

# A New Deal for Welfare: Empowering People to Work

## Consultation Response



w i s e g r o u p

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## Introduction

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### The Wise Group

The Wise Group is a not-for-profit organisation and one of Scotland and the North East of England's leading welfare to work providers.

Our unique approach combines pioneering project development activity with practical, experienced and 'real world' delivery. We are at the forefront of new approaches to employment support, and **annually help over 2,400 unemployed people to overcome a wide range of significant barriers and move into sustainable jobs.**

The Wise Group delivers a range of activities targeted at unemployed and workless individuals. Our activities range from the management of large-scale contracts such as the New Deal, the Employment Zone and New Deal for Disabled People, to the delivery of smaller scale projects aimed at specific target groups within local communities.

We cater to the specific needs of individuals, and recognise that each client faces unique barriers in their journey towards employment. Over our 23 years of operation we have developed a range of targeted initiatives all of which use employment as the means to enable our clients to overcome the problems, and tackle the inequalities, that sustain their disadvantage. Our approach proves that work, if provided in a flexible and supportive environment, can be a dramatically effective tool in overcoming poverty and disadvantage.

Our target programmes adopt a specialist approach to working with disadvantaged client groups (including people out of work because of illness or disability, ex-offenders, the homeless, lone parents, people overcoming addiction and asylum seekers and refugees). However, they work because they have also maintained a common approach that we believe is critical to working with all workless individuals. This includes professional case management, flexibility and an individualised approach that does not label people. We have learnt that it is unhelpful to put people into boxes - they should not be defined by a barrier or category of disadvantage. Instead we work with each person, no matter their route onto our programmes, as an individual case, and tailor our package of support to provide them with the support that they need to enter the labour market.

The Wise Group has a track record of developing a wide range of successful welfare to work programmes, the best known of which is the **Intermediate Labour Market (ILM) model**. The ILM helps unemployed and economically inactive people to gain the skills and experience they need to enter the labour market, whilst contributing to the wider regeneration of deprived areas. In providing training and work experience opportunities, an ILM boosts the economic output of a community, assists in the economic regeneration process and encourages community participation and improved skill levels. The ILM also adds value to local communities through the delivery of socially useful activity - Wise Group ILMs have been used, for example, to undertake environmental improvements to public

areas, insulate and provide energy efficiency and home safety and security services for disadvantaged households, provide community recycling facilities and provide local childcare services.

Since 2002 our **Workable** programme has worked with NDDP clients to support them into sustainable employment. Workable delivers a variety of interventions including skills development, paid work experience placements, supported employment, and an in-work support package tailored to meet each individual's needs. **To date we have moved over 2,543 people from IB or related benefits into employment as a result of this project.**

The experiences of our NDDP job brokers confirm that most new claimants of IB have every intention of returning to work. However, evidence shows that the longer they claim IB benefits the more their chances of a return to the labour market decreases. The development of further barriers to employment after this point is inevitable and many clients will approach the prospect of returning to work with anxiety, a lack of confidence and an erratic work history: in common with the 'mainstream' unemployed. This must be taken into account in the development of new programmes that focus on employability - not disability.

The Wise Group has delivered **Compass**, a cross-disciplinary employment and health programme based in the south of Glasgow, since 2004 and has recently established a sister project, Look Ahead, in North Ayrshire. Compass is unique in offering an employment-focussed programme of support delivered in partnership with the NHS and Jobcentre Plus. There are many programmes in operation across the UK that provide outreach services that may include placements in GP surgeries, but Compass goes beyond this. We are contracted to deliver our services by the NHS and work in partnership with GPs and their practices to establish ourselves as an essential element of the primary care portfolio.

Our multi-disciplinary team involves employment advisors and occupational therapists and provides a range of support including employment advice and guidance, counselling, stress management, primary care interventions, and one to one individualised support. Central to the success of Compass is professional case management by employment experts who work with each participant to create a client-led individualised programme of support.

Compass has been highly successful in engaging with some of the most difficult to reach workless individuals. Most of our referrals come directly from the GP and for many of our clients the GP is the only 'official' representative of the State that they come into contact with. Some 27% of our clients are not on any benefit (although they may have a partner or family member who is) with an additional 54% being on Incapacity or related benefits. Compass has enjoyed impressive success in assisting its participants into work with **53% of clients moving into employment or further training.**

The range and success of the Wise Group's programmes means that we are in a strong position to offer our learning and experience as part of the welfare reform process and we welcome this opportunity to inform the further development of the ideas laid out in the green paper.

Our response includes several key messages, which are highlighted below. Where we believe we have a relevant message to communicate we have then answered the consultation questions, we have not however offered a response to all of the questions posed by the green paper.

We strongly believe that, for most disadvantaged and excluded people, finding and sustaining work is the best starting point for improving their lives and believe that many of the reforms contained within the green paper will positively contribute to helping some of the UK's most disadvantaged people to achieve this goal.

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## Key Messages

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- **Conditionality can be a positive means by which to change people's lives** - but must be combined with clear information, incentives and a flexible and individualised system. The proposals contained within the green paper are not, in our view, overly punitive and could act as a springboard to a better life for people, many of whom have become 'institutionalised' within the benefit framework, and as a consequence lack the motivation or confidence to make an attempt at moving into work.
- **Managing conditionality need not be the sole preserve of government** - as programmes and providers evolve there is an argument for transferring a greater degree of the management of conditionality to contractors. Many contractors already manage part of the conditionality process - Employment Zones are a good example of this. This allows further flexibility around managing a client's participation and progress.
- **The emphasis placed on *capability* rather than disability is highly appropriate** and signals an important cultural and political shift in our attitude to people with disability or long-term illness. Our experience over the last three years in assisting significant numbers of NDDP clients into work has led us to believe that many people currently on incapacity and related benefits are suffering the added problem of 'economic disability', which over a prolonged period has a far more debilitating effect on them and their families than their original condition. We have also come to believe, through practical experience, that providing a focus around what an individual can do, rather than what we think they can't do, provides a constructive and helpful platform upon which real progress can be made.
- **An individualised approach will be the most crucial element of successful welfare reform** - and the reform agenda will stand or fall on the quality of assessment, guidance and support given to each individual. **Incapacity benefits cover a range of distinct and complex conditions**, and the differences between and within these must be acknowledged.
- **People have overlapping needs** - although the groups focussed on by the green paper are primarily out of work because of a specific situation (health, disability, status as a lone parent) they will also face a number of other barriers to work that must be addressed through a holistic programme of support.
- **There is a clear link between benefit dependency and wider disadvantage** - and the role that organisations like the Wise Group play in trying to address these simultaneously is crucial. Welfare reform can impact on wider communities - and linking the reform agenda to the wider regeneration of communities (through for example activity delivered through the ILM model) could maximise the impact of welfare reform.
- **There is a need to improve the interface between health and employment programmes** as well as other regeneration and anti-poverty activity - none of these areas can operate in isolation. However it is crucial that we **don't over**

**medicalise the incapacity benefit problem** - social and economic issues are as critical to addressing the situation as medical ones. Professional case management from employment specialists remains the most important element of the journey to work for all client groups.

- **Providers must be given freedom and flexibility** to provide a pathway to employment that is designed for each individual. However the programme should also provide a **clear framework that requires common standards of provision** to ensure that all clients receive a guaranteed basic quality of experience. Although an outcome-based approach can motivate providers positively, there is still a need for a basic framework of standards to be applied, to prevent the worst excesses of the pecuniary motive.
- **Outcome based payments must take into account distance travelled and the particular labour market conditions in which each provider operates.** The needs and abilities of each individual client will vary greatly - some will require a 'light touch' of support before re-entering the labour market whilst others will require a longer period of training and support. The Pathways to Work payment regime should focus on outcomes rather than targets, and recognise when providers are working with the most disadvantaged individuals, or in areas with tight local labour markets. Without this level of sophistication the system will simply motivate providers to 'cream' the easiest to help clients from the pool, 'parking' the most disadvantaged individuals, because it would be unprofitable to help them.
- **The focus on worklessness shouldn't be at the cost of the unemployed** - there are still significant populations with real need of support within 'mainstream' unemployed groups, and our experience is that individuals within these groups tend to face more severe disadvantage than many of those in receipt of incapacity benefits. Whilst we fully support actions to increase support to the groups targeted by the green paper we would counsel against hard and fast assumptions about the relative levels of support needed by the mainstream unemployed population.

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## Response to Consultation Questions

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### 2. How can we best share the evidence for the role of work in recuperation and good practice regarding sickness certification to medical professionals?

We welcome the green paper's strategic approach to worklessness and its recognition of the strong link between employment and health. Recognising this relationship is critical in addressing some of the difficulties that lead to many people falling out of, and prevent many others from (re)entering, the labour market.

Nevertheless we would caution against the excessive medicalisation of worklessness. The involvement of health professionals in recuperation through approaches such as the Condition Management Programme can be extremely beneficial for a significant minority of individuals. However this is only one aspect of the journey to work and should not be seen as a panacea - for many individuals health is only one part of the reason why they are not in employment. Many face a range of barriers to employment and require an approach that deals with these as a whole, rather than just focussing on the medical aspect of their worklessness.

It is likely moreover that the broader disadvantage experienced by many workless individuals in itself contributes to their ill health. Many health problems are the result of social and psychological, rather than medical problems and therefore, as argued by Professor Mansel Aylward<sup>1</sup>, it is important to take practical measures to address the social, psychological and cultural factors causing ill health. The medical approach may not always be the most appropriate or sustainable one and a more explicit distinction needs to be made between the different groups who receive incapacity benefits. There are real differences between the needs of those who are out of work because of ill health, because of disability or in a minority of cases because they are simply inactive.

Our own experience of working with individuals who are out of work because of ill health or disability reinforces this point. A survey conducted with the Wise Group's Compass participants found that 21% stated they left their last job not directly because of their health situation, but because of low levels of confidence. This in itself could be a result of a medical situation but suggests that for these individuals the solution is less medical and more conventional in terms of the type of support offered through mainstream welfare to work programmes.

The essential tool for moving disadvantaged individuals into work, no matter their background and reason for being workless, is professional and individualised case management. A skilled case manager will provide a holistic approach to employment and embraces health and employability as well as the range of other barriers that may prevent labour market entry.

It is clear however that being in work can have a positive impact on a person's health and it is important that this message is clearly communicated. We have found that for many of our clients simply participating in work related activity can have the parallel consequence of improving their health. This is true both for programmes that take a deliberate health focus and for those whose prime focus is employment. A recent survey conducted through one of the Wise Group's ILM programmes for example showed an improvement in the mental health status of 100% of participants.

The Wise Group's **Compass project** is a good example of how programmes can adopt a holistic approach to health and employment whilst acknowledging and working to overcome the other barriers that can prevent individuals from entering the labour market. Compass provides employment guidance and support for workless individuals and receives most of its direct referrals through GPs and other medical practitioners. The project operates on an outreach basis with Compass staff located in health centres across the South of Glasgow.

Crucial to the success of Compass in engaging with medical practitioners is the project's recognition of two key facts: firstly that GPs do not have a great deal of time or resource to dedicate to this kind of activity and secondly that the doctor/patient relationship, and the trust therein, should not be jeopardised through the GPs involvement in an employment focussed programme.

Compass staff respect the role and pressures facing the GP and other health professionals, and we have worked hard to ensure that Compass is seen as a part of the GP's toolkit, rather than a source of additional responsibility. The relationships that we have developed with GPs have taken time to develop and we have worked hard to establish ourselves as an integral part of the primary care portfolio. Critical to the growth of Compass (which now works with 64 GPs across the city) has been the value of word of mouth. GPs who have experienced the impact that Compass can have on their patients have acted as advocates for the project, helping to establish relationships with new practices.

In taking this approach we have been able to prove the benefits of an employment approach to our medical partners as the project has had a direct impact on the regularity with which our clients have visited their GP (23% reduction) and on medication taken (22% reduction<sup>ii</sup>) as well as moving a significant number (53%<sup>iii</sup>) into employment, training or further education.

Compass' primary care setting has contributed to the success of the project: patients believe that their GP has their best interests at heart and are more willing to give employment related activity a try as a result of the trust they have in their doctor. It is critical to the success of the project that we value this relationship of trust and do not act in a way that jeopardises it. The fact that Compass is seen as an independent project, not an agency of state, and that it is entirely voluntary, encourages open, honest and willing participation in project activity and the use of the Wise Group as an intermediary organisation removes any risk to the doctor/patient relationship.

It is unclear as to what is intended through the introduction of incentives for medical practitioners to promote employment and related activity, as promoted by the green paper. However we would highlight the importance of patient trust and caution against an approach that may put this at risk, particularly where any aspect of conditionality is involved.

**4. Do the types of 'suitable activity' we have set out provide a sensible range of activities that could be undertaken in order to fulfil an acceptable action plan?**

The options detailed in the paper cover a sensible range and breadth of activities and we welcome the recognition that a wide selection of activities is necessary to address the varying needs of the target client group. Individuals in receipt of incapacity benefits face a range of distinct and complex conditions, and the differences between and within these must be acknowledged when designing a programme to move them towards employment.

The success of the government's welfare reform programme will stand or fall on the quality of assessment, guidance and support given to each individual. It is vital that Personal Advisors are adequately skilled, and have the time and resource required, to gain a full and complete understanding of the needs of the individual. Directing a client towards an inappropriate intervention could have a negative impact upon their progress towards employment. It is critical that an appropriate match is made for each individual based on an expert assessment on what will best benefit them in the long term, rather than what will prove the easiest route to meet targets in the short term.

Our experience is that people who are out of work have overlapping needs - they do not tend to fit neatly into one category. In constructing a package of support for individuals the Personal Advisor must take a holistic approach that deals with the full person, not just the disability or illness that may have moved them onto an incapacity benefit in the first place. We find that many of our clients could fall into many categories - for example a lone parent on our Employment Zone programmes could also face severe mental health issues, and could be validly referred onto our NDDP programme, where they are likely to receive more support for their condition. Many individuals face many aspects of disadvantage that are inextricably linked and this must be considered in developing a package of support to move them towards employment.

It is vital that there is real flexibility in the system and recognition of the distance that many individuals will have to travel before being ready to enter the labour market. Any programme of 'suitable activities' must include transitional programmes of support that help those most removed from the labour market to make the move from benefits to employment. Models such as the **Intermediate Labour Market (ILM)** have proved invaluable in the success of the Wise Group's own NDDP programme (Workable) where a significant number of our job outcomes have been achieved because of our ability to offer clients a supported intermediary step between worklessness and employment. The types of activity available

through the Pathways programme should allow for longer-term programmes such as this, as well as shorter interventions. This is currently implied within the green paper but we would welcome a more explicit statement in support of this approach.

The promotion of longer-term intermediary approaches would also help to engage employers in the welfare reform process. Recent evidence from the Chartered Institute of Personnel and Development shows that there remains real reluctance amongst many employers to take the risk of employing someone with a history of long term illness or disability. Programmes such as the ILM allow intermediary organisations to take this risk first - providing a 'stop-gap' between worklessness and employment and a setting in which the individual can adjust to the pressures and requirements of work, before moving into an open employment setting. Clients leaving a Wise Group ILM for employment have up to a year of work experience, skills and qualifications that are relevant to the employer, and both they and their employer are provided with support in sustaining their labour market position. The ILM allows us to ensure that we can offer employers trained, experienced employees who have had the time and support that they require to adjust to managing their health condition or disability whilst being in the labour market.

There is currently a degree of uncertainty with regards to the future of the **New Deal for Disabled People** programme. We believe that the NDDP programme has made an important contribution to the success of the Pathways pilots and to the general increase in the number of people moving away from Incapacity and related benefits and into employment. Current contracts end in 2007 with no information yet as to whether there will be an extension. **We would encourage the continued funding of the programme as a major contributor to job outcomes for the Pathways programme.**

**6. Do you agree that these proposed simplifications more accurately reflect the principles underlying our modern society?**

The current system of support for those out of work is highly complex and can be confusing. We therefore welcome any reform that simplifies and brings consistency to a system that is for many their key form of financial security. The proposals contained in the green paper for a stepped model using both incentives and conditionality to move people towards employment constitute an apt reflection of today's 'rights and responsibilities' philosophy.

It must be acknowledged that modern society no longer (if it ever did) fits around the model of a nuclear family with a full time working Father and a stay at home Mother that formed the foundation of the welfare state. Given the increased diversity of family forms in the UK, the growth of single people living alone, and the increased longevity of the population it is critical that our welfare reform system is constructed in a way that is flexible enough to both meet the economic challenges of funding the social model, and adapt to the specific circumstances of the individuals who find themselves having to access it.

A modern welfare system needs to take an individualised approach that tackles each person's situation in a way that reflects their particular circumstances. This is reflected in the revised Employment and Support Allowance, which unlike Incapacity Benefit does not automatically label the recipient as incapable of work. The new Personal Capability Assessment (PCA) does not assume an inability to work because of a person's condition and it is important that cases are viewed independently and individually. This will however "require significant resources, financial and otherwise"<sup>iv</sup>. The Personal Advisor must spend enough time with the claimant to get an accurate idea of their situation and this is particularly the case for those with mental health conditions. The Wise Group's Employment Consultants report that it often takes a significant amount of time to build up a relationship of trust with a client so that they begin to open up about the issues and barriers to work that they face.

There is an implicit assumption within the focus of the green paper and the reform therein about the causes of worklessness and the profile of the workless population in modern society, which does not necessarily reflect reality. We strongly welcome the focus of resource and attention on incapacity benefits recipients and other workless groups: for too long this population has been abandoned to a passive benefit system that acts to reinforce their inactivity. However this should not mean that energy or resource is directed away from the mainstream unemployed population who continue to need significant support in entering the labour market.

"The challenge is not to take the eye off the ball when all attention is focussed on Incapacity Benefit"<sup>v</sup>; there remain significant populations within the JSA group in real need of support. A common perception is that the hard core of the 'workless' are the most disadvantaged, and those in need of most support in entering the labour market. We would counsel against such assumptions about the levels of support needed by these different groups. The Wise Group works with significant populations of both the 'mainstream unemployed' and those out of work because of health or disability and have found in many instances that it is the former group who often face the biggest challenges in entering the labour market.

The Wise Group's **Employability Index** is used to measure the distance of our clients from labour market entry. We have found that in many instances our 'mainstream' clients are further away from labour market entry, because of the complex interactions between the various barriers to work that they face. A recent analysis of a sample of over 1000 of our unemployed clients found that they faced an average of three significant barriers to work. 82% faced two or more barriers to work, with 15% facing more than 5 barriers simultaneously. Our IB routed clients (e.g. those on NDDP or Compass) on the other hand tend to face less complex situations (although 41% still face 2 or more barriers to labour market entry).

**7. How do you think that we can best improve work incentives within the new Employment and Support Allowance so that individuals have the opportunity to try out periods of work and progress to full-time work where possible?**

It is important to acknowledge that individuals tend to react to risk in logical ways and when faced with a potential loss of income (through attempting to re-enter employment after a period on benefit) many will be understandably reluctant to take action that could jeopardise their financial security.

We do not oppose the element of conditionality contained within the green paper and feel that the proposed system is not overly punitive. Conditionality can be a vital tool in changing people's lives -particularly for those who have been out of work for some time and may lack the confidence and self-belief to explore employment as an option. However this approach must be combined with a positive focus on employment as an opportunity for improving people's lives, and with clear information and support to ensure that provision such as the Work Focussed Interview is seen as far as possible as an opportunity, rather than a threat.

The way in which provision such as the Work Focussed Interview is marketed can have a significant impact on the way in which individuals approach and participate within it. There needs to be a balance between 'carrot and stick' and the WFI must be sold to clients as an opportunity to get information about what support is available to them. It may be that the name itself needs to change - many of our clients have indicated a reluctance to attend a Work Focussed Interview because they fear it will involve forcing them into the first available job, rather than examining their long-term options in order to develop a sustainable routeway to employment. It is important to use a positive message about work - to ensure people see work as a positive move and are encouraged rather than forced whenever possible.

Provisions such as the extended linking rule and the Back to Work credit are excellent ways of ameliorating the perceived risk involved in moving into work but it is important that the availability of these is also adequately communicated to the target audience in a way that is easily understood. Current documentation about the linking rule for example is incredibly complex and difficult even for welfare professionals to translate. Intimidating and officious language can prevent people from putting their trust in a system designed to protect them and simple changes to the tone and approach used in communicating this system could increase the willingness of individuals to take the risk of entering the open labour market.

Many health conditions and disabilities can fluctuate, many IB recipients are not in a static condition and their condition can change in many ways (as is recognised in the green paper itself). Provision such as the linking rule is therefore vital in providing individuals with the space to explore possibilities with regards to work in an environment where they do not fear for their benefits. The two years of support available under the revised linking rule will provide important protection for those

who are able to attempt employment, but remain in a vulnerable position with regards to their health status. This kind of income protection should also be extended to other areas of income including Housing and Council Tax benefits (see q12 below). Financial incentives on return to work through for example the Back to Work credit are vital in bridging the period between benefit loss and the start of a new earnings stream and can have a major impact on the commitment of clients to return to work.

We believe that it is vital that people are allowed to try out work in a non-threatening environment without fear of losing their benefits. **This could be approached as an intermediary step - by for example allowing people to maintain their benefits whilst trying out programmes such as the ILM.** This would allow them to try out work in a situation of low risk and in a supportive environment. It is important to promote skills and the experience of work - many may require time in a more sheltered environment to gain an understanding of how to manage their condition before they are at a stage where they can work with an external employer. Failure can knock confidence in a way that is very difficult to overcome and it may be that a more circuitous route towards employment may have the most sustainable result for some workless individuals.

**8. Would it be reasonable to extend the work-related premium and the associated requirement to take steps back to employment, to lone parents with children younger than 11? If so, what age should be the cut-off point?**

We believe that the age of 11 for the youngest child is a sensible cut-off point for the introduction of mandatory Work Focussed Interviews. This is a time when as children move towards secondary school parents tend to have fewer childcare issues and start to think a bit more about themselves and their futures. After at least 11 years out of the labour market it is likely that many will have lost a lot of skills and it is crucial that lone parents are offered up-to-date training, work trials and access to intermediary programmes such as the ILM to fully prepare them for reengagement with the labour market.

We do not support the idea of mandatory participation for those with children below the age of 11 but would welcome the positive encouragement of participation for these parents. We should not assume that most people want to be a full time parent for the first 11 years of their child's life and moving back to work at an earlier stage can be positive in terms of self-confidence, income and maintaining skills.

Many jobs do not fit the pattern of Monday to Friday 9-5 and many of the lone parents lack familial support of any kind. It is vital therefore that any encouragement in this area needs to be backed up with flexible and high quality childcare available to all.

**9. In what circumstances do you think it would be reasonable to extend the six-month Work Related Activity Premium period?**

**We fully support the introduction of Work Related Activity and the attached premium.** There is a positive benefit for lone parents in just engaging in this kind of activity and we have found that getting people involved in regular work related activity can significantly impact on their confidence and self-belief.

The length of time for which the premium is made available should be an individualised decision made by the client's Personal Advisor, and based on the progress they are making towards work. If an individual is genuinely undertaking activity that is directing them towards the labour market it would be unwise to require this to stop because of an arbitrary cut-off date. The Personal Advisor must acknowledge the distance travelled by the individual - for some it may take a while for them to overcome their barriers to participation or they may need time to acquire the skills required for a chosen occupational area.

Many of the lone parents that we work with through our Employment Zone programme face complex personal situations, which may mean that they would probably require more than six months of support in seeking employment. A recent client of the Wise Group's Employment Zone programme for example was a lone parent with three children, who suffered from sciatica and hadn't worked for 20 years. The client had no support system and was suffering from depression. This situation will not resolve itself quickly, but can be changed with ongoing support and assistance including help with childcare, condition management for the health and mental health situation and a full evaluation of the other support needs that this client may face, combined with any training and work experience required in preparation for labour market entry. It is easy to see why this kind of situation may take more than six months to resolve, and how damaging it would be to the confidence and mental health of clients such as this if support were removed at an arbitrary cut-off point, just as they are starting to make progress in changing their situation.

**10. Does utilising voluntary sector and private providers in this way sound sensible? Would outcome-based payments incentivise providers to meet the challenges of delivering Pathways to Work and the new arrangements described in Chapter 4?**

Outcome based payments can provide a strong framework for improved performance and it is arguable that competition within this framework has helped to drive up standards across welfare to work provision. However it is critical that within this structure there are checks and balances in place to ensure that the central focus of the programme remains improving the quality of life of participants. There is a recognised danger that output based funding can drive a move towards 'creaming' - motivating providers to work with those individuals who are relatively easy to move into work, at the expense of those furthest removed from the labour market.

Outcome based funding regimes are a good way of ensuring that focus is placed on performance but there is also a need to ensure that the capacity exists to deliver.

Given the ambitious scope of the green paper in terms of external contractor delivery there may be a need to pump-prime organisations to ensure that they are able to deliver. This may be particularly necessary to encourage the participation of voluntary sector organisations that may not have the same levels of disposable income to invest in programme start up. This could be achieved through for example some element of on-programme payments.

Outcome payments must reflect the conditions in which providers are operating and we would hope for a flexible model that takes account of local circumstances, labour market conditions and the specific characteristics of the client groups worked with in setting outcome targets.

Providers such as the Wise Group place a particular emphasis on helping the most disadvantaged individuals to enter the labour market and this should be acknowledged in the expectations placed upon such providers in terms of outcomes. It is for example important to recognise distance travelled for those who have made substantial steps towards labour market entry, but may not have yet reached this point. Achievements such as the acquisition of skills are important steps in the journey to work. Without this there is a danger that outcome based payment regimes could be too simplistic and will drive providers towards an approach based on getting the numbers, rather than necessarily meeting the best interests of their clients or employers. It is important that the payment regime is outcome as opposed to target driven.

Payment structures must also take account of local labour market conditions - the system needs local flexibility to adapt to the specific labour market conditions and issues of supply and demand. Moving an individual from IB and into work in Glasgow for example will be substantially easier to achieve than in Ayrshire because of real differences in labour demand.

It is important that providers are given the freedom and flexibility to create innovative packages of support, tailored to the needs of the individuals and economies that they work with. However this should be balanced with a framework to create minimum quality and standards of provision. There must be common components delivered across the programme that all clients can expect to receive (for example Action Plans). Without this there is no guarantee of comparable outcomes and some contractors may be tempted to cherry pick and provide minimum standards of provision in order to make maximum profit from minimum resource.

**The green paper implies that it is only providers in the new Pathways areas that will be asked to focus their attention on improving job entry and retention - we would question this implication. Improved job entry and retention should arguably be a central focus for the programme in all areas of operation, including those run by Jobcentre Plus. Again there is a need to ensure a basic standard and quality of provision and performance in all Pathways to Work areas, regardless of who the provider is.**

**11. Will this proposal provide an effective mechanism to join up the work of different agencies and make better use of existing funding to tackle the problems in cities?**

A city-based approach seems an appropriate one for dealing with the issues surrounding worklessness at a local level. Cities should have a more in-depth understanding of local conditions and should be best placed to create local plans in order to tackle the specific conditions that contribute to worklessness in their communities. It is certainly appropriate that a localised approach is taken to the issue of worklessness.

We agree that this approach should help to focus agencies on pulling together and will continue the development of best practice in joint working that is already evident in cities such as Glasgow. It will shore up and further strengthen the partnerships that do to an extent exist already and encourage a coordinated approach that makes the most of all available resource and provides meaningful links between different forms of provision. This type of approach should provide partners with the opportunity to look at innovative proposals such as the use of localised incentive models (see q12) to motivate and stabilise individuals once they are in work.

It is important however that these pilots are developed in a way that complements and works in conjunction with the existing infrastructure in each area: there certainly is no need for additional bureaucracy in the welfare to work arena. In Glasgow for example activity has already begun to tackle the causes of worklessness and a clear local infrastructure has been put in place through Community Planning Partnerships and through networks such as Equal Access. Whilst there will be a need to broaden out the membership of these structures somewhat in order to fully tackle the worklessness issue, they are strong and established networks that should be built upon to further develop the city pilot model.

The proposed model can be used as a means by which to encourage innovation and joined up thinking - to recognise the interrelated nature of benefit dependency and wider disadvantage. Welfare reform can impact on wider communities and in many areas benefit receipts represent a significant amount of area income. City approaches should be used to examine how welfare reform can be linked to the broader regeneration of communities through for example promoting models such as the ILM which can provide workless people with valuable training and work experience whilst contributing to the physical and social regeneration of the local community. In this way a closer link between welfare to work policy and the wider regeneration and economic renewal agenda (through for example LEGL in England or the Scottish Executive's Regeneration Strategy) can be developed.

**12. How should Housing Benefit be adapted to meet our welfare reform objectives for tenants in the social housing sector?**

The provision of support, particularly during the transition period between benefits and employment is crucial to sustaining an individual's position within the labour market. Many of those who move from a situation of worklessness to employment remain in a vulnerable position once in work. The transition period can be a challenging one and dealing with financial insecurity at this stage is often a reason why people fall back out of the labour market.

We believe that the Housing and Council Tax Benefit system should undergo more substantial and radical reform to give people a longer period to adjust to a life on wages, beyond the current extended payments period of four weeks. Work can be a route out of poverty but it is not a guarantee of it - in-work poverty is still a significant issue for many, and those who have just moved into the labour market after a sustained period out of work will be particularly vulnerable to it. **Allowing clients to maintain their Housing and Council tax benefits for between six months to a year would allow them to stabilise their financial situation and start to appreciate the benefits of working life**

This continued receipt of benefit could also be used as a motivation for the continued participation of individuals in activity to strengthen their labour market position. **Benefit receipt could be made conditional for example on the engagement of recipients in further Work Focussed Interviews to promote retention and advancement activity or further participation in condition management to further promote their long-term sustainability in the labour market.** This could also help to further boost the skills agenda, contributing to the recommendations of the Leitch Review in promoting the skills and abilities of the stock of employed people.

The costs of this would be reasonable. The average housing benefit receipt (for privately rented accommodation) is £70 per week or £3,640 per annum, whilst average council tax is £1056 per annum. Therefore the cost would be around £4,700 per head. If this approach sustains a greater number of former claimants in employment it would pay for itself - if out of work these individuals would receive these payments anyway, on top of an average £4,382 if, for example, they returned to Incapacity Benefit. **This approach or a variation could easily be piloted through the city pilots to see if it has an impact on the chances of former benefit recipients sustaining their employment.**

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## Contact

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If you have any queries or require any additional information on any of the points made in this paper please contact:

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<sup>i</sup> Professor Mansel Aylward, quoted on [www.unumprovident.co.uk](http://www.unumprovident.co.uk)

<sup>ii</sup> Figures produced by Rocket Science consultants during an independent evaluation of the Compass project

<sup>iii</sup> Figure produced through internal project reporting – out of 456 eligible clients to date 149 have secured full time employment, 63 have moved onto ILM programmes, 10 have engaged in voluntary work and 22 have moved into further education.

<sup>iv</sup> Matthew Jackson/ Victoria Bradford – New Start Magazine, 24 March 2006, p15.

<sup>v</sup> Working Brief – Centre for Economic and Social Inclusion, Issue 171, February 2006, p1.