

Is Supported Employment Financially Cost Effective?

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Motive

- **We know that supported employment improves people's lives.**
- **If it also leads to employees being better off, and savings to the local authority and tax payer, then the argument for well planned levels of sustained investment from local and government funds is strengthened.**

Motive

Reasons for supposing SE is financially cost effective:

- **Define Supported Employment as it relates to people with a learning disability - ‘Customised’ approach required.**
- **It’s focus on fading support over time should free-up resource to support new clients, improving savings over time.**

Motive

- **It also provides financial ‘flowbacks’ including increases in tax revenue, reductions in welfare benefits, and less dependency on LA day services.**
- **The main question is whether these flowbacks outweigh the costs of delivering SE and what service characteristics produce the best cost/benefit outcomes?**

Background

- **Collaboration with Kent Supported Employment—Funded by Kent County Council.**
- **Set out to develop an accurate cost benefit framework for supported employment.**
- **Builds upon the cost benefit framework used in North Lanarkshire.**

The North Lanarkshire Study

- **People were on average 113.2% financially better off after employment.**
- **47.5 % less in costs to local authority compared to in-house provision.**
- **Taxpayer level shift from welfare benefits to working tax credit realising a saving of £6,893 per person, per year, to the taxpayer.**
- **High % of full time jobs (92%) Ave=22.1 hours per week.**
- **16 front line staff to – 104 employees with a ratio of 6.5 jobs per staff member.**

The North Lanarkshire Study

Criticised on a number of methodological fronts:

- **Excluded time spent on other activities such as job finding etc**
- **Did not take account of extent of day service usage prior to and following work**
- **Does not identify the level of disabilities**
- **Needed to build upon displacement and deadweight issues**
- **In need of replication to test the consistency of the cost benefit framework**

The Kent Evaluation

Current evaluation intends to address these issues

3 Phases:

- 1. Develop cost benefit framework to accommodate changes and conduct cost-benefit calculation based on initial data collection (3 Months) – (baseline).**
- 2. Improve data collection to improve the power of the data and develop upon existing framework (12 Months)**
- 3. Re-apply cost benefit analysis in April 2011**



The Kent Evaluation

1. Service Descriptors:

- Residential Status
- Known/ to LA
- Referral Source
- Contract type
- Attended Day service prior to work?
- Amount attended day service prior to work
- Attends Day service following work?
- Amount attends day service following work?

The Kent Evaluation

2. Client Descriptors:

- **Original Referral Date**
- **Date of birth**
- **Gender**
- **Primary disability**
- **Secondary disability**
- **Level of disability**

The Kent Evaluation

3. Job Descriptors:

- Job Identifiers
- Employment sector
- Paid or unpaid
- Start Date
- Finish date
- Reason for job loss if applicable
- Hours worked per week when job started
- Current hours worked per week
- Hourly rate when job started
- Current hourly Rate
- Hours of agency input for period *

4. Welfare Benefits Received

<i>Prior to Employment</i>	<i>Following Employment</i>
•DLA care	•DLA care
•DLA mobility	•DLA mobility
•Incapacity Benefit	•SDA
•SDA	•Income Support
•Income Support	•Employment Support Allowance
•Employment Support Allowance	•Job seekers Allowance
•Job seekers Allowance	•Housing Benefit
•Training Allowance	•Council Tax Benefit
•Housing Benefit	•Job Seekers Allowance
•Council Tax Benefit	Access to Work Payments
•Income prior to job	•Working Tax Credits
•Contribution to Residential costs	•Return to Work Credit
•Access to work Payments	•Access to Work Payments
	•Income Tax Payments
	•National Insurance contribution
•Indirect taxation on goods (VAT)	•Indirect taxation on goods (VAT)

The Kent Evaluation

Service costs from 2 sources:

- Kent Learning Disabilities Day Services Value for Money Review (2007);
- KSE Budget for the year ending April 2010.

The Kent Evaluation

Summary of Costs and Flowbacks for KSE

	<i>Situation with KSE</i>		<i>Situation without KSE</i>	
	Costs	Flowbacks	Costs	Flowbacks
Funding - LA - Government	1. KSE 2. Access to Work funding		6. Cost of Local Day Service	
Disabled workers in KSE	3. In-work Welfare Benefits/Tax Credits	4. Income Tax & National Insurance 5. Indirect tax on income	7. Welfare Benefits paid when unemployed	8. Indirect tax on income

Results - Descriptors

- Lower than average unemployment rate.
- Typical county wide service pattern.
 - proportion of people with learning disabilities 1,782 people identified with 1,200 (70%) using local in-house and externally delivered provision across 21 services.
- 25% in residential homes.

Results - Descriptors

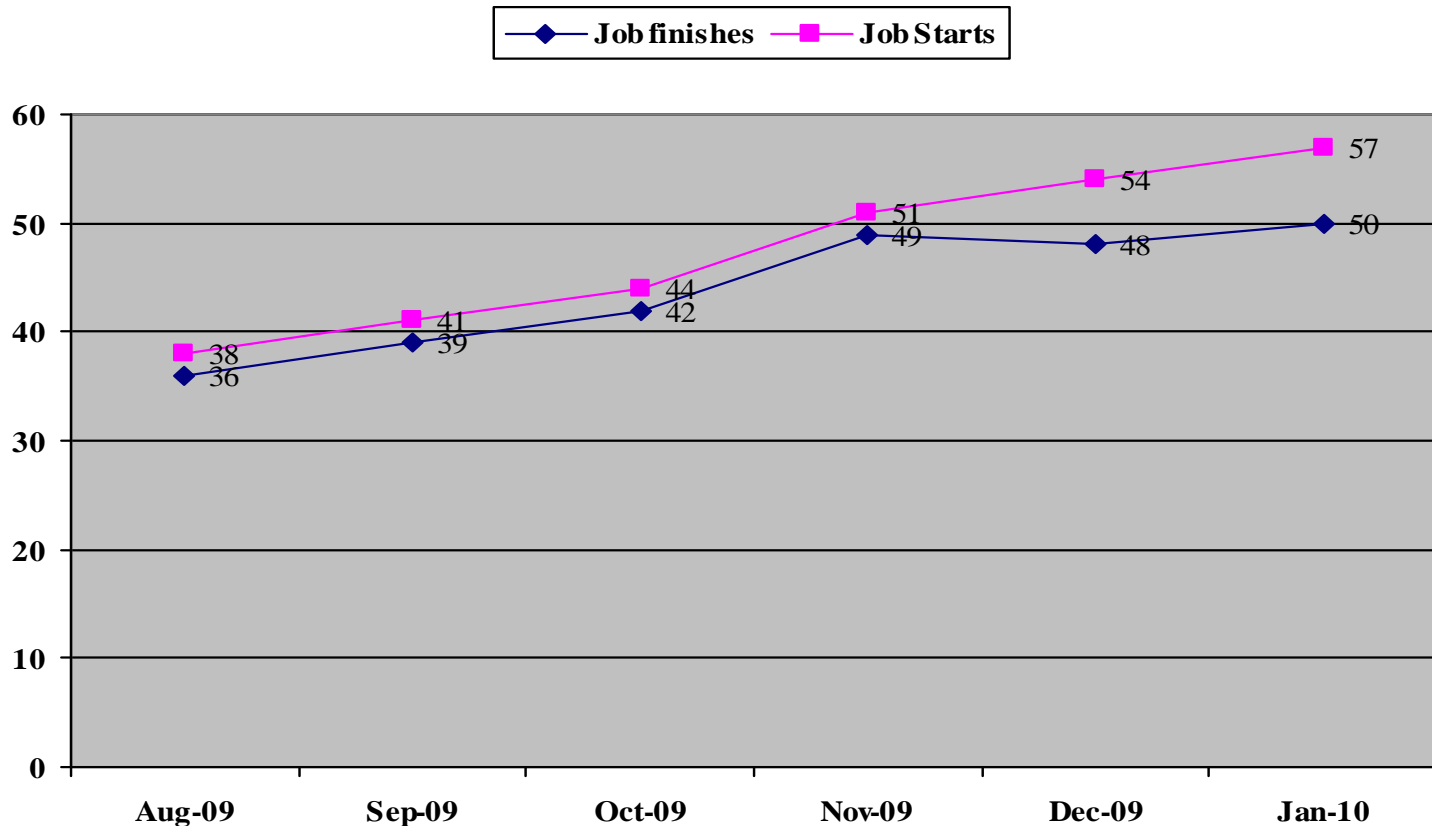
- As of March 2010 = 37 staff – 29 front line.
- 118 people in jobs, 57 people with a learning disability and 61 with mainly mental health problems and physical disabilities.
- 3 jobs per staff member suggests 50% capacity if we take 8 full time jobs per staff member as a guide.



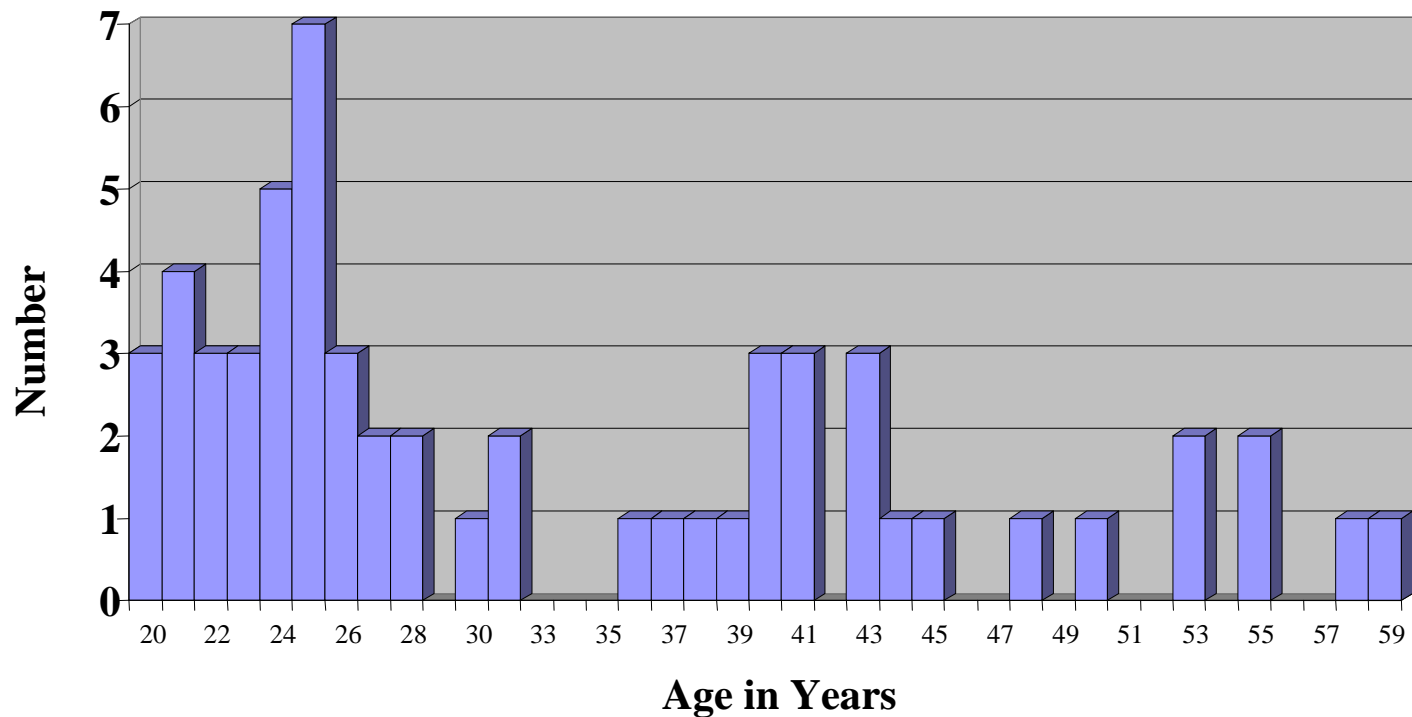
Results - Descriptors

- Place-Train-Maintain Approach typical of good practice
- Based on jobs – the agency were undertaking other activities such as job finding and matching, marketing to employers and other local agencies, vocational profiling, ongoing support for those already in work and so on.

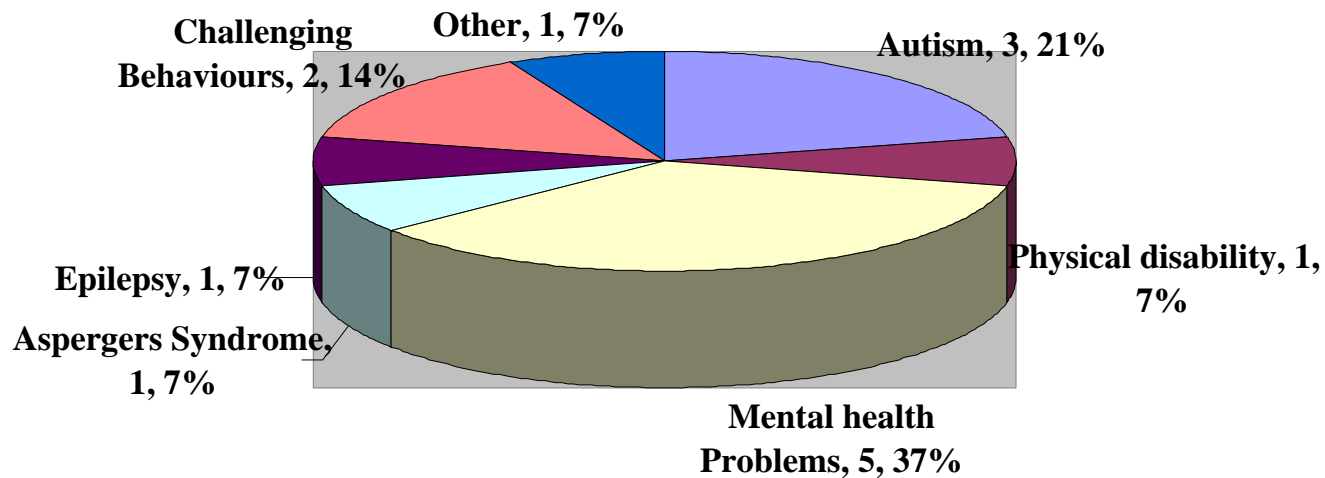
Results - Descriptors



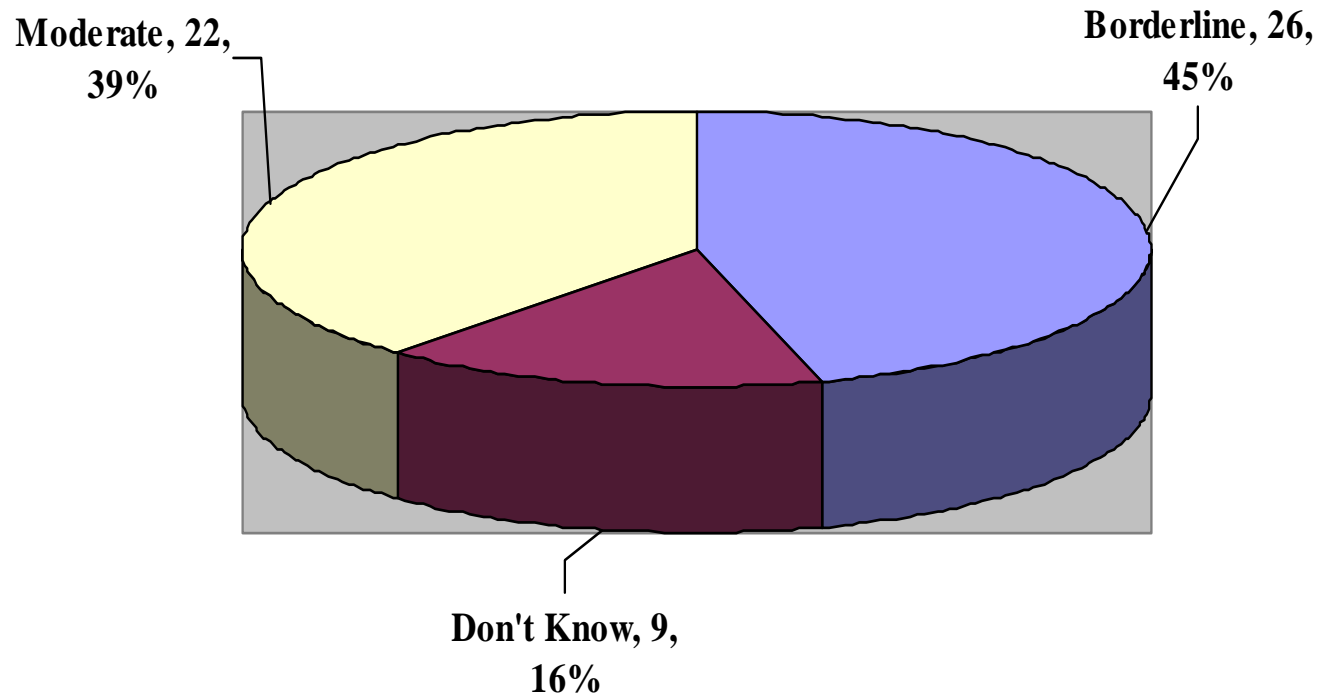
Age of Employees



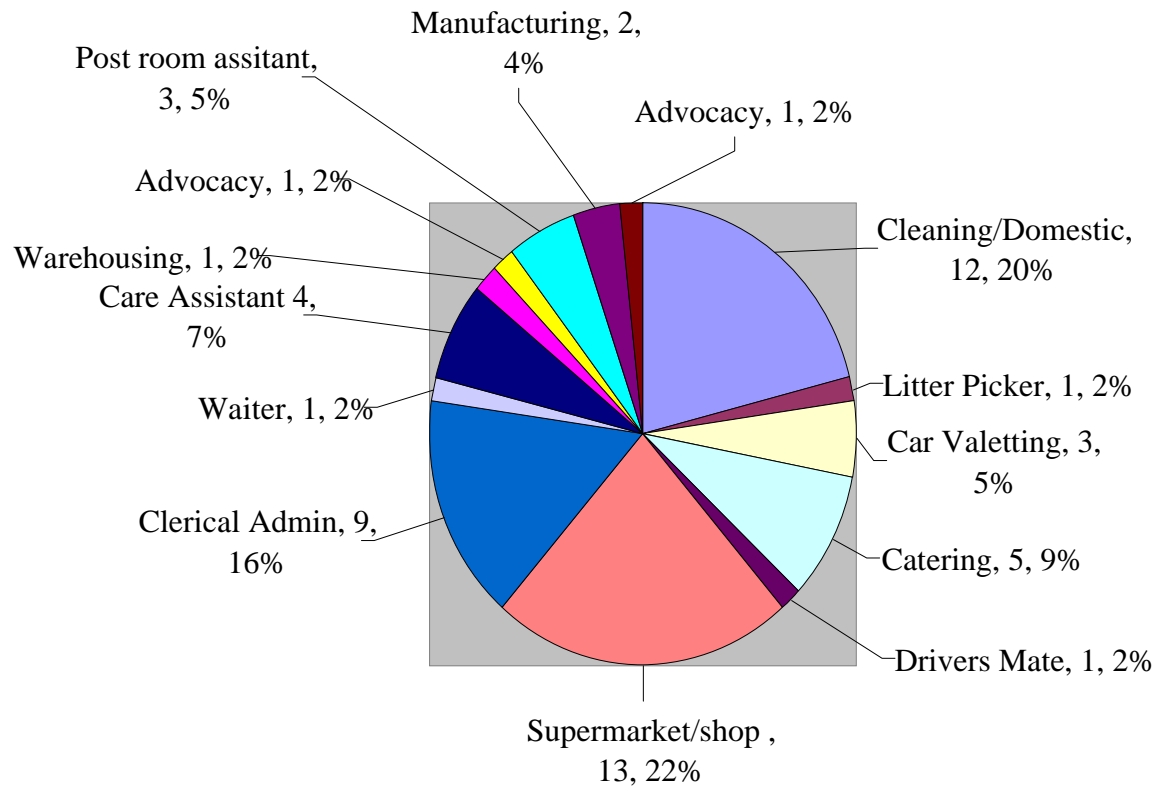
Additional Disabilities



Level of Disability

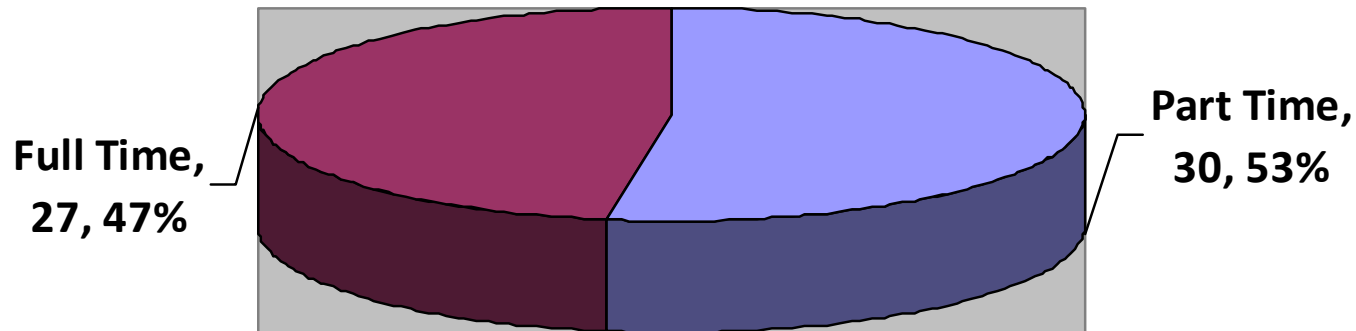


Types of Jobs



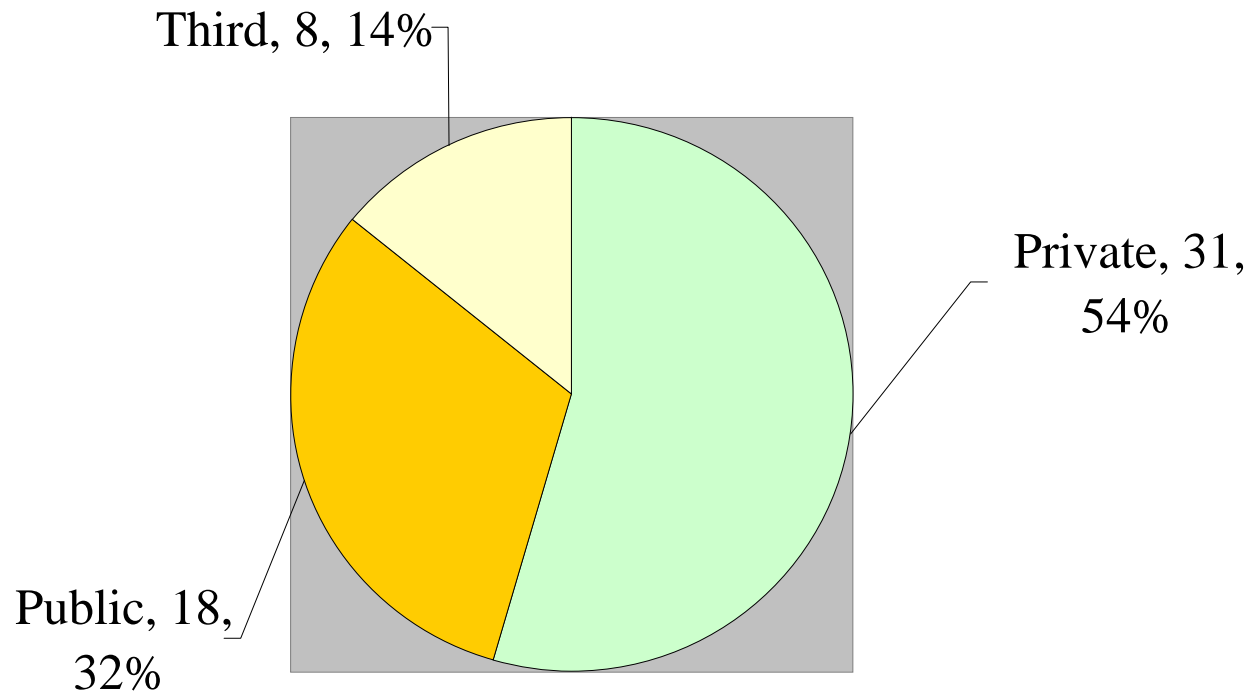
Job Descriptors

Proportion of Full and Part Time Work



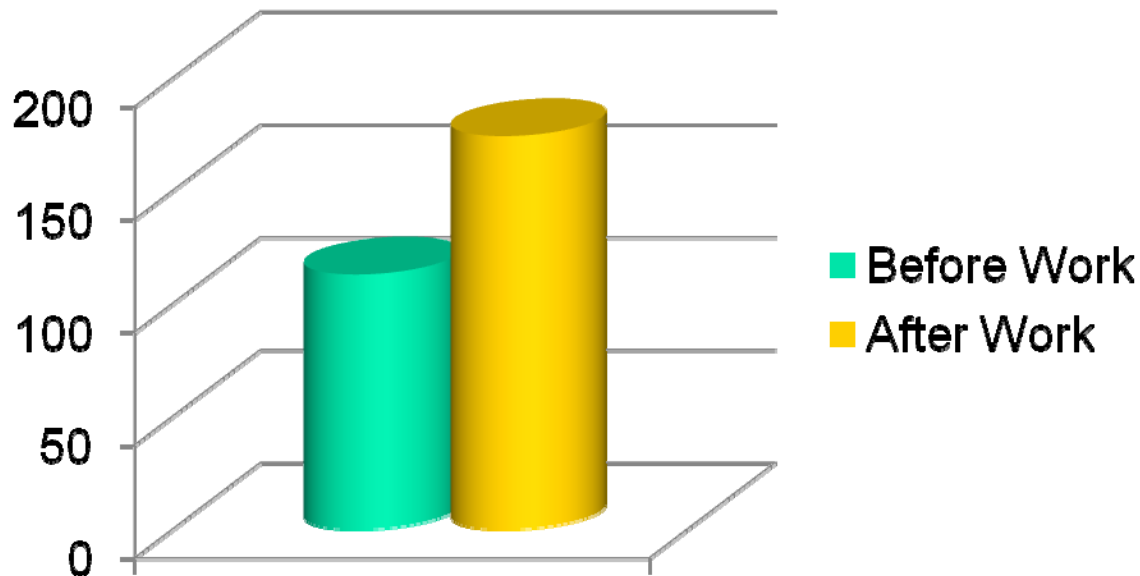
Highest Proportion 23%, between 15 and 16 Hours Per Week
Average=15.1 Hours Per Week (as opposed to 22.1 in Lanarkshire)

Job Descriptors



Are Workers Better Off?

- Average of total income £175.14 per week per person



- Difference of £62.30 per week per person with LD

Savings for Local Authorities?

- **Estimated Day Service costs at £11,200 per person per year.**
- **Estimated KSE service costs (based on 118 supported employees) = £9,910 a difference of £1,290 per person per year.**

Savings to Government?

Table 5: Combination of Welfare Benefit/Working Tax Credits received *prior* to Employment.

Source of income	Before Employment	After Employment	
DLA Care	33 (57.9%)	28 (49.1%)	+
DLA Mob	25 (43.9%)	21 (36.8%)	+
IB	11 (19.3%)	7 (12.3%)	+
SDA	5 (8.8%)	3 (5.3%)	+
IS	9 (15.8%)	4 (7%)	+
ESA	1 (1.8%)	0	+
JSA	19 (33.3%)	3 (5.3%)	+
HB	9 (15.8%)	11 (19.3%)	-
CTB	9 (15.8%)	10 (17.5%)	-
Tax Credit	0	11 (19.3%)	+
Paid income	5 (8.8%)	57 (100%)	+

Savings to Government?

- **Welfare Benefits Income fell from £112.78 per person prior to employment to £80.93 after. Tax credits rose £9.26 to £94.06.**
- **A saving of 28% or, £31.85 per person per week.**
- **Overall reduction in payments by Government of £31.91 pp per week overall saving of £94, 581. (Based on the 57 people with learning disabilities). Whole service figure (118people) then figure rises to £195,799).**

Savings to Government?

	<i>Situation with KSE</i>		<i>Situation without KSE</i>	
	Costs (A)	Flowbacks (B)	Costs (C)	Flowbacks (D)
Funding	1. LA and Workstep funding KSE ^{&} - £9,910 2. Access to Work - £32	5. £0	9. Cost of Kent Day services - £11,200 ⁺	12. £0
Disabled workers in KSE	3. In-work benefits/ Tax Credits - £4,225	6. Tax NI - £0 ⁺ 7. Indirect tax on total income - £1,692	10. Welfare Benefits paid when unemployed - £5,865	13. Indirect tax on income - £1,026
Total	£14,167	£1,692	£17,065	£1,026
Net cost ^{*+} to government	-£3,564			
Ratio of flowbacks to costs with KSE ⁺	0.12			

Conclusions

- Consistency between the Lanarkshire and Kent studies. Staff ratios, part-time full time etc..
- Ratio suggests more capacity in Kent and fixed resource will bring about greater savings over time.
- 16 hours a key driver to cost:benefit and individual income improvement.

Conclusions

- There is little doubt that it costs more to support those with higher support needs such as those who are dependant upon in-house day services.
- Very probable that other client groups have higher cost benefits
- Quality of Life outcomes at lower hours may also be driver but economic arguments coming to the fore increasingly...

Conclusions

- The implications for those managing a supported employment services is the need to get the right balance between those requiring high, moderate and low levels of support to obtain paid work, while maintaining positive cost benefit outcomes.

Conclusions

- If Supported Employment agencies are going to cater for the higher support needs of these clients then they need to ensure that the ongoing support required by many with severe and moderate learning disabilities is in place.
- Also that capacity will be used up over time, signalling the need for further investment to generate further increases in savings.
- Need to make potential savings in day services a reality-links to reform.

Final Thoughts

- Ultimately, the most cost effective service will be one which, when operating at full capacity, has the resource to continue to support those in supported employment over the long term.
- We are not talking about a huge financial investment – Supported employment is a relatively small service area and all indications are that it has the potential to produce significant savings at the local authority and taxpayer levels.

Final Thoughts

This is particularly true where supported employment services have the capacity to grow and where future financial investment allows further growth once capacity is reached.

This should not be underestimated in the current financial climate. In most cases where savings are realised it is those most vulnerable in our society that suffer.

Final Thoughts

This is not the case with supported employment, where the human outcomes of improved quality of life, meaningful contribution and increased financial independence are 'proven' typical accompaniments for the beneficiaries.

The Big Society?

David Cameron -

- While reducing the budget deficit was his "duty", giving individuals and communities more control over their destinies is what "excites him".
- If we can do these together – then maybe he'll get extremely excited?