



Bridging the Gap

Summary

A discussion paper for reforming
Welfare to Work in the UK

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Summary

Context

For the majority of people work forms a central part of their lives. It defines a lot of who we are, who we meet, what our goals are and how we live our lives. It allows us to meet friends, partners and to develop and practice our social, practical and intellectual skills. And yet for so many this fundamental human right to be able to answer the question “What do you do?” is denied them. Too often people are excluded due to lack of support, outdated assumptions and a welfare system that has ignored the barriers to work that people with mental illness face.

If 21% of people on incapacity benefits have severe and enduring mental health problems this translates to approximately 550,000 people being out of work and is a growing trend. Given the scale of the problem there is a need for a similar scale of response. The Government need to 'invest to save' if these numbers are to reduce.

People who have been on incapacity benefits for more than 2 years should not have a higher chance of dying prematurely than they do of moving into employment. Considering that 71% of IB claimants in Scotland have been on IB for 2 years or more the current support interventions are clearly not working¹. Urgent action and investment is required if employment exclusion is to be eliminated for this group of people.

The economic exclusion of those people furthest from the labour market urgently needs to be addressed through a detailed and lateral investigation of welfare benefits reform. A new, more flexible, system needs to be created, that is capable of supporting people into sustainable employment.

However any reform of the financial system that currently restricts movement from economic inactivity to employment must be investigated in parallel with the reshaping of support services.

It is the contention of Social Firms Scotland that benefits reform could open up cost-effective routes to create a new transitional employment market, based on social firms and social enterprise, which will meet the needs of those furthest from the labour market.

Social firms make a concerted effort to focus on those people who are long term unemployed and can demonstrate very positive results. With investment, a radical overhaul of the existing welfare system and a coordinated more holistic support approach between agencies, social firms could play a significant role in maximising the employment options available to people.

Bridging the gap will take time and a change in attitude from all stakeholders. The policy context and economic environment are ripe for change. However careful consideration and a bold approach are required to create a welfare support system fit for people's needs in the 21st century.

It is hoped that this report will provide a catalyst to an informed debate aimed at the constructive reform of the UK's Welfare System.

¹ Trends in Employment for the Disabled, Department of Work and Pensions presentation, London, (2002).

Purpose

'Bridging the Gap' is a discussion paper aimed at those who are closely involved or affected by wider reform of the welfare to work system related to employment support. It has a particular focus on the effect of reform in relation to people with mental illness as they form the largest group of disabled people put of work². The paper:

- Identifies foundation principles for longer-term action
- Proposes urgent recommendations for reform of the current welfare benefits system that will improve employment opportunities for unemployed people with severe and enduring mental health problems.
- Outlines current policy developments in the UK, and examines what lessons can be drawn from international experiences of welfare reform.
- Places emphasis on the potential of social firms to provide a response to creating more effective employment support for people with severe and enduring mental health problems.

Principles for Reform

Social Firms Scotland would like to see the following guiding principles underpinning any future reform of the Welfare Benefits system. Although gathered from mental health professionals and service users it is felt that these principles are applicable to all disadvantaged groups:

- **Transitional flexible support** that enables transition within a flexible labour market including supported employment for those who need it
- **Making work Pay** even for those able to work only part time
- **Simplicity** to reduce and eradicate the current complexities in the development of a new system
- **Integration** of benefits, wages, tax and tax credits

² ONS (August 2003) Labour Force Survey

Key Recommendations

Transitional Flexible Support

A more coherent system of employment support services that increase consistency and reduce gaps in service provision needs to be developed in parallel with reform of the Welfare Benefits system.

Social Firms Scotland has identified an Employment Spectrum for people with severe and enduring mental health problems³ that outlines what interventions should be available depending on the individual's relationship to the labour market. Transitional employment options are crucial if people are to move into employment. Therefore based on the principle of flexibility the following options need to be considered:

1. Create specialist transitional employment market options aimed at individuals with mental health problems.

These should be developed along similar lines to New Futures, Progress2Work and/or StepUp and be built into the New Deal 'Menu for Help' being proposed within the prototype districts.

2. Social firms to be seen as a future specialist support option on the proposed New Deal Menu and as an employment option for those individuals being supported by Pathways to Work.

3. Adopt an innovative use of subsidy to enable social firm start-ups to create supported jobs in real businesses.

Germany, Ireland and Finland have accomplished this by using existing budgets more effectively and have shifted funding towards specialist agencies whose focus is to support the development of social firms.

2. Calculate the full cost of keeping someone on benefits and use this as a benchmark for the cost-benefit analysis of the various methods used in transitional employment.

This could easily be accomplished by the DWP and would stand as a benchmark for measuring the level of social return on investment (SROI).

3. Increase access to supportive employment placements for people with severe and enduring mental health problems

There is significant evidence that supported employment is more effective than pre-vocational training in helping severely mentally ill people to obtain competitive employment. There is no clear evidence that pre-vocational training is effective⁴. Therefore the following is required:

- Ensure 'Access to Work' is open to all individuals on Supported Permitted Work as well as those working 16 hours plus⁵
- Ensure delays in obtaining funding through 'Access to Work' are effectively dealt with if not eradicated
- As there is no funding for 'Supported Permitted Work', create a joint Department of Health and DWP fund for people on 'supported permitted work'. This will fund the 'support' element of an 'Individual Placement and Support' model for this group of people.

³ See p29

⁴ Crowther, R. et al (2004) Vocational Rehabilitation for People with Severe Mental Illness (Cochrane Review), the Cochrane Library, Issue 2

⁵ Access to Work support for people with severe mental health problems (within a social firm) might go towards mentoring/job coaching support, the provision of mental health awareness training for staff, personal development planning, training support, assessing reasonable adjustments, etc. For someone working less than 10 hours per week this might be around £2,000-£2,500 per year. For someone working 10 hours plus it might be between £2,500 to £3,500 per year.

- Additional funding for this provision to be injected from Department of Health under 'invest to save' due to potential cost savings from the ensuing health benefits linked to being in employment
- Funding to be made available for 100,000 supported employment places under Workstep specifically targeting people with severe and enduring mental health problems
- Ensure localised access to Workstep places rather than through large contracts to existing Workstep suppliers. This will remove incurred costs from intermediaries resulting in more monies going to the direct support of individuals
- Increase opportunities for professional development including recognised qualifications of those involved in vocational rehabilitation including NHS, Jobcentre Plus and social services staff as well as within the voluntary and social enterprise sectors

Make Work Pay

The discrimination experienced by those individuals who can only work part-time needs to be eliminated. The recommendations laid out below would do this. The group of people who moved into employment under 'permitted work' rules could become one 'pool' for the Jobcentre Plus Personal Advisors to work with in relation to Work Focused Interviews. This would simplify any rules and confusion around 'training allowances'. It would enable people to increase their employability without the financial risks that are currently in place⁶.

6. Discontinue the earnings disregard for all incapacity benefit recipients enabling them to earn up to 16 times the National Minimum Wage

This will allow people the desperately needed flexibility to try work regardless of where they are living while keeping their current income intact. It will reduce the issue of earnings disincentive, disruption and unnecessary stress and still be paying money back to the state in the form of taxes.

7. Raise the local authority mandatory earnings disregard and allow people in receipt of Housing Benefit, Council Tax Benefit and Income Support to earn up to 16 times the minimum wage including those in rented, supported and registered care homes

A weakness of many reform proposals in the past has been a failure to consider the role of housing support in its current form, and its interaction with benefits. Reform of HB, or at the very least removal of its impact on benefits designed to support the transition to work, should be a key ingredient of any reform.

8. Maximise the benefit from economic regeneration initiatives by ensuring the creation of new employment opportunities for disabled people

Build 'community benefits' into procurement contracts in line with recent EU directive on social and environmental clauses due to be implemented from January 2006.

9. Create a 'Benefits Transfer' option whereby people's benefits are transferred to their employers and paid back in the form of a wage or salary⁷.

Transfer IB (Incapacity Benefit) claimants onto JSA (Job Seeker's Allowance) at the same rate rather than incurring the need for legislative change⁸. People would be in receipt of a wage rather than benefits which would remove the perceived fear of moving off benefits, allowing people to get used to earning a wage with no pressure if they relapse.

⁶ Scottish Enterprise's (April 2005) Evaluation of the New Futures Fund Initiative demonstrated that projects concentrating on an individual's employability rather than a job outcome led to more people moving into employment.

⁷ Anecdotal experience of New Deal 25 Plus clients has shown that the subsidised employment option would seem to achieve a successful outcome for approximately 50% of participants against the 25% outcome for those who do not take this option. As a direct result of this the National Employment Panel (2004) recommended that "The Department of Work and Pensions and Jobcentre Plus should investigate why this option, which seems to be successful, is so little used." Social Firms Scotland would strongly support this investigation.

⁸ IB as it stands cannot be transferred or paid to a third party except in exceptional circumstances such as where a power of attorney has been granted. For a full discussion on this option see Taking the Initiative - Blue Sky Thinking for a Flexible Welfare Benefits System (Social Firms Scotland, 2005)

Simplicity

10. Ensure that all claimants have access to accurate information that will enable them to make informed decisions about moving into employment

- Provide an accurate Better Off calculation service that can provide information on how and when people's circumstances would change by moving into work
 - Provide this service throughout the period of moving into employment so that this information remains accurate according to a person's changing circumstances
 - Clearly advertise this service to claimants
 - Ensure that training and development in the system is consistent across all delivery staff
- i. Jobcentre Plus needs to continue to move towards becoming a greater facilitator for support delivery through more effective partnership working**
- Improve procurement practices with an emphasis on more localised procurement of services
 - Increase the development of partnership approaches with voluntary/community sector, social enterprises, private business and public agencies. This should lead to more local partners being involved in shaping local delivery solutions.

Integration

Recommendation for Eliminating the Gap

12. Abolish the existing welfare benefits system and replace it with an integrated income maintenance and tax model.

Use the range of personal allowances in the PAYE system as the basis for determining individual tax thresholds, above which tax is applied, but below which income maintenance payments are made.

Under this proposed system, the issue about hours of work and pay would be sidestepped, as would the issue about full-time education and training and availability for work. The difficulty of working between 4 and 15 hours would be removed, and capacity issues would not enter into it. The higher a person's earnings, the greater the savings flowing back to the state through increased tax contributions.

Implications for Stakeholders

There are a number of implications for stakeholders emanating from this paper that should be considered including:

The UK Government and its agencies should:

- Be bold in its thinking and subsequent implementation around the imminent reform of Incapacity Benefits
- Recognise the impact of reducing unemployment rates on the type of specialist support measures that need to be made available for those who are 'economically inactive'
- Recognise that a considerable amount of unemployed disabled people have never worked and so are in receipt of Income Support plus Disability Premium and the impact this has on the number of 'economically inactive' and their access to employment support
- Act as an exemplar employer in offering employment opportunities to disabled people
- Recognise that employment and health are intertwined and embed this across health, economic development, social work and employment agencies. This needs to be reflected in funding, strategic development and implementation of employability strategies at local and national levels

The Scottish Executive and its agencies should:

- Be supporting a call for a bold approach to be adopted across departments for welfare reform taking into consideration the impact on Scotland's Employability Framework
- Build upon and expand links with Westminster regarding the impact of welfare reform on devolved matters such as development of the social enterprise sector
- Develop a clear strategy for social enterprise that recognises the sector's ability to create sustainable new businesses and create jobs
- Place support for the development of the social enterprise sector in the right institutional environment similar to that of Westminster
- Recognise that social firms offer an enterprising and sustainable option for adoption within local employment strategy, and should be seen as part of a mainstream solution to increasing the economic activity of people furthest from the labour market.
- Act as an exemplar employer in offering employment opportunities to disabled people
- Raise awareness of the EU directive on social and environmental clauses due to be implemented from January 2006 and its potential impact on the power of procurement to influence job creation for those furthest from the labour market.
- Be aware and encourage the development of partnership working across sectors working with Jobcentre Plus
- Recognise that employment and health are intertwined and embed this across health, economic development agencies, social work and employment agencies. This needs to be reflected in funding, strategic development and implementation of employability strategies at local and national levels

Individuals with mental health problems interested in employment should:

- Be aware of what your local mental health and employment strategy is and ensure you have an input in this process. This can be accessed from your local authority and essentially dictates what employment related services will be commissioned by your local authority.
- Be able to access employment support that focuses on career development and not just accessing a job
- Continue to pressurise UK and Scottish governments for better access to education, training and employment through such means as Sections 26 of the Scottish Mental Health (Care and Treatment) Act (2003)
- Ensure you get involved in policy development and evaluation of employment related services by requesting accessible information on current developments