.1 A script for recruitment

Behavioural science studies show that framing of outreach activities and job adverts can have a disproportionate effect on who applies to a role.³⁸⁰ Similarly, as discussed, the lack of awareness on how to raise disability-related issues in interviews, from the perspective of the candidate and employer, makes it difficult for employers to understand how a person's disability would affect their capacity for work.

Behavioural scripts are a series of actions and consequences that are expected in a particular situation.³⁸¹ In many social settings, the order of steps are known. An individual learns these from observing others or from past experience. For example, when a person goes to a supermarket, they collect a shopping trolley, browse the aisles and select the groceries, pay for the items and return the trolley. For recruitment, the process is less straightforward, particularly for disabled candidates. How employers ask questions about disability or what reasonable adjustments a person may need is not clear and there is no well-established expected sequence of behaviours. Legislation on what an employer can and cannot ask at interview under the Equality Act 2010 is also vague which could lead to anxiety about what types of health questions are appropriate.³⁸²

Many organisations provide advice on how to recruit a disabled candidate,³⁸³ however few offer a script for how employers should conduct the interview process. The Government should commission research to establish what such a script should look like and the policy levers that could be used to encourage employers to use it. The organisation conducting the research should have strong connections with employers and disabled people to understand what an ideal interview process would look like for a disabled person and what information is required from the perspective of an employer.

A number of scripts should be developed and tested for candidates with different types of disabilities. Randomised Control Trialling (RCT) should then be used to measure the impact of each script on a disabled candidate's likelihood to be offered a job. The

380 Elizabeth Linos and Joanne Reinhard, *A Head for Hiring: The Behavioural Science of Recruitment and Selection*.
381 Dennis Gioia and Peter Poole, 'Scripts in Organizational Behavior,' *The Academy of Management Review* 9, no. 3 (July 1984).

382 HM Government, *Equality Act 2010*. The Equality Act 2010 states that employers can ask a job applicant relevant questions about their disability and health at interview and to find out whether they can do something essential to the job. The Act also states that employers cannot ask questions about disability and health on an application form or during an interview before the offer of a job has been made.

383 Business Disability Forum, 'Talent Recruitment,' Webpage, (2013); GOV.UK, 'Recruitment and Disabled People,' Webpage, (2015); Business Disability Forum, *A Business Disability Forum Guide to Best Practice for Recruiting and Retaining Disabled People*, 2016.

accuracy of an RCT would depend on candidates self-reporting their disability. As studies have shown, candidates with mental health conditions are less likely to disclose their disability than those with physical disabilities,³⁸⁴ which may skew script effectiveness in favour of physically disabled candidates. The proposed script would have to comply with the requirements of the Equality Act 2010 and be developed with the involvement of specialist disability charities. The use of specific policy interventions to encourage employers to use the script would likely vary for large, and small to medium-sized businesses as there are significant differences in the hiring process, and similarly for low and high-skilled jobs.

Recommendation 22:

The Government should commission research to establish a behavioural script for recruiting disabled candidates. Multiple scripts should be tested to ensure efficacy across a range of disabilities, including mental health conditions.

4.3.4.2 Peer support networks

There is a growing body of evidence on the benefits of workplace peer support.³⁸⁵ Peer networks create value by connecting people. For employees, this support can reduce sickness absence and help them to retain a job, as well as boost their self-confidence and inclusion at work.³⁸⁶ Odeen et al. reported a reduction of up to 14 per cent in the length of sickness absence for employees using peer support compared to those without access.³⁸⁷ Perkins, Farmer and Litchfield's review of employment support emphasised the importance of peer support for people with mental health conditions:

*Increasingly, people with a mental health condition are reporting that the support, encouragement and advice they have obtained from peers – people who have faced similar challenges – has been particularly important in their recovery. People with a mental health condition who have returned to work can be an enormous source of hope and inspiration to others who are embarking on a similar journey.*³⁸⁸

The report outlines how peer support networks can be set up. This includes: organising informal buddying/mentoring systems where someone who is looking for work can meet someone who is in work; 'job clubs' for jobseekers with a disability to share their experiences; and e-groups where people can share stories of how they found a job.

For employers, membership of disability networks increases their capacity to accommodate disabled workers. Such networks provide access to expert advice, information on best practice in recruitment and retention strategies and the opportunity to speak to employers facing similar difficulties.³⁸⁹ Consultation forums can also enable an organisation to generate inclusion policies, and test internal procedures.

The Business Disability Forum (BDF) is the UK's national employers' network specifically focused on the topic of disability. The organisation provides a wide range of services to establish more accessible and inclusive workplaces and opportunities for employers to share best practice.³⁹⁰ The organisation has about 350 members, which is largely comprised of large multinational corporations, and public sector employers. Members include employers across a range of sectors including banking, education, health, broadcasting, manufacturing and retail sectors.³⁹¹ To maximise the value of employer support networks, it is important that this service is localised and specifically targets

384 CIPD, *Managing and Supporting Mental Health at Work: Disclosure Tools for Managers*, 2011.

385 Kate Nash Associates, 'About Us,' Webpage, (2015).

386 Libby McEnhill, 'Peer Support for Employment Outcomes: An Overview of the Literature' (The Work Foundation, 2016).

387 Magnus Odeen et al., 'Effect of Peer-Based Low Back Pain Information and Reassurance at the Workplace on Sick Leave: A Cluster Randomized Trial,' *Journal of Occupational Rehabilitation* 23, no. 2 (June 2013).

388 Rachel Perkins, Paul Farmer, and Paul Litchfield, *Realising Ambitions: Better Employment Support for People with a Mental Health Condition* (Department for Work and Pensions, 2009), 53.

389 Business Disability Forum, 'About Us,' Webpage, (2013).

390 Business Disability Forum, 'Member and Partner Benefits,' Webpage, (2013).

391 Business Disability Forum, 'The Partner Group,' 2016.

support for small and medium sized businesses who do not have capacity to establish an internal disability peer network.

As Liz Sayce suggested at a recent Work Foundation event, public services should play a key role in establishing local employee networks:

*We are in a connecting economy: top performing businesses will focus on the value that comes from connecting customers. Airbnb is the largest global provider of accommodation – yet owns no buildings. Facebook is the largest media company – yet creates no content. They are not ‘providers’. Could public services do more to enable peer support to create human and social value, investing in connecting people, not just direct ‘provision’?*³⁹²

JCP and Disability Confident employers should work together to develop this capacity. Disability Employment Advisors (DEAs) in JCP should reach out to local employers to help establish a peer network of employers and disabled employees. As a single point of contact in the local community JCP have a responsibility to bring together the relevant organisations which can then grow to become user-led networks. DWP should seed fund the establishment of user-led networks through AtW or commissioning through JCP. Disability Confident employers, many of whom are large employers with significant experience and resources in accommodating disabled workers, should help to develop local networks by sharing best practice and resources, providing expertise to local businesses, and running networking events.

The need for ongoing support for employers was consistently raised in interviews for this report. Sayce identified “confident, well-informed employers, who are able to seek advice at the time it is needed”, as one of the “big enablers” of equal access to labour market opportunities for disabled people.³⁹³ The future model in this report is designed to incentivise providers to give ongoing support. As a key factor in helping a person to stay in work, providers should see the reward of offering support to the employer, as well as mediating the relationship between employee and employer. Peer networks in the local community would provide employers, particularly SMEs, with easy access to relevant information and guidance.

Recommendation 23:

Jobcentre Plus and Disability Confident employers should work together to establish local disability networks for employers and disabled employees. The Department for Work and Pensions should seed fund the establishment of user-led networks.

4.4 Strengthening the responsibility of employers

The effectiveness of the above initiatives depends on strong employer engagement. For example, the value of developing a behavioural script for recruitment depends on how likely employers are to use it. Peer support networks are only valuable if employers commit to making them work. The Fit for Work service receives referrals from employers, and the level of their involvement in co-designing a Return to Work plan will likely affect how quickly an employee returns from sickness absence. The Government must therefore use policy levers to help employers to become confident about disability and create an inclusive workplace. Strengthening the link between employers and employment support will also be crucial to halving the disability employment gap.

³⁹² Liz Sayce, ‘Peer Support Should Be a Central Plank of Employment Support,’ *The Work Foundation*, February 15, 2016.
³⁹³ Sayce, *Getting In, Staying in and Getting on: Disability Employment Support Fit for the Future*, 2011.

4.4.1 Available levers

The Government has several levers to strengthen the responsibility of employers. One approach is to introduce formal requirements of employers to become more inclusive, through legislation or quotas. The Equality Act has already provided anti-discrimination legislation. Industry-led quotas have been used to tackle other areas of inequality, for example to increase the number of women on boards.³⁹⁴ While this has improved senior female representation – women made up a quarter of members on boards of the 100 largest publicly listed companies in the UK in 2015, an increase of 13 percentage points since 2011³⁹⁵ – for disability, the effectiveness of such a measure is less clear. Many people with a health condition do not think of themselves as having a ‘disability’,³⁹⁶ or do not want to report it to their employer. This would leave a quota system open to gaming, whereby employers place undue pressure on workers to report their disability, or focus on visible physical disabilities.

4.4.1.1 Disability Confident Campaign

The Government launched the Disability Confident Campaign nearly three years ago to raise awareness of the benefits of hiring disabled workers and change the attitude of UK businesses towards disability. The campaign replaced the Positive About Disabled People scheme, also known as the ‘Two Ticks’ initiative, which failed to drive real change in closing the disability employment gap.³⁹⁷

As an advertising campaign, Disability Confident has been relatively successful. To date, 376 employers are registered as official supporters.³⁹⁸ This demonstrates wide support among UK employers to improve disability equality in the workplace. However, the minimal requirements for employers to become Disability Confident limits the impact of this initiative and risks becoming a box ticking exercise, reminiscent of two ticks.³⁹⁹

The Government Communications Service revealed that the number of ‘active’ Disability Confident employers is 68 – less than 20 per cent of the total cohort.⁴⁰⁰ The lack of evaluation or transparency in the current campaign means that it is difficult to assess how these employers are improving employment opportunities for disabled people. Greater formal expectations of employers who are, or would like to become, Disability Confident would give teeth to the campaign and is an essential step to prevent replicating the problems of its predecessor. Holding employers accountable against a framework of Disability Confident standards, as well as evaluating and sharing best practice could help to take this agenda from one-off corporate social responsibility initiatives to everyday practice across business. Harnessing the potential of this campaign – using it as a lever for demand-side change – could significantly improve employment outcomes for disabled people, at minimal cost to the public purse.

The success of Stonewall gives some insight into the scale of change that Disability Confident could achieve.⁴⁰¹ Over the last 12 years, Stonewall has used a Workplace Equality Index to scrutinise practices around lesbian, gay, and bisexual inclusion in an organisation. Over 400 employers entered the 2016 Index, competing to secure a place in the Stonewall Top 100 Employers.⁴⁰² Top performers are used to develop best practice guidance that is shared with other organisations. An anonymous employee survey and public ranking as used by Stonewall, could equally be applied to disability. Together with greater formal expectations of employers who wish to become Disability Confident, a Disability Inclusion Index could scale up the campaign and embed best practice into

394 Lord Davies, *Women on Boards: Davies Review Annual Report 2014*, 2014.

395 Lord Davies, *Women on Boards Davies Review: Five Year Summary*, 2015.

396 NIDirect, ‘Mental Health and the Disability Discrimination Act (DDA),’ Webpage, (2016).

397 K. Hoque and D. Parr, ‘Employer Disability Practice in Britain: Assessing the Impact of the Positive About Disabled People ‘Two Ticks’ Symbol,’ *Work, Employment and Society* 28, no. 3 (June 2014).

398 “Government’s Disability Confident Campaign Celebrates Two Years,” Learning and Work Institute, July 29, 2015.

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402 Ibid.

public and private sector organisations.

Recommendation 24:

The Government should formalise the requirements of Disability Confident employers. An opt-in system, comparable to the Stonewall Index, should publically rank employers on how inclusive they are for disabled workers.

A network of ‘Disability Champions’ from top employers should be expected to work with smaller businesses or their supply chain, as part of their workplace equality assessment, to share best practice in recruitment and retention strategies. BIS launched a similar initiative in 2014 to involve businesses in leading the way on improving social mobility.⁴⁰³ As part of the Social Mobility Business Compact, champion businesses must meet a set of criteria, developed by BIS and the Social Mobility Commission. Commitments include outreach activities, offering work placements, providing well-structured non-graduate entry routes in recruitment, and evaluating and publishing data on the socio-economic backgrounds of their workforce.⁴⁰⁴ Importantly, a major part of their role is to take the message out to other businesses across the country.⁴⁰⁵ The 12 ‘Compact Champions’ span a range of sectors including housing, care, retail and professional services.⁴⁰⁶ Applying this approach in the context of disability would help to remove barriers to employment for disabled people.

Recommendation 25:

A network of Disability Champions should be used to lead the way on improving equal opportunities for disabled people. These should be businesses who have made a pledge to increase outreach, recruitment, and retention of disabled workers, and monitor and evaluate the progress of interventions.

4.4.1.2 Setting an example

Embedding the strategies outlined in Section 4.4 will require cultural change. Employers will look to Disability Champions and other leading businesses for ways to effectively implement diversity strategies and tools. The Government’s increased pressure on businesses to become more inclusive will draw attention to what’s happening in their own backyard. This presents an opportunity for the civil service to become a beacon of best practice. They should be the first to adopt the behavioural script for recruitment purposes and share best practice with partner businesses.

As an organisation, the civil service is reputed to champion inclusion, offering part time roles, flexible working and job shares.⁴⁰⁷ Despite this, sickness absence within the Civil Service is on average 7.3 working days a year per person, compared to a private sector average of 4.9 days per person.⁴⁰⁸ Championing innovative recruitment tools and retention strategies would set an example to business, improve diversity and benefit staff wellbeing more widely.

Government also holds significant purchasing power. Each year, central government spends around £40 billion procuring goods and services.⁴⁰⁹ Assessing a business’s inclusivity as part of the tendering process would financially incentivise potential partners to make progress on this agenda.

⁴⁰³ Department for Business, Innovation & Skills, ‘Social Mobility Business Compact: Champion Tier,’ Webpage, (2016).

⁴⁰⁴ Ibid.

⁴⁰⁵ Department for Business, Innovation & Skills, ‘UK Employers Set a New Benchmark for Social Mobility,’ Press release, (November 13, 2014).

⁴⁰⁶ Department for Business, Innovation & Skills, ‘Social Mobility Business Compact: Champion Tier.’

⁴⁰⁷ Deborah Brooks and Susie Owen, ‘Inclusive by Instinct’ – the Goal of Civil Service Diversity,’ *Civil Service*, April 5, 2016.

⁴⁰⁸ Cabinet Office and Civil Service, *Civil Service Absence Update: September 2014*, 2014.

⁴⁰⁹ Alexander Hitchcock and William Mosseri-Marlio, *Cloud 9: The Future of Public Procurement* (Reform, 2016).

Recommendation 26:

The civil service should play a central role in championing innovative recruitment tools and retention strategies. The Government should leverage their purchasing power to encourage potential partners to be more inclusive towards disabled people.

4.5 Conclusion

Over the last decade, the focus of welfare policy has been employment support provision. The design of a national programme is crucial to helping disabled claimants become work-ready, and as outlined in Chapter 3, significant reform is needed to achieve a step change in outcomes. This is, however, only half the story. Ensuring that suitable jobs are available for when claimants complete the programme, and that employers are willing to recruit disabled workers is essential. Despite a strong business case, many employers remain unsure about the risks and costs associated with recruiting disabled workers. Government policy should aim to lower these barriers through supported stepping stone jobs (which provide a low-risk trial period for the employer), apprenticeships and changes to Access to Work. These reforms are particularly important for small and medium-sized businesses, who hold significant potential in addressing the disability employment gap. Finally, giving teeth to the Disability Confident Campaign would put businesses at the forefront of best practice to create more inclusive and accessible workplaces.

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ISBN 978-1-909505-93-3