

# COMMISSIONING EXCELLENCE IN DISABILITY

An assessment of the Department for Work and Pensions' nationally contracted disability employment provision

February 2020



Commissioning Excellence in Disability  
An assessment of the Department for Work and Pensions' nationally contracted disability employment provision  
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Published by the Centre for Social Justice,  
Kings Buildings, 16 Smith Square, Westminster, SW1P 3HQ  
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# Contents

About the Centre for Social Justice	2
Acknowledgements	3
Executive summary	5
Recommendations	7
Introduction	10
<b>1 The state of disability employment provision in 2020</b>	<b>11</b>
<b>2 Commissioning: Who is best placed to provide disability employment services?</b>	<b>33</b>
<b>3 Funding: Is Payment by Results the best mechanism to use?</b>	<b>47</b>
<b>4 Devolution: The need to work locally</b>	<b>57</b>
<b>5 Co-location of services: The role of the work coach</b>	<b>65</b>
Conclusion	73
Appendix	75

# About the Centre for Social Justice

Established in 2004, the Centre for Social Justice (CSJ) is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions. The CSJ's vision is to give people in the UK who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential.

The majority of the CSJ's work is organised around five 'pathways to poverty', first identified in our ground-breaking 2007 report *Breakthrough Britain*. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. For instance, in March 2013, the CSJ report *It Happens Here* shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result of this report, the Government passed the Modern Slavery Act 2015, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century.

Our research is informed by experts including prominent academics, practitioners and policy-makers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises and other grass-roots organisations that have a proven track-record of reversing social breakdown across the UK.

The social challenges facing Britain remain serious. In 2020 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential.



# Acknowledgements

With thanks to the DFN Charitable Foundation for their support of this project.



Numerous organisations and individuals have fed into this report, but particular thanks must be paid to: The British Association for Supported Employment, Doncaster Deaf Trust, the Royal National College for the Blind, the Jericho Foundation, DFN Project SEARCH, Team Domenica, the Shaw Trust, Ingeus, Reed in Partnership, Greater Manchester Combined Authority, Central London Forward, Local London, the Department for Work and Pensions, the Department for Education, Big Society Capital, and Croydon Council.

Please note that recommendations or statements of opinion made in this report should not be construed as perfectly representative of all named parties in all instances.

We welcome the emphasis in this report on the crucial role that the voluntary, community and social enterprise sector has in tackling the labour market exclusion that affects too many people, and the opportunities it highlights for social investment to contribute to better solutions.

**Big Society Capital**

We welcome this report which is a valuable addition to current thinking about how employment support is commissioned for those most excluded from the labour market. With the disability employment gap currently standing at around seventy per cent for people with a learning disability and for people with long-term mental health needs it is clear that change is needed. The CSJ's report identifies some of the obstacles in place and suggests ways of addressing them.

**Huw Davies, British Association for Supported Employment**

A 53 year old male walked into our office and revealed, for the first time in his life, that he had been offered a job. He would, he said, be able to have a holiday abroad for the first time; be able to board a plane for the first time; be able to buy healthy food for his family and not need the local food bank. Who knows, he said, if I work hard and get promoted, we might even be able to afford a car! By the time he left, there wasn't a dry eye in the office. This is what the VCSE sector lives to do; to make a real and lasting difference to the people we care about. We don't exist to make a profit or to court public recognition; we do it, because this is what we believe is right. HM Government needs to read this report and act upon the recommendations because to do nothing means letting down the millions deserving of just a little extra help.

**Andy Ellis, Doncaster Deaf Trust**

# Executive summary

Not only is work a powerful and crucial means of alleviating poverty, but it also brings with it many other benefits, from improved health through to greater inclusion in wider society. For this reason, the Centre for Social Justice (CSJ) has long championed the value of work, and welcomes the strides made in recent years to help more individuals into work. However, while employment rates have indeed risen across the board, disabled people continue to face exclusion from the labour market.

There are 7.7 million working age-disabled people in the UK today, of whom 53.6 per cent (4.1 million) are in work.<sup>1</sup> This compares to an employment rate of 81.9 per cent for working-age non-disabled people<sup>2</sup> – meaning there is an employment gap of 28.2 per cent.<sup>3</sup>

For certain health types, the numbers are even more concerning. Working-age people with learning disabilities in England have an employment rate of just 5.9 per cent.<sup>4</sup> This is despite the fact that over 65 per cent of people with learning disabilities want to work.<sup>5</sup>

Governments have failed to help disabled people of all health needs into employment, but those with the most complex problems have been failed most profoundly. This is despite the fact that DWP investment in employment programmes over the past six years alone has come in at approximately over £3 billion.<sup>6</sup>

There are several reasons for this that we will consider through the course of this report. Perhaps the most concerning of all is that the Government has adopted practices within its commissioning processes that have squeezed out organisations that offer specialist and local knowledge that could be a lifeline to helping vulnerable people into employment. Short-sighted and onerous funding models have also played their part, prohibiting smaller organisations from bidding for contracts, and encouraging gaming within the system. A national pan-disability approach has prevented essential, specialist support from going to those with acute sensory needs. Furthermore, inadequacies within the Jobcentre Plus network have generated deadweight in a system that is already stretched to capacity.

This has not only left the disabled population in Britain marginalised and unable to benefit from the many benefits of work, but it has also seen billions of pounds worth of taxpayers' money wasted. This report seeks to unearth the deadweight in the system. It finds

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1 Office for National Statistics, Table A08L Economic Activity of people with disabilities aged 16–64: levels, GB. November 2019

2 Office for National Statistics, Disability and employment, UK: 2019. Labour Force Survey

3 Office for National Statistics, Disability and employment, UK: 2019. Labour Force Survey

4 British Association for Supported Employment, Employment rates for people with disabilities. Source: SALT LTS004 Table 1/ SALT LTS001a Table 1a, NHS Digital

5 British Association for Supported Employment, Employment rates for people with disabilities

6 Analysis of DWP Data, DWP Annual Reports and Accounts 2018-2019. The spending recorded by the DWP on employment programmes is given in nominal terms.

that a radical reassessment of the role of voluntary, community and social enterprise organisations in frontline disability employment delivery is crucial to the successful running of nationally contracted disability employment programmes. This can be achieved in a number of ways: through a more open and transparent commissioning process, greater devolution, social finance and a reconsideration of the role of the Jobcentre Plus.

This report is part one of a two-part series looking at disability employment. In part one, we consider the commissioning of nationally contracted provision. Part two will consider the quality of supported internships in helping people with learning disabilities and autism into work.

# Recommendations

## Recommendation 1

While commercial sensitivities must be recognised, the Government can do much more to account for its commissioning decisions. After the procurement process has taken place for a new nationally contracted programme, as has just been the case for Intensive Personalised Employment Support, the Government should release a document outlining who has been awarded the prime contracts, and why. This must not become a tick-box exercise, but a process motivated by a genuine desire to bring transparency and accountability into what is currently a very opaque system.

## Recommendation 2

The Government must recognise the broad spectrum of needs within the wide-ranging definition of disability as presented in the Equality Act 2010:

1. The Government must reassess the design of its disability employment provision and take urgent steps to (re)introduce a specialist, sensory element into current and future nationally contracted programmes, including the Work and Health Programme and Intensive Personalised Employability Support.
2. The Government must commission a broader range of providers with specialist expertise to deliver high-quality sensory support for individuals with acute needs, as was the case under Specialised Employability Support.
3. The Umbrella Agreement for the provision of Employment and Health Related Services (UAEHRS) is used in the procurement of Intensive Personalised Employment Support and the Work and Health Programme. As part of an ongoing review, the Department for Work and Pensions must lower the financial threshold of the UAEHRS in order to allow specialist voluntary, community and social enterprise (VCSE) organisations to bid for government contracts. This would enable organisations that bring specialist and local expertise to enter the market.

## Recommendation 3

There are four pre-existing principles that providers are assessed on as part of the Merlin Standard, including supply chain design, commitment, conduct, and review. Integration should be introduced as a fifth distinct area of assessment. Under the current Merlin Standard structure, integration is assessed under 'supply chain design'. Integration is crucial to the successful running of disability employment programmes and therefore warrants its own consideration within the Merlin Assessment process. As part of this, providers would be assessed on their use of integration partners, integration boards and the co-location of services.

#### **Recommendation 4**

Poor behaviour and poor management of supply chains have led to the mistreatment and exclusion of VCSE organisations in the provision of nationally contracted disability employment programmes. The Merlin Standard was introduced to monitor the behaviour of prime providers in relation to their subcontracted partners. However, reports suggest that it has had limited impact on the behaviour of prime providers within nationally contracted provision. The Government should review the Merlin Standard to ensure it is fit for purpose. Part of this review must involve close engagement with VCSEs.

#### **Recommendation 5**

When commissioning VCSE organisations to provide nationally contracted services, it is vital that they are given the freedom to innovate. Grassroots VCSE organisations are often already embedded within communities, bringing with them a wealth of expertise and local knowledge. Within the confines of a Payment by Results structure that guarantees outcomes, it is important that commissioners trust providers to deliver a service that best suits the needs of the service-users and the local community.

A 'black box approach' is taken in the commissioning of nationally contracted employment programmes. However, interviews conducted by the CSJ have revealed the limitations of this approach, with commissioners retaining a tight grip on programme design and delivery. The black box approach must be strengthened to ensure it gives providers the freedom to innovate and deliver a programme best suited to the needs of the local community.

#### **Recommendation 6**

A Payment by Results funding model places pressure on smaller VCSE organisations that do not have the capacity or capital to carry significant financial risk. In recognition of the value and expertise that VCSE organisations bring, the Government could introduce a tiered system dependent on annual turnover. Smaller organisations would be paid a higher delivery fee, with a smaller proportion of the overall payment contingent on outcomes. VCSE organisations would, therefore, be assessed on their local and specialist knowledge, rather than simply their annual turnover. A 50 per cent service fee and a 50 per cent outcomes fee could be offered to smaller VCSE organisations who are currently not able to bid for national programmes because of the 70:30 outcome to delivery fee funding model.

#### **Recommendation 7**

Social investment, in the form of a Social Impact Bond (SIB), could be used in the delivery of nationally contracted disability employment programmes. A SIB model uniquely offers an outcomes-focused approach to service delivery without the taxpayer or provider being burdened with the financial risk. This serves to open the market up to smaller providers, while ensuring value for money for taxpayers. The Government should harness the benefits of social investment through a SIB in the devolved areas where the Work and Health Programme has been implemented and in future devolved nationally contracted provision.

### **Recommendation 8**

Integration is crucial for the commissioning of complex needs. While the best model for effective integration is devolution, the Department for Work and Pensions should ensure that all non-devolved areas also take a proactive approach to integration in the delivery of the Work and Health Programme. This could be achieved through the mandatory introduction of integration partners and integration boards within each locality. The Merlin Standard should be amended to include 'integration' as a fifth distinct area of assessment.

### **Recommendation 9**

A local-first approach is crucial for the commissioning of individuals with complex needs. Considering the success of Greater Manchester and London, the Government should go further, and extend devolution to other key local authorities. Initially, devolution of disability employment support could be affixed to the responsibilities already held by the eight metro mayors across England. If successful, this could go further and extend to combined authorities and then to wider unitary and county authorities. This would go a long way to opening up the market to key local players working at a grassroots level.

### **Recommendation 10**

All referrals into welfare-to-work nationally contracted provision come through the Jobcentre Plus. This places a significant amount of responsibility on work coaches for the effective running of programmes. However, the distrust that surrounds the Jobcentre Plus, combined with the lack of health and disability-related expertise among work coaches, means that the right people are not always being referred onto the right programmes. By bringing in a wider variety of referral organisations, the Department for Work and Pensions would go a long way to opening up programmes to those furthest from the labour market. The Department for Work and Pensions should reintroduce Statutory Referral Organisations with authority to identify and directly introduce suitable disabled people to its nationally contracted welfare-to-work provision.

### **Recommendation 11**

The work coach in the Jobcentre Plus plays a crucial role in nationally contracted disability employment provision, acting as the gatekeeper for individuals entering the programmes. To aid the work of the work coach, co-location should be encouraged across the Jobcentre Plus network, Local Authorities, and amongst other stakeholders including programme providers, housing associations and GP surgeries. In doing so, support can be targeted at those who need it the most, enabling agencies to catch individuals before they fall through the gaps. One example of this would be for providers of services to sit in with work coaches at the Jobcentre Plus. This would both aid in the up-skilling of work coaches, and it would help inform work coaches of the programmes they are referring individuals on to.

# Introduction

The Centre for Social Justice (CSJ) has a long history of championing work and the many benefits it brings, from improving physical and mental health, through to fostering a greater sense of inclusion and belonging in society. Most crucially, perhaps, work has been shown to be the most effective way of helping people out of poverty. Significant strides have been made in recent years to help people into work, with unemployment rates falling year on year for the past six years. The current employment rate sits at a record high of 76.3 per cent.<sup>7</sup>

But when we scratch below the surface, it quickly becomes apparent that this disguises another narrative of disabled people stuck in long-term unemployment, unable to access the labour market. The number of disabled people entering work has remained consistently and staggeringly low compared to non-disabled individuals.

This is despite the fact that there have been government-funded, nationally contracted disability employment programmes in place for over half a century.<sup>8</sup> Investment in DWP funded employment programmes<sup>9</sup> over the past six years has come in at approximately over £3 billion.<sup>10</sup>

Disabled people are not a homogenous group, and for some, work will not be appropriate or beneficial. But a large proportion of disabled people not only want to work, but have a significant contribution to make to the world of work and the economy at large.

The Government has committed to seeing one million more disabled people in work by 2027. However, there is a strong case for the Government to go further and be more ambitious for the lives of disabled people up and down the country. This must start with a reassessment of the design and delivery of nationally commissioned disability employment provision. Only then will we start to see disabled people take their place in the labour market.

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7 ONS, Labour Market overview, UK: December 2019

8 National Audit Office, Supporting disabled people into work. 2019

9 This includes funding for programmes to help both disabled and non-disabled people into work.

10 Analysis of DWP Data, DWP Annual Report and Accounts 2018–2019. p. 156

## chapter one

# The state of disability employment provision in 2020

### The Government's ambition to see one million more disabled people enter work

In 2017 the Government released *Improving lives: the future of work, health and disability*, in which it sets out a 10-year plan to transform employment prospects for disabled people and those with long-term health conditions. As part of this, it announced a strategy to help one million more disabled people into work, from 3.5 million in 2017 to 4.5 million by 2027.<sup>11</sup>

While ambition of this kind is welcome, this commitment sits against a backdrop of already rising levels of employment for disabled people. Since 2013, the employment rate for disabled people has increased by 9.8 percentage points.<sup>12</sup> The rise in the employment rate for disabled people is indicative of a wider trend that has seen more people across the board entering employment (the employment rate for non-disabled people has also increased by 4.2 percentage points over the same period). However, it does show a marked increase in the rates of disabled people entering work, and demonstrates that disability employment has accounted for close to half of the UK's growth in employment since 2013.<sup>13</sup>

The National Audit Office in its report *Supporting disabled people into work* predicts that if the current rate of growth in employment levels continues, it is likely that with little government intervention, the goal of helping one million more disabled people into work will be reached five years early.<sup>14</sup> It goes on to say that the increase in the number of disabled people entering employment in recent years can be linked to factors such as more people in work reporting a disability, and overall rising employment levels.<sup>15</sup>

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11 DWP, *Improving Lives: the Future of Work, Health and Disability*, p. 8

12 ONS, *Disability and Employment, UK: 2019*. Source: Labour Force Survey

13 House of Commons Library briefing: DWP data, Table AO8: Economic Activity of people with disabilities aged 16–64

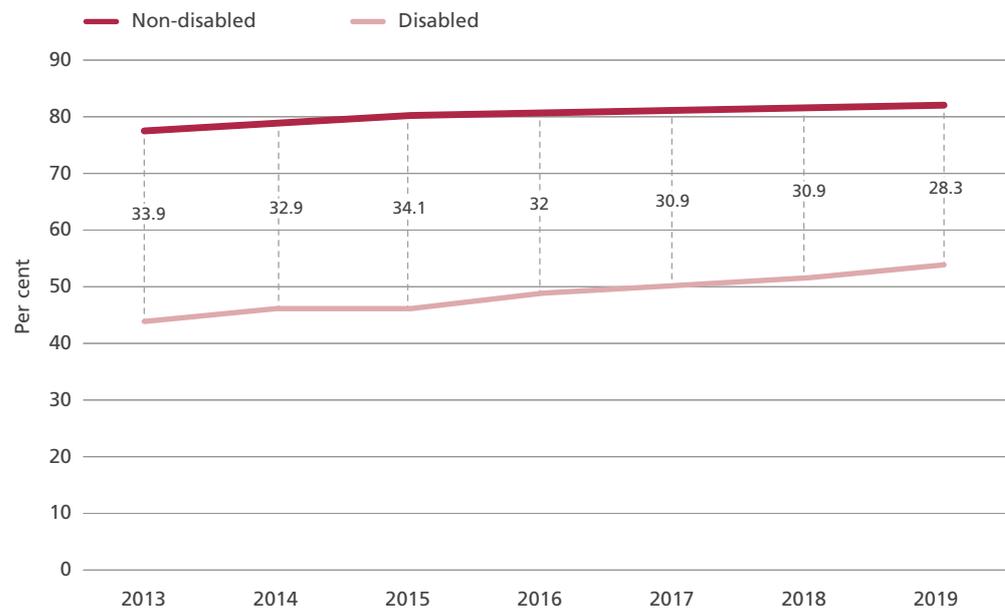
14 NAO, *Supporting disabled people to work*, p. 19

15 NAO, *Supporting disabled people to work*, p. 6

The Government is right to want to see one million more disabled people enter employment, and it is going to hit this target with little intervention. Therefore, it can afford to be more ambitious in its hopes for disabled people. Not only must it look to see one million more disabled people enter work, but it should also be actively seeking to close the disability employment gap (which currently sits at 28.2 per cent). It must also place a greater focus on those furthest from the labour market, such as people with learning disabilities.<sup>16</sup>

## The disability employment gap

Figure 1: Disability employment gap between disabled and non-disabled people aged 16–64 years, UK



Source: Office for National Statistics – Labour Market A08 dataset, Labour Force Survey.

Despite rising numbers of disabled people in work, there remains a disability employment gap between disabled and non-disabled people of close to thirty per cent. 53.6 per cent of working-age disabled people are currently in work, compared to 81.9 per cent of those without disabilities,<sup>17</sup> placing the disability employment gap at 28.2 per cent. Over the past six years, the disability employment gap has reduced by 5.8 percentage points, from 34 per cent in 2013.<sup>18</sup> While this reduction is welcome, the speed of change is not reflective of the level of investment by the Government. Approximately £3 billion has been spent on employment programmes over the past six years.<sup>19</sup> The National Audit Office estimates that the DWP spent £386 million on employment support programmes and job-centre based support for disabled people in 2017–18 alone.<sup>20</sup>

16 British Association for Supported Employment, Employment rates for people with disabilities. Source: SALT LTS004 Table 1/ SALT LTS001a Table 1a, NHS Digital

17 ONS, Disability and Employment, UK: 2019. Source: Labour Force Survey

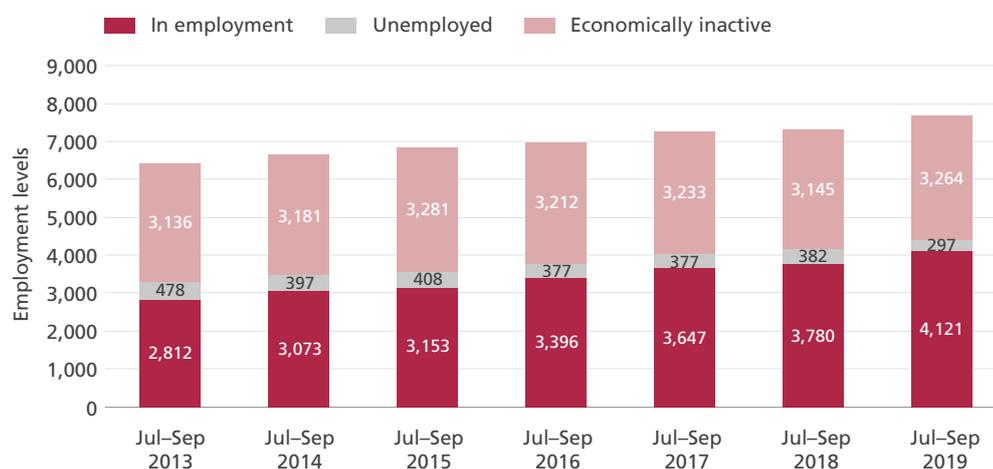
18 ONS, Disability and Employment, UK: 2019. Source: Labour Force Survey

19 DWP, Annual Report & Accounts 2018–2019. Table 1: Public Spending for the Department for Work and Pensions. p. 156

20 The National Audit Office, Supporting Disabled People to Work. 2019. p. 4

That the disability employment gap not seeing a more substantial reduction in the past six years can be explained by the fact that the numbers of disabled people entering employment have not been matched in scale by a reduction in the numbers of economically inactive and unemployed disabled adults, as demonstrated in the graph below.

Figure 2: Economic activity of people with disabilities aged 16–64 – levels, GB (thousands)



Source: Office for National Statistics – Labour Market A08 dataset: Economic activity of people with disabilities aged 16–64: levels, GB.

## Economic activity and unemployment rates among disabled people

There is, however, significant scope to help those who are stuck in long-term unemployment or economic inactivity due to sickness or disability into work.

There were 8.5 million economically inactive working-age individuals recorded in September–November 2019.<sup>21</sup> Economic inactivity means an individual is not actively looking for work, and would not be able to start work immediately. Twenty-four per cent (2 million<sup>22</sup>) of the economically inactive population stated that the reason for their economic inactivity was because of ‘long-term sickness’.<sup>23</sup> Furthermore, close to 600,000 individuals who gave their reason for being economically inactive as long-term sickness, also stated that they want to be in work.<sup>24</sup> In addition, there are 300,000 unemployed disabled people who are actively seeking work.<sup>25</sup> There are therefore approximately 900,000 disabled people who are currently not in work but who want to work.

21 ONS, Table INAC01: Economic Inactivity: People aged 16 to 64 by reason for inactivity (seasonally adjusted)

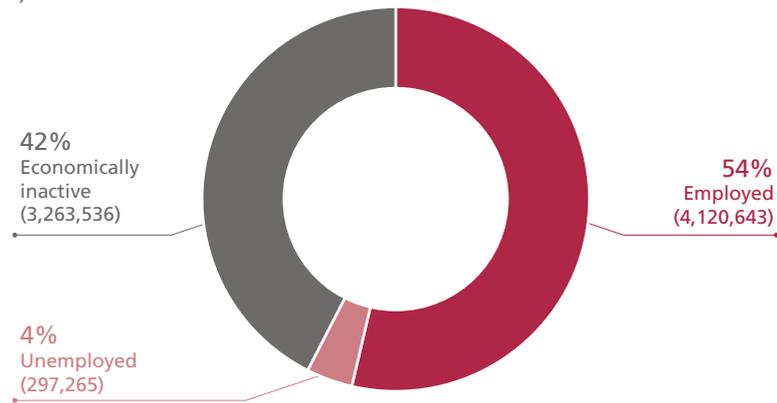
22 The 2 million people who are economically inactive because of ‘long-term sickness’ forms part of a wider 3 million economically inactive disabled people (ONS, Table A08: Economic activity of people with disabilities aged 16–64: levels, GB)

23 ONS, Table INAC01: Economic Inactivity: People aged 16 to 64 by reason for inactivity (seasonally adjusted)

24 ONS, Table INAC01: Economic Inactivity: People aged 16 to 64 by reason for inactivity (seasonally adjusted)

25 ONS, Table A08: Economic activity of people with disabilities aged 16–64: levels, GB

Figure 3: Economic activity of people with disabilities aged 16–64: levels, GB (thousands) 2019

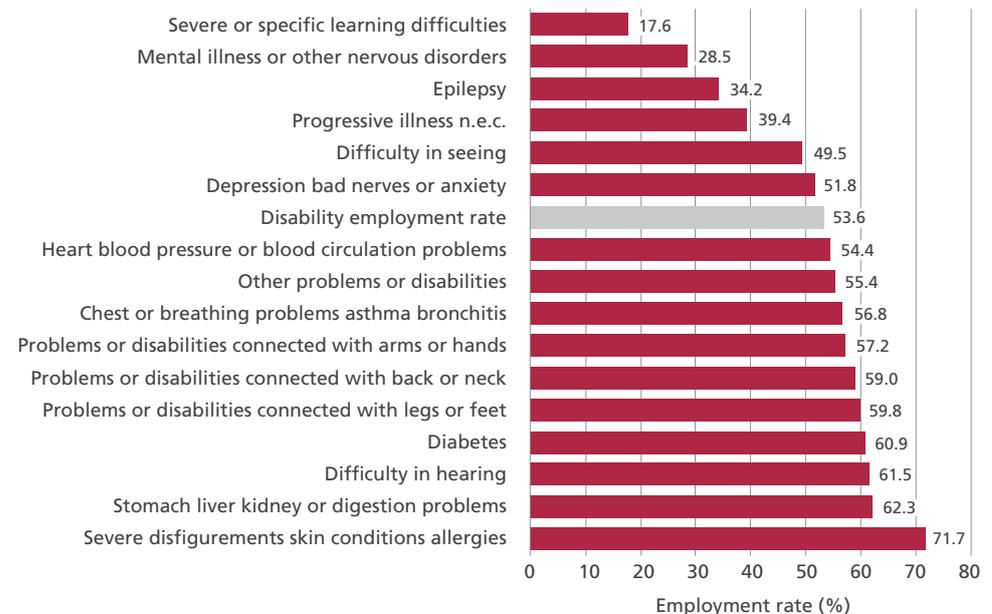


Source: Office for National Statistics – Labour Market A08 dataset: Economic activity of people with disabilities aged 16–64: levels, GB.

### Disability employment rates across different health needs

Disability is not an ‘all or nothing’ concept: it can range in severity and can be constant or episodic. Crucial to successful employment outcomes for disabled people is a tailored approach that takes account of the wide variety of health needs that sit within the broadly defined definition of disability in the Equality Act 2010. For example, someone who suffers from a learning disability can have very different needs and outcomes to someone who has a mobility issue. As a result, disability employment rates vary considerably across the disability spectrum.

Figure 4: Employment rate for disabled people aged 16 to 64 years, by main mpairment, UK, 2019 (%)



Source: Office for National Statistics – Annual Population Survey.<sup>26</sup>

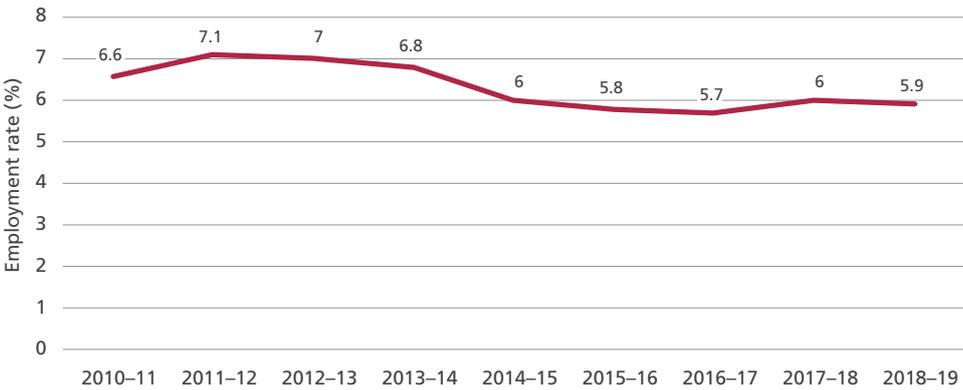
<sup>26</sup> ONS, Disability and employment, UK: 2019. Annual Population Survey, Employment rate for disabled people by main impairment type

The data in the table above is taken from the Annual Population Survey<sup>27</sup> and demonstrates the significant variation in employment rates across different health needs. Individuals with musculoskeletal health conditions, for example, tend to have higher employment rates than the disabled population taken as a whole. Individuals with musculoskeletal issues affecting their legs or feet have an employment rate of 59.8 per cent, 6.2 percentage points higher than the disability employment rate.<sup>28</sup> In contrast, individuals with nervous disorders, including mental illness, have an employment rate of 28.5 per cent, 25.1 percentage points lower than the disability employment rate.<sup>29</sup>

Significantly, people with learning disabilities have the lowest employment rates across all health needs. While the complex nature of learning disabilities makes it difficult to measure exactly how many people with learning disabilities are in employment, current research has placed the employment rate at 5.9 per cent.<sup>30</sup> This figure is based on the adult social care outcomes framework (ASCOF): the proportion of adults with a primary support reason of learning disability support who are “known to the council” and in paid employment in 2018–19.<sup>31</sup> It should be said that the ASCOF measure of learning disability is a narrow one, due to the fact that it is reliant on a person with a learning disability being known to the council, which is restricted to working age adults whose primary support reason is a learning disability, and who have received long term support during the year of the measure. While being narrow, it cannot be dismissed and indicates a very real and worrying trend that sees people with learning disabilities falling far behind their disabled and non-disabled counterparts in the labour market.

While employment rates across the board have increased, the employment rate for adults (aged 18–64) with learning disabilities has in fact decreased since 2010–11. This figure also varies across localities, with employment rates dropping to as low as 4.3 per cent in the West Midlands, and reaching 8 per cent in the East of England and London.<sup>32</sup>

Figure 5: Employment rates for people with learning disabilities



Source: British Association for Supported Employment (NHS Digital).

27 It should be noted that the Annual Population Survey, as demonstrated in the chart above, does not account for co-morbidities or the impact of living with multiple impairment simultaneously.  
 28 ONS, Annual Population Survey: Employment rate for disabled people aged 16 to 64 years, by main impairment, UK 2019  
 29 ONS, Annual Population Survey: Employment rate for disabled people aged 16 to 64 years, by main impairment, UK 2019  
 30 NHS Digital: Source: SALT LTS004 Table 1/SALT LTS001a Table 1a  
 31 Adult Social Care Framework 2018/2019, p. 27  
 32 BASE, Employment rates for people with disabilities 2018/19

These staggeringly low employment rates for people with learning disabilities are not reflective of the desire amongst this group of people to work. Previous research has shown that over 65 per cent of people with learning disabilities or severe mental health conditions want to be in employment.<sup>33</sup>

## The UK's disability employment gap in an international context

The employment rate for disabled people in the UK is higher than the EU average. However, so too is the employment rate for non-disabled people. In 2016, the disability employment gap amongst EU countries was 25.8 per cent.<sup>34</sup> The disability employment gap in the UK currently sits at 28.2 per cent. There is substantial variation between Member States. For example, Italy has an employment gap of 15 percentage points, while Ireland reaches 45 percentage points.<sup>35</sup>

It should be said that making international comparisons with regards to disability employment has its limitations. Every country compiles its data differently, and there is variation in the way that different countries define disability.

Furthermore, the prevalence of disability varies considerably between EU Member States. Ireland, in particular, is comparatively low, at 13 per cent, compared to an EU average of 17 per cent.<sup>36</sup> A relatively high proportion of the UK population is disabled, with 18 per cent of the working-age population recorded as disabled in 2017–2018.<sup>37</sup> This likely comes as a result of a reduced stigma around disability in the UK.

## An economic case

There is good reason for the Government to take firm action to help individuals into work. Not only is there a moral duty to help some of our most vulnerable individuals to enter the labour market, but there is also a strong economic case to make.

Approximately 2.4 million people claim out-of-work incapacity benefits or the Universal Credit equivalent, while 200,000 are claiming Jobseekers allowance with a self-reported disability.<sup>38</sup> The incapacity benefit and Universal Credit equivalent caseload have been falling in both absolute terms and as a percentage of the working-age population.<sup>39</sup> However, the Government continues to spend approximately £15 billion on incapacity benefits per annum, around 7 per cent of the total welfare spending.<sup>40</sup>

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33 BASE, Employment rates for people with disabilities 2018/19

34 European Commission, Joint Employment Report 2019. p. 52

35 European Commission, Joint Employment Report 2019. p. 52

36 European Commission, Joint Employment Report 2019. p. 52.

37 Department for Work and Pensions. Office for National Statistics: Family Resources Survey 2017/18. March 2019

38 NAO, Supporting disabled people to work 2019 p. 14

39 NAO, Supporting disabled people to work 2019 p. 22, Figure 5

40 Office for Budget Responsibility: Welfare trends report, December 2019. p. 8

In its analysis, the Government estimated that a one per cent fall in the incapacity benefit caseload would save £240 million a year, plus a wider boost to the economy of £260 million.<sup>41</sup> Furthermore, previous analysis has estimated that a rise of just 10 per cent in the employment rate for disabled people would generate a GDP increase of £45 billion by 2030.<sup>42</sup>

## Funding and dead weight in past programmes

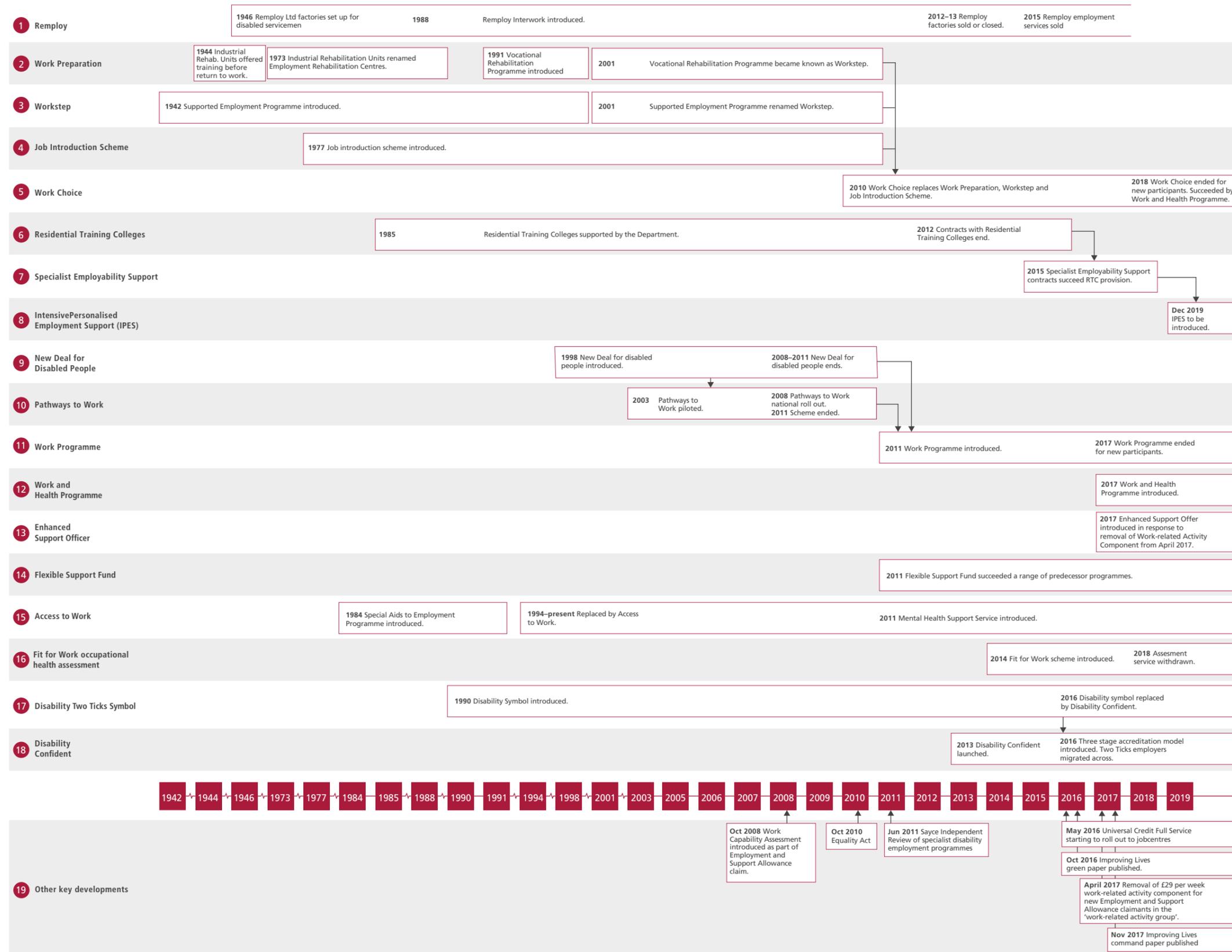
Past and present governments have had disability employment programmes in place for over half a century (since 1942, when the 'supported employment programme' was introduced). Below is a timeline taken from the National Audit Office's *Supporting disabled people into work*, which demonstrates the various employment programmes that have been introduced over the years with the aim of helping disabled people into work.

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41 Improving Lives: The Future of Work, Health and Disability, p. 6.

42 Scope, Enabling work: disabled people, employment and the UK economy London: Scope, 2015

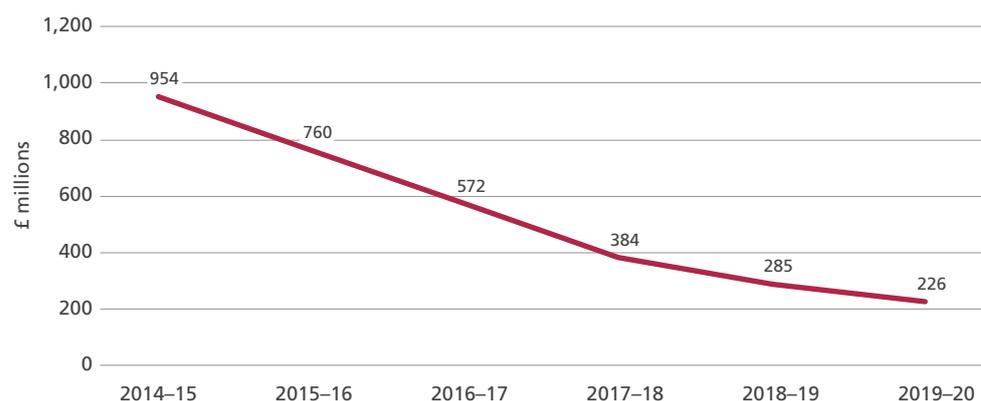
Figure 6: The evolution of the Department for Work and Pensions' programmes



Source: National Audit Office analysis of Department for Work & Pensions information. National Audit Office (2019). *Supporting disabled people to work*.

As demonstrated in the table below, approximately £3.1 billion<sup>43</sup> has been spent by the DWP on employment programmes between 2014–15 and 2019–20.<sup>44</sup> The amount of investment has decreased year on year, with a reduction of 76 per cent (£728 million less) in five years.<sup>45</sup> When we consider that this money is being targeted at some of the most vulnerable individuals with the most complex barriers to the workplace, there are serious questions to be asked as to whether current funding levels are sufficient.

Figure 7: Public spending for the Department for Work and Pensions on employment programmes<sup>46</sup>



Source: Department for Work and Pensions Annual Report and Accounts 2018–2019.<sup>47</sup> More data can be found in the Annex, figure 2.

This fall in investment has largely been felt by the DWP’s nationally contracted provision, which is targeted at those with the most significant barriers to the labour market. It should be noted, however, that the Government has *increased* investment in its Jobcentre offer, which has previously been the first port-of-call for individuals accessing employment services.

Not only must questions be asked about the level of government investment, but also about the quality of investment, as we shall come to discuss through the course of this report. If the Government is to help more disabled people into employment, while ensuring value for money for taxpayers and service users alike, it must take firm action to strengthen its existing provision for disability employment support.

## Cross-Government disability employment support

Funding for disability employment support is convoluted and complex, with several funding pots pouring into a variety of different programmes. Funding for disability employment support comes primarily from the Department for Work and Pensions (DWP) and, in part,

43 This includes funding for programmes to help both disabled and non-disabled people into work.

44 DWP, Annual Report & Accounts 2018–2019. Table 1: Public Spending for the Department for Work and Pensions. p. 156

45 Ibid

46 The spending recorded by the DWP on employment programmes is given in nominal terms.

47 The spending recorded by the DWP on employment programmes is given in nominal terms. It includes funding for programmes to help both disabled and non-disabled people into work.

from the Department of Health & Social Care (DHSC), and the Department for Education (DfE). In addition to core departmental spending, several disability programmes across the UK are partly funded by the European Union.

### 1. Department of Health & Social Care

The Work and Health Unit is a cross-government unit jointly sponsored by the Department for Work and Pensions and the Department for Health & Social Care to *'improve the health and employment outcomes for disabled people and those with health conditions'*.<sup>48</sup> After its establishment, the two departments jointly produced the *Improving Lives: the future of work, health and disability* paper in 2017, which set out the Government's goal to see one million more disabled enter work by 2027.

Part of the focus of the joint unit includes a commitment to improving the evidence base surrounding existing employment support programmes,<sup>49</sup> as well as making employment a recognised health outcome.<sup>50</sup> In July 2018 the Government announced a £4.2 million fund between the Department for Work and Pensions and the Department of Health & Social Care to support people with mental health or musculoskeletal conditions to stay in work.<sup>51</sup>

### 2. Department for Education

The primary means by which the Department for Education (DfE) supports disabled people into work is through its supported internship provision. Supported Internships are one form of supported employment for people aged 16–24 with an EHC Plan, a statement of special educational needs or who need support to move into employment.<sup>52</sup>

If delivered well, supported internships have the potential to be a powerful tool in helping people with learning disabilities and autism into employment. Yet the quality of provision across the country is varied, and the employment rate for people with learning disabilities remains woefully low at 5.9 per cent.<sup>53</sup>

Part two of this two-part series on government-funded disability employment support will look at the quality of supported internship provision across the country. It will consider examples of best practice and explore ways in which the Government can better harness supported internships to help people with learning disabilities and autism into lasting work.

### 3. European Social Fund

The European Social Fund (ESF) is part of the European Structural and Investment Fund (ESIF), an EU scheme designed to boost economic development in Member States. The ESF funds tens of thousands<sup>54</sup> of employment-related projects throughout Europe, including

48 Gov.uk, The Work and Health Unit

49 DWP and DHSC, *Improving Lives: The Future of Work, Health and Disability*. p. 12

50 DWP and DHSC, *Improving Lives: The Future of Work, Health and Disability*. p. 36

51 Gov.uk, Press Release: Multi-million pound fund to tackle the disability employment gap launched. July 2018

52 Department for Education, *Supported Internships Guidance*, p. 6

53 NHS Digital: Source: SALT LTS004 Table 1/SALT LTS001a Table 1a

54 The European Social Fund, the ESF in the UK: [<https://ec.europa.eu/esf/main.jsp?catId=381&langId=en>]

investment in human capital and skills here in the UK.<sup>55</sup> Between 2014–2020, the ESF has invested €4.9 billion in operational programmes intended to boost employment across Wales, Scotland, Northern Ireland, England and Gibraltar.<sup>56</sup>

The ESF has been a vital source of funding for disability employment programmes across the country; funding local, regional and national programmes. Indeed, the Academic Network of European Disability Experts estimates that 19 per cent of all ESF grants are spent on projects directly supporting disabled people.<sup>57</sup> The European Social Fund England Operational Programme, 2014–20, outlines the ESF’s investment priorities in the UK, which includes helping ‘the most disadvantaged’ into work.<sup>58</sup>

Following Brexit, The Government has committed to replacing structural funding from the European Union, including European Social Fund (ESF) funding, through the introduction of the UK Shared Prosperity Fund (UKSPF). However, there is fear in the sector that the UKSPF will prioritise investment in infrastructure rather than skills and employment. The Government has consulted on the UK Shared Prosperity Fund but is yet to release details of the consultation.

In recognition of the vital role the ESF has played in supporting individuals furthest from the labour market into work, including disabled people, it is crucial that ESF Funding levels are maintained following Brexit, and that UKSPF funding continues to be channelled into key skills and employment support.

#### 4. Department for Work and Pensions disability employment provision

The DWP supports individuals into work in four key ways: 1) through its jobcentre offer, 2) grant-based support, 3) employer behaviour, and 4) nationally contracted programmes.

##### 1. Jobcentre offer

The Jobcentre Plus is crucial in a claimant’s welfare to work journey. Not only does it administer benefits, but it also applies conditionality, acts as the gateway to nationally contracted employment provision, and has responsibility for helping individuals make progress towards work.

The Government has increased its Jobcentre Plus provision for disabled people accessing work. Typically, support for disabled people in the jobcentre is provided through a work coach. Under Job Seekers Allowance (JSA) and Employment Support Allowance (ESA) disabled people would be supported through work coaches and sometimes specialist disability employment advisors, while under Universal Credit (UC), claimants are allocated their own individual work coach, who is supported in their work by the disability employment advisor.<sup>59</sup>

There are also core-funded programmes, such as the Flexible Support Fund and the Enhanced Support Offer Programme, which offer more targeted support for disabled people. The work coach might commission a programme of support for the claimant from the Flexible Support Fund or the Enhanced Support Offer Programme if other available provision is not suitable.

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55 Department for Work and Pensions, England European Social Fund Programme 2014–2020

56 The European Social Fund, the ESF in the UK: [<https://ec.europa.eu/esf/main.jsp?catId=381&langId=en>]

57 Hansard, Brexit: Disabled People, 2017

58 DWP, European Social Fund England Operational Programme 2014–2020. p. 20

59 NAO, Supporting disabled people to work, 2019. p. 42

### a) Flexible Support Fund (2011)

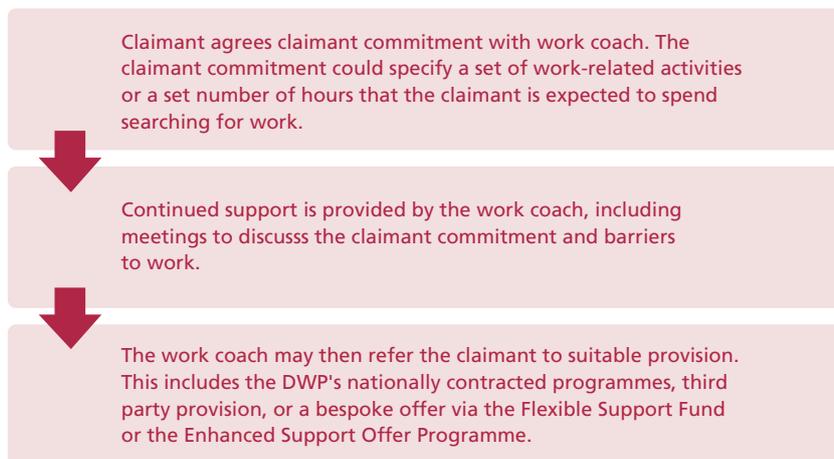
The Flexible Support Fund was introduced in April 2011 to support benefit claimants who are not participating in any other employment programmes.<sup>60</sup> It is a discretionary and flexible fund used by Jobcentre district managers and work coaches for, among other things, one-off claimant needs, replacement adult or childcare, adaptations to a workplace and training allowances.<sup>61</sup> While the expected spend on the Flexible Support Fund in 2017/2018 was £68 million, the actual spend was £35 million.<sup>62</sup>

### b) Enhanced Support Offer Programme (2017)

In April 2017 the DWP introduced the Enhanced Support Offer for disabled people who are claimants of Employment and Support Allowance and its Universal Credit equivalent. The Enhanced Support Offer Programme is a mixed programme of initiatives based at the jobcentre that provides tailored support to help individuals prepare for, find and secure employment. This includes, amongst other things, job clubs delivered via peer support networks; work experience placements; and engagement between jobcentres and employers to help match claimants to jobs. The programme is due to run until March 2021. While the expected spend on the Enhanced Support Offer Programme in 2017/2018 was £60 million, the actual spend was £58 million.<sup>63</sup>

In addition to the Flexible Support Fund and the Enhanced Support Offer Programme, the Jobcentre also crucially acts as the gateway point for other nationally contracted programmes (*as discussed further in chapter 5*). The claimant journey through the Jobcentre Plus is demonstrated below:<sup>64</sup>

Figure 8:



60 Jobcentre Plus Flexible Support Fund (2016). Available at; <https://researchbriefings.files.parliament.uk/documents/SN06079/SN06079.pdf>

61 Department for Work and Pensions, Annual Report and Accounts 2017–2018. p. 27

62 National Audit Office, Supporting Disabled people to work, p. 33

63 National Audit Office, Supporting Disabled people to work, p. 33

64 National Audit Office, Supporting Disabled people to work, p. 43

## 2. Grant based support

The Government may award grants – discretionary payments to individuals or employers – based on need. This comes in the form of Access to Work, a highly successful and long-standing DWP programme.

### a) Access to Work

*Access to Work* was first launched in 1994 and supports disabled people in England, Wales and Scotland to get into and stay in work. It was introduced to ensure that an individual's health condition or disability does not become a barrier in the workplace. Eligible disabled people and their employers can be awarded a grant of up to £59,200 per year (April 2019 to March 2020) to fund support that exceeds the cost of reasonable adjustments.<sup>65</sup> When a grant has been approved, the employee or employer will buy the items or services needed, and Access to Work will pay the money back, up to the amount of the grant that has been offered. The average grant amount is approximately £3,300.<sup>66</sup>

In 2018/19, total expenditure on Access to work was £129 million, which included payments for 36,240 people to help them to stay in employment.<sup>67</sup> It is the DWP's most expensive, but arguably most successful, programme. However, research in 2017 revealed that only 25 per cent of employers know what Access to Work is and understand the help they can get from the service.<sup>68</sup>

## 3. Employer behaviour

The Government has introduced several initiatives designed to incentivise employers to alter their attitudes and practices in order to recruit and retain more disabled people.

In 1990 Positive About Disabled People Two Ticks was introduced. The limitations of Two Ticks are well documented, namely, that it did not set rigorous standards for employers and, therefore, did not see a significant increase in the number of disabled people in work.

In December 2014, Fit for Work assessments were introduced, which involved targeted support for employers, individuals and healthcare professionals to help individuals return to work. It also included occupational health assessments intended to help employees return to work. The Fit for Work assessments came to an end in May 2018 because of a lack of demand. However, an online advice service has continued.

### a) Disability Confident

The Disability Confident scheme replaced Two Ticks in 2013. Disability Confident is a voluntary scheme that seeks to improve employer attitudes towards hiring disabled people. This is achieved through the provision of tools and techniques to improve the attraction, recruitment and retention of disabled people.

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65 DWP, Access to Work: factsheet for customers. Maximum amount of grants. 17 July 2019

66 National Audit Office, Supporting Disabled people to work, p. 33

67 Access to Work statistics Data for April 2007 to March 2019. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/823693/access-to-work-statistics-april-2007-to-march-2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/823693/access-to-work-statistics-april-2007-to-march-2019.pdf)

68 The Centre for Social Justice, Submission: work, health and disability consultation. CSJ/Yougov polling, 2017

As of October 2019, 13,111 employers had signed up to Disability Confident.<sup>69</sup> However, being Disability Confident accredited does not necessarily translate to the recruitment of disabled employees. A survey carried out of Disability Confident employers in 2018 showed that less than half (49 per cent) of employers reported that as a result of joining the scheme, they had recruited one or more individuals with a disability, long-term health or mental health condition.<sup>70</sup>

This can, in part, be explained by the fact that Disability Confident has three accreditation levels that were introduced in 2016: 1) Disability Confident Committed, 2) Disability Confident Employer and 3) Disability Confident Leader. It is not until an employer reaches the third level of Disability Confident Leader that an external validation of the employer's approach is carried out. A vast number of employers only remain at levels one and two, both of which only require a self-assessment to qualify as 'Disability Confident'. As of 2018, only 2 per cent of those signed up to Disability Confident had achieved the highest level of accreditation, involving independent verification of their approach.<sup>71</sup> Under its current guise, Disability Confident has, therefore, become a PR stunt rather than a measure of genuine willingness to bring disabled people into the workforce.

In November 2019, the Government announced new measures to strengthen Disability Confident. The changes include a requirement for level three accredited Disability Confident businesses to 'publicly report on their disability employment using a Voluntary Reporting Framework', and to 'make it explicit senior members must employ disabled people'.<sup>72</sup> This means that, *where possible*, organisations should report the percentage of individuals within their organisation who consider themselves disabled or long-term sick.

These changes are welcome, but the Government can afford to go further by, for example, introducing mandatory reporting for organisations signed up to Disability Confident levels two and three. This would go some way to making Disability Confident the kite mark for excellence that it was intended to be.

#### 4. Nationally contracted programmes

There have been nationally contracted disability employment support programmes in place for half a century. These are programmes commissioned, in the vast majority of cases, centrally by the DWP and delivered by private and voluntary providers across the UK. The focus of our discussion for the duration of this report will be on the Government's nationally contracted provision of disability employment support.

##### a) The Work and Health Programme

The Work and Health Programme, which began in November 2017, is the Government's flagship welfare-to-work programme. It targets the long-term unemployed, those with disabilities or health conditions and other priority groups that find themselves marginalised from the labour market.

69 DWP Disability confident employers that have signed up 22 October 2019: <https://www.gov.uk/government/publications/disability-confident-employers-that-have-signed-up>

70 DWP, Disability Confident Scheme: Summary of Findings from a survey of participating employers, November 2018. p. 10

71 National Audit Office, Supporting Disabled people to work, p. 33

72 DWP, Disability Confident Scheme leads to inclusive workforce. November 2019

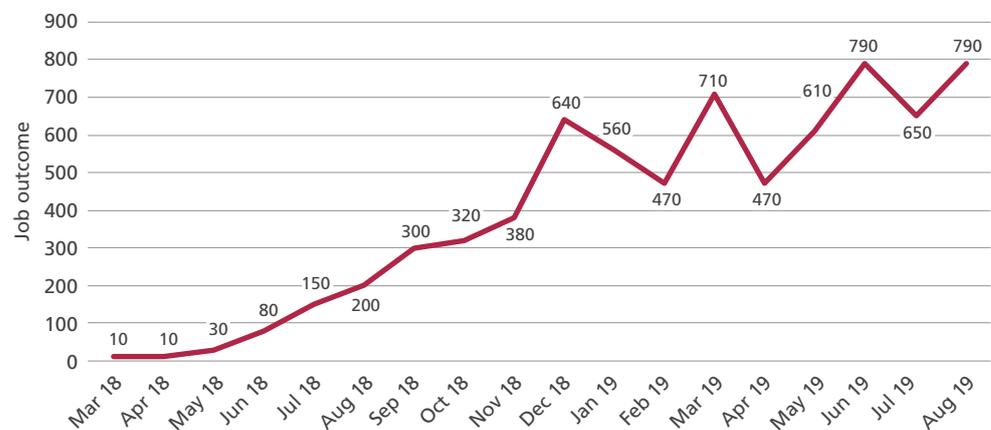
Funding for the Work and Health Programme (WHP) was projected to be at least £130 million a year, including funding devolved to Scotland.<sup>73</sup> This is a significant decrease in funding from the previous Work Programme and Work Choice, which the WHP was intended to replace, and for which combined expenditure was £540.8 million in 2015/16 (£416.4 million Work Programme, £124.4 million Work Choice).<sup>74</sup>

£6.7 million was spent on the Work and Health Programme in 2017/2018, and £46 million was spent in 2018/19.<sup>75</sup> It is worth noting that the recorded expenditure on the WHP in 2017/18 was low because the programme had only been running for a short amount of time, as the contracts only began towards the end of the 2017/18 financial year. However, these figures may point to a broader trend that sees governments underspend on voluntary employment programmes due to low up-take.<sup>76</sup>

The limited data available for the Work and Health programme shows that 76 per cent of all those referred to the WHP have started the programme, of which 73 per cent have a disability.<sup>77</sup> Twenty-eight per cent of those who started on the programme in the first monthly cohort (December 2017) achieved a job outcome within 20 months of starting (25 per cent of whom are from the disability group).<sup>78</sup> However, those who started the programme more recently are less likely to report a job outcome.

The graph below shows the total number of job outcomes achieved through the course of the programme to date. March 2018 saw the first participants achieve job outcomes.

Figure 9: DWP Work and Health Programme Statistics: job outcomes by job outcome month



Source: DWP Work and Health Programme Statistics – November 2019 release. Table 1.4.

73 House of Commons Library, Work and Health Programme briefing paper, January 2018. p. 3

74 House of Commons Library, Work and Health Programme briefing paper, January 2018. p. 3

75 Department for Work and Pensions FOI response

76 National Audit Office, Supporting disabled people into work. p. 8

77 DWP, Work and Health Programme, Official Statistics to August 2019. Published November 2019

78 DWP, Work and Health Programme Official Statistics. 2019. (Accessed via: <https://www.gov.uk/government/publications/work-and-health-programme-statistics-to-august-2019/work-and-health-programme-statistics-to-august-2019--2#job-outcomes-from-the-work-and-health-programme>)

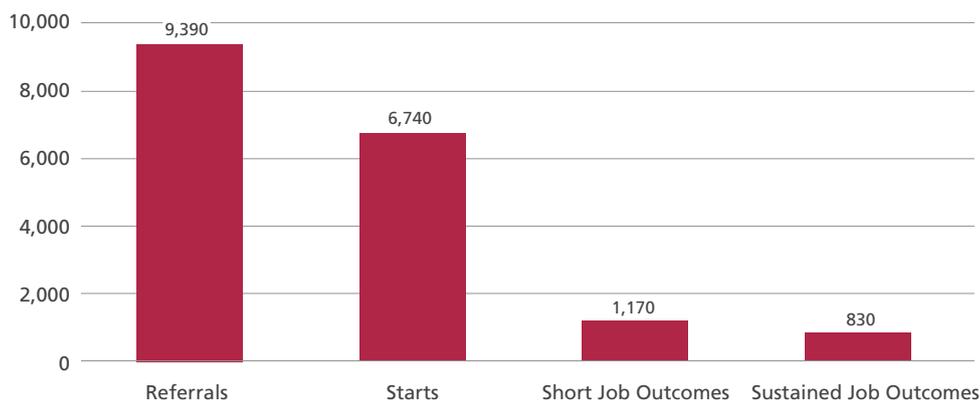
## b) Specialist Employability Support

Specialist Employability Support (SES) sits alongside the Work and Health Programme. It provides support for disabled people with the highest support needs and is intended for those whose barriers to work mean that they are unable to access the support they need through other programmes. SES is entirely voluntary and not dependent on claiming any working age income-related benefit.<sup>79</sup> The majority of individuals starting SES had no employment history in the two years before starting.<sup>80</sup>

Introduced in September 2015, SES is delivered by contracted providers funded by the DWP. Three (originally four) providers offer national pan-disability support, and two providers offer national specialist sensory support. Over the lifetime of the programme, there have been 9,390 referrals, and 6,740 individuals have started on the programme.<sup>81</sup> Between September 2015 and March 2018, 20 per cent achieved a job lasting at least 13 weeks, while 15 per cent achieved a job lasting at least 26 weeks.<sup>82</sup> The majority of job outcomes were achieved within 18 months, but some individuals took more than two years to achieve a job outcome.<sup>83</sup>

Intensive Personalised Employment Support is set to replace Specialist Employability Support.

Figure 10: The total number of referrals, starts, short job outcomes and sustained job outcomes across the course of SES



Source: DWP Specialist Employability Support Statistics (September 2015 – September 2019).

## c) Intensive Personalised Employment Support Programme

The Intensive Personalised Employment Support (IPES) programme will replace Specialist Employability Support (SES). Like SES, IPES targets those with more complex needs. IPES will provide a personalised package of employment support for those who are considered more than 12 months away from moving into work. Individuals will have 15 months of

79 Specialist Employability Support Statistics Data for September 2015 – August 2018 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/747518/specialist-employability-support-statistics-to-august-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/747518/specialist-employability-support-statistics-to-august-2018.pdf)

80 Specialist Employability Support Statistics Data for September 2015 – August 2018 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/747518/specialist-employability-support-statistics-to-august-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/747518/specialist-employability-support-statistics-to-august-2018.pdf)

81 DWP, SES Statistics, September 2015 – September 2019

82 DWP, SES Statistics, September 2015 – September 2019

83 DWP, SES Statistics, September 2015 – September 2019. Table 2

pre-employment support to find work and up to 6 months of intensive in-work support to help them remain in employment.<sup>84</sup> IPES is expected to support 10,000 people and cost around £40 million.<sup>85</sup>

Unlike its predecessor (SES), IPES will not provide a separate package of support for those with sensory needs; rather, providers will take a pan-disability approach. Against a backdrop of highly generalised, multinational providers, this raises big questions as to the quality of provision for those with specialist, sensory needs.

## Past programmes: Work Choice and the Work Programme

The Work Programme started in June 2011 and referrals ended in March 2017. The programme was designed to help those in long-term unemployment get into work – through training, support and work experience over two years. The Work Programme was mandatory for JSA claimants and some ESA WRAG claimants, who were expected to have health conditions lasting up to 24 months.<sup>86</sup> The projected cost of total payments to prime contractors between 2011–2020 was predicted to be 2.8 billion.<sup>87</sup>

There were almost 2 million referrals to the programme, of which around 1.8 million people completed their allotted time on the programme.<sup>88</sup> Thirty-one per cent of referrals that spent sufficient time on the programme to achieve a job outcome spent at least six months in work (or three months for the harder to help).<sup>89</sup> The latest data shows that 62 per cent of Work Programme completers returned to the Jobcentre Plus at the end of their two years on the programme.<sup>90</sup> However, this does not account for those who started the programme but dropped off after a short period of time. Data shows that 16 per cent of the entire December 2016 intake spent at least three or six months in work after a year.<sup>91</sup>

The Work Programme reflected the labour market conditions in which it was introduced. At the time, the UK was recovering from a recession and employment rates were low. The Work Programme delivered good outcomes for individuals on JSA without complex needs (41 per cent for JSA claimants aged 18–24, and 36 per cent for JSA claimants aged 25 and over),<sup>92</sup> and for less money per person than any programme before it. The NAO estimates that the DWP paid around £41 million (2 per cent) less for the Work Programme than it did for previous programmes, but for roughly similar levels of performance.<sup>93</sup> In this context, therefore, it was successful.

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84 DWP, Labour Market Programme letter to local authority chiefs. (Accessed via: [https://www.base-uk.org/sites/default/files/news/LA\\_letter\\_Dec2018.pdf](https://www.base-uk.org/sites/default/files/news/LA_letter_Dec2018.pdf))

85 Gov.uk Press Release: £40 million personalised support package for long-term unemployed disabled people launched. (Accessed via: <https://www.gov.uk/government/news/40-million-personalised-support-package-for-long-term-unemployed-disabled-people-launched>)

86 DWP, Work Programme Provider Guidance. Chapter 2: Work Programme Claimant Groups. p. 2

87 The National Audit Office, The Work Programme. p. 5

88 DWP, Work Programme National Statistics. Data up to December 2017. March 2018

89 DWP, Work Programme National Statistics. Data up to December 2017. March 2018, Table 1.7

90 DWP, Work Programme National Statistics. Data up to December 2017. March 2018

91 DWP, Work Programme National Statistics. Data up to December 2017. March 2018

92 DWP, Work Programme statistical summary: data to December 2017. Table 1.2

93 National Audit Office, The Work Programme, 2014. p. 8

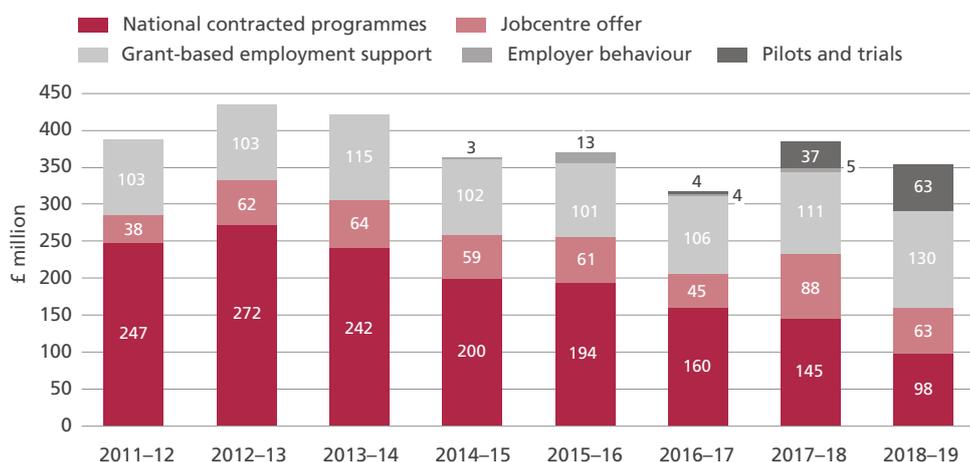
In addition to the Work Programme, Work Choice ran as a voluntary scheme for individuals who required targeted and specialist support that could not be provided by other government programmes. It began in October 2010 and referrals ended in February 2018. Work Choice was designed specifically for disabled people who needed more specialist support to get into work. A parliamentary question revealed that between 2010/11 and 2015/16, £492 million was spent on Work Choice, with a projected spend of £645 million over its lifetime.<sup>94</sup> Across the period of the whole programme, there were 158,450 starts<sup>95</sup> and 51,050 (36 per cent) short job outcomes.<sup>96</sup>

## Decreased funding for nationally contracted programmes

The funding for nationally contracted programmes has decreased significantly in recent years. The combined Work Choice and Work Programme spending on disabled people since 2010 was approximately £1 billion.<sup>97</sup> In contrast, current and planned spending for the Work and Health Programme is projected to be £554 million over its lifetime.<sup>98</sup>

The Work and Health Programme has the capacity to help only around half of the numbers that went through Work Choice and the Work Programme. It is concerning that at a time when a redoubling of efforts is needed to decrease the disability employment gap, there has instead been a reduction in investment. In 2016, ERSA and WPI Economics conducted modelling which found that if the DWP were to double investment in the Work and Health Programme over five years, an additional 30,000-disabled people would be able to find work and £280 million would be delivered to the Exchequer.<sup>99</sup>

Figure 11: The Department for Work and Pensions' spending on employment support for disabled people since 2011–12. (Spending has reduced in real terms since 2011–12 (2017–18 prices))



Source: National Audit Office, Supporting Disabled People into Work, 2019.

94 Written question 42016, Answered by Justin Tomlinson at the Department for Work and Pensions. 11 July 2016

95 DWP, Work Choice Official Statistics: data to June 2018. Table 2

96 DWP, Work Choice Official Statistics: data to June 2018. Table 2

97 The future of Jobcentre Plus. Second Report of Session (2016–17), p. 26. Accessed from: <https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/57/57.pdf>

98 <https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/57/5707.htm> (DWP, Umbrella Agreement for the provision of Employment and Health Related Services specification and supporting information, October 2016, p. 25)

99 ERSA, More than Words: Rethinking Employment Support for Disabled Jobseekers, London: WPI Economics Limited, 2016

While investment in nationally contracted programmes has decreased, the Government has increased its Jobcentre Plus provision. And since 2016–17, the Government has made the welcome step to invest more in pilots and trials, spending £63 million on controls and trials in 2018–19, close to double what was spent in the previous year.

The table below, taken from the National Audit Office, demonstrates the primary DWP employment support interventions in 2017–2018. It should be noted that since the data below was recorded, both Work Choice and the Work Programme have ceased to exist.

Table 1:

Intervention	Expected spend (£m)	Actual Spend (£m)	Indicative participant numbers (starts have been used as a proxy)	Indicative cost per participant (£)
<b>National contracted programmes</b>				<b>Contracted unit cost</b>
Work and Health Programme	55	19	7,700	2,100
Specialist Employability Support	10	7	1,500 of which: <ul style="list-style-type: none"> <li>• 53% Jobseekers Allowance (JSA) claimants</li> <li>• 17% Employment and Support Allowance (ESA) claimants</li> <li>• 19% Universal Credit claimants</li> <li>• 11% other benefits claimants or not claiming benefits</li> </ul>	5,400
Work Programme	59	36	<ul style="list-style-type: none"> <li>• 32,400 ESA claimants</li> <li>• 21,400 JSA claimants</li> </ul>	1,300
Work Choice	88	83	22,400 of which: <ul style="list-style-type: none"> <li>• 46% JSA claimants</li> <li>• 13% ESA claimants</li> <li>• 26% Universal Credit claimants</li> <li>• 15% other disability benefits claimants or not in receipt of benefits.</li> </ul>	3,800
<b>Jobcentre Offer</b>				
Enhanced Support Offer	60	58	Data not available	Not applicable
Flexible Support Fund	68	35	Data not available	Data not available
<b>Grant-based employment support</b>				<b>Average grant amount</b>
Access to Work	109	111	33,900 awards	3,300
<b>Programmes targeting employers</b>				
Disability Confident	No programme budget	No programme spend	Around 10,700 employers signed up (2% have achieved the highest level of accreditation, involving independent verification of their approach).	

The table demonstrates the level of underspend that takes place across the broad sweep of the Government's disability employment provision. The only programme where the Government spent more money than anticipated in 2017–18 was Access to Work.<sup>100</sup> Every other programme experienced an underspend of somewhere between £3–60 million.<sup>101</sup> In 2017–18, the DWP's nationally contracted programmes alone experienced an underspend of £67 million.<sup>102</sup> We do not have the level of expected spend versus the level of actual spend across the entirety of each programme, and therefore there are limitations to the conclusions we can draw. However, the table above does go some way to demonstrate a trend that sees the Government spending less than anticipated on their disability employment provision. There are questions to be asked as to whether this surplus money could be used to help those whose needs have not been met through the Government's core provision. For example, it could be channelled into specialist support for those who face the greatest barriers to the labour market, such as people with learning disabilities and autism.

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<sup>100</sup> National Audit Office, Supporting disabled people to work. p. 35

<sup>101</sup> Ibid

<sup>102</sup> Ibid



## chapter two

# Commissioning: Who is best placed to provide disability employment services?

### The commissioning of public services

The delivery of public services by the voluntary or private sector has been a source of fierce political debate for a number of years. Historically, it was common for services to be delivered privately or voluntarily. However, over time, the state has taken on increasing responsibility for the delivery of public services, peaking in the 1970s when the public sector delivered the overwhelming majority of services – from welfare and social care, through to waste collection and finance.<sup>103</sup>

Outsourcing began in earnest under Margaret Thatcher's Government and has since been extended under successive administrations: starting with Thatcher and Major, increasing significantly under Tony Blair and extending further under the coalition Government.<sup>104</sup> Today, the Government outsources billions of pounds worth of services every year, from waste collection, maintenance and infrastructure, through to adult social care, and disability employment programmes. A third<sup>105</sup> of total public expenditure goes to the procurement of public goods and services.<sup>106</sup>

Proponents of outsourcing argue that it encourages innovation and improves public sector delivery and value for money. Indeed, there are clear examples of where outsourcing has made significant savings for the taxpayer. Research from the Institute for Government

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103 Institute for Government, Government Outsourcing: what has worked and what needs reform? p. 12

104 Institute for Government, Government Outsourcing: what has worked and what needs reform? p. 12

105 Approximately £292 billion

106 HM Treasury, PESA (Public Expenditure Statistical Accounts) data. Table 1.7

highlights the success<sup>107</sup> of outsourcing in the support services, such as waste collection, maintenance, catering and cleaning.<sup>108</sup> It notes that historically, outsourcing in the support services has delivered savings of around 20 per cent of annual operating costs.<sup>109</sup>

Outsourcing becomes more complex, however, in front-line service delivery, where the stakes are much higher. Our frontline services impact people's lives in a much more tangible way. Some of the most vulnerable individuals depend on these services: from sick people in hospitals, through to offenders, the long term unemployed and disabled people. The Government cannot afford to make mistakes when outsourcing in these sectors. Past failures in probation, prisons, schools and welfare assessments have damaged public trust in private providers of public services. The Government itself has recognised that its outsourcing decisions are under intense public scrutiny.<sup>110</sup>

Outsourcing is important and, in some areas, much needed. When implemented well, it can significantly benefit the Government, taxpayers and most importantly, service users. However, the Government has a long way to go to ensure the quality of commissioned public service delivery. Earlier this year, the Cabinet Office published its welcome report, 'The Outsourcing playbook' which acknowledged past mistakes: *'Whether it be attempting to contract for the delivery of a service without the necessary expertise. Or expecting too much of a private sector provider – forgetting that we always remain responsible for the delivery of public services, no matter what commercial model is adopted.'*<sup>111</sup>

The Government is right to acknowledge the need for expertise in delivery, and one means of achieving this would be to open the market up to a wider body of providers. There are countless organisations across the country that offer vital and specialist work in their communities. These organisations are often small, often voluntary, but almost always local, and they are all too frequently prohibited from winning government contracts because of barriers within the Government's commissioning processes.

**'There are countless organisations across the country that offer vital and specialist work in their communities. These organisations are often small, often voluntary, but almost always local.'**

As a consequence of the Government's onerous commissioning requirements, the market for disability employment support is becoming increasingly dominated by a number of select multinational providers. For example, under the Work and Health Programme, six players currently dominate one hundred per cent of the prime provider market (this does not include the Growth Company who is a subprime provider under Greater Manchester's Working Well Programme.) Any market dominated by only a few players will lack innovation, value for money and will carry significant risk. An oligopoly of large, multinational providers is even more concerning when we consider that these programmes concern some of the most vulnerable members of society.

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107 The IFG has judged success in this instance as outsourcing that 'has improved the cost per unit of quality of delivering a service or delivering wider benefits, including introducing innovations or improving performance elsewhere in the public sector.'

108 Institute for Government, Government Outsourcing: what has worked and what needs reform? p. 6

109 Institute for Government, Government Outsourcing: what has worked and what needs reform? p. 7

110 Cabinet Office, Outsourcing Playbook, 2019. p. 3

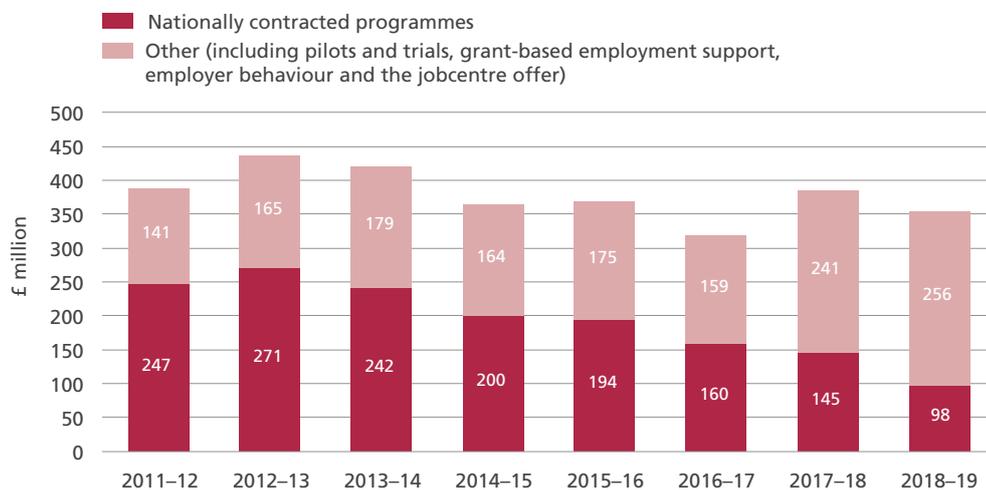
111 Cabinet Office, Outsourcing Playbook, 2019. p. 4

The Government would do well to recognise the inherent role of the voluntary sector as a powerhouse of expertise and innovation in its commissioning of frontline services. A move towards a more open, dynamic and transparent market would benefit taxpayers and service users alike.

## Commissioning of disability employment programmes

There have been nationally contracted disability employment programmes in place for over half a decade. In past years, nationally contracted programmes have dominated government expenditure on welfare-to-work support for disabled people.<sup>112</sup> However, since 2012, investment has gradually decreased, as demonstrated in the graph below. Today, expenditure is far more evenly spread across the DWP's wider portfolio of provision.

Figure 12: DWP spending on employment support for disabled people 2011–2019 (millions)



Source: The National Audit Office, Supporting Disabled People to Work.

The main programmes currently commissioned by the Government for the purposes of helping disabled people into employment are the Work and Health Programme (WHP), Specialist Employability Support (SES), and Intensive Personalised Employment Support (IPES).

The Work and Health Programme is unique in that commissioning responsibility has been partly devolved to Scotland,<sup>113</sup> Greater Manchester and London. While Specialist Employability Support and Intensive Personalised Employment Support are commissioned directly by the DWP, including in Greater Manchester and London. Where the Work and Health Programme is devolved, Greater Manchester Combined Authority (GMCA) has commissioning responsibility for Greater Manchester, and London is divided into four

<sup>112</sup> National Audit Office, Supporting disabled people to work, p. 30

<sup>113</sup> For the purposes of this paper, we will not consider devolution to Scotland.

clusters of boroughs, each of which is responsible for commissioning for their respective areas. These include: the West London Alliance, Central London Forward, Local London, and South London Partnership.

Multinational, private organisations hold the majority of prime contracts for the Work and Health Programme, Specialist Employability Support, and now Intensive Personalised Employment Support, as demonstrated in the tables below. In some instances, voluntary, community, and social enterprise (VCSE) organisations are awarded prime contracts, such as the Growth Company under Greater Manchester’s Working Well [Work and Health] Programme. Doncaster Deaf Trust and the Royal National College for the Blind are specialist prime providers under Specialist Employability Support. However, they did not meet the financial threshold to bid as prime providers under Intensive Personalised Employment Support. In the vast majority of instances, where there is involvement from a VCSE, it is in the form of a subcontractor further down the supply chain. Prime Providers can choose to sub-contract with a range of other providers, including VCSE organisations, to provide targeted support.

Table 2:

	<b>Work and Health Programme</b>	<b>Working Well [Work and Health Programme]: Greater Manchester</b>	<b>Work and Health Programme: London</b>
<b>Commissioning body</b>	Department for Work and Pensions: Umbrella Agreement for Employment and Health Related Services (UAEHRS)	Greater Manchester Combined Authority	<ul style="list-style-type: none"> <li>• West London Alliance (West London)</li> <li>• Central London Forward (Central London)</li> <li>• Local London (East London)</li> <li>• South London Partnership (South London)</li> </ul>
<b>Prime Providers</b>	<ul style="list-style-type: none"> <li>• Shaw Trust (Central England and Home Counties)</li> <li>• Reed in Partnership (North East England)</li> <li>• Ingeus (North West England)</li> <li>• Plus / Seetec (South of England)</li> <li>• Remploy (Wales)</li> </ul>	Inwork GM: <ul style="list-style-type: none"> <li>• Ingeus (Prime)</li> <li>• The Growth Company (Subprime provider)</li> </ul>	<ul style="list-style-type: none"> <li>• Shaw Trust (West London)</li> <li>• Ingeus (Central London)</li> <li>• Maximus (East London)</li> <li>• Reed in Partnership (South London)</li> </ul>

Table 3:

Specialist Employability Support	
<b>Commissioning body</b>	Department for Work and Pensions
<b>Prime Providers</b>	<p><b>PAN-disability:</b></p> <ul style="list-style-type: none"> <li>• Kennedy Scott</li> <li>• Remploy</li> <li>• Steps to Employment (until 2017)</li> <li>• Shaw Trust</li> </ul> <p><b>Specialist sensory support:</b></p> <ul style="list-style-type: none"> <li>• Doncaster Deaf Trust</li> <li>• Royal National College for the Blind</li> </ul>

## Commissioning the private sector

There are benefits to private, multinational providers holding the prime contracts for government employment programmes:

### Greater capacity for risk

Larger, private organisations have a greater capacity for risk, which is often essential for providers working in large Contract Packaging Areas dealing with some of the most vulnerable individuals. Government considers the ability of commissioned providers to manage risk as essential:

Ensuring that risk sits with the party best able to manage them is central to the Government's approach to delivering value for money and partnering with the private sector.<sup>114</sup>

Multinational providers also have the financial capital to commit to outcomes-based funding models, such as Payment by Results. Commissioning providers of this kind, therefore, allows the Government to demand a stringent outcomes-based funding model, which in turn enables the Government to hold providers to account for outcomes achieved.

### Efficiency

Multinational providers can offer a more streamlined and efficient process, by virtue of their size and capacity. As a result, larger organisations might outperform smaller organisations at face value.<sup>115</sup> For example, in Greater Manchester's Working Well pilot, the Greater Manchester Combined Authority (GMCA) commissioned a social enterprise called the Big Life Company, and an Australian multinational company called Ingeus, as providers. Both organisations adopted different strategies: the Big Life Company worked in a much more relational way, and Ingeus' approach was more outcomes-based. GMCA undertook an analysis of the two providers and found that Ingeus' outcomes outperformed those of the

<sup>114</sup> Cabinet Office, *Outsourcing Playbook*, 2019. p. 38

<sup>115</sup> Qualitative interviews with commissioners have suggested this has been the case with the Work and Health Programme.

Big Life Company: *'there is some evidence that the Provider B [Ingeus] provision was more effective at helping [Working Well] participants enter work than that provided by Provider A [Big Life Company].'*<sup>116</sup>

## Grass-roots innovation and excellence

However, in isolation, this presents an incomplete picture of the substantial value that voluntary, community, and social enterprise organisations (VCSEs) bring to public sector programmes. Over the course of the last 16 years, the CSJ has been impressed time and again by the innovation, compassion and expertise that VCSEs bring to some of Britain's most challenging social issues. In our work, the CSJ has tried to showcase the innovative and transformative interventions being used by VCSEs in communities across the UK. These solutions not only see lives transformed, but also bring significant cost savings to the state by doing things differently. Often the answers to challenges the Government is seeking to solve have already been established at a grass-roots level by small and local VCSEs up and down the country. VCSEs are a vital resource that if effectively harnessed, could be a lifeline for our public services.

**'Often the answers to challenges the Government is seeking to solve have already been established at a grass-roots level by small and local voluntary, community and social enterprise organisations up and down the country.'**

There is a risk that multinational, private providers can lack the local and specialist knowledge that often comes with smaller, VCSE organisations. When dealing with a cohort of individuals that have multiple and complex health needs, specialist knowledge and a relational approach are crucial. VCSE organisations function in a much more relational and holistic way than larger private providers, meaning they often understand the very specific needs of the individuals they are trying to help. Distrust of providers has been a barrier to uptake and continued engagement in past disability employment programmes. VCSEs are often trusted and known in their local communities, meaning they are very effective at engaging with the hardest to reach individuals. Nonetheless, the vast majority of government spending on procurement is through private companies. Indeed, the National Council for Voluntary Organisations (NCVO) estimates that only around four per cent<sup>117</sup> of government spending on the procurement of goods, works and services can be accounted for by the voluntary sector.<sup>118</sup>

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<sup>116</sup> Working Well Evaluation, p. 78

<sup>117</sup> This percentage however is slightly higher for front line services.

<sup>118</sup> National Council for Voluntary Organisations, UK Civil Society Almanac 2019 (via the Institute for Government, Government Outsourcing: What has worked and what needs reform? p. 13

## Barriers to voluntary, community and social enterprise [VCSE] organisations bidding for government contracts

The Centre for Social Justice interviewed several voluntary sector organisations and SMEs holding prime contracts for the Specialist Employability Support and the Work and Health Programme. They informed the following findings:

### Financial thresholds: the use of an Umbrella Agreement

In the commissioning of its most recent contracts, including the Work and Health Programme and Individual Personalised Employment Support, the DWP introduced the 'Umbrella Agreement for the provision of Employment and Health Related Services' (UAEHRS). The UAEHRS is a commercial vehicle that filters providers tendering for government contracts from the open market into a smaller pool of potential providers from which the DWP can commission. A cluster of potential providers (for example, 5–8 providers) will join the Umbrella Agreement in one of a handful of geographical lots.<sup>119</sup> The Umbrella Agreement was introduced on the basis that it would be a more effective and responsive tool with the potential to create time and cost savings.<sup>120</sup> However, the Umbrella Agreement has a stipulated financial threshold that providers must reach to join the UAEHRS. This has excluded several specialist VCSE organisations from being able to bid for the contracts. The impact of the financial threshold is particularly stark when we consider the move from Specialist Employability Support to Intensive Personalised Employment Support, which has resulted in the exclusion of prime providers that previously formed a specialist, sensory offer (*as we shall discuss later in this chapter*). The DWP is currently reviewing the UAEHRS. It is important that this review results in the reduction of the financial threshold for the Umbrella Agreement so that VCSE organisations can bid for government contracts.

### Size of contracts

Excluding the devolved areas of Scotland, Greater Manchester and London, there are six providers<sup>121</sup> who deliver the Work and Health Programme across six Contract Packaging Areas (CPAs) spanning England and Wales. These CPAs cover Central England and the Home Counties, the North East, the North West, Southern England, and Wales, each with a single prime provider. The situation is largely the same in London and varies only slightly in Greater Manchester where the Big Life Company acts as a sub-prime provider alongside Ingeus. The decision to have such large Contract Packaging Areas places significant risk on providers, prohibiting a wide variety of organisations from bidding for the Work and Health Programme, most especially VCSE organisations. Even the largest voluntary sector organisations are unable to tender for such large contracts. For example, Barnardo's explained that they were unable to bid for prime contracts due to the prohibitively large size of government contracts.<sup>122</sup>

119 DWP, Umbrella Agreement for the provision of Employment and Health Related services' (UAEHRS). p. 7

120 DWP, Umbrella Agreement for the provision of Employment and Health Related services' (UAEHRS). p. 4

121 Shaw Trust, Reed in Partnership, Ingeus, Pluss, and Remploi

122 House of Commons Work and Pensions Committee, Work Programme: Providers and Contracting Arrangements, Fourth Report of Session 2010–12, 14

### Payment by Results funding models

Each of the current nationally contracted disability employment programmes discussed in this report, including the Work and Health Programme, Specialist Employability Support, and Intensive Personalised Employment Support, as well as the previous Work Programme and Work Choice, use a traditional Payment by Results funding (PbR) model. A PbR model stipulates that providers are only paid for outcomes achieved, rather than work put in. A PbR model was adopted for the Work Programme, and for a time 100 per cent of payment for programme delivery was contingent on outcomes. Commissioners and past providers spoke of the enormous pressure this placed on contract providers. Since then, the Government has introduced a service delivery fee to sit alongside the outcomes payment. Under the current Work and Health Programme, there is an initial upfront payment for the service delivery (30 per cent), followed by a later outcome payment (70 per cent).<sup>123</sup> An outcome payment is triggered when a person reaches a certain level of earnings once in employment, or after being self-employed for six months.<sup>124</sup>

As we shall come to discuss in *chapter three*, this places enormous pressure on smaller organisations. If the outcomes specified by the commissioner are not achieved, payment will not be received. The provider has to have the capacity to hold significant financial risk, and be able to withstand the financial loss of not achieving job outcomes. When dealing with such a vulnerable group of individuals, as is the case in the current Work and Health Programme, the challenge is magnified even further. The delivery fee has gone a long way to soften the impact of a PbR model, but there still remains a great deal of uncertainty and risk for the provider.

### Treatment as 'bid fodder' in supply chains

A number of prime providers subcontract to specialist VCSE organisations. This was the case in the previous Work Programme and Work Choice programme. However, multinational prime providers are increasingly choosing to offer specialist support in-house. This is sometimes the case even when VCSE organisations are used as part of the initial bid. Subcontracted-providers have spoken to the CSJ about their treatment as 'bid fodder' in supply chains. This is where a prime provider bids for a government contract and their bid includes a supply-chain partnership with a smaller VCSE organisation. However, once the contract has been awarded, the partnership is not honoured and the VCSE is excluded from the supply chain.

This not only exploits a voluntary organisation's name for the purposes of winning a contract, but can also leave smaller organisations financially compromised. Considering the expertise and value that VCSEs bring, it is highly concerning for the future success of programmes that VCSEs are being prevented and discouraged from engaging in government contracts through supply-chain partnerships. It should be said, however, that the Government is taking steps to overcome this through the tender assurance process and the Merlin Standard, as will be discussed later in this chapter.

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<sup>123</sup> DWP Performance Report 2018/2019. p. 35

<sup>124</sup> DWP Performance Report 2018/2019. p. 35

## Referrals at the Jobcentre Plus

A common feature shared by each of the nationally contracted employment programmes, from the WHP through to IPES, is that referrals are all made via the work coach at the Jobcentre Plus. As a result, the work coach is responsible for who is referred and the number of referrals made, something that the provider cannot influence. This is significant because the provider remains responsible for outcomes and if there aren't enough referrals coming through their doors from the Jobcentre Plus, or if the wrong people are being referred, the provider will still carry the financial burden. There are a number of challenges at the Jobcentre Plus stage of the process, and there are frequent problems with referrals, as we will come to see in *chapter 5*. This can have major consequences for VCSE organisations that hold prime contracts.

### Doncaster Deaf Trust case study

Doncaster Deaf Trust held one of the two prime contracts for the sensory element of Specialist Employability Support. At the start of the programme they were profiled to receive only 94 claimants per year. Deaf people were still being referred into the WHP but were being channelled to the PAN disability providers, namely, other multinational organisations. Doncaster Deaf Trust felt they had capacity to take 'triple the amount' they were being referred each year.

Doncaster Deaf Trust were also sub-contracted by two prime private providers as a specialist provider in the delivery of Specialist Employability Support. Despite forming part of the initial bid under the private prime providers, Doncaster Deaf Trust were not given a single referral throughout the course of the programme. Doncaster Deaf Trust considered themselves to be 'bid fodder'. They were not given an answer from the prime providers as to why they did not receive a single referral. They later discovered it was because the prime providers had chosen to provide specialist support in-house.

### Royal National College for the Blind case study

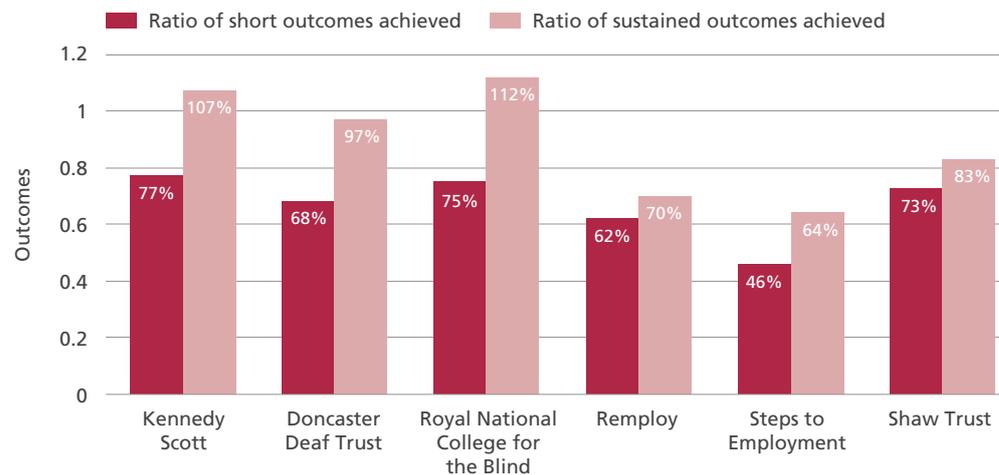
The Royal National College for the Blind was awarded the prime contract for the sensory element of Specialist Employability Support. At the beginning of the contract, the Royal National College for the Blind indicated a certain number of customers that they envisaged working with each year. However, they felt the number of referrals the DWP had predicted was over-inflated. As expected, the Royal National College for the Blind simply did not receive the numbers of referrals they needed to hit the DWP targets from the work coaches. This was despite the fact that they, as the provider, were given the burden of processing the necessary numbers of people through the programme.

Furthermore, the Royal National College for the Blind were frequently referred individuals who were not suitable for the programme or the sensory support the Royal National College for the Blind were contracted to deliver. This proved to be the 'biggest challenge' faced by the Royal National College for the Blind as a provider.

The Royal National College for the Blind and Doncaster Deaf Trust were both prevented from bidding for IPES because of the financial thresholds placed on the Umbrella Agreement. This is despite the fact that they performed well under the SES contract. In the case of the Royal National College for the Blind, they over-performed on sustained

outcomes (ratio of 112 per cent) and outperformed all other providers, as demonstrated below.<sup>125</sup> Doncaster Deaf Trust performed well on sustained outcomes (97 per cent) and outperformed three other providers.<sup>126</sup> Kennedy Scott was also prevented from bidding for IPES due to the financial threshold of the sensory element, despite also outperforming all other providers except for the Royal National College for the Blind.<sup>127</sup>

Figure 13: Outcomes achieved by providers in the delivery of Specialist Employability Support



Note: This measure shows the number of job outcomes achieved by each provider as a percentage of the business case expectations. Business case expectations are 30% and 18% of starts leading to a short job outcome and a sustained job outcome respectively.

Source: DWP, Specialist Employability Support Statistics. Further data can be found in the Annex, Figure 1.<sup>128</sup>

The exclusion of Doncaster Deaf Trust and the Royal National College for the Blind is significant because they were the two providers of the sensory element of support under SES. Neither the new IPES programme, nor the Work and Health Programme have a sensory element that is targeted at those who need specialist support. With the end of SES, all nationally contracted provision is now pan-disability.

### Recommendation 1

There are clear benefits to commissioning private providers to deliver government employment support programmes. It is perhaps for these reasons that multinational corporations dominate the current nationally contracted disability employment market. With such a narrow market, and with millions of pounds worth of taxpayer's money going to the provision of disability employment support each year, transparency within the DWP's procurement processes is vital.

While commercial sensitivities must be recognised, the Government can do much more to account for its commissioning decisions. After the procurement process has taken place for a new nationally contracted programme, as has just been the case for Intensive Personalised

<sup>125</sup> DWP, Specialist Employability Support Statistics to September 2019, Table 6

<sup>126</sup> DWP, Specialist Employability Support Statistics to September 2019, Table 6

<sup>127</sup> DWP, Specialist Employability Support Statistics to September 2019, Table 6

<sup>128</sup> DWP, Specialist Employability Support background information note. Updated 30 October 2019

Employment Support, the Government should release a document outlining who has been awarded the prime contracts, and why. This must not become a tick-box exercise, but a process motivated by a genuine desire to bring transparency and accountability into what is currently a very opaque system.

## The problem with pan-disability contracting

There is enormous variation within the broad definition of disability, and in order to achieve effective and lasting support for those with disabilities, specialist support is critical. As procurement markets become smaller, and VCSEs get squeezed out, programmes in turn become increasingly generalised, lacking targeted and specialised support for the hardest-to-help. The Work and Health Programme is a pan-disability programme, and the new Intensive Personalised Employment Support programme no longer has the sensory provision that was available under Specialist Employability Support.

Barriers to the labour market vary considerably between health needs. For example, a person with learning disabilities will face very different barriers to accessing the labour market than someone with musculoskeletal problems. A generalised approach to disability support will not benefit those furthest from the labour market, as we saw under the Work Programme, which saw only 12 per cent of ESA claimants achieve a job outcome,<sup>129</sup> in contrast to 37 per cent of JSA claimants.<sup>130, 131</sup>

For too long, the Government has invested taxpayers' money into disability employment support and failed to help those with the greatest needs into sustainable employment. While employment rates have increased across the board, for certain health groups including those with learning disabilities, the employment rates have remained woefully low.<sup>132</sup> This is unsurprising when we consider that the Government has failed in both the design and commissioning of its nationally contracted programmes to offer specialist support for those who need it most.

If the Government is to help those furthest from the labour market into sustainable employment, it must reassess the design of its disability employment provision and reintroduce specialist support through the Work and Health Programme and Intensive Personalised Employability Support. The Government must also commission a broader range of providers, with specialist expertise, to deliver high-quality sensory support for individuals with acute needs, as was the case under Specialist Employability Support.

Unless the Government takes urgent action to introduce a specialist element into its delivery, significant questions must be asked as to the future impact that nationally contracted disability employment programmes will have on those with the most acute needs who are furthest from the labour market.

129 18 per cent of new ESA customers achieved a job outcome.

130 Aged 25 and over; 42 per cent of JSA claimants aged 18 to 24 achieved a job outcome.

131 DWP, Work Programme Statistics – March 2018. Table 1.2

132 The employment rate for people with learning disabilities is 5.9 per cent.

## Recommendation 2

The current pan-disability approach employed by the Government has failed to help disabled people with the most complex needs into sustainable employment. The Government must recognise the broad spectrum of needs within the wide-ranging definition of disability as presented in the Equality Act 2010.

- a) The Government must reassess the design of its disability employment provision and take urgent steps to (re)introduce a specialist, sensory element into its current and future nationally contracted programmes, including the Work and Health Programme and Intensive Personalised Employment Support.
- b) The Government must commission a broader range of providers with specialist expertise to deliver high quality sensory support for individuals with acute needs, as was the case under Specialised Employability Support.
- c) The Umbrella Agreement for the provision of Employment and Health Related Services (UAEHRS) is used in the procurement of Intensive Personalised Employment Support and the Work and Health Programme. As part of an ongoing review, the Department for Work and Pensions must lower the financial threshold of the UAEHRS in order to allow specialist voluntary, community and social enterprise (VCSE) organisations to bid for government contracts. This would enable organisations that bring specialist and local expertise to enter the market.

## Government action on supply chains

The Government manages supply chain behaviour through two primary mechanisms: Tender Assurance and the Merlin Standard.

### Tender Assurance

At the selection stage of the procurement process, a tender assurance assessment takes place. This ensures that prime providers are presenting a fair reflection of their relationships with their subcontracted organisations in their bid. The Tender Assurance involves conversations with supply chain managers and partners about the proposed supply chain and its management. Where a prospective prime provider has misrepresented its relationship with a subcontracted provider, this will be counted against them in the bidding process.

### The Merlin Standard

The Merlin Standard was introduced in 2012 to ensure the excellence of supply chains and to protect the subcontractors within them. Merlin has been said to bring greater transparency into supply chain management while standardising practice. It sets a standard of behaviour that most DWP contracted prime providers are expected to adhere to. Providers are assessed against four key principles, which include:

- **Supply chain design.** Prime Providers are expected to ensure innovation through variety within the supply chains. Providers should pull upon a wide network of stakeholders, including those outside of the supply chain.<sup>133</sup>
- **Commitment.** Prime providers are expected to honour commitments made to supply chain partners during the early stages of the partnership. The relationships formed should be made by mutual agreement.<sup>134</sup>
- **Conduct.** Prime providers should manage supply chains with ‘integrity and openness.’ Prime providers are expected to keep supply chain partners informed through clear communication and transparency.<sup>135</sup>
- **Review.** Prime providers should demonstrate that they seek and use feedback from stakeholders.<sup>136</sup>

### Recommendation 3

There are four pre-existing principles that providers are assessed on as part of the Merlin Standard, including supply chain design, commitment, conduct, and review.

*Integration* should be introduced as a fifth distinct area of assessment. Under the current Merlin Standard structure, integration is assessed under ‘supply chain design’. Integration is crucial to the successful running of disability employment programmes and therefore warrants its own consideration within the Merlin Assessment process. As part of this, providers would be assessed on their use of integration partners, integration boards and the co-location of services.

A review of the Merlin Standard was carried out in 2015, including a survey of stakeholders. It found that subcontracted organisations were the least positive about the impact of Merlin: less than half (48 per cent) of sub-contractors thought it had improved supply chain management, and 28 per cent thought it had made no difference at all.<sup>137</sup> Voluntary sector organisations were particularly negative about the impact of the Merlin Standard on supply chain management.<sup>138</sup> This suggests that the Merlin Standard lacks teeth and still has a way to go to truly encourage excellence across supply chains. The Government is constantly reviewing the Merlin Standard and questions remain as to whether it is the best vehicle for ensuring high standards of behaviour within supply chains.

133 Work and Pensions Committee – First Report. Can the Work programme work for all user groups? Regulating supply chain relationships: the Merlin Standard. Paragraph 164

134 Work and Pensions Committee – First Report. Can the Work programme work for all user groups? Regulating supply chain relationships: the Merlin Standard. Paragraph 164

135 Work and Pensions Committee – First Report. Can the Work programme work for all user groups? Regulating supply chain relationships: the Merlin Standard. Paragraph 164

136 Work and Pensions Committee – First Report. Can the Work programme work for all user groups? Regulating supply chain relationships: the Merlin Standard. Paragraph 164

137 DWP, Review of the Merlin Standard 2015. p. 3

138 DWP, Review of the Merlin Standard 2015. p. 3

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#### **Recommendation 4**

Poor behaviour and poor management of supply chains has led to the mistreatment and exclusion of voluntary, community and social enterprise (VCSE) organisations in the provision of nationally contracted disability employment programmes.

The Merlin Standard was introduced to monitor the behaviour of prime providers in relation to their subcontracted partners. However, reports suggest that it has had limited impact on the behaviour of prime providers within nationally contracted provision. The Government should review the Merlin Standard to ensure it is fit for purpose. Part of this review must involve close engagement with supply chain stakeholders.

## chapter three

# Funding: Is Payment by Results the best mechanism to use?

Governments have used outcomes-based funding models since at least the 19th century in the delivery of frontline services, and there has been a resurgence in the last decade in the form of Payment by Results (PbR). Under a PbR model, contracted providers of services will be paid according to the outcomes they achieve rather than, necessarily, the work they put in. A traditional PbR model transfers the risk to the provider, ensuring that agreed outcomes are achieved before payment is made. In this way, PbR is designed to place value for money, for both the taxpayer and service-user, at the heart of delivery.

PbR models vary across the broad sweep of nationally contracted programmes. For a time, 100 per cent of the payment for the delivery of the Work Programme was contingent on the achievement of outcomes.<sup>139</sup> However, in most cases now, PbR contracts comprise a combination of an outcomes payment and a service delivery fee, as is the case in the current Work and Health Programme and Specialist Employability Support.

The Work and Health Programme has a service delivery fee of approximately 30 per cent, with the remaining cost of the programme dependent on the achievement of a 'job outcome': a specified level of earnings once in employment, or having reached six months in self-employment.<sup>140</sup> The specified level of earnings varies across the different Contract Packaging Areas. However, the national WHP and the majority of Local Government Partners have an earnings threshold of 16 hours per week for 26 weeks at the National Living Wage<sup>141, 142</sup>

Under Specialist Employability Support, providers are paid a Service Fee of 50 per cent of the contract value.<sup>143</sup> Outcomes payments are split into two waves: 25 per cent is paid on the achievement of a Job Outcome, and the remaining 25 per cent is paid on the achievement of a Sustained Job Outcome.<sup>144</sup> An initial Job Outcome requires at least 16 hours of work per week over a period of at least 13 weeks with no breaks in

<sup>139</sup> DWP, Work and Health Programme Provider Guidance, Chapter 13 – Funding Model, p. 2

<sup>140</sup> DWP, Work and Health Programme Provider Guidance, Chapter 13 – Funding Model, p. 2

<sup>141</sup> For West London Alliance and the GMCA, this is measured at the London Living Wage.

<sup>142</sup> DWP, Work and Health Programme Provider Guidance, Chapter 13 – Funding Model, p. 2

<sup>143</sup> DWP, Specialist Employability Support Provider Guidance, Chapter 8 – Payment Model and Service Fee, p. 1

<sup>144</sup> DWP, Specialist Employability Support Provider Guidance, Chapter 8 – Payment Model and Service Fee, p. 1

employment.<sup>145</sup> A Sustained Job Outcome, which means unsupported employment or self-employment, requires at least 16 hours per week, and lasts at least 26 weeks out of 30, with no break in employment totalling more than four weeks.<sup>146</sup>

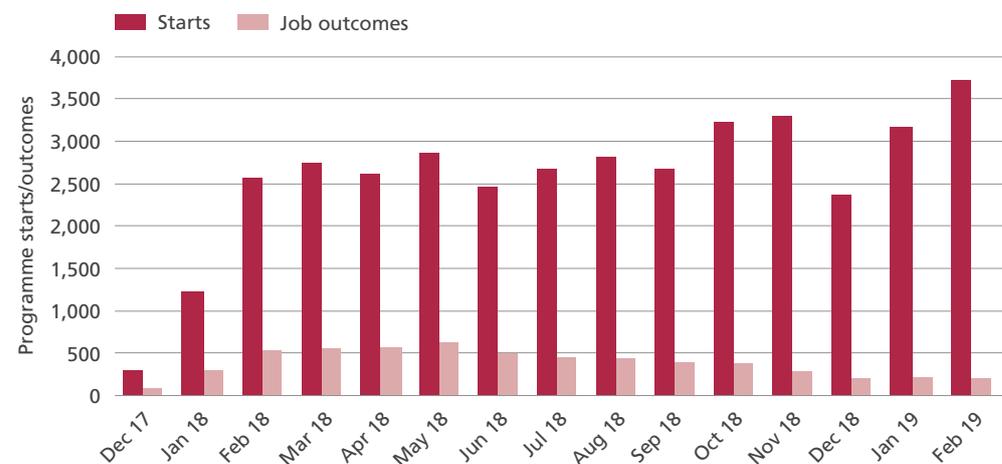
The provider guidance for Intensive Personalised Employment Support with details of funding models is yet to be released.

## Outcomes under the current models

Since the Work and Health Programme began, 104,770 individuals have been referred onto the programme, 79,590 individuals have started on the programme, and there have been 7,150 job outcomes across the programme.<sup>147</sup> This means that 7 per cent of those who have been referred onto the programme have achieved a job outcome, while 9 per cent of the individuals who have started on the programme have achieved a job outcome<sup>148, 149</sup>

The graph below shows the number of *disabled* adults who have started on the programme and those who have gone on to achieve a job outcome, by start month.<sup>150</sup> It can be expected that those who started more recently are likely to report lower levels of outcomes simply due to the lack of time they have been on the programme.

Figure 14: Work and Health Programme starts and job outcomes (by start month) from December 2017 to February 2019



Note: Job outcome figures are counted against the month in which they started. Therefore more recent start months are more likely to report lower levels of outcomes as participants haven't had as much time on the programme. E.g. of the 290 starts from the first monthly cohort (Dec 17) 80 Job Outcomes were achieved within 20 months of starting.

Source: Department for Work and Pensions, Work and Health Programme Statistics, August 2019 release: Table 1.3.

145 DWP, Specialist Employability Support Provider Guidance, Chapter 6 – SES Outcomes Definitions, p. 1

146 DWP, Specialist Employability Support Provider Guidance, Chapter 6 – SES Outcomes Definitions, p. 1

147 DWP, Work and Health Programme statistics to August 2019. November 2019

148 Note: those starting on the programme more recently have had shorter time to achieve a job outcome, therefore this figure is not instructive of the success of the programme.

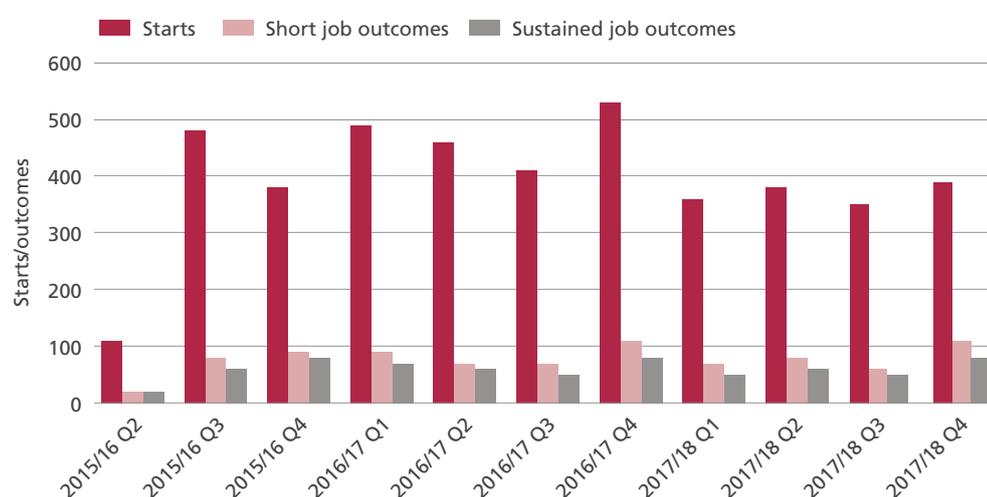
149 DWP, Work and Health Programme statistics to August 2019. November 2019

150 Department for Work and Pensions, Work and Health Programme Statistics, August 2019 release: Table 1.3

The graph goes some way in demonstrating that the number of job outcomes achieved is particularly low in contrast to the number of individuals starting, and therefore progressing through the programme at any one time. This illustrates the financial burden a traditional PbR model places on providers who may be working with a large number of individuals, but have only received full payment for a select few. In some cases, service-users will make progress on the programme in the form of soft-skill development, for example, but will never reach the outcomes threshold. In such instances, providers will not be recognised financially for the potentially significant progress made in an individual's journey towards employment.

Over the lifetime of Specialist Employability Support, there have been 9,390 referrals onto the programme and 6,740 starts.<sup>151</sup> Of those who started from September 2015 to March 2018, 20 per cent achieved a short job outcome (lasting at least 13 weeks), and 15 per cent achieved a sustained job outcome (lasting at least 26 weeks).<sup>152</sup>

Figure 15: Specialist Employability Support starts and job outcomes (based on month of start) from September 2015 to March 2018



Source: DWP, Specialist Employability Support Statistics September 2015–September 2019. Table 3.

Even in instances where an upfront service delivery fee is paid, providers will not receive the remaining 70 per cent of the cost of the programme until an outcome, as determined by the commissioner, is achieved. In the case of SES, payment is not made for merely helping an individual into a job, but only if a job is *sustained*, with a 'short job outcome' payment made at 13 weeks and a 'sustained job outcome' made at 26 weeks.<sup>153</sup> This poses a particular challenge when dealing with people with high support needs who might face multiple barriers to the labour market.

<sup>151</sup> DWP, Specialist Employability Support Statistics September 2015 – September 2019. October 2019

<sup>152</sup> DWP, Specialist Employability Support Statistics September 2015 – September 2019. October 2019

<sup>153</sup> DWP, Specialist Employability Support Statistics September 2015 – September 2019. October 2019

## Why Payment by Results?

### Value for Money

Arguably, the primary driver for adopting a PbR model is that it seeks to ensure value for money for the taxpayer and service user alike. Only successful interventions that create tangible outcomes are paid for. The commissioner is able to specify the outcome that must be achieved for a payment to be made. This prevents taxpayers' money from going to programmes that do not achieve lasting results for service users. In times of austerity, it is particularly valuable for governments to be able to direct public money towards interventions that are successful.

### Innovation

While one of the main benefits of PbR is that it holds providers accountable for outcomes, this is certainly not the only driver. Another important but sometimes overlooked benefit of PbR is the opportunity it presents to create incentives and encourage innovation amongst providers to find solutions to some of the most complex and intractable social challenges. This is essential considering that disability employment is a complex system, and sustained employment is not easily achieved. Commissioners need to ensure that providers can innovate in a PbR model. As highlighted by the NCVO and Bates Wells Braithwaite, if a commissioner is too prescriptive, the programme is destined to fail before it has been implemented.<sup>154</sup> When working at its best, a PbR model will drive innovation, and in so doing, achieve outcomes.

Nationally contracted programmes are commissioned with a 'black box approach', which allows providers to innovate in the delivery of programmes. However, providers have told the CSJ that there are limitations to the black-box approach, claiming that commissioners retain a tight grip on programme design and delivery. The benefits of a PbR model will only be felt if providers are truly given the freedom to innovate.

### Recommendation 5

When commissioning VCSE organisations to provide nationally contracted services, it is vital that they are given the freedom to innovate. Grassroots VCSE organisations are often already embedded within communities, bringing with them a wealth of expertise and local knowledge. Within the confines of a Payment by Results structure that guarantees outcomes, it is important that commissioners trust providers to deliver a service that best suits the needs of the service-users and the local community.

A 'black box approach' is taken in the commissioning of nationally contracted employment programmes. However, interviews conducted by the CSJ have revealed the limitations of this approach, with commissioners retaining a tight grip on programme design and delivery. The black box approach must be strengthened to ensure it gives providers the freedom to innovate and deliver a programme best suited to the needs of the service users and community in which the provider operates.

<sup>154</sup> Payment by Results contracts: a legal analysis of terms and process, October 2013. p. 7

### Transfer of risk

Providers are required to make an upfront financial investment, and will not be paid for outcomes unless and until they are achieved. This means that risk is transferred from the commissioner onto the provider. Rather than the commissioner paying upfront for programmes that may not succeed, the provider is required to make the upfront investment. This protects taxpayers' money by paying only for successful programmes that achieve the prescribed outcome.

In this way, PbR also acts to reduce the Government's direct involvement in the delivery of social outcomes by transferring risk and responsibility of delivery to the private and social sectors. Crucially, however, government departments still have a vital responsibility to drive programmes forward and step in when contracts underperform or fail.

## Challenges to a Payment by Results structure

There are worthwhile benefits to using an outcomes-based funding model like Payment by Results. But, as the National Audit Office concluded in its 2015 report into outcomes-based payment schemes, PbR contracts are difficult to get right.<sup>155</sup> The following challenges can arise in relation to a traditional PbR model:

### Market concentration

An overly aggressive PbR model leads to market concentration, whereby the only companies that can compete for a seat at the table are those that have sufficient cash reserves to take on the financial risk. This can limit both innovation and value for money. In addition, a market that is dependent on only a select few players carries a significant amount of risk. As we saw with the recent collapse of Carillion, there is much to lose when a major government supplier fails.<sup>156</sup>

The demographics of current providers shows that larger, multinational corporations are usually best equipped to withstand the pressures of an outcomes orientated model. As things currently stand, very few VCSE organisations are able to bid for national government contracts under a traditional PbR funding model. This has resulted in a select few similar players dominating the current market. These organisations are, in several cases, the same organisations that have been delivering nationally contracted programmes for years. The lack of turnover among providers across programmes suggests an inherent lack of innovation in delivery.

<sup>155</sup> NAO, Outcome-based payment schemes: government's use of payment by results. p. 19

<sup>156</sup> According to the Institute for Government, the Government had the second highest level of published spending in 2016/17 with Carillion. The cost to the taxpayer of Carillion's collapse is likely to be at least £148 million.

## Recommendation 6

A Payment by Results funding model places pressure on smaller voluntary, community and social enterprise (VCSE) organisations that do not have the capacity or capital to carry significant financial risk. In recognition of the value and expertise that VCSE organisations bring, the Government could introduce a tiered system dependent on annual turnover. Smaller organisations would be paid a higher delivery fee, with a smaller proportion of the overall payment contingent on outcomes. VCSE organisations would therefore be assessed on their local and specialist knowledge, rather than simply their annual turnover.

A 50 per cent service fee and a 50 per cent outcomes fee could be offered to smaller VCSE organisations who are currently not able to bid for national programmes because of the 70:30 outcome to delivery fee funding model.

### 'Cherry Picking' and 'Parking'

A traditional Payment by Results funding model can create perverse incentives leading to gaming of the system by providers. Under a funding model where providers might only receive payment once a service-user has entered work, providers are incentivised to prioritise those who are most likely to achieve a job outcome. The CSJ carried out a series of interviews in which stakeholders reported that 'cherry picking' of claimants with the least complex needs, and 'parking' of those who were furthest from the labour market is a widespread practice across disability employment programmes. Interviewees reported that gaming of this form was commonplace in the Work Programme, which saw only 12 per cent of ESA claimants<sup>157</sup> achieving a short job outcome.<sup>158</sup>

Therefore, under a Payment by Results system, those with the most profound barriers to the labour market, such as individuals with learning disabilities, are denied the vital support they need to enter work. This perpetuates cycles of unemployment for groups of people with the most acute health needs. If the Government is serious about helping all disabled people, including those who currently sit furthest from the labour market, into work, it needs to take firm action to overcome the perverse incentives that result from a traditional Payment by Results structure.

A traditional Payment by Results model risks a 'race to the bottom', where providers forfeit quality over price. This is especially concerning considering that the quality of programmes is critical when seeking to achieve long-term employment outcomes for individuals with disabilities and long-term sickness.

### Definition of outcomes

An outcomes-focused funding model requires the ability to identify and define outcomes. This is problematic when dealing with a group of people who present with a wide variety of complex needs. Progress for one person might look very different for another, as demonstrated by the variation in employment rates across different disabilities. For example, at 5.9 per cent, people with learning disabilities currently have the lowest

<sup>157</sup> 18 per cent of new ESA customers achieved a job outcome.  
<sup>158</sup> DWP, Work Programme Statistics – March 2018. Table 1.2

employment rate across health needs,<sup>159</sup> whereas the employment rate for the whole of the disabled person population is 53.6 per cent. A person with learning disabilities or autism might make significant personal progression in the development of key soft skills through the course of a programme. However, this would fall short of the commissioner's narrow definition of an outcome.

A Payment by Results funding model lends itself to a one-size-fits-all approach, but there are significant limitations to this. Disabled people are not a homogenous group and present with different challenges and needs. A more nuanced and targeted measure of outcomes that better reflects the enormous variety across the broad spectrum of disabilities is needed to ensure those furthest from the market also have a realistic prospect of entering sustained work, and to prevent cherry-picking by providers of those with the least complex needs.

## An alternative: Social Finance

A traditional Payment by Results model brings with it onerous requirements which, while mitigating risk for the taxpayer, also threaten to narrow the market to only those with adequate financial capital. This can exclude VCSEs and those with local and specialist expertise who do not have the finances to withstand the risk that an outcomes-based payment model brings. Yet it is these excluded organisations that play such a crucial role in the employment of disabled people in communities across the UK.

An answer to increasing competition while preserving value for money, is to consider the role of social finance. Social investment is the provision of capital for the purpose of generating social as well as financial returns. Social Impact Bonds (SIB) are one such example of this.

In a Social Impact Bond, a social investor will provide the upfront working capital for the delivery of a service. For example, a social investor will fund a provider to deliver a programme seeking to help disabled people into employment. The commissioner will pay the social investor back only when successful outcomes are achieved. In this way, the social investor is the one who bears the financial risk those outcomes are not achieved, rather than the provider or the commissioner. This not only achieves value for money for the commissioner, and ultimately the taxpayer, but it also enables a wider pool of providers to bid for PbR contracts by reducing the burden of risk held by providers.

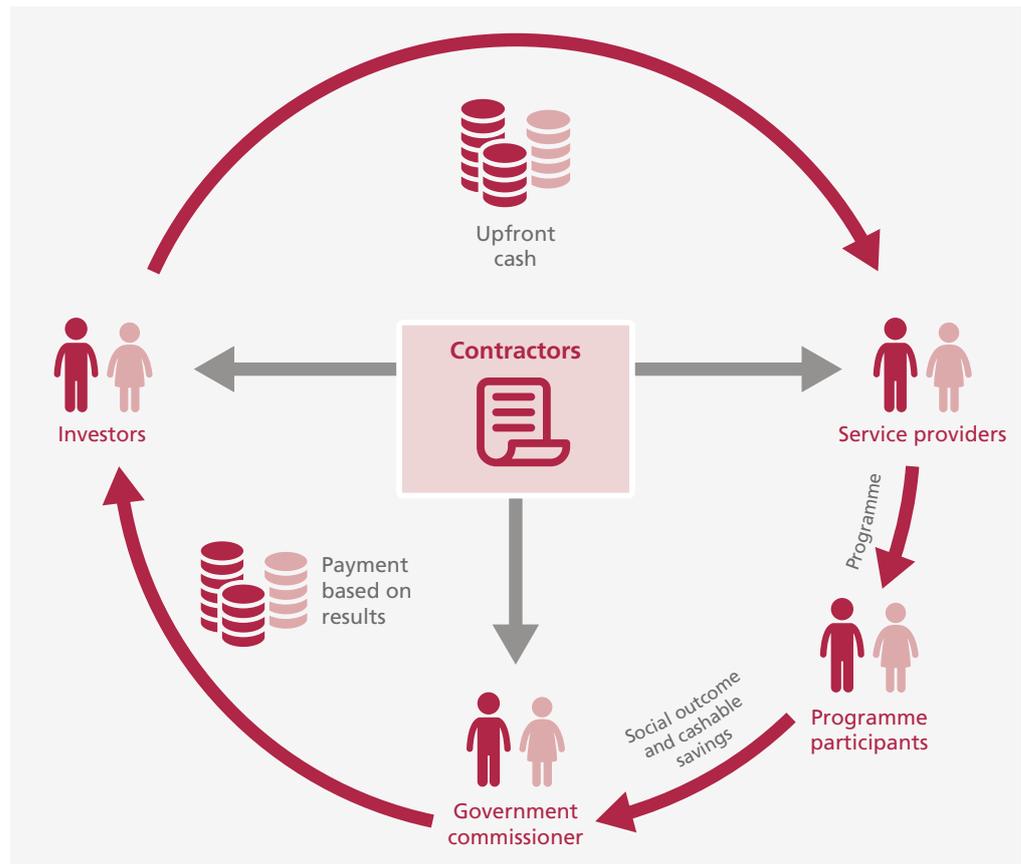
The first Social Impact Bond was introduced in the UK in 2010, known as the Peterborough Pilot. In this instance, the Ministry of Justice, supported by the Big Lottery Fund, entered into an agreement with providers and investors to see reconviction rates reduced. A review of the Peterborough Pilot found that perhaps as a result of the SIB funding mechanism, the programme was more flexible and agile than other interventions. This was particularly felt in the commissioning of new providers which brought with it new ways of working.<sup>160</sup>

<sup>159</sup> British Association for Supported Employment, Employment rates for people with disabilities. Source: SALT LTS004 Table 1/SALT LTS001a Table 1a, NHS Digital

<sup>160</sup> Ministry of Justice, The payment by results Social Impact Bond pilot at HMP Peterborough: final process evaluation report. 2015. p. 6

Following the Peterborough Pilot, the Government introduced The Centre for Social Impact Bonds unit in Government to turbocharge the use of SIBs and tackle barriers to their use. In addition, the Government of the time announced an £80 million fund called the Life Chances Fund.<sup>161</sup> This was to contribute to outcome payments for SIB contracts. Run from the Office for Civil Society at the Department for Digital, Culture, Media & Sport, this particular fund is still in operation, acting as a central government source to incentivise the commissioning of Social Impact Bonds by Local Authorities.

Figure 16:



There is precedent for a Social Impact Bond within the context of employment support for people with long term health conditions. In 2015 a Social Impact Bond was launched to raise money for the expansion of the Individual Placement and Support programme, which helps vulnerable young people and people with severe mental health conditions into employment.<sup>162</sup> In 2019, a further Social Impact Bond was launched to help people recovering from drug and alcohol abuse to enter employment, through an Individual Place and Support model.<sup>163</sup>

161 Cabinet Office: Life Chances Fund

162 Social Finance, Press release: Social Finance launches 2 new social impact bonds for vulnerable young people and people with mental health issues, March 2015

163 The Big Issue, Press release: Big Issue invests £400k to help 1,700 ex-addictions find jobs, August 2019

Furthermore, a SIB-funding model enabled the launch of DFN MoveForward, which provides crucial early intervention for young people with learning disabilities or autism to move into employment.

Even though a SIB removes the risk from the provider, there still remains the challenge that a social investor will not enter into a SIB without assurance that the provider can handle the size of the contract. Therefore, A SIB would work well alongside a devolved system of commissioning, with reduced Contract Packaging Areas and the freedom for local players to innovate in localities that they know well. One such example can be found in Greater Manchester, where the Greater Manchester Combined Authority has entered into a SIB to help rough sleepers into secure housing and employment.

While it is too early to determine the success of this particular SIB in Greater Manchester, it goes some way to demonstrate the political will to harness social investment to overcome some of our most challenging social issues.

### **Recommendation 7**

Social investment, in the form of a Social Impact Bond (SIB), could be used in the delivery of nationally contracted disability employment programmes. A SIB model uniquely offers an outcomes-focused approach to service delivery without the taxpayer or provider being burdened with the financial risk. This serves to open the market up to smaller providers, while ensuring value for money for taxpayers.

A SIB structure would work well alongside a devolved system of commissioning in order to allow VCSEs to handle the size of the Contract Packaging Area. The Government should harness the benefits of social investment through a SIB in the devolved areas where the Work and Health Programme has been implemented and in future devolved nationally contracted provision.



## chapter four

# Devolution: The need to work locally

The Work and Health Programme is distinctive from previous schemes in its move towards devolution in Greater Manchester and London. The DWP has decentralised power and responsibility for the design and delivery of the Work and Health Programme to the Greater Manchester Combined Authority (GMCA) and four sub-regional groups of boroughs in London, otherwise known as Local Government Partners. These Local Government Partners, which include West London Alliance, Local London, South London Partnership and Central London Forward, were instructed to design, procure and contract manage the Work and Health Programme in their respective areas. In addition to Greater Manchester and London, responsibility for disabled people and the long-term unemployed is also devolved to Scotland in accordance with the Scotland Act. However, for the purposes of this report, we will not consider devolution to Scotland.

Funding for the Work and Health Programme in the devolved areas has come from the DWP, with matched funding from the European Social Fund (ESF). Over the life of the contract, Greater Manchester and London will receive around £100 million to develop, procure and deliver the Work and Health Programme in a localised way, tailored to the needs of their residents.<sup>164</sup> It is estimated that the DWP will devolve £72 million to London and £28 million to Greater Manchester.<sup>165</sup> There are significant benefits to programmes focused on helping vulnerable individuals into work, not just for service users but also for the local economy. The GMCA has estimated that each time a local person is supported into a real living wage job, the Greater Manchester economy is boosted by £14,000.<sup>166</sup>

In addition to devolution in Greater Manchester, London and Scotland, the DWP has established Devolved Deal Areas in which a number of Local Enterprise Partnerships and city-regions are engaged in the design of the programme. The intention has been for these areas to have a strong voice in monitoring the performance of the programme in their localities.

In a move towards a more 'local-first' approach, the Government has also increased investment in frontline capability through the Jobcentre Plus network; however, this is something we will not consider until the next chapter.

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<sup>164</sup> DWP, Press release: New employment programme begins in England and Wales

<sup>165</sup> DWP, Press release: Greater Manchester and London handed new disability powers

<sup>166</sup> Greater Manchester Combined Authority, Working Well Annual Report 2019. p. 8

## Devolution in Greater Manchester: Working Well

Greater Manchester's Work and Health Programme is known as Working Well (Work and Health Programme) and is commissioned by the Greater Manchester Combined Authority (GMCA). Responsibility for the delivery of the programme lies with InWork GM, which is an alliance partnership between Ingeus and The Growth Company. Pathways CIC and Pluss are two specialist organisations that have also been commissioned as part of the supply chain delivery.

In March 2014, the Working Well pilot was commissioned in Greater Manchester to support Employment and Support Allowance (ESA) claimants in the work-related activity group who had completed the Work Programme but not found sustainable work. Funded through the Department for Work and Pensions, Greater Manchester Combined Authority and European Social Fund, the Programme was expanded in 2016, at which point it extended its provision to also include those on Income Support and Universal Credit. The Working Well pilot sought to test whether a locally designed and delivered approach to employment support could achieve better outcomes for long-term unemployed individuals. It was a prototype for a devolved model of disability employment support and laid the groundwork for devolution under the national Work and Health Programme.

The pilot has now ended, with the Working Well expansion running until December 2020. In 2018, Working Well (Work and Health Programme) was introduced which has built on the learning of the pilot and expansion, and has seen positive results to date. So far, 162 organisations across 10 Local Authorities are engaged with the programme, and 70 per cent of clients report that they feel better equipped to find and start a job as a result of Working Well.<sup>167</sup> By the end of March 2019, nearly 20,900 clients had started Working Well.<sup>168</sup> While a large proportion of this number had only been on the programme for a relatively short amount of time, there were 4,410 – roughly one in five – individuals who had started a job as a result of the programme. Nearly 1,400 had been in sustained employment for 50 weeks. This is equivalent to 46 per cent of all those who started work over 12 months ago.<sup>169</sup>

In addition to job outcomes, the GMCA has also taken an active interest in the wellbeing, life chances and other broader social determinants of health, recording data about progress made in other areas of a service user's life that may have acted as a barrier to work. Wider social outcomes from the initial pilot can be found in the table below and demonstrate the significant improvements in life outcomes that come about as a result of individuals moving into work. For example, 68 per cent of individuals considered that their mental health was a severe barrier to entering work, but 52 per cent of clients reported an improvement in their mental health as a result of the Working Well pilot. Seventeen per cent of individuals considered that their substance misuse was a severe barrier to entering work, but 63 per cent of individuals reported an improvement in their substance misuse through the programme. Eleven per cent of individuals felt divorce and relationship breakdown was a severe barrier to work, but 78 per cent of individuals reported an improved change in this barrier to employment.<sup>170</sup>

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167 Greater Manchester Combined Authority, Working Well Annual Report 2019. p. 4

168 Greater Manchester Combined Authority, Working Well Annual Report 2019. p. 8

169 Greater Manchester Combined Authority, Working Well Annual Report 2019. p. 6

170 Greater Manchester Combined Authority, Working Well Annual Report, July 2019. p. 50

**Table 4: Working Well (Work and Health Programme) – proportion of clients ranking barriers to work as severe and the proportion of these clients reporting a change in the barrier<sup>171</sup>**

Issues	% ranking severe	Improved	No change	Worsened	n= <sup>(172)</sup>
Confidence in starting work	73%	35%	52%	12%	2,645
Mental Health	68%	52%	36%	12%	2,513
Physical Health	62%	48%	41%	12%	2,293
Management of health	51%	88%	8%	4%	1,865
Access to public transport	31%	61%	32%	7%	1,124
Local labour market	30%	75%	23%	1%	1,120
Housing	27%	54%	42%	3%	1,005
Bereavement	27%	71%	23%	5%	1,004
Access to private transport	25%	61%	34%	5%	884
Lack of work experience	19%	69%	24%	6%	727
Debt / finance	18%	80%	14%	6%	623
Substance misuse	17%	63%	34%	3%	600
Lack of qualifications	16%	67%	27%	6%	598
Conviction	14%	66%	32%	2%	511
Chaotic family lifestyle	13%	74%	19%	8%	425
Family support	12%	84%	12%	4%	404
Divorce / relationship break-up	11%	78%	17%	5%	426
Age	11%	74%	24%	2%	364
Care responsibilities for children	10%	66%	26%	8%	328
Care responsibilities for family	6%	69%	23%	8%	207

Source: Greater Manchester Combined Authority, Working Well Annual Report, July 2019.

<sup>171</sup> A barrier is classed as severe where the client has ranked it as 4–6 out of 0–6 (or for confidence in starting work, 0–2 out of 0–6). The improvement/worsening considers the change that has occurred between the initial assessment and the intermediate assessment.

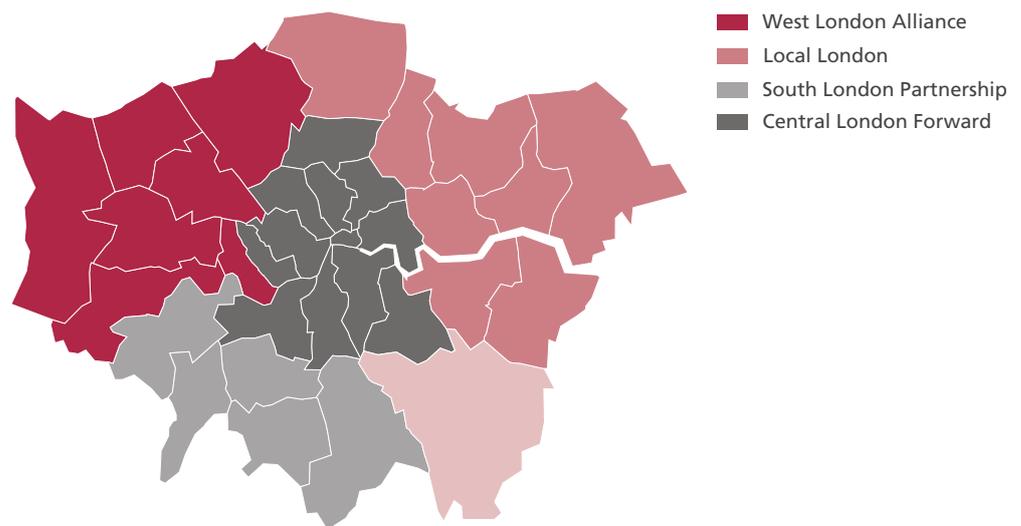
<sup>172</sup> Number of clients that initially ranked the barrier as severe that have also provided a second score at an intermediate assessment.

## Devolution across London: The Work and Health Programme

In London, the four sub-regional strategic partnerships that have devolved commissioning responsibility for the Work and Health Programme include West London Alliance, Local London, South London Partnership and Central London Forward. The division of responsibility is illustrated in image 2 below. The following organisations have been awarded prime contracts for the delivery of the Work and Health Programme in London:

- **Shaw Trust** has been commissioned as the prime provider of the Work and Health Programme in West London.
- **Ingeus** has been commissioned as the prime provider of Central London Works: Work and Health Programme in Central London.
- **Maximus** has been commissioned as the prime provider of the Work and Health Programme in East London.
- **Reed in Partnership** has been commissioned as the prime provider of Better Working Futures in South London.

Figure 17:



Source: DWP.

The Work and Health Programme is the first major piece of devolution into London for a decade. The pre-existing sub-regional groups that now have commissioning responsibility for the Work and Health Programme have experience in delivering services and coordinating activity between boroughs. Indeed, each sub-regional group has a governance structure through a Joint Committee.<sup>173</sup> This will become increasingly important as the sub-regional groups take on responsibility not only for the Work and Health programme but also for future delivery of the devolved Adult Education Budget in London.<sup>174</sup> This structure means that London is well placed to deliver devolved, place-based interventions.

<sup>173</sup> Central London Forward, Better Ways to Work. p. 19

<sup>174</sup> Central London Forward, Better Ways to Work. p. 19

In central London, the devolved Work and Health Programme is overseen by Central London Forward and has been named Central London Works. It is delivered across 12 London boroughs, including Camden, the City of London, Hackney, Haringey, Islington, Kensington and Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth and Westminster. The prime contract for the delivery of the programme has gone to Ingeus, who has in turn commissioned Get Set, the Hyde Group, and Leonard Cheshire as delivery partners. Central London Works is part-funded by the DWP (55 per cent) and part-funded by ESF (45 per cent).<sup>175</sup> In the first nine months of Central London Works: Work and Health Programme, there have been over 5,000 referrals to the programme, and over 250 participants have entered employment.<sup>176</sup>

The evaluations of the devolved London bodies are yet to release their first evaluation of the Work and Health Programme in their respective areas.

## Benefits of devolution

We have sought to understand the benefits of devolution in the context of a nationally contracted disability employment programme, such as the Work and Health Programme. Our analysis has been informed by a series of conversations with the DWP and devolved commissioners, prime WHP providers in devolved areas, and those in non-devolved areas.

### 1. Targeted Provision

Devolution allows a more targeted programme of support based on local need. Devolved Commissioners have the flexibility to respond to changes in demographics in the locality, targeting provision on the hardest to help groups and offering support that is informed by local knowledge and expertise. For example, through the Working Well pilot in Greater Manchester, the GMCA has gone on to commission a series of other programmes that target support locally, including: the Early Help Programme, which is closely integrated with local GP practices to help the most vulnerable to stay in work; the Specialist Employment Service Programme, which aims to provide supported employment to those with learning disabilities; and finally, the Individual Placement Support for those with severe mental illness. The GMCA is the first-city region to commission this kind of service.<sup>177</sup>

This ability to innovate and respond to local need is all the more important in light of the DWP's move towards a pan-disability offer through its nationally contracted provision, at the expense of designated, specialist support.

### 2. Ability to pool budgets

Greater Manchester Combined Authority has spoken of their ability to pool budgets through the devolved deal. They have pooled together funding for skills, mental health and employment to achieve a single programme of support. The GMCA spoke of the weight this adds to the programme, helping to achieve a truly whole system approach. For example, findings from Working Well have fed back into the commissioning of mental

<sup>175</sup> Central London Forward Business Plan 2019–2020. p. 21

<sup>176</sup> Central London Forward Business Plan 2019–2020. p. 10

<sup>177</sup> GMCA, Working Well, p. 4

health care. The ability to pool budgets in this way helps provide a more sophisticated package of support, and recognises that the most vulnerable individuals with multiple and complex needs will be pulling on a number of different agencies and services. This is much harder to replicate on a national scale.

### 3. Contract Packaging Areas

Devolution often brings with it smaller and more manageable Contract Packaging Areas. This enables short feedback loops between commissioners and providers, reducing bureaucracy and speeding up processes. It also enables relationship building and integration in the locality, which is particularly important when working with harder to help individuals.

Smaller Contract Packaging Areas also makes it more feasible for smaller, local organisations to bid for government contracts. Research carried out by Big Society Capital found that even large voluntary sector organisations such as Community Links and Barnardos were prevented from bidding for contracts under the Work Programme because of the large contract size.<sup>178</sup> This gives some indication of how hard it would be for a much smaller VCSE, with local knowledge and specialist expertise, to bid for a national contract.

### 4. Integration

There are significant benefits to having local awareness of the infrastructure, services and other partners in a locality, in order to build effective relationships and tap into existing resources. This is crucial for commissioning for complex needs: not only does it enable providers to work with organisations who provide tailored support and expertise to those with special health needs, but it also builds trust with partners and service users.

Central to the Working Well approach is their focus on integration with other agencies, partners and stakeholders. GMCA commissioned ten integration boards across Greater Manchester as nominated leads for the programme. The 'integration leads' ensure buy-in, accountability and responsibility from local authorities, as well as other agencies. This feature of the Working Well Programme is said to be key to its effective working. Five years down the line, the integration teams that were set up in Greater Manchester at the start of the pilot are still working and performing well.<sup>179</sup>

As the funding for nationally contracted disability employment programmes decreases, the need to work efficiently with fewer resources is crucial. Integration between services is vitally important to reduce duplication and deadweight in the system. Croydon is the lead borough for Better Working Futures: Work and Health Programme and has taken radical steps to ensure that effective integration takes place across its services through the introduction of co-location, something we will come back to. The level of integration and investment in local relationships that we see in London and Greater Manchester's Work and Health Programme is hard to replicate on a larger scale.

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<sup>178</sup> Work and Pensions Committee – Written Evidence; Work Programme: providers and contracting arrangements. Fourth Report of Session 2010–12.

<sup>179</sup> Greater Manchester Combined Authority, Working Well Annual Report 2019

Integration is not, however, a means of cutting corners. This is particularly important when considering the need for specialist and targeted provision. Integration, when done well, will bring in specialist knowledge from local agencies and stakeholders, providing a sophisticated package of specialised and targeted support for disabled people accessing work. In this way, it is very distinct from simply providing a pan-disability package of support, as is currently the case under the centrally commissioned Work and Health Programme.

### Recommendation 8

Integration is crucial for the commissioning of complex needs. While the best model for effective integration is devolution, the Department for Work and Pensions should ensure that all non-devolved areas also take a proactive approach to integration in the delivery of the Work and Health Programme. This could be achieved through the mandatory introduction of integration partners and integration boards within each locality.

*Integration partners* ensure there is effective integration in all local authority areas. Integration partners should be introduced in each district, managed by the prime provider. Currently integration partners exist in some areas across England and Wales, but there is usually only one per region, rather than one per district as is the case in Greater Manchester.

*Integration boards* are an opportunity for local stakeholders to come together and feed into the on-going delivery of the programme. They are led by local integration partners, and are seen as valuable for interacting with local stakeholders. At present, their implementation is patchy across different regions.

*The Merlin Standard* currently has four key areas that providers are assessed on. Integration should be introduced as a fifth distinct area of assessment. Part of this would involve a consideration of the use of integration partners, integration boards and co-location.

## Where can the Government go further?

London and Greater Manchester have demonstrated that quality provision can be achieved when responsibility for design and delivery is devolved to local players who bring a wealth of expertise and knowledge. When it comes to commissioning for those with the most complex needs, a local-first approach is crucial. The Government, therefore, deserves praise for choosing to devolve powers of procurement and delivery of the Work and Health Programme to the Greater Manchester Combined Authority and to London sub-regional groups.

In addition to Greater Manchester and London, the DWP co-designed the Work and Health Programme with Local Enterprise Partnerships and City Regions, including:

- The Tees Valley
- East Anglia
- The West of England
- West Midlands
- Liverpool City Region
- Cardiff Capital Region
- Sheffield City Region

But without the powers afforded to the Greater Manchester Combined Authority and London sub-regional groups to procure and deliver the programmes, this remains a tokenistic gesture. The Government could go much further, harnessing the significant value that devolution brings by devolving powers in line with Greater Manchester and London to combined authorities and then to wider unitary and county authorities.

There are limitations to the current system of devolution that we see in the Work and Health Programme in Greater Manchester and London. For example, while each of the funding models across the different Contract Packaging Areas varies slightly, all commissioners have had to adopt a traditional Payment by Results funding model. Further, the DWP has stipulated that all referrals onto the programme must come via the Jobcentre Plus rather than the Local Authority. There are strong calls from commissioners in the devolved areas, for devolution in London and Greater Manchester to go further.

Partial devolution risks introducing a large amount of bureaucracy without the benefits of full devolution. However, London and Greater Manchester have shown innovation in the design and delivery of the programme, and have exercised flexibility in their commissioning decisions. The benefits of devolution in these areas far outweigh the potential increase in bureaucracy that naturally comes with a devolved system of delivery. The Government should, therefore, take the approach taken in Greater Manchester and London and replicate it in other cities across the UK.

Initially, devolution of disability employment support could be affixed to the responsibilities already held by the eight metro mayors across England. If successful, this could extend to unitary authorities. This would also go a long way to opening up the market to key local players bringing systemic change at a grassroots level across the country.

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### **Recommendation 9**

A local-first approach is crucial for the commissioning of individuals with complex needs. Considering the success of Greater Manchester and London, the Government should go further, and extend devolution to other key local authorities.

Initially, devolution of disability employment support could be affixed to the responsibilities already held by the eight metro mayors across England. If successful, this could go further and extend to combined authorities and then to wider unitary and county authorities. This would go a long way to opening up the market to key local players working at a grassroots level.

## chapter five

# Co-location of services: The role of the work coach

The Jobcentre Plus (JCP) plays a central role in the DWP's welfare-to-work system. The JCP administers out of work benefits and is responsible for applying conditionality to the receipt of benefits. It also provides employment advice and support and uses local labour market knowledge to match unemployed claimants to jobs.

The role of the work coach at the JCP has grown in significance since the introduction of Universal Credit, which saw the merger of six working-age benefits into one. While Universal Credit is primarily an online-service, work coaches will work with claimants as part of the in-work progression that seeks to make the most of claimant's work and their earning potential, until they become financially independent.<sup>180</sup> Part of this will require that work coaches proactively develop an in-depth knowledge of the local labour market. Moreover, the work coach has discretion over in-work conditionality and in determining whether self-employed claimants' work represents 'gainful self-employment.'<sup>181</sup> The Work and Pensions Select Committee estimated that the impact of work coach-led in-work progression under Universal Credit could apply to around one million people.<sup>182</sup> Approximately a third of the people on a work coach's Universal Credit caseload will have a self-reported disability or health condition.<sup>183</sup>

The complex role of the JCP becomes a particular challenge when sitting alongside contracted-out welfare-to-work provision such as the Work and Health Programme, Specialist Employability Support and the Intensive Personalised Employment Support programme.<sup>184</sup> For each of these nationally contracted disability employment programmes, the JCP plays a crucial role as the gateway for claimants entering the programme. Everyone that enters one of the nationally contracted employment programmes will have been

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180 House of Commons Work and Pensions Committee, *The future of Jobcentre Plus*, Second Report of Session 2016–17. p. 7

181 Office for Budget Responsibility: *Welfare trends report*, January 2018. p. 77

182 Work and Pensions Committee, *In-work progression in Universal Credit*. HC 549.

183 NAO, *Supporting disabled people into work*. p. 42

184 House of Commons Work and Pensions Committee, *In-work progression on Universal Credit: Chapter 4: A personalized in-work service*

referred through the JCP. The work coach will, therefore, bear substantial responsibility for the success of current and future programmes, which will, in turn, have implications for service users and taxpayers alike.

As the contracted-out welfare-to-work provision for disabled people reduces and funding for employment support at the JCP increases, it is more important than ever that the JCP is fit for purpose. The work coach will increasingly provide in-house support at the JCP to claimants who would have previously received support from contracted providers, as part of the DWP's nationally contracted provision. More than ever before, the work coach will be responsible for helping those with some of the most complex barriers to the labour market to enter work, including disabled people and the long-term unemployed.

## Distrust of the jobcentre

The role of the work coach at the Jobcentre Plus is particularly complex, with responsibility for accessing benefit entitlements and determining conditionality, as well as helping claimants into work. Individuals and organisations interviewed by the CSJ spoke of a pervasive sense of distrust surrounding the JCP that has resulted in reluctance amongst claimants to access the JCP and the programmes it offers.

This is exacerbated by the daily challenges that people in poverty face. A person with caring responsibilities or poor mental health, for example, might find it a particular challenge to access the JCP. The reality is that the most vulnerable members of society, who need the provision of the JCP the most, are the ones who are least likely to access its services. The challenge this poses cannot be underestimated, particularly in light of a system of welfare-to-work support that is becoming increasingly orientated around the JCP.

## The crucial role of the Jobcentre Plus in nationally contracted provision

Under the previous Work Programme, and the current Work and Health Programme, Specialist Employability Support and Intensive Personalised Employment Support, all referrals into each of the programmes comes through the work coach at the JCP. The work coach has ultimate responsibility for assessing a service-user's needs and referring them on to the appropriate support programme.

In some instances, the DWP has approved Signposting Organisations (SOs) to signpost individuals to the JCP for referral. This ensures a wide variety of individuals are able to access the programmes, including those who would not otherwise be regular customers of the JCP.<sup>185</sup> However, even when a SO has signposted an individual towards a certain programme, the final decision for referral will always lie with the JCP.

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<sup>185</sup> Work and Health Programme Provider guidance

### Developments since Work Choice: the standardisation of referrals

Referrals have not always come through the JCP in past programmes. Under the Work Choice programme, a number of organisations were invited to become Statutory Referral Organisations (SROs) with the authority to identify and directly introduce<sup>186</sup> suitable disabled people to Work Choice provision. This was in addition to referrals made by the DEA at the JCP. SROs often included the local authority, the National Health Service or local education authority organisations, or were organisations that had a formal contract or agreement with one of these bodies.<sup>187</sup> Identification of SROs could be undertaken by one of the aforementioned statutory bodies, the Work Choice prime provider, Remploy, or the JCP. The Work Choice evaluation evidences that providers were generally positive about the role SROs played in referrals to Work Choice due to the wider pool of individuals it opened the programme up to.<sup>188</sup>

The process under Work Choice of referring through a wider network of organisations did, however, have its challenges. For example, the ability for other statutory bodies to refer under Work Choice restricted the DWP's ability to control and monitor those coming through the programme, and some providers suggested that the process of approving referrals made by SROs was time intensive.<sup>189</sup> Perhaps most significantly, it was much harder for the DWP to track referrals onto the programme when referrals were coming from a variety of organisations.

The move towards the JCP as a gateway for referrals standardised the system across all nationally contracted provision. Commissioners of the Work and Health Programme in Greater Manchester and London are not able to deviate from the referral model used across the rest of the country, with all referrals coming through the JCP.

The subsequent move towards a JCP approach to referrals has, however, placed significant responsibility on work coaches. The success of the programme is now, in large part, contingent on the work coach making appropriate referrals into the programme. This has, in turn, created a new set of challenges.

### Challenges at the Jobcentre

#### Work Coaches determine who comes through the programme

Since responsibility for referrals sits with the JCP, work coaches determine both the numbers and the individuals that come through the programmes. Work coaches assess an individual's needs and determine the most appropriate course of action for the individual to take. For example, they will make an assessment as to whether a disabled person would benefit from the Jobcentre Plus provision or if one of the nationally contracted disability employment programmes would better suit them. If the nationally contracted provision is the best course of action to take, the work coach will determine whether an individual is suitable for the Work and Health programme, Specialist Employability Support, or Intensive Personalised Employment Support.

<sup>186</sup> They were introduced to the programme, and then the provider would confirm their suitability and eligibility for the programme.

<sup>187</sup> DWP, Evaluation of the Work Choice Specialist Disability Employment Programme. July 2013 p. 50

<sup>188</sup> DWP, Evaluation of the Work Choice Specialist Disability Employment Programme. July 2013. p. 50

<sup>189</sup> DWP, Evaluation of the Work Choice Specialist Disability Employment Programme. July 2013. p. 50

The challenge this poses is exacerbated by the fact that work coaches are not specialists in disability or health, and as a result, are not always able to recognise the challenges faced by disabled people. This makes determining a disabled person's ability to access work particularly challenging and leaves significant room for error.

Work coaches are supported by Disability Employment Advisors (DEA) in the JCP. DEAs work in partnership with work psychologists to improve capability amongst work coaches. In 2016, the role of the DEA changed to focus much more on up-skilling and supporting work coaches in their work with disabled people. Part of the DEA's work is to build a comprehensive network of support with external partners, including GPs, NHS bodies, and disability-specific organisations to enable the work coach to provide a high-quality service. As of July 2018, there were 458 full-time equivalent DEAs in place across the JCP network (approximately 500 when taking account of part-time and dual role workers.) The ratio of DEAs to work coaches was 1:28.<sup>190</sup> The table below demonstrates the numbers of DEAs (full-time equivalent) between 2014–18.<sup>191</sup>

Table 5:

Year	April 2014	April 2015	April 2016	April 2017	July 2018
DEA	413	306	202	480	458

The DEA is an important provision within the JCP and adds value to the referral process. However, the impact that the DEA brings is limited as the ultimate responsibility for referrals lies with the work coach, not the DEA.

The impact of this can be seen in the numbers of inappropriate referrals that are made onto the nationally contracted welfare-to-work programmes. Several providers and commissioners told the Centre for Social Justice that inappropriate referrals are commonplace across each of the programmes. This is where an individual is referred onto a programme whose needs are either too complex or not severe enough for the programme they have been referred on to.

This is significant because, while responsibility for referrals now sits entirely with the Jobcentre Plus, the risk that outcomes aren't reached (and therefore payment not made) is still held by providers. There is little a provider can do to influence who is referred onto the programme from the Jobcentre Plus.

### **Work coaches are responsible for managing the flow of referrals**

Similarly, the JCP determines the number of individuals who pass through the programme. Even when appropriate referrals are made, the numbers of referrals can vary significantly, which means that providers are either inundated with referrals or do not receive enough referrals to hit their targets. Where this has gone wrong in the past, it has caused significant problems for both commissioners and providers. At times, referral rates have been too high, and at other times, too low. If the referrals are too low, providers simply do not have individuals to work with. But if too high, there is a risk some clients will not

<sup>190</sup> Written answer by Sarah Newton, Jobcentre Plus Written question – 169366. 12 September 2018

<sup>191</sup> Written answer by Sarah Newton, Jobcentre Plus Written question – 169366. 12 September 2018

receive the intensity of support they require due to the high volume of cases providers are working with. In both instances, there is a risk of underperformance. Underperformance brings with it the possibility that the Payment by Results outcomes threshold set by the commissioner will not be reached, and as a result, outcomes payments will not be made to the provider. This not only has implications for prime providers but also for providers further down the supply chain.

VCSE's do not have the financial capacity to withstand the risk that a lack of referrals or inappropriate referrals might bring. While larger prime providers that offer a generalised service of support can handle this kind of risk, it can be particularly challenging for VCSE organisations that might offer a sensory package of support for particular health needs. This kind of provider would expect to receive a smaller number of referrals anyway, and so could potentially receive very few referrals indeed if the work coach was not appropriately referring through the programme.

### Recommendation 10

All referrals into welfare-to-work nationally contracted provision comes through the Jobcentre Plus (JCP). This places a significant amount of responsibility on work coaches for the effective running of programmes. However, the distrust that surrounds the JCP, combined with the lack of health and disability-related expertise amongst work coaches, means that the right people are not always being referred onto the right programmes.

By bringing in a wider variety of trusted referral organisations, such as local authorities, GP practices, education bodies, and housing associations, the DWP would go a long way to opening up its welfare-to-work programmes to those furthest from the labour market.

Under Work Choice, a number of organisations were invited to become Statutory Referral Organisations (SROs) with the authority to identify and directly introduce suitable disabled people to Work Choice provision. The DWP should reintroduce Statutory Referral Organisations in order to open crucial welfare-to-work programmes up to those furthest from the labour market.

## Relationship building with other stakeholders

Commissioners and providers have spoken of the negative impact that breakdown in relationships between key stakeholders has had on past employment programmes. It has been widely reported that during the pilot and commissioning stage of the Work Programme, commitments were made about integration and collaboration that were not honoured during the actual programme, resulting in a fundamental breakdown in trust.

More pressure than ever is being placed on work coaches to manage high caseloads of individuals with increasingly complex barriers to work. This sits against a backdrop of limited resources, meaning stakeholders need to work efficiently with the reduced capacity and funding they have. There are key local players in every community who understand the needs of their area and who bring a wealth of experience working with vulnerable individuals. The JCP would do well to tap into this resource in order to complement the

package of support they offer disabled people. Engaging with local organisations also opens up key referral avenues into the programme from organisations who are working with some of the hardest-to-help individuals.

## Towards greater integration: the co-location of services

The causes and consequences of poverty are multifaceted and complex. Rarely does poverty manifest itself in one way, and rarely is poverty overcome with a single silver bullet. Therefore, a holistic and whole-person approach to supporting people out of poverty is crucial. Furthermore, there are many reasons why an individual might not be able to access the labour market: for example, a disabled person may have their own caring needs, they may have experienced family breakdown, be facing difficulties with the suitability of their housing, or if they are out of employment they may need help with their mental health and other acute health needs. For these reasons and more, it is important for agencies to work together to help individuals overcome barriers to employment. Arguably, the most innovative example of this is the co-location of services across key agencies. In its most radical form, co-location can be the physical joining together of agency buildings in order to bring services together under one roof. However, co-location comes in many varying forms, some more complicated than others.

Examples of co-location:

- Croydon JCP has co-located with Croydon Local Authority under the same roof. Croydon JCP staff said this had created a sense that the JCP is 'part of the same organisation' as the council.
- Work coaches in Birmingham sit in GP practices in order to be a point of referral if patients face difficulties with benefits or employment.
- In Greater Manchester's Working Well (Work and Health Programme) providers sit in the JCP in order to share learning about the Working Well Programme and ensure appropriate referrals take place.
- The Aster Group Housing Association worked with the Department for Work and Pensions through co-location to help individuals overcome barriers to the workplace.

### **Aster Group case study**

While the primary function of Housing Associations is to provide housing, in practice their role can extend well beyond this. The best Housing Associations have a good understanding of the needs and circumstances of the individuals in their lets, making them well suited to engaging those distant from the labour market. Collaboration between Housing Associations and the JCP presents a unique opportunity to help the long term economically inactive into work.

The Aster Group Housing Association ran the Aspect Project, which saw a DWP partnership officer seconded to Aster for two years to provide support to the customers who needed it the most. A data sharing agreement was established, which allowed for the tailoring of bespoke employment opportunities suited to the individual tenant's needs. Through the course of the project, the Aster Group and the DWP helped over 500 people back to work and helped countless more overcome barriers to employment.

Co-location prevents vulnerable people from falling through the gaps. If an individual comes to the Council with a housing issue, the intention under co-location is that a work coach will also meet with them about their benefits and employment issues on the same day. Co-location enables complex cases to be resolved more quickly and thoroughly, allowing more scope for early intervention. Co-location also enables agencies to share learning: for example, in Croydon, the JCP and Council worked closely together to understand and effectively manage the rollout of Universal Credit. Finally, co-location also enables the sharing of customer information through explicit consent. In the context of a nationally contracted programme, like the Work and Health Programme, shared learning between providers, the JCP, specialist stakeholders, and local authorities are crucial, particularly for the up-skilling of the work coach and the holistic management of vulnerable individuals.

### **Recommendation 11**

The work coach in the Jobcentre Plus plays a crucial role in nationally contracted disability employment provision, acting as the gatekeepers for individuals entering the programmes.

To aid the work of the work coach, co-location should be encouraged across the Jobcentre Plus network, Local Authorities, and amongst other stakeholders including programme providers, housing associations and GP surgeries. In doing so, support can be targeted at those who need it most, enabling agencies to catch individuals before they fall through the gaps.

One example of this would be for providers of services to sit in with work coaches at the Jobcentre Plus. This would both aid in the up-skilling of work coaches and it would help inform work coaches of the programmes they are referring individuals on to.



# Conclusion

The Government's disability employment provision is failing to help those with the most significant barriers to the labour market. This has not only left countless individuals excluded from the workplace and the many benefits it brings, but it has also seen taxpayers' money invested in disability employment support programmes that have failed in their primary task: to help disabled people into work.

This report has unearthed two primary challenges faced by the disability employment sector: the move towards a pan-disability approach within government's disability employment provision; and the narrowing of the commissioning market at the exclusion of VCSEs who offer vital specialist and local expertise.

The CSJ believes that through a reorientation of the design and commissioning of disability employment provision, much more can be achieved to help disabled people into work.

- The commissioning of disability employment programmes must involve a recognition of the broad spectrum of needs within the wide-ranging definition of disability as presented in the Equality Act 2010. Specialist providers are crucial in helping individuals furthest from the labour market into work, but as things currently stand, VCSEs are excluded from bidding for national contracts. A lowering of the financial procurement threshold in the commissioning of programmes, greater transparency in commissioning decisions, and strengthening of the Merlin Standard will all go a long way to opening up the market to a wider network of players.
- The current Payment by Results funding model places significant pressure on smaller VCSE organisations that do not have the capacity or capital to carry the financial risk that a PbR model demands. The delivery fee to outcomes payment ratio should be amended to recognise smaller organisations that bring expertise into the market. Social investment should be harnessed within a PbR system to remove the financial risk from providers and thereby open the market up to a wider body of players.
- Integration is crucial for the commissioning of complex needs. The current partial devolution of the Work and Health Programme should be extended. Initially, devolution of disability employment support could be affixed to the responsibilities already held by the eight metro mayors across England. If successful, this could go further and extend to combined authorities and then to wider unitary and county authorities. Integration partners and integration boards should also be introduced within each locality. The Merlin Standard should be amended to include 'integration' as a fifth distinct area of assessment.

- Due to the crucial role of the work coach and Jobcentre Plus, the benefits of co-location could be harnessed in current and future nationally contracted disability employment provision. This would help to up-skill work coaches who act as the gateway into the programmes for service-users, and act to increase integration.

Through a reconsideration of the design and commissioning of disability employment support services, not only will the Government make headway in its aspiration to halve the disability employment gap, but it will also give the hope of independence and empowerment through employment to millions of disabled people up and down the country.

# Appendix

Table 1: Outcomes achieved by providers in the delivery of Specialist Employability Support

Provider	Short Outcomes			Sustained Outcomes		
	Actual	Expected	Ratio	Actual	Expected	Ratio
Kennedy Scott	360	460	77%	280	260	107%
Doncaster Deaf Trust	60	90	68%	50	50	97%
RNCB	70	90	75%	60	50	112%
Remploy	270	440	62%	170	240	70%
Steps to Employment	90	190	46%	70	110	64%
Shaw Trust	330	450	73%	200	250	83%
<b>Total</b>	<b>1,170</b>	<b>1,720</b>	<b>68%</b>	<b>830</b>	<b>960</b>	<b>86%</b>

Source: DWP, Specialist Employability Support Statistics.

Table 2: Public spending for the Department for Work and Pensions Employment Programmes

	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Outturn £millions	954	760	572	384	285	226

Source: DWP Annual Report and Accounts 2018–19.



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