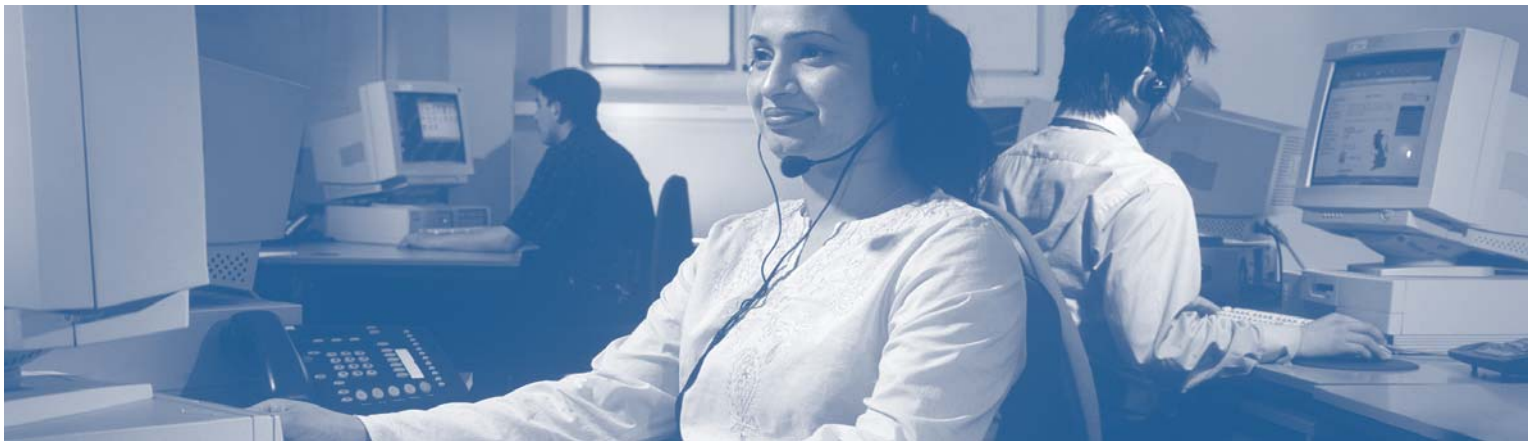


# EMPLOYMENT OPPORTUNITIES FOR ALL

The Reform of Incapacity Benefit



w i s e g r o u p



## Employment Opportunities for all

### The reform of incapacity benefit

## introduction

The Green Paper on the reform of Incapacity Benefit (IB) due to be published later this year represents a significant opportunity to create a framework which will remove many of the barriers between work and worklessness for a large number of our fellow citizens.

The reform of IB poses a number of problems but if we are to achieve the aspiration of an 80% employment rate, then these must be addressed. Moreover, the cost of the benefit (£7 billion plus each year), and more compellingly, the sheer number of claimants (2.6 million), illustrate the scale and necessity of addressing this.

Perhaps the greatest difficulty that has to be faced when reforming IB is the fact that the claimant group are not homogenous. IB claimants include the profoundly disabled, the mildly incapacitated, people working in the black economy, and almost every other group. It would be extraordinary if it didn't also include people who had migrated from Jobseeker's Allowance in search of a less stringent benefits regime. The very diversity of the group makes this difficult to address. It's about disability, but it's not just about disability. It's about rights, but it's also about responsibilities.

This catch-all benefit has to be transformed into one that gives people the right support for their particular circumstances, it also has to be accompanied by a system that helps people get into work where possible. At the moment, despite increased flexibility in the system, there is often insufficient incentive for some groups to move from the certainty that IB offers to the uncertainty of entry-level work.

The Wise Group welcomes the opportunity to highlight some considerations for the reform of IB in advance of the publication of the Green Paper. We believe that, for most unemployed and economically inactive people, getting and keeping a job is the best starting point for improving their lives.

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## the Wise Group

The Wise Group is a not-for-profit organisation, which through a mixture of training and work experience, assists unemployed people into work. The Wise Group currently operates in Scotland and the North-East of England and last year almost 2500 people left one of our programmes for a permanent job.



The Wise Group has enjoyed particular success in working with people claiming Incapacity Benefit and in developing effective and individualised strategies for helping these clients into work. Since 2002, our WorkAble programme has worked with New Deal for Disabled clients to support them into sustainable employment. We deliver a combination of different interventions including skills development, paid work experience placements, supported employment, and an in-work support package tailored to meet individuals' needs. To date we have moved over 1500 people from IB or related benefits into employment, 419 of whom have obtained employment over the first 6 months of 2005.

With over twenty years experience of working with people who are furthest away from the labour market, we are in a strong position to advise on how best to help people who claim Incapacity Benefit and want to work, back into the labour market. Unlike many agencies working to help people with disability into work, our key focus is not on disability but on employability, bringing a different perspective to the debate over IB reform. We have developed successful interventions to help people with various disadvantages (from drug users to ex-offenders and disabled people) move off benefits and into meaningful paid employment.

The Wise Group has a track record for developing innovative and successful welfare to work interventions as can be illustrated with two examples. Twenty years ago we pioneered the Intermediate Labour Market, a variant of which was used to create the Government's New Deal programme. Our Compass project, which provides employability support in GP surgeries for people excluded from work because of health related difficulties, was featured in the DWP's Five Year Strategy as an example of best practice and fits in well with the Government's plans to place employment advisors in GP surgeries across the UK. In just a year the Compass project has helped over 78% of clients improve their employability with 57 of our first 117 clients securing full-time paid employment.

In this paper we will respond to the proposals for Incapacity Benefit Reform as set out in the (DWP) Department of Work and Pensions' Five Year Strategy, reflecting on the proposed changes to the benefit structure. We also offer our further thoughts and recommendations in relation to how these changes should be implemented and the interventions that will be best suited to helping this client group move into employment.

# executive summary

## Changes to the benefit structure: Breaking down the relationship between disability and incapacity to work

The Wise Group welcomes the distinction between Rehabilitation Support & Allowance (RSA) and Disability & Sickness Allowance (DSA) and suggest that the DWP ensure that the infrastructure is in place to allow Disability & Sickness Allowance recipients to explore work opportunities without the fear of compulsion.

### We specifically suggest that:

- ▶ It is important that the medical and employability assessments are not completed in isolation and that staff receive relevant training to ensure that reliable assessments are being administered.
- ▶ Benefit reform and the introduction of compulsion should be extended to include people who are currently claiming Incapacity Benefit.
- ▶ Changes to the benefit process should complement the existing Pathways to Work programme and take account of any recommendations made at the evaluation stage of the pilot.
- ▶ The crucial role to be played by intermediary bodies be acknowledged in the development of service provision.

## Developing a comprehensive understanding of the Incapacity Benefit client group

Further research is needed into IB recipients' background to develop a better understanding of the barriers facing people who have been out of work for long periods of time and to develop appropriate methods of support.

## Developing trusting relationships that deliver results

The Pre-Budget report announced plans to place employment advisers in GP surgeries. It is important that potential mistrust of the Jobcentre does not jeopardise the trusting relationship that claimants have with their doctor. By developing a direct association between these two services there is a danger of spreading potential skepticism rather than easing it.

## Methods of intervention: replacing incapacity with employability

It is important that interventions are used that work and that the DWP draw on the experience of providers like the Wise Group who are working successfully with the IB group.

We recommend that an intermediary body be used to bridge the gap between the health and employment services. The Wise Group's Compass project is an excellent example of this model in practice.

The expansion of the Intermediate Labour Market (ILM) model would provide a useful tool for helping people claiming Incapacity Benefit to secure employment.

### The ILM is an appropriate intervention for the IB group because:

- ▶ It provides 'real' work in a supported environment.
- ▶ It is an integrated model that targets a wide range of client groups: removing the disability label.
- ▶ It is a flexible model that can be structured as either a demand or supply-led intervention.
- ▶ It is an added-value model with wider regeneration benefits.



#### **Funding: developing funding packages to reflect the client group**

Funding packages should avoid placing impractical time constraints on programmes and must be flexible so that providers are not inclined to 'cherry-pick' those clients who require the least intervention and neglect those who need more intensive support.

#### **Preparation, intervention and aftercare: creating a continuum of support**

Developing an effective marketing strategy: The DWP should ensure that all people claiming IB know what the benefit revisions will mean and how employment can improve their circumstances.

The importance of in-work support: The need for extended help for some people in this group before they enter work should be supplemented with the provision of in-work support once they find a job.

#### **Additional factors for consideration**

The economic cycle and recessions - In a recession the available pool of labour will expand and this may conversely affect the number of people coming off Incapacity Benefit and into work. Benefit reform needs to take account of this and the basis on which interventions are evaluated should to be adapted accordingly.

"Hidden" unemployment - The Wise Group recommend that further research is commissioned to try and determine the number of hidden unemployed who are currently claiming Incapacity Benefit.

Policy shift at the expense of others - Incapacity Benefit reform will create an extensive new group of mandatory referrals and providers will have to allocate significant resources to work with them effectively. This may lead to some groups being marginalized because there is less support available to them, particularly jobseekers on New Deal for Young People (NDYP) some of whom have no work experience or motivation to find a job.

# considerations

## for the reform of incapacity benefit

### Changes to the benefit structure: Breaking down the relationship between disability and incapacity to work

There is a perception, reinforced by the name, that once you are on IB you will never come off it and that you are incapable of all work. Changes to the benefit should target this issue and challenge the perception that if people come off Incapacity Benefit they will be financially worse off. Below we comment on the proposed changes as set out in the DWP Five Year Strategy, both in terms of its suggested structure, its implementation and the timescales for change to occur.

**Rehabilitation Support Allowance and Disability & Sickness Allowance** - We welcome the distinction between types of IB claimants on the basis of the severity of illness. However, the proposed categories are still lacking in sophistication and preserve the division between those that can and those that cannot work. Here, there is a danger of reinforcing incapacity amongst the Disability & Sickness Allowance (DSA) group, who may see their economically inactive status as confirmation that they should not consider work. This is contrary to evidence which suggests that it is this group that are more motivated to work. Studies have shown that people with high severity scores are more likely to want to work than those with low severity scores\*. Whilst we agree that this group should participate only on a voluntary basis, infrastructure should be in place to ensure they are aware of the benefits and opportunities available to them and are given the ability to explore these in a risk-free environment without the fear of compulsion.

**'Stock' IB claimants and compulsion** - It is vital that the 'flow' of new recipients into the IB 'stock' is stemmed but this will leave a significant number of existing claimants with little in the way of active labour market support. We would therefore argue for the extension of compulsory intervention for all but the most severely disabled claimants. Compulsion is frequently perceived as counter-productive, particularly for inactive groups such as disabled people and lone parents. However, it can be a necessary means to incentivise people who have been economically inactive for a long time and

### CASE STUDY - Linda Morton



Linda was referred to Compass by her Clinical Psychologist in April 2005. Linda has Cerebral Palsy and suffered from panic attacks which began in her last job. As a result of her previous work experiences, she had lost a lot of her confidence and was anxious about looking for employment.

Linda's Compass Advisor secured a place for her on an Office and Administration ILM so that Linda could update her skills and gain the confidence she needed to return to work.

Linda had been unaware of the financial support that she could potentially be eligible for and with the help of her employment advisor she successfully applied for Disability Living Allowance and the Access to Work fund.

In the meantime the Compass Occupational Therapist carried out an assessment of Linda's home. This had previously been adapted for wheelchair-use and was not suited to Linda's needs. The Occupational Therapist was able to arrange for the appropriate fittings including a kitchen seat, a shower chair and extra handle bars throughout her flat.

In order to try and restore Linda's self-esteem, she was referred for two courses; one on confidence building and one on teamwork. At the beginning of August 2005, Linda felt confident enough to apply for a permanent position as a receptionist with a training organisation in Glasgow. Linda impressed the company so much that she was offered the position of Office Supervisor and is now responsible for overseeing all of the branch's administration.

Linda is delighted with the support she has received from Compass. "With the help of the Compass team things have really turned things round for me. I can't believe how far I have come within four short months"

\* Rowlingson K and Berthoud R, 1996, Disability, benefits and employment', DSS Research Report 54.

who are demoralised, isolated or lacking in confidence. The former Parliamentary Under Secretary, Maria Eagle stated that *"I am a great supporter of compulsion...it is absolutely crucial that people who have often been away from the jobs market and Jobcentre Plus for very many years get to see what kind of help can be offered"*<sup>\*\*</sup>. We would agree - the most effective way of ensuring that everybody who can work is encouraged to do so would be to extend the compulsory work-focussed interview to existing IB recipients and ensure that those who are able are aware of the rehabilitative merits of work. By differentiating between the requirements of new and old claimants this could perpetuate the problems associated with the current system in which people are passive recipients of benefits. This group should be accorded the same rights and responsibilities as new claimants in order to address the issue of 2.7 million claimants (1 million of whom are capable of work) many of whom are not receiving the appropriate advice to help them realise their potential for work.

**Personal Capability Assessment** - The inclusion of an employability and support element to the Personal Capability Assessment (PCA) is a positive revision to the benefit process. It is vital however that the medical and employability assessments are not completed in isolation and that there is negotiation involved in the process. It is unclear, for example, what will happen should the two assessments reach conflicting conclusions about a person's ability to work.

Moreover, no detail has been given as to who will carry out the employability assessment and this must be clarified in the Green Paper. If frontline Jobcentre Plus (JCP) staff are to be responsible for the assessment, what training will they undergo to qualify them to do this? How will the DWP validate the allocation of power to frontline JCP staff to make a decision on a person's capacity to work? Key to the success of the Personal Capability Assessment (PCA) will be the development of a more joined-up approach between health professionals and employment advisors to ensure that an informed decision is made based on both the medical and employment assessments.

**Changes to permitted work and linking rules** - It is widely acknowledged that the name 'Incapacity

Benefit', directly implies that recipients are incapable of work. This is substantiated by permitted work and linking rules, which serve to restrict the work that someone can do whilst claiming and equates a desire to work with IB ineligibility. These restrictions have meant that a large number of people who want to work have kept quiet for fear of losing their benefit - even exploring the possibility of work has been too great a risk. The Wise Group welcomes the changes to the permitted work and linking rules on the basis that they will alleviate the fear of benefit loss or reduction.

**Pathways to Work and IB reform** - The success of the Pathways to Work pilots so far have provided a strong foundation on which to build Incapacity Benefit reform and they should be at the forefront of changes to service delivery for this group. On the basis of the pilot's success, we would agree with the recommendation in the Five-Year Strategy that the Government should not introduce a new Incapacity Benefit regime until the scheme has been properly evaluated.

It is also important that the role of NDDP (New Deal for Disabled People) in helping a significant proportion of Pathways to Work participants into work is acknowledged. Figures have shown that around two-thirds of participants who have entered employment in the Pathways areas did so with the help of an NDDP Job Broker. The mandatory element of Pathways to Work will give a significant boost to the NDDP programme, which whilst it is delivering results, as an entirely voluntary scheme it is unlikely to reach the large numbers of inactive people currently claiming Incapacity Benefit.

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### **Developing a comprehensive understanding of the Incapacity Benefit client group**

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With surveys suggesting that 1 million IB recipients are capable of work<sup>\*\*</sup> it is crucial that the current benefit system changes to make it easier for these people to enter the labour market. In order to develop a successful scheme in the future it is also important to have a full understanding, not just of claimants' aspirations, but also of their past experiences, their

\* Maria Eagle, Commons Hansard for 8th November 2004 (pt 5).

\*\* Source: Department of Work and Pensions Five Year Strategy, page 41.

current circumstances and the logical reactions to risk that dictate people's behaviour once on an IB benefit.

### Further research into Incapacity Benefit recipients' background

If the aspiration of an 80% employment rate is to be met, the range of services that can be drawn upon by the IB recipients should be sufficiently large to cater for the needs of this heterogeneous group. One of the biggest issues with the IB claimant population is that we do not know enough about them. For instance, we know that half of the people who claim IB are unemployed when they first claim but little is known about the transitions they experience in the year before the initial claim. This suggests that more longitudinal and qualitative research is needed to establish the factors influencing, and trajectories of, job loss and to develop a better understanding of the barriers facing people who have been out of work for long periods of time.

The introduction of the employability aspect of the PSA will bring a more positive approach to the assessment and help to identify types of work that people in receipt of IB are able to do. In many instances it may be that the work that claimants can do is completely different to their previous work experience. Accordingly, there is a clear need for targeted and effective training and work experience programmes that offer a variety of options for people in receipt of IB benefits.

### Accounting for the additional barriers to work faced by the IB group

We welcome the DWP's recognition of the fact that health/disability is not the only barrier IB claimants will face in moving into work. It is clear that many people within this group will need a comprehensive structure of support in order to help prepare them for work. The range of interventions made available should reflect the varying needs and characteristics of the IB population to ensure that suitable resources are available for all who want to work. This reiterates the point made above: it is crucial that we learn more about the IB client group in order to discover why certain people (such as those from particular age groups, geographical areas or work backgrounds) are

more likely to end up claiming Incapacity Benefit. Some of the issues that should be taken into account include:

**Low skills** - There has been a fall in demand for unskilled labour since at least the 1980s and this has led to an increase in inactivity amongst people (particularly men) with low skills\*. Low-skilled men are now three or four times more likely to be inactive than higher-skilled groups. As the low skilled labour market has weakened, the group who are most at risk are those who have additional disadvantage, such as people with a disability that limits the sort of work they can do. The introduction of New Deal for Skills may help some people in receipt of IB with low skills but this initiative should be supplemented by effective training programmes like the Intermediate Labour Market model (ILM). The ILM is proven to provide the qualifications and the work experience that people who have been out of work for a considerable period of time need to find employment in a competitive labour market.

**Older people** - DWP statistics show that over-50's represent forty-six per cent of the 2.64 million people of working age on Incapacity Benefit. With such a high proportion of IB claimants in this age group it is important that policies that focus on changing demographics are taken into account. Four years ago, Nationwide Building Society lifted the obligatory retirement age to 70 and the success of this experiment has persuaded them to further extend the potential working life of employees to 75. Incapacity Benefit reform should be complemented by cross-governmental policies to encourage other employers to do the same in order to stimulate demand, as well as supply and thereby enable labour market entry for older people in receipt of IB. At the same time, the Government should be aware that this will create greater competitiveness and may affect the likelihood of some groups, particularly those with multiple barriers to work, of finding employment.

**Geographical area** - Statistics show that there are higher concentrations of IB recipients in areas of multiple-deprivation, particularly areas that have seen significant changes to local industry with a declining manufacturing sector and a growth in the service sector. This could be indicative of many things including poor health in deprived areas, skills gaps as a

\* Hidden employment? The Rise of Inactivity among Men. (CEP Election Analysis 2005).

result of industry changes, or 'cultural lag' where the perceptions and expectations of work held by residents have failed to keep up with the economic realities in which they must operate. Whilst discovering these root causes is a first step, it is then important to ensure that local solutions are developed to tackle area-specific problems. This is best achieved by ensuring that the links are made with providers who have a good understanding of the social, economic and cultural peculiarities of the area. The Wise Group suggests that the DWP make use of existing strategies such as The Northern Way and the Scottish Executive's Closing the Opportunity Gap to do this, but would caution against the introduction of any unnecessary additional bureaucracy.

**Mental Health** - It must be recognised that different groups will have different issues to contend with and even within the Rehabilitation Support Allowance (RSA) group, some individuals will undoubtedly be further from the labour market than others. Supporting people with severe mental health issues will be particularly challenging and this will need to be factored in when deciding what provision should be made available. People with severe mental illness will need significant support if they are to move into work and any interventions should account for the possibility of relapse.

The potential of relapse could in fact be an issue for a number of conditions and this needs to be reflected in the way that any training or employment-focussed programmes are developed. For example, sickness/absence rules will have to have the flexibility to recognise that for some people, the ability to manage their condition will fluctuate at different points of the programme.

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### Developing trusting relationships that deliver results

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The Pre-Budget Report announced plans to provide better training material for new and existing medical professionals and to pilot improved arrangements on fitness-to-work advice, including placing employment adviser support within GP surgeries. We agree that this

will help to develop a more co-ordinated approach and enable people to find meaningful work that can accommodate their health issues. However, the DWP must be aware that there are issues of trust that could make it difficult to deliver this policy using Jobcentre Plus staff. Claimants will often judge the opinion of a GP as empirically sound and therefore reliable; the employment services, on the other hand, are frequently viewed with suspicion. Research suggests that some claimants do not trust Jobcentre Plus staff for a variety of reasons from previous bad experiences to tensions regarding issues of signing on and working\*. This has not been helped by media portrayals of the 'hidden army' of unemployed people claiming IB, as it creates fear that Jobcentre Plus staff aim to disprove their health problems and coerce them into employment. By developing a direct association between these two services there is a danger of spreading skepticism rather than easing it, which will make it more difficult to create a successful employment framework.

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### Methods of intervention: replacing incapacity with employability

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The DWP's five-year strategy details the Government's aim to provide more back to work support and extended employment advice and support for people with health conditions and disabilities. We agree that there needs to be a significant increase in the availability of support for this client group but stress the importance of using interventions that work and drawing on the experience of providers, like the Wise Group, who currently operate successful programmes that help people with health conditions and disabilities to move off benefits and into paid employment.

### An intermediary body for employment and health services

The DWP should build upon the trusting relationship that IB recipients have with General Practitioners and use this to help boost the profile of Jobcentre Plus. The most appropriate way to do this would be to eliminate potential barriers by using an intermediary body that can bridge the gap between health and employment services.

\* Source: New Deal for Communities: The National Evaluation - Research Report 2: Job Brokerage Findings. April 2000.

A prime example of this model in practice is the Wise Group's successful **Compass Project**. Operating in Glasgow, Compass supports patients based in the southwest of the city back into work. The Wise Group

**The most appropriate way to do this would be to eliminate potential barriers by using an intermediary body that can bridge the gap between health and employment services.**

work with over 60 GP's to provide a joined-up service of employability support and professional, health-related advice. An external evaluation has commended the impressive results the project achieved in its first year with 78% of clients improving their employability and 22% reducing their medication. The report highlighted that key to the success of the programme was the fact that partner organisations were invisible to the client, with all support and personnel branded as Compass. This was found to eliminate *"the potential barriers to engaging clients who were unwilling to re-engage with certain agencies or 'the system' at large".\**

#### **The Intermediate Labour Market**

*"Innovative approaches for the future will need to learn from some of the cutting edge work in ILMs, which provide pathways to work through Community based activity."* (Blunkett, 2000) The Wise Group pioneered the Intermediate Labour Market (ILM) model in the UK and continues to operate programmes twenty years on. Research has shown the ILM to be a valuable tool for helping the long-term unemployed and those furthest from the labour market into employment. The success of the ILM in helping different client groups is widely acknowledged and the Government has adopted the model, which forms an integral part of the New Deal programme. As the main provider of New Deal for Young People in Glasgow, we have found that the ILM continues to be a crucial form of work-based training and experience for people who have been out of work for a significant period of time and effectively need to bridge the gap from welfare to

work. In addition to our NDYP clients, we currently have over one hundred NDDP participants gaining valuable work experience or training on our programmes and we would argue for the further expansion of this model to give more IB claimants the appropriate support to help them find employment.

There are a number of reasons why the ILM is an appropriate intervention for the IB group and these are detailed below.

#### **It provides 'real' work in a supported environment**

The ILM has shown that the best way to engage people who are furthest from the labour market is to offer them a wage and meaningful work. With the added

**Research has shown the ILM to be a valuable tool for helping the long-term unemployed and those furthest from the labour market into employment.**

support and capacity building that is incorporated into an ILM programme, progression in terms of soft skills development and overall employability naturally follows from participation. The emphasis is on preparation for work but the package includes training towards a qualification, personal support, career planning and aftercare support. For IB claimants who require a supported approach to work, the transitional nature of the ILM is ideal because it gives participants the opportunity to identify the type of employment they are best suited to. Any additional support they need can be identified to help alleviate any fear they may have of the working environment.

\* Compass Evaluation Final Report for NHS Glasgow.

**It is an integrated model that targets a wide range of client groups; removing the disability label.**

The overall aim of the ILM is to provide the necessary support for people who are distanced from the labour market to help them find meaningful, paid work. Participants therefore come from different backgrounds and face various barriers to employment. As much as possible, an ILM should reflect a real work environment, programmes are not (and should not) be developed to cater solely for one client group, such as disabled people, but should include participants of different ages and backgrounds. With its primary focus on employability, the ILM therefore removes the disability label with IB claimants working in mixed teams where the only common barrier amongst participants is their employment status. In effect, the ILM puts all participants on a level playing field and removes the damaging and often unmerited association between disability and incapacity to work.

**It is a flexible model that can be structured as either a demand or supply-led intervention**

The flexibility of the ILM means it can be easily adapted to suit different client groups and different local labour markets. The traditional ILM provides paid work experience and training for a period of sufficient length to ensure that clients can make the transition from benefit to stable employment, whilst delivering work that has other community benefits. This programme was, and continues to be, most appropriate and highly effective for people who have been out of work over an extended period of time, given that they often require more intensely supported work experience in order to become job ready. Many IB claimants will need concentrated support in order to help them find work and this model is particularly suited to this group.

The demand-led ILM intervention delivers a variety of projects in direct partnership with local employers, offering beneficiaries closer to the labour market a range of work-based learning opportunities. Unlike the traditional ILM, work experience is provided independently of the ILM provider, with employers providing mentoring support to beneficiaries whilst on placement. Demand-led programmes seek to guarantee beneficiaries interviews for employment,

**CASE STUDY - John Dixon**



John worked for an insurance company for over 15 years until his multiple sclerosis made it too difficult for him to continue working.

Twelve months later John felt ready to return to work and after seeing an advert in the local paper, he contacted our Workable programme in Newcastle. After an initial interview with his Job Broker, John decided he would like to find a job where he could work part-time, with the possibility of eventually increasing his hours.

With the support provided by the WorkAble staff, John successfully secured employment as a Mortgage Advisor with Northern Rock. His Job Broker spoke to his employer regarding John's disability and helped to organise specialised back support to enable John to sit comfortably at work. John is currently working 16-hours a week and has been given the flexibility to increase his hours in the future.

John stated "I can't thank WorkAble enough for all the help and support they have given me."

and are fundamental in ensuring engagement with public and private sector employers on a sectoral basis. In addition, they tend to be shorter and therefore less expensive than the traditional ILM. Demand-led programmes will work well for some IB clients who are keen to work and with the correct support could quickly find employment. The further advantage of this model is that it requires employer buy-in and therefore encourages additional commitment from employers to tackle disability discrimination in the workplace. The Wise Group currently operates the WHIGG project

(Working for Health in Greater Glasgow) which was developed in response to employment opportunities in the NHS and aims to widen the labour market, improve the diversity of the NHS workforce and improve the health of new recruits. We have just begun the second phase of the initiative, which, having helped 95 out of the 149 trainees into work in 2004, has been expanded and we expect to offer opportunities for employment this year to 350 long-term unemployed people.

**It is an added-value model with wider regeneration benefits**

The ILM is an added-value model - as well as delivering jobs and qualifications and increasing participants' overall employability, the ILM has a social, economic and often a physical impact on the local area in which it operates. In providing training and work experience opportunities, an ILM boosts the economic output of a community, assists in the economic regeneration process, encourages community participation and improves skill levels. The effects of the ILM extend far beyond employment and training benefits to the positive influencing of the wider economic, social and environmental dimensions deemed essential in improving the quality of life for individuals and communities throughout the UK.

The ILM is often criticised for being a costly intervention even though the funds needed to deliver an ILM programme are relatively small when the results and added value of the programmes are taken into account. As Marshall and MacFarlane argue, *"compared with other initiatives for the same target group, ILM programmes offer equivalent or better value for money through higher job placement, durability of employment rates and the higher incomes gained"*. In order to calculate the real costs of an ILM place it is important to consider the costs of no intervention. Researchers at Northumbria University\*\* suggest that it costs an average of £10,426.44 per annum to keep somebody on Incapacity Benefit. This is calculated by adding the average annual amount of Incapacity Benefit (£84 per week) given to one person to the annual amount lost to the exchequer in terms of taxes and National Insurance (based on the national average full time wage of

£26,903) plus the cost of administering the Incapacity Benefit system itself:

<b>Average IB payment (£84)</b>	<b>£ 4,368.00</b>
<b>Lost Taxes and NI payment</b>	<b>£ 5,918.66</b>
<b>Administrative costs</b>	<b>£ 139.78</b>
<b>Total</b>	<b>£10,426.44</b>

We would suggest that this is a rather conservative estimate, as it does not include the additional benefits that many IB recipients claim such as council tax benefit, housing benefit and income support.

Estimates for the average cost of a place on an ILM programme range from between £7,000 to £14,000, we would suggest that the annual cost is approximately £10,000. As stated in the Five-Year Strategy, once a person has been on Incapacity Benefit for 12 months, the average duration of their claim will be eight years. Therefore with no intervention after twelve months the government can expect to spend £83,411.52 on an IB recipient. It is subsequently clear that the ILM is a highly cost-effective means of intervention (even without the physical and economic regeneration that ILMs contribute to).

The Wise Group is currently involved in research that aims to quantify the social return and investment of the ILM model. Although this is still very much in its infancy, it is already evident that the savings made in terms of benefit costs (IB, Council Tax Benefit and Housing Benefit) and healthcare costs, plus the contributions a person begins to make once they start work (such as tax and national insurance) more than justify the initial investment in training. We would propose that the further expansion of the ILM should not involve any additional spend but rather the reallocation of existing resources. Current investment in passive benefit recipients could be redistributed to fund an Intermediate Labour Market that will increase the gross national product and decrease benefit expenditure.

Using the estimated annual cost of IB for one recipient, we can extrapolate data for Glasgow which shows the annual cost of people receiving IB in the city (again, not

\* The intermediate labour market: A tool for tackling long-term unemployment by Bob Marshall & Richard MacFarlane (Sept 2000)

\*\* Source: A feasibility study by Northumbria University on Behalf of Finchdale Training College:  
[http://online.northumbria.ac.uk/csru/worddocs/finchdale\\_final\\_draft.doc](http://online.northumbria.ac.uk/csru/worddocs/finchdale_final_draft.doc)

including the cost of additional benefits) to be £348,243,096. This is a powerful illustration of why it is crucial that effective intervention is swiftly implemented to reduce the costs of the current system.

### **Funding: developing funding packages to reflect the client group**

Because of the complex barriers that some IB recipients face, successful interventions should not be defined using a wholly 'work-first' approach that rewards only job outcomes. The DWP needs to give providers assurance that a distance-travelled approach will be developed that can systematically measure a client's progress from the initial point of contact. This needs to be reflected in funding packages that do not place impractical time constraints on programmes such as the ILM, but recognise the need for some clients to be given longer-term assistance.

Financial structures need to take account of the fact that a significant number of people with disabilities may not be able to work unassisted and at best supported employment may represent their optimum engagement with the labour market.

Funding packages must be flexible so that providers have the incentive to help those furthest from the labour market. If funding is too restricted, service providers are inclined to 'cherry-pick' those clients that require the least intervention and neglect those with the most complex barriers who are most in need of the support.

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### **Preparation, intervention and aftercare: creating a continuum of support**

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In order to assist significant numbers of people claiming IB into work, the Government must develop a systematic approach to benefit reform by ensuring that recipients go through a pipeline of support. Communication is key and claimants, the employment service, service providers and employers must be kept informed as changes occur.

### **An effective marketing strategy**

If benefit reform is to create more employment opportunities for disabled people the DWP must raise awareness of the changes amongst all IB claimants and employers by developing an effective marketing strategy.

It is important that those who will claim the reformed benefit know what the revisions will mean and can appreciate the potential improvements that employment will make to their circumstances.

The DWP should look to ensure that the health benefits of work are more widely acknowledged by people in receipt of Incapacity Benefit. Whilst the Government's Framework for Vocational Rehabilitation is still in its infancy, the Health and Safety Executive have found that work can be an important part of the recovery process for people with ill health and these findings should be more widely publicised to IB claimants\*.

It is also critical that the DSA group, who will not be directly affected by the changes are aware that they too can benefit from the participating in programmes voluntarily. As highlighted earlier, it would be wrong to dismiss this group as incapable of work simply because they will not be referred for provision on a mandatory basis.

It is equally important that the marketing strategy aims to educate employers on the changes to the benefit and changes to the legal framework of the Disability Discrimination Act (DDA), and to promote the advantages of employing disabled people to help create a representative and inclusive workforce.

### **In-work support**

The need for extended help for some people in this group before they can enter work should be supplemented with the provision of in-work support once they find a job. Different sub-groups of claimants will require varying degrees and methods of support and programmes again need to be given the flexibility to tailor these on a client-by-client basis. It may also be worthwhile to develop a programme of financial assistance for SME's (who may not have the resources to accommodate disability) to enable disabled employees

\* Health and Safety Executive (October 2004) Managing sickness absence and return to work.

to take disability and rehabilitation leave when they first enter a job so that their condition can be assessed to determine how best to manage it in work.

The DWP should ensure that considered in-work support strategies are developed that do not unintentionally perpetuate discrimination against disabled people or give the impression that once in work, disabled people are less capable of working than their colleagues. It is important therefore that existing policies and pilots that are aimed at other benefit recipients can, where appropriate, be developed to accommodate the needs of Incapacity Benefit claimants. For example, if the Employment, Retention and Advancement (ERA) project is concluded to be a success and extended nationwide, IB claimants who move into work should be given the same opportunities to participate in the programme and receive a package of support to help them progress in their career.

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### **Additional factors for consideration**

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**The economic cycle and recessions** - At the moment we are hopeful that a strong economy will be the backdrop for IB reform. However, this is not guaranteed and should we hit a recession, employers' recruitment decisions may change dramatically.

Whilst there is a supply-led labour market where jobseekers have the upper hand and employers are finding it difficult to recruit, organisations will be more likely to take on people with a disability. However, in a recession the available pool of labour will expand and this may conversely affect the proportion of people coming off Incapacity Benefit and into work. Benefit reform needs to take account of this and the basis on which interventions are evaluated needs to be adapted accordingly.

**"Hidden" unemployment** - We believe there are a significant number of people claiming Incapacity Benefits who are effectively a "hidden" group of unemployed people. This is a contentious area that disability interest groups probably underestimate and the media almost certainly exaggerates. The Wise

Group welcomes the proposal to introduce RSA benefit and recommends that this group is monitored to try and determine the proportion of people within it that may not have a genuine health problem.

**Policy shift at the expense of others** - Overall, the Wise Group welcomes the impending reform of Incapacity Benefit and believe it is vital that all groups in society are given the opportunity to participate in a buoyant labour market. The proposals for reform indicate a significant shift in policy to support groups that have previously been alienated by the nature of the benefits they received. These changes are undoubtedly warranted but they must be endorsed by sufficient resources and adequate funding and must not increase the opportunities available to one group at the expense of another.

We are particularly concerned that by focusing on moving more IB recipients into work we could unintentionally marginalize a core group of young Jobseeker's Allowance claimants who have no work experience, limited skills and low levels of motivation. The Wise Group has experience of working with both young JSA claimants and IB recipients through the New Deal and there are general differences between their employability, with most NDDP clients being relatively closer to the labour market. This is admittedly influenced by the fact that NDYP clients are mandatory referrals whereas NDDP are self-referred and so choose to participate in our programmes.

The young people we work with through NDYP are often disaffected and view the prospect of work with despondency. This, coupled with limited work experience, can make some of this group particularly difficult to help. Problematically current policy does not acknowledge these issues - if a client is on NDYP, they are seen as fit to work and in need of no more than thirteen weeks of support and training to help them find and sustain a job.

Incapacity Benefit reform will create an extensive new group of mandatory referrals, many of whom may not have the motivation to work that characterises current NDDP clients. To cope with this providers will need to allocate significant staff resources and extend training

and work experience programmes over longer periods of time.

As a result of this shift in emphasis and potential depletion of resources the young people we work with through NDYP who have significant barriers to work may not receive the same level of support. The reform of IB must therefore address the inadequacies of the current system without neglecting the complex support needs of the indigent NDYP population.

**We hope you find our comments helpful. Please contact us if we can further assist in the development of Incapacity Benefit reform.**

The Wise Group is a not for profit organisation whose key focus is helping those outside of, or disadvantaged within, the labour market to change their lives through improving their labour market position. We operate throughout Scotland and the North East of England.

The Wise Group is managed by a voluntary Board of Directors which consists of:

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# Glossary

DDA	- Disability Discrimination Act
DSA	- Disability and Sickness Allowance
DWP	- Department of Work and Pensions
ERA	- Employment Retention and Advancement Project
IB	- Incapacity Benefit
ILM	- Intermediate Labour Market
JSA	- Jobseekers Allowance
NDDP	- New Deal for Disabled People
NDYP	- New Deal for Young People
PCA	- Personal Capacity Assessment
RSA	- Rehabilitation & Support Allowance
SME	- Small and Medium-sized Enterprises



**EMPLOYMENT OPPORTUNITIES FOR ALL**  
The reform of incapacity benefit

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