

Summary: Intervention & Options

Department: Department for Work and Pensions

Title: *Impact Assessment of Building bridges to work: new approaches to tackling long term worklessness*

Stage: Final proposal

Date: 29 March 2009

Related Publications: *Impact Assessment of Building bridges to work: new approaches to tackling long term worklessness*

Available to view or download at: <http://www.dwp.gov.uk/publications>

What is the problem under consideration? Why is Government intervention necessary?

Worklessness is bad for the individual, their family, community and the taxpayer. After previous recessions, it was people on sickness benefits and people who had been out of work for more than a year who were least likely to make it back into employment as the economy grew. The Government is determined to do more to make sure that after this recession, no one is left behind to a life on benefits.

What are the policy objectives and the intended effects?

The objective is to reduce long-term worklessness (both inactivity and long term unemployment). The proposals are intended both to try and prevent long-term worklessness, and to address it where it has arisen, which will support economic growth and provide economic benefits for individuals, families and communities.

What policy options have been considered? Please justify any preferred option.

The policy options are: (1) amending the Work Capability Assessment to ensure that benefit customers are correctly assessed; (2) a new package of support to help Employment and Support Allowance (ESA) customers back to work; (3) a new package of support for Jobseeker's Allowance (JSA) customers with health conditions or disabilities get back to work; (4) a guarantee of a job or work experience for JSA customers reaching two years unemployment, (5) Work Choice place for long term ESA customers who want it; (6) providing greater support for small employers under the Access to Work scheme.

These have been selected from a range of alternatives, on the basis of economic impacts and coverage across the groups which need support, and following discussions with medical experts (where relevant), lobby organisations and service users.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

This is a final proposal stage Impact Assessment. The policy will continue to be reviewed in the light of further evidence.

Ministerial Sign-off For final proposal Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister



Date: 29 March 2010

Summary: Analysis & Evidence

COSTS	ANNUAL COSTS		<p>Description and scale of key monetised costs by 'main affected groups'</p> <p>The economic costs of the package include additional direct departmental costs, operational costs, and other departmental costs incurred to support the policies. The economic costs include cost savings. Increased transfers payments have not been included as costs as they are not economic costs.</p>
	One-off (Transition)	Yrs	
	£25m	1	
	Average Annual Cost (excluding one-off)		
	£5-10m	3	
Total Cost (PV)			£50m
<p>Other key non-monetised costs by 'main affected groups'</p> <p>Note that monetised costs other than the direct departmental cost of the package (e.g. individual costs and indirect fiscal costs) have been deducted from the key monetised benefits.</p>			

BENEFITS	ANNUAL BENEFITS		<p>Description and scale of key monetised benefits by 'main affected groups'</p> <p>Economic benefits of a policy, for example the value of additional production from moving people into work. Further information in evidence base. Reduced transfer payments have not been included as benefits as they are not economic benefits.</p>
	One-off	Yrs	
	£0m	1	
	Average Annual Benefit (excluding one-off)		
	£60-90m	3	
Total Benefit (PV)			£220m
<p>Other key non-monetised benefits by 'main affected groups'</p> <p>Wider social benefits from increasing employment, for example, increased self-esteem and independence as a result of working.</p>			

Key Assumptions/Sensitivities/Risks

Impacts include estimates of additional employment from the proposed measures, which are subject to uncertainty. Costs and benefits rounded to nearest £10m.

Price Base Year 2010/11	Time Period 2010/11-13/14	Net Benefit Range (NPV) £100m – £300m	NET BENEFIT (NPV Best estimate) £170m
----------------------------	------------------------------	--	--

What is the geographic coverage of the policy/option?	Great Britain			
On what date will the policy be implemented?	Various			
Which organisation(s) will enforce the policy?	DWP			
What is the total annual cost of enforcement for these organisations?	N/A			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	N/A			
What is the value of the proposed offsetting measure per year?	N/A			
What is the value of changes in greenhouse gas emissions?	N/A			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
	Targeting Access to Work at SMEs will impact on larger firms and benefit SMEs.			
Are any of these organisations exempt?	No	No	No	No

Impact on Admin Burdens Baseline (2010/11 Prices)				(Increase - Decrease)
Increase of	N/A	Decrease of	N/A	Net Impact N/A

Introduction

1. A strong, healthy and prosperous economy needs everyone to have the chance to make the most of their skills and potential. Apart from the increases in income that employment brings, work strengthens independence and dignity and fosters greater social inclusion. Increasing employment helps to tackle poverty and enable people to save for their future retirement.
2. *Building bridges to work: new approaches to tackling long term worklessness* sets out proposals to reduce long term worklessness. Unemployment and inactivity can cause substantial problems and the damaging effect on people and communities has an adverse impact on the country, with the loss of skills and productive capacity.
3. There are four key policy areas covered in this Impact Assessment:
 - Reviewing the Work Capability Assessment (**Annex 1**)
 - Supporting people on Employment and Support Allowance (**Annex 2**)
 - Extra support for people who are fit for work (**Annex 3**), and
 - Preventing long-term worklessness (**Annex 4**)

Benefits to the economy

4. This Impact Assessment looks at the overall costs and benefits of the policies to the economy. The range of potential benefits to the economy include:
 - **Growth and productive capacity:** Available labour supply is a determinant of the rate of economic growth and increasing employment increases the productive capacity of the economy.
 - **Productivity:** The Department and Jobcentre Plus services help to ensure that vacancies are filled quickly, facilitating a dynamic labour market which in turn can improve productivity. Policies to improve the skills of workers will also help to improve productivity.
 - **Flexibility:** Improving the flexibility of the labour force leaves society in a better position to react to changes in economic circumstances, both to take advantage of the opportunities presented by an increasingly globalised economy and to respond to periods of slower economic growth.
 - **Inter-temporal effects:** As people remain unemployed or inactive they lose touch with the labour market, they may lose skills and potentially become stigmatised as a result of spending long periods of time out of the labour market. This can damage employability and increase search costs for individuals. To minimise this, the Government wants to keep people engaged and active in the labour market as far as possible.
5. The Impact Assessment includes wherever possible estimates of economic benefits, based on the wages received by the extra people who find and remain in work as a result of the measures. Behavioural change is difficult to estimate with certainty and so estimates must be treated with caution. This provides a broad proxy for the immediate economic gains, but benefits resulting from improved flexibility and reduced scarring cannot be robustly quantified and are not included here.

Exchequer (Fiscal) Costs and Savings

6. There are benefits to the Exchequer from an increase in employment. It leads to reduced benefit expenditure and increased receipt from tax and national insurance (NI) contributions, which can help to reduce the fiscal burden and be beneficial for the sustainability of public finances.

Distributional impacts

7. The immediate impact of a move into employment is that in almost all cases individuals are financially better off. This increase in income causes an increase in satisfaction (known as utility) and improves overall social welfare.
8. An improvement in the incomes of lower income groups is likely to lead to an overall improvement in welfare, even where that is offset by changes in tax on other groups, because the marginal utility associated with income changes is generally higher for lower income groups. In line with previous Departmental practice, however, these distributional effects are not reflected in the overall net economic benefit calculation.
9. This should also be seen alongside the other non-financial benefits of moving into work such as improved health and increased social interaction, which are also not quantified in the assessment.

Poverty alleviation

10. Increasing employment is directly linked to a reduction in the risk of poverty and that increases social welfare, not only for the individuals lifted out of poverty but also for the rest of society. There are also intergenerational impacts – improving outcomes for families today will help ensure that the children of today do not grow up to become tomorrow's poor parents.

Estimating costs and benefits

11. The economic and fiscal costs and benefits of these policies reflect the following:

Key monetised costs:

12. The proposals in *Building bridges to work: new approaches to tackling long term worklessness* make more effective use of current spending on Pathways to Work to better meet the needs of customers, to address the issues of long-term unemployment and helping customers with disabilities and health conditions into work.
13. Monetised costs are presented so that the additional direct Departmental costs of the package are clearly recognisable. Direct Departmental costs represent increases in operational costs, for example the cost of additional adviser time, or costs associated with the provision of Welfare to Work support.

Key monetised benefits:

14. The key monetised benefits include the benefits to the Exchequer and people affected by the policies. The impact to the Exchequer captures changes in expenditure and revenue for out-of-work benefits, direct taxes and indirect taxes. Many of these fiscal impacts are savings that result from additional movements into work as a result of the policies set out in *Building bridges to work*. The impact to individuals captures the increase in income received. Individuals who move into employment directly as a result of policies benefit due

to the wage received. Individuals also incur additional costs due to taxation as they move into work. Taking these effects into account gives a net benefit to individuals.

15. Estimating behavioural change and their impacts must be treated with caution and there are a number of areas in which the measures are likely to generate benefits but there is not sufficient robust evidence to quantify the impact. Costs are more likely to be fully quantified. As a result, the net monetary benefit from the measures presented here is likely to understate the overall net benefit.
16. Note: In some cases benefits (costs) to the Exchequer directly correspond to costs (benefits) to individuals. For example increased taxes paid by individuals result in a matching benefit to the Exchequer. These would both be incorporated within the benefits shown, and would cancel out (note that these would not cancel out exactly if distributional weights were applied).
17. The final net economic benefit calculation is discounted by the social discount rate of 3.5 per cent (as set out in the Green Book) to account for the fact that costs and benefits realised in the future have a different value of costs and benefits in the present.
18. Overall, *Building bridges to work* has been designed so that the new support can be delivered within existing Departmental budgets by reshaping our Pathways programme to support customers with health conditions on Employment and Support Allowance and Jobseeker's Allowance, and delivering a guarantee or work or work experience for Jobseeker's Allowance customers reaching two years unemployment.
19. All costs and benefits are stated as net present values in 2010/11 prices unless otherwise stated.

Overarching Equality Impacts

20. The Department has carried out Equality Impact Assessments on *Building bridges to work* to meet the requirements and to ensure the *Building bridges to work* meets the requirements of the:
 - Race Equality Duty;
 - Disability Equality Duty; and
 - Gender Equality Duty.
21. The assessment process is carried out to help ensure that:
 - The Department's strategies, policies and services are free from discrimination;
 - Due regard is given to equality (specifically disability, gender and race) in decision-making and subsequent processes; and
 - Opportunities for promoting equality are identified.
22. The Department is committed to promoting equality – each policy section has a dedicated Equality Impact Assessment and the Department takes very seriously the legal requirement to assess the impact of policy (including potential unintentional consequences) on the grounds of ethnicity, disability and gender. The Equality Impact Assessment also considers the impact on Department customers in terms of age. Unless otherwise stated in the individual sections, none of the policies are considered to have any age impacts. None of the policies are considered to have any negative consequences on customers with specific religious beliefs or sexual orientation. No human rights impacts have been identified.

23. The changes the Government will introduce will be thoroughly evaluated to ensure that, both through these changes and in shaping future policy, there is a positive impact on employment rates.
24. *Building bridges to work* aims not only to achieve higher overall levels of employment but to address deep-seated inequalities by creating a labour market that is flexible, fair and open to all.
25. This Impact Assessment is a living document and will be regularly reviewed and updated as the proposals are developed in further detail to ensure that all potential equality impacts are identified and understood. Comprehensive and robust evaluation will be at the heart of the proposals so that any unforeseen policy and equality impacts are identified and shape future policy developments.

Annex 1 – Reviewing the Work Capability Assessment

Introduction and Policy Rationale

26. The medical assessment for Employment and Support Allowance (ESA), the Work Capability Assessment (WCA) was developed to assess an individual's functional capability in relation to work encompassing limitation in both physical and mental function. It moved away from assessing what a person can't do towards focusing more on what they can do.
27. The assessment also incorporates the Work Focussed Health Related Assessment (WFHRA), a positive forum in which those who are found to have limited capability for work can focus on the challenges they face in getting into employment and consideration of actions to meet these, with a health care professional.

Reviewing the Work Capability Assessment

28. In line with commitments given at the time of the 2008 White Paper *Raising expectations and increasing support: reforming welfare for the future*, the Department has carried out a review of the Work Capability Assessment to ensure it is accurately assessing individuals for benefit purposes and to identify how it could better account for adaptation.
29. This was led by Department for Work and Pensions officials and involved medical and other experts alongside representative groups and put forward a number of recommendations to amend the current regulations.

Consultation

30. The review was announced in the July 2008 Green Paper: *No one written off: reforming welfare to reward responsibility*, which underwent public consultation. Recommendations were produced in discussion with the working group. Further consultation has not been sought at this stage as the proposals are specialised and technical in nature.

Summary of Recommendations

31. The Government proposes to amend the regulations to:
 - Place people awaiting chemotherapy in the support group;
 - Ensure greater recognition of fluctuating conditions within the assessment itself;
 - Expand the support group to cover people with certain communication problems and severe disability due to mental health conditions;
 - Make the language of the assessment clearer and the process simplified, to support fair and consistent application; and
 - Ensure appropriate account is taken of each individual's adaptation to their condition or disability.

Overall Estimated Impact of Policy/ Estimating Costs and Benefits

32. The main effect of the proposals is on physical function relating to greater inclusiveness towards adaptation. This means that where an individual has adapted to their condition the assessment will take account of this. For example, an individual will no longer automatically be entitled to ESA if they cannot walk but can successfully use a manual wheelchair to mobilise.
33. There has also been a widening of the ESA Support Group criteria mainly in mental function following the identification of areas where individuals would face severe functional limitation.

Groups affected

34. The groups affected by this change are:

- Individuals making new claims to ESA, and
- Existing recipients of ESA and incapacity benefits.

35. Analysis has been carried out to model the implications of these proposals using data on ESA customers. Of all new ESA claims, currently 38% are found fit for work.¹ The revised WCA is estimated to result in a five percentage point increase in the numbers found fit for work. Estimates of the additional numbers found fit for work with the introduction of the revised WCA are as follows:

Financial Year	Cumulative extra customers found fit for work
2009/10	0
2010/11	0
2011/12	45,000
2012/13	65,000
2013/14	75,000

36. The analysis also shows around an eight percent increase in the proportion assessed to be in the ESA Support Group. As stated above, the Support Group criteria were widened in the area of mental function, specifically relating to:

- Receptive communication (currently only expressive/outgoing problems in the support group);
- Awareness of hazards;
- Coping with change;
- Coping with social engagement; and
- Appropriateness of behaviour with other people.

37. ESA is intended to be a temporary benefit for most customers, where a health professional will assess the length of time an individual is expected to need to recover or adapt to their condition to the point where they will be fit to seek work. This is used to advise the time at which they should be reassessed. In reality most people are expected to have returned to being fit for work and moved off ESA within two years.

Costs

38. There are one-off costs for implementing the proposed changes. The majority of the costs lie with revising the ATOS healthcare IT software for inputting the medical assessments, and training ATOS healthcare professionals to implement the revised assessment. There will also be costs for revising the customer questionnaire in line with the proposals.

39. There will be ongoing operational costs from processing increased appeals. This is as a result of higher numbers of customers expected to be assessed as fit for work. Current estimates are that there could be a five percentage point rise in the overall disallowance rate and an increase in the number of appeals of 13 per cent. A large proportion of the associated costs lie with Ministry of Justice.

¹ Employment & Support Allowance: Work Capability Assessment Statistical Release
http://research.dwp.gov.uk/asd/workingage/esa_wca.asp

40. There will be costs to the Exchequer of paying and administering JSA and other benefits due to some customers moving to these benefits after they have been assessed as fit for work through the amended WCA.
41. There will also be costs to the Exchequer of paying higher rates of ESA to the additional numbers expected to be assessed to be in the Support Group through the amended WCA.

Benefits

42. There will be benefits for the Exchequer in terms of savings from paying and administering ESA and incapacity benefits due to the increased numbers being assessed as fit for work through the amended WCA.
43. Ensuring that the gateway to ESA is accurately identifying individuals for the most appropriate benefit will result in the following benefits for customers:
 - Accurate identification of individuals who are unable to engage in work related activity, and the provision of greater financial support.
 - Assessment with more inclusive take on adaptation will lead to earlier entry into the work place for customers who will be identified as capable of work where they have taken steps to modify their condition.
 - The Government can ensure that those who need it are provided with appropriate support, leading to an increase in their likelihood of returning to work. Ensuring the accuracy of the gateway to entitlement contributes to achieving this benefit for customers.

Equality Impact Assessments

Risks

44. A risk associated with changes to the WCA is that customers with health conditions or disabilities are found fit for work and take up Jobseeker's Allowance (JSA) may become long-term unemployed rather than finding appropriate work.
45. To mitigate this risk the Government will provide new health related support for customers claiming Jobseeker's Allowance or Employment and Support Allowance – including a new programme to manage health conditions developed with the NHS. The Government will provide additional, intensive support including extra adviser time, access to extra support with job search, confidence building, skills and training. The Government will ensure customers with health conditions and disabilities who are found fit for work have appropriate access to support – details are provided in **Annex 3**.
46. Consultation on the June 2008 Green Paper: *No one written off: reforming welfare to reward responsibility*, highlighted concern that those with fluctuating conditions or mental health problems may face undue barriers in receiving their entitlement, representing a potential risk. To mitigate these risks, the WCA has been designed to take account of fluctuating conditions, assessing a customer's capability over time. Guidance states that if an individual cannot complete an action safely, reliably and repeatedly they should be considered unable to complete it at all. Recognising the challenges associated with assessing fluctuating conditions there is continual work which aims to enhance the training that Healthcare Professionals receive and ensure that advice in this area is comprehensive.
47. However, in recognition of the importance of accurately assessing fluctuating function, changes have been suggested to certain descriptors where exertion is a significant

component. This reinforces that where a customer is unable to do something as a result of exhaustion experienced, rather than discomfort, that it is captured in the assessment.

Disability

48. Most ESA and incapacity benefits customers are likely to be covered by the Disability Discrimination Act (DDA) and so this reform has considerable significance for disabled people.
49. Information on medical condition for ESA customers is not available. The best data that is available is for incapacity benefits customers, which provides a useful approximation. The table below shows the distribution of incapacity benefits customers by medical condition, with mental health and behavioural conditions being the most common.

Table 1 Incapacity Benefits customers by medical condition²

Medical Condition	Share of the incapacity benefits caseload
Mental and Behavioural Disorders	43%
Diseases of the Nervous System	7%
Diseases of the Circulatory or Respiratory System	7%
Diseases of the Musculoskeletal system and Connective Tissue	17%
Injury, Poisoning and certain other consequences of external causes	5%
Other	21%
Total	100%

50. Reforms to the WCA are not targeting any particular group of customers with health conditions in relation to their condition. The medical assessment is based on the severity of functional limitation caused by a condition; not on the basis of the condition itself, because different people may be affected in different ways by the same condition.
51. The proposed changes will affect customers with some conditions more than others, for example, customers who are able to use a manual wheelchair may no longer automatically be entitled to ESA. This is not because these particular groups have been targeted, but because it was necessary to bring the assessment of these conditions into line with the rest of the assessment and its ethos of identifying customers for benefit on the basis of their functional capability rather than their condition.
52. All customers can request a reconsideration of their case from the Decision Makers. Customers also have a right of appeal against the decision made in their case, which includes the results of the medical assessment. To mitigate any risk that sanctions may have a disproportionate effect, especially on those with mental health conditions and learning difficulties, there are flexibilities which allow good cause to be applied by the personal adviser.
53. As with the original development of the WCA, representatives from a range of disability groups have been involved in the review, providing an opportunity for input into policy development. The review has also involved detailed case analysis, exposing the experts to individual cases, and an understanding of how the WCA relates to individuals. In focusing

² Source: Department of Work and Pensions Longitudinal Study May 2009

on what customers are capable of, as well as what they are not, the WCA presents an opportunity to promote confidence in the capabilities of those with disabilities to participate in working life.

Ethnicity

54. Information on the ethnicity of ESA customers is not available. The best data that is available is for incapacity benefits customers from the Family Resource Survey which provides a useful approximation.
55. There is a low risk that ethnic minorities could be disproportionately affected by changes to the WCA, as survey evidence indicates that there is a lower proportion of ethnic minorities on incapacity benefits (6 per cent) relative to the working age ethnic minority population as a whole (12 per cent).

Table 2 Proportion of incapacity benefits customers by ethnicity³

Ethnicity	Incapacity benefits	Working Age Population
White	94%	88%
Ethnic minority	6%	12%

56. Changes to the Work Capability Assessment will not apply differently to people of different races or cultures. The Healthcare Professional carrying out the assessment will neither be provided with, nor ask the customer their ethnicity, thus facilitating uniformity in the application of the assessment to all applicants for ESA irrespective of their ethnicity. However, there is a potential risk of racial discrimination on a case by case basis during the course of the assessment itself. The presence of a language barrier may also make it difficult for applicants to convey their health problems and challenges to entering work.
57. In order to mitigate these risks, the medical assessments providers will make reasonable endeavours to ensure that an interpreter is available, if requested when the appointment is made. Those involved at all stages of the process will receive training on the Race Equality Duty, while a specific training course on working with diversity is also provided for all new and existing Healthcare professionals undertaking this work. Monitoring of customer experiences through the complaints procedure will take place to ensure that there is no racial discrimination. This is facilitated by the provision of a detailed breakdown of all complaints raised against healthcare professionals to the Department on a monthly basis.

Gender

58. Data for ESA and incapacity benefits customers by gender is provided in the tables below.
59. Currently there are 1.35 million men claiming existing incapacity benefits and just under one million women. This means that men make up around 58 per cent of the caseload. However this varies by type of incapacity benefit received as shown in Table 3. For example, 62 per cent of contributory Incapacity Benefit customers are male, compared to 50 per cent of Severe Disablement Allowance (SDA) customers.

Table 3 Incapacity Benefits customers by Gender⁴

Benefit	Male	Female	Percentage	Percentage
----------------	-------------	---------------	-------------------	-------------------

³ Source: Based on the Family Resources survey 2007/08

⁴ Source: Department of Work and Pensions Longitudinal Study May 2009

			female	male
Incapacity Benefit	767,000	468,000	38%	62%
Income Support	482,000	412,000	46%	54%
SDA	101,000	102,000	50%	50%
Total	1,350,000	982,000	42%	58%

60. Currently there are 218,000 men claiming ESA and 156,000 women. This means that men make up around 58 per cent of the ESA caseload, similar to the incapacity benefits caseload.

Table 4 ESA customers by Gender⁵

Benefit	Male	Female	Percentage female	Percentage male
ESA	218,000	156,000	42%	58%

61. Administration of the WCA does introduce some risk that customers may be treated differently because of their gender. Individuals may feel vulnerable if required to participate in an assessment carried out by a Healthcare Professional of the opposite gender, or that their gender makes them exposed to discrimination. In mitigation of this risk, the provider is contractually required to meet all requests for medical assessments to be carried out by healthcare professionals of the same sex on cultural or religious grounds. Customers are invited to bring a friend or relative to attend the assessment and the provider must adhere to all requests for the presence of a third-party. A random sample of customers will be provided with feedback forms in which they are able to comment on their assessment and raise any issues of concern. The complaints procedure also provides a mechanism to identify and monitor discrimination. All healthcare professionals will receive training on the Gender Equality Duty, which offers an opportunity to raise awareness about gender issues amongst those administering the WCA.

Age

62. Data for ESA and incapacity benefits customers by age is provided in the tables below.
63. Nearly half of customers claiming incapacity benefits are over the age of 50 years and nearly half of ESA customers are over the age of 45 years. This is because older people are more likely to have a disability or health condition and may also reflect labour market factors such as the decline of traditional manufacturing industry. However, this does not mean that they do not want or are unable to work. The Government is committed to promoting employment prospects for older people, indeed for people of all ages, with and without health conditions. Measures to increase support to help customers back to work will contribute to this.

Table 5 Incapacity Benefits Customers by Age⁶

Age	Percentage
16-17	0%
18-24	5%
25-34	12%
35-44	22%
45-49	14%

⁵ Source: Department of Work and Pensions Longitudinal Study August 2009

⁶ Source Department of Work and Pensions Longitudinal Study May 2009

50-54	15%
55-59	19%
60-64	12%
Total	100%

Table 6 ESA Customers by Age⁷

Age	Percentage
Under 18	1%
18-24	15%
25-34	18%
35-44	24%
45-49	13%
50-54	12%
55-59	12%
60-64	5%
Total	100%

64. The WCA will be applied uniformly to individuals from all age groups, and the Department does not envisage any discrimination on these grounds. Any potential risk stems from the possibility of discrimination on a case by case basis in the course of the assessment itself. To mitigate this risk, a robust complaints procedure enables Healthcare Professionals to be monitored to ensure that age discrimination is not taking place. Decisions on entitlement to benefit are taken by separate decision makers and customers have a right of appeal to an independent appeal tribunal if they believe that the decision is incorrect.

Monitoring and Evaluation

65. Prior to implementing these changes there is already a system in place to evaluate their effectiveness. In line with the 2008 legislation, the Government is committed to an independent review of the WCA every year for the first 5 years. This review will serve to monitor the changes as they come into force and ensure that they are functioning correctly.
66. In addition, the changes to the assessment will be implemented by the medical assessment provider. The work of all health care professionals is subjected to quality audit, which is conducted by experienced medical auditors employed by the provider. The quality of audit is validated by senior medical auditors from the provider and doctors working for the Chief Medical Adviser to the Department for Work and Pensions.

⁷ Source Department of Work and Pensions Longitudinal Study August 2009

Annex 2 – Supporting people on Employment and Support Allowance

Introduction and Policy Rationale

67. Currently people on health related benefits can get help through Pathways to Work, which was one of the first large scale attempts to link rights and responsibilities for people on incapacity benefits, and to help customers move towards work. It has provided support for many customers to manage their health conditions and to get back to work.
68. However, the current Pathways scheme was designed before the introduction of the Employment and Support Allowance and the Work Capability Assessment. It involves similar interview regimes for customers with very different health conditions and needs, and does not offer the breadth of support that is available to other groups, such as jobseekers. Recent studies have found it is not sufficiently cost effective at helping people into work.
69. Given these factors, we believe it is time to move towards a more personalised, localised and flexible approach which provides more intensive support to customers on JSA, and more personalised support for those on ESA, in both cases responding to every individual's personal circumstances.
70. Each new Employment and Support Allowance customer will get a personalised timetable to be reassessed as a condition of receiving benefit alongside a personalised regime of support and requirements to take up that support. This means that most people will be expected to move off Employment and Support Allowance within two years.
71. People with severe levels of disability or illness or for whom it would be unreasonable to expect to move towards work are placed in the Support Group, which provides additional financial support without requiring engagement in back-to-work activity.
72. Some customers may need intensive help quickly, others might benefit from a period to recover from treatment or illness before activity begins.

What is the change in policy?

73. The package of support for ESA customers in the Work Related Activity Group has been designed to deliver flexible, personalised support to disabled Jobcentre Plus customers and those with health conditions while testing more radical funding and delivery models to inform future policy decisions. The policy changes for customers on ESA include:
 - **Regular work focused interviews** – four interviews with a personal adviser over 24 months, with additional interviews for those who need them.
 - **Work-Related Support** – the Government will provide access to a series of work-related support modules. These are likely to include: job search support, career guidance, CV writing and interview training.
 - **Support to manage health in work** – three levels of support delivered in partnership with the NHS, ranging from written information through to more intensive sessions;
 - **Adviser Discretionary Fund**, fares, etc – financial support for travel costs and other costs associated with job interviews.
 - **Personal Efficacy Tool** – a tool used by advisers to assess the needs of a customer in order to provide better tailored and personalised support.
74. The Government will engage with welfare to work providers and other partners in the coming months to discuss how they can best contribute to the delivery of the revised programme. As now, it is expected that it will be delivered using a combination of Jobcentre

Plus and public, private and voluntary providers. The exact future delivery model may differ from the current model, but the intention is to use the best bits of what currently exists, including payment by results. The Government will therefore explore with providers what kind of contracts could deliver the more flexible and personalised programme including 'black box' contracting along the lines of the Flexible New Deal, as well as the role that Jobcentre Plus should play in the new system.

75. The Government recognise that customers with the most severe disabilities (including mental health conditions and learning disabilities) may require more intensive, specialist support. From October 2010, Work Choice will provide an integrated supported employment programme for those disabled customers with greatest needs. The Government recognises that ESA customers who require this support may not necessarily be in the Support Group.
76. For customers who remain on ESA for more than two years and want to work DWP will provide a guaranteed place on Work Choice. For some this may lead to the offer of supported employment while others will be able to progress into unsupported employment.
77. In addition to these measures, the Government will enable ESA, incapacity benefits and Income Support customers to access Future Jobs Fund jobs in areas with high levels of long-term dependency on incapacity benefits, as well as in areas with high worklessness. This will be incorporated into the existing Future Jobs Fund programme.
78. For all customers with disabilities and health conditions, the Government will also require an increase in contributions toward aids, adaptations and equipment currently paid for via the Access to Work scheme from larger employers. This is likely to generate significant savings for the Government. These savings will be used to refocus Access to Work support to customers with disabilities and health conditions in small employers. This will be coupled with a marketing programme focused on smaller employers, with the objective of increasing the proportion of Access to Work customers working for small local private and voluntary sector employers.
79. These measures build on a set of pilots to test different packages of support for customers with health conditions, including:
 - Increased local flexibility through Jobcentre Plus Flexibility pilots;
 - Recycling benefit savings from the ESA benefits bill to pay for job outcomes through Invest to Save pilots; and
 - The Personalised Employment Programme – testing a multi client group and an innovative accelerator funding model.
80. The Department will use the outcomes of these pilots to inform the future delivery vision.

Consultation

81. The Department has engaged with a range of individuals and organisations in developing proposals on support for customers with a disability or a health condition.
82. Between November 2009 and January 2010 the Department held meetings and workshops with ESA, incapacity benefits and JSA customers, disability organisations, representatives from Jobcentre Plus, Pathways provider and Condition Management Programmes, the Social Security Advisory Committee, Disability Employment Advisory Committee, Work and Pensions Select Committee, All Party Parliamentary Disability Group and the Devolved Administrations.

83. During January and February 2010 an informal call for evidence was placed on the Department consultation website. The exercise received around 170 responses from a range of parties including voluntary sector organisations, benefit recipients, Jobcentre Plus staff, private providers and academics.
84. The events and call for evidence sought views on current support for disabled customers and those with a health condition, and on how our future provision could best address the needs of these customers. Feedback identified a range of strengths from the current Pathways to Work programme, including:
- The high skill level of many Pathways advisers,
 - The success of New Deal for Disabled People in supporting customers into work;
 - The positive impact of condition management programmes on customer health and motivation.
 - The importance of financial incentives in easing the transition into work.
85. Stakeholders also identified a number of priorities for our future programme:
- Greater flexibility in the nature and timing of support to meet the needs of individual customers;
 - Health-related support with a work focus for JSA customers who need it, as well as for ESA/IB customers;
 - High quality work-related support, e.g. careers guidance, work trials, volunteering;
 - Advisers and managers need to be equipped with the right skills for the job;
 - Jobcentre Plus should work in partnership with a range of local agencies and employers to ensure that customers receive a joined-up service and access to appropriate support and employment opportunities;
 - Delivery models should incentivise providers and Jobcentre Plus to work with customers further away from, as well as close to the labour market.
86. The Department has used this feedback alongside the extensive qualitative and quantitative evidence base to inform proposals on back to work support for both ESA and JSA customers. The Department will continue to engage with stakeholders over the coming months to develop the detail of these proposals.

Overall Estimated Impact of Policy / Estimating Costs and Benefits

87. The economic costs have been estimated by calculating the cost to the Department of providing the interventions detailed above to customers who the Department anticipates will enter the Work Related Activity Group in the years 2011/12 to 2013/14. There will also be economic costs to the Government from implementing the new regime and coordinating the transition of customers who have already started Pathways.
88. Based on evidence of the effectiveness of Pathways to Work for *existing* customers⁸, the Department has included additional job outcomes for customers who are migrated from incapacity benefits, which result in direct benefits to the economy, and savings to the Exchequer from additional people leaving ESA. However, because the evidence quoted above has shown that the current Pathways to Work programme has not had quantifiable benefits for *new* customers, the Department only have the evidence to say that there would be non-monetised benefits (e.g. health and well-being) for this group.

⁸ Bewley, H., Dorsett, R. & Ratto, M. (2008) 'Evidence on the effect of Pathways to Work on existing claimants', DWP Research Report 488 <http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep488.pdf>

89. There will be further monetised benefits in 2014/15, owing to the time it takes for customers to move into work. Although the spending that would lead to these outcomes occurs in 2013/14, the benefits are accrued in the following year. Although the costs of achieving these benefits are included, the benefits themselves are not.
90. The Department expects that changes will improve job outcomes, the change in focus of the interventions and increased flexibility should lead to improved value for money.
91. In addition, there are a number of other significant benefits from these policy changes:
- There will now be equal support available for all ESA customers in the Work Related Activity Group, irrespective of their age or whether they have been migrated from incapacity benefits
 - Re-prioritisation of funding towards new programmes expected lead to better value for money for the taxpayer
 - Qualitative evidence suggests that the current Pathways to Work programme helps improve health outcomes and customers' wellbeing. The changes that the Government is making should still meet customers' needs, but with greater personalisation and focus on work.

Equality Impact Assessments

Disability

92. The extra support for people who are fit for work, covered in **Annex 3**, identifies the new support for people moving from ESA and incapacity benefits to JSA and directly addresses the fact that these people may have different and greater barriers to employment than other JSA customers. Many of these customers will have a disability or a long-term health condition.
93. Information on medical condition for ESA customers is not available. The best data that is available is for incapacity benefits customers, which provides a useful approximation. The table below shows the distribution of incapacity benefits customers by broad medical condition, with mental health and behavioural conditions being the most common:

Table 7 Incapacity Benefit caseload by medical condition

Medical Condition	Share of the incapacity benefits caseload
Mental and Behavioural Disorders	43%
Diseases of the Nervous System	7%
Diseases of the Circulatory or Respiratory System	7%
Diseases of the Musculoskeletal system and Connective Tissue	17%
Injury, Poisoning and certain other consequences of external causes	5%
Other	21%
Total	100%

94. This shows that people with mental and behavioural disorders account for 43 per cent of the incapacity benefits caseload and data from the Labour Force Survey indicates that people within this category are likely to have the most significant barriers to employment. Employment rates for the Mental Illness, phobia, panics and other nervous disorders and Severe or Specific Learning Difficulties categories are around 13 per cent and 18 per cent

respectively and the employment rate for Depression, Bad Nerves is 26 per cent. These are all well below the employment rate for all disabled people of 47 per cent

95. The increased flexibility of the proposed measures will enable each customer's circumstances to be taken into account when considering the best mix of support. This flexibility will also enable better account to be taken of fluctuating conditions and the Perkins Review⁹ stated that most individuals could be served within existing structures and services, if these had a greater understanding of, and were more responsive to the employment needs of those with mental health conditions.
96. People included within the PSA 16 groups covering mental health¹⁰ and learning difficulties¹¹ are likely to be included within the mental and behavioural disorders. Again, the increased flexibility of provision on offer both to ESA and JSA customers will enable a more appropriate mix of support to be delivered to these groups.

Gender

97. Currently there are 1.35 million men claiming existing incapacity benefits making up approximately 58 per cent of the caseload. However this varies by type of incapacity benefit received as shown in Table 8. For example, 62 per cent of contributory incapacity benefits customers are male, compared to 50 per cent of SDA customers

Table 8 Incapacity benefits (excluding ESA) by gender

Benefit	Men	Women	Percentage female	Percentage male
Incapacity Benefit	767,000	468,000	38%	62%
Income Support	482,000	412,000	46%	54%
SDA	101,000	102,000	50%	50%
Total	1,350,000	982,000	42%	58%

98. The differing proportions can in part be explained by the unequal state pension ages, as other than SDA, incapacity benefits are working age benefits. However state pension ages are being aligned between 2010 and 2020, and this may help to address the gender imbalance.
99. Women are more likely than men to have caring responsibilities – 73 per cent of Carers Allowance cases in payment are women (August 2009, Work and Pensions Longitudinal Study), and 58 per cent of carers are women (Census 2001). As well as being more likely to have caring responsibilities, women carers were much less likely than men to be in full-time employment and much more likely to be in part-time employment. The challenges of combining paid work and informal care seems to particularly affect those undertaking substantial hours of caring per week¹² (Carers Allowance customers have to provide care for 35 hours or more per week). This indicates a risk that carers may find a rigid, prescriptive conditionality regime difficult to cope with. The increased flexibility of the proposed measures will enable individual circumstances to be taken into account when

⁹ Ref: Realising Ambitions: Better employment support for people with a mental health condition; A review to Government by R Perkins, P Farmer and Paul Litchfield; (December 2009) DWP

¹⁰ Adults with mental health problems aged 18-69 in contact with secondary mental health services

¹¹ Adults with learning disabilities aged 18-64 and known to Councils with Adult Social Services Responsibilities (CASSRs).

¹² The background provided here, and all the figures quoted, are taken from Arksey, H., Kemp, P., Glendinning, C., Kotchetkova, I. and Tozer, R. (2005). Carers' aspirations and decisions around work and retirement. DWP Research Report No. 290.

considering the best mix of support to reflect the customer's employment aspirations and caring responsibilities.

Ethnicity

100. There is a low risk that ethnic minorities could be disproportionately affected by the proposed changes as survey evidence indicates that there is a lower proportion of ethnic minorities on incapacity benefits (6 per cent) relative to the working age ethnic minority population as a whole (12 per cent).

Table 9 Proportion of incapacity benefits customers by ethnicity¹³

Ethnicity	Incapacity benefits	Working Age Population
White	94%	88%
Ethnic minority	6%	12%

101. The type or level of support does not vary because of race or culture. The flexible nature of provision will mean that the customer can receive the mix of support most appropriate to their individual needs.

Age

102. Nearly half of customers claiming incapacity benefits are over 50 years of age. This is because older people are more likely to have a disability or health condition and may also reflect labour market factors such as the decline of traditional manufacturing industry. However, this does not mean that they do not want or are unable to work. The Government is committed to promoting employment prospects for older people, indeed for people of all ages, with and without health conditions.

¹³ Source: Based on the Family Resources survey 2007/08

Annex 3 – Extra support for people who are fit for work

Introduction and Policy Rationale

103. The profile of people on Jobseeker's Allowance is changing. The Government expects more people with a health condition to claim JSA as a result of the introduction of the Work Capability Assessment on ESA. This will be further increased when the incapacity benefits migration exercise starts from October 2010.
104. Many customers who claim JSA having moved from incapacity benefits have been out of the labour market for a considerable period of time. Some will not have received intensive work focused support before or have recent experience of job seeking. While some customers will be able to find work with minimal support, evidence shows that many lack confidence and motivation or experience to find the work. Others do not think they are capable of working regularly, or they are worried about whether there are suitable jobs locally with disability-friendly employers.
105. Enhanced Jobseeker's Allowance support (from April 2009 in phase 1 areas and April 2010 in phase 2 areas) and the Flexible New Deal (from October 2009 in phase 1 areas and October 2010 in phase 2 areas) have been designed to offer personalised, tailored employment support to all jobseekers, including customers with a health condition or a disability. As customers progress through their claim they receive intensive support to help overcome related challenges to work through structured time with a Personal Adviser.
106. The Government has designed a range of additional measures for customers with a health condition or disability to build on the personalised support already available through enhanced Jobseeker's Allowance including: access to additional time to work with an adviser and specialist back to work and health related support, Day One access to a range of additional support will help address some of the challenges faced by those moving from incapacity benefits or ESA. The changes proposed in *Building bridges to work* will ensure that all customers are provided with the appropriate support from the outset of their JSA claims to help them back to work.

What is the change in policy?

107. Jobseeker's Allowance already provides support and flexibilities for customers with a health condition or a disability, for example, they may restrict their availability for work provided that restriction is reasonable given their condition or they can access intensive support earlier in their claims or access specialist disability services from the disability employment adviser network.
108. The policy changes in *Building bridges to work* increase the range of support available to JSA customers with a health condition or disability, including customers who move from incapacity benefits. In addition to the support already available through the JSA customer journey customers moving from incapacity benefits or ESA will, on a voluntary basis, be able to access:
- Additional time to work with an adviser early in their claim;
 - New specialist back to work support through tailored modules;
 - A health/work assessment and provision to help manage their condition in work;
 - Additional intensive support that jobseekers are usually able to access from the six month point from the first day of a claim for customers moving from incapacity benefits; and
 - For those moving from incapacity benefits, additional early access to the intensive Personal Adviser support.

109. For customers who have or develop a health condition or disability in work or while on Jobseeker's Allowance (not those migrating from incapacity benefits and ESA), advisers will have the flexibility to refer customers to the package of additional support, where it is agreed that this is the most appropriate support for the customer. This will include access to the new specialist back to work topics covering job search, interview skills and motivation topics and the health-related support programme.
110. Further elements of support that will not require additional funds from within this package of support include a review of the current WFHRA arrangements for ESA customers so that the assessment is more work focused and flexible to the needs of the customer. This will include better training for the Healthcare Professionals undertaking the assessment and piloting the use of a telephone assessment because customers have told us a telephone assessment is a more preferred method. For JSA customers, the Department will develop similar provision so that customers and advisers can better understand the impact of the health condition and help identify the support they might need to manage their health in work.
111. The Department is also introducing a new personalised learning and development plan for advisers, so that they are best equipped to help people with a disability or health condition. This package will include professional accreditation, enabling some advisers to specialise in providing expert support to this group.

Overall Estimated Impact of Policy / Costs and Benefits

112. Analysis of administrative data shows that less than 20 percent of JSA customers with health conditions or disabilities are still claiming after one year. This indicates that the personalised support provided through Jobseeker's Allowance is effective at supporting JSA customers with health conditions. However, JSA customers with a health condition or disability stay on JSA for longer than the average jobseeker, and the Department is introducing extra support for this group to help jobseekers overcome their challenges to finding employment. Increasing the support available to JSA customers with a health condition or disability will help to close this gap in off flows between jobseekers with and without a health condition or disability, and enable JSA customers with health condition or disability to overcome their specific barriers to work.
113. During the period when incapacity benefits customers migrate to ESA the Government expects that some incapacity benefits customers will be assessed as fit for work and will subsequently make a claim for JSA. Many of these customers will have been out of the labour market for a long period of time and will therefore potentially have even greater challenges to finding sustained work than current JSA customers with a health condition or disability.
114. The Government expects that customers moving from incapacity benefits to JSA may flow off JSA slower than current JSA customers with a health condition or disability. The Government is therefore putting additional support in place to help customers moving from incapacity benefits to JSA back in to work. The additional support builds on the strengths of the personalised support delivered through Jobseeker's Allowance.
115. Further information on the core support for JSA customers is available from the Flexible New Deal evidence paper: <http://www.dwp.gov.uk/docs/flexible-new-deal-4636.pdf>
116. The Department expects the measures that are being proposed to support JSA customers with a health condition will reduce the amount of time they will spend on benefits and increased the amount of time spent in employment compared to the current suite of

interventions. This will lead to additional fiscal flow backs to the exchequer and benefits to the wider economy.

Equality Impact Assessments

Disability

Table 10 Percentage of current JSA customers with a health condition or disability¹⁴

Percentage	
2008-2009	17%

117. The reforms to incapacity benefits are designed to help customers with health conditions or a disability move into work, with improved financial support for those for whom preparation to return to work would be unreasonable. As such the policy aims to promote equality of opportunity.
118. Most incapacity benefits customers are likely to be covered by the Disability Discrimination Act (DDA) and so these reforms have considerable impact on people with a health condition or disability.
119. The Department expects that customers moving from incapacity benefits on to JSA to be the least disadvantaged group of current incapacity benefits customers. However, the Department would expect this group to in turn be more disadvantaged than those developing a health condition or disability whilst in work or during their JSA claim. As such they are likely to need a comparatively higher level of support.
120. The menu of support JSA customers with health conditions can access, alongside the opportunity for JSA customers with a health condition or disability to participate in the specialised back to work and health related support will promote equality amongst the whole range of jobseekers.

Gender

121. Currently there are 1.35 million men claiming existing incapacity benefits making up approximately 58 per cent of the caseload. However this varies by type of incapacity benefit received as shown in table 11. For example, 62 per cent of contributory Incapacity Benefit customers are male, compared to 50 per cent of Severe Disablement Allowance customers.
122. Table 12 shows that the proportion of male customers claiming JSA who have a health condition or disability (70 per cent) is even higher than the proportion of male incapacity benefits customers (62 per cent). However this is representative of the gender split across all JSA customers where male customers also make up 70 per cent of all customers.
123. The differing proportions can in part be explained by the unequal state pension ages, as other than Severe Disablement Allowance, incapacity benefits are working age benefits. However state pension ages are being aligned between 2010 and 2020, and this may help to address the gender imbalance.

¹⁴ Source: National Benefits Database and LMS Client Database Note- The figures are based on raw administrative data sources and sensitive to definitions. PWD status is at January 2010, some customers classed as PWD may not have been PWD at the start of their claim. The way JSA customers with health conditions are calculated will be reviewed and may be revised in future documents.

Table 11 Incapacity Benefits customers by Gender¹⁵

Benefit	Male	Female	Percentage female	Percentage male
Incapacity Benefit	767,000	468,000	38%	62%
Income Support	482,000	412,000	46%	54%
SDA	101,000	102,000	50%	50%
Total	1,350,000	982,000	42%	58%

Table 12 Gender breakdown of JSA customers and those with a health condition or disability¹⁶

		Male	Female	Unknown
2008-2009	JSA customer with a health condition or disability	72%	28%	n/a
	All JSA customers	70%	28%	1%

Ethnicity

124. There is a low risk that ethnic minorities could be disproportionately affected by the rate alignment measures, as survey evidence indicates that there is a lower proportion of ethnic minorities on incapacity benefits (6 per cent) relative to the working age ethnic minority population as a whole (12 per cent).

Table 13 Proportion of incapacity benefits customers by ethnicity¹⁷

Ethnicity	Incapacity benefits	Working Age Population
White	94%	88%
Ethnic minority	6%	12%

Table 14 Ethnicity breakdown of JSA customers and those with a health condition or disability¹⁸

		White	Ethnic minority	Unknown	Prefer not to say
2008-2009	JSA customer with a health condition or disability	84%	11%	0%	5%
	All JSA customers	81%	12%	2%	5%

¹⁵ Source: Department of Work and Pensions Longitudinal Study May 2009

¹⁶ Source: National Benefits Database and LMS Client Database Note- The figures are based on raw administrative data sources and sensitive to definitions. PWD status is at January 2010, some customers classed as PWD may not have been PWD at the start of their claim. The way JSA customers with health conditions are calculated will be reviewed and may be revised in future documents.

¹⁷ Source: Based on the Family Resources survey 2007/08

¹⁸ Source: National Benefits Database and LMS Client Database Note- The figures are based on raw administrative data sources and sensitive to definitions. PWD status is at January 2010, some customers classed as PWD may not have been PWD at the start of their claim. The way JSA customers with health conditions are calculated will be reviewed and may be revised in future documents.

Age

125. The vast majority of customers claiming incapacity benefits are over the age of 25 years, with nearly 50 per cent of customers aged over 50 years. This is because as people get older they are more likely to have a disability or health condition. However, this does not mean that they do not want or are unable to work.

126. The Government is committed to promoting employment prospects of all age groups. The proposed measures will therefore be more likely to help the 25+ age group rather than young people. Of the group migrating (and customers claiming JSA who have a health condition or disability) a much higher proportion are 25+ than under 25 years, hence this is an appropriate policy focus.

Table 15 Incapacity Benefits Customers by Age¹⁹

Age	Percentage
16-17	0%
18-24	5%
25-34	12%
35-44	22%
45-49	14%
50-54	15%
55-59	19%
60-64	12%
Total	100%

Table 16 Age breakdown of JSA customers and those with a health condition or disability²⁰

		<18	18-24	25-49	50+
2008-2009	JSA customer with a health condition or disability	1%	26%	53%	21%
	All JSA customers	1%	37%	49%	13%

¹⁹ Source Department of Work and Pensions Longitudinal Study May 2009

²⁰ Source: National Benefits Database and LMS Client Database Note- The figures are based on raw administrative data sources and sensitive to definitions. PWD status is at January 2010, some customers classed as PWD may not have been PWD at the start of their claim. The way JSA customers with health conditions are calculated will be reviewed and may be revised in future documents.

Annex 4 – Preventing long-term worklessness

Introduction and Policy Rationale

127. All jobseekers who have been out of work for two years or more are likely to have complex and overlapping barriers to work. Policy is aimed at ensuring that the support provided for this group is personalised, and capable of addressing a whole range of issues in a way that can adapt to suit individuals' circumstances.
128. Two new approaches have already been announced for job seekers who are unemployed for two years:
- Work for Your Benefit will test a programme of employment support and bespoke work experience for up to six months; and
 - Jobcentre Plus is testing delivering an intensive support period including support from a personal adviser at the two year stage, and a Personal Support Fund ring fenced for each individual that can be used flexibly to support job seekers find and stay in work.
129. These pilots will test important principles of support for customers who are long-term unemployed. However, the Government wants to do more to build on what is already known, and intend to introduce a model of support based on a guarantee of a job or work experience.
130. The Flexible New Deal (FND) offers intensive personalised employment support from a specialist provider to all customers on Jobseeker's Allowance, once they reach 12 months unemployment. However, some customers will not find work through their specialist back to work provider and will have been continuously unemployed for two years. Customers reaching this point will have multiple and complex barriers to work, and this could include a disability or health condition. DWP will therefore introduce a new guarantee for these customers.
131. The Government anticipates that there may be an increased number of people reaching two years continuous unemployment in 2012 because of the recession. This happened in the last recession when two year plus unemployment peaked at over half a million three years after the economy officially moved out of recession and two years after the peak in the claimant count.
132. The guarantee will ensure jobseekers continue to receive support and benefit from the opportunity to develop work habits and routines that they may not have experienced for some time. This is because jobseekers still on benefit at this stage are likely to face particular barriers due to the length of time they have been away from employment.
133. In addition, as mentioned in Annex 2, DWP will provide a guaranteed place on Work Choice for customers who are still on ESA after two years and want to work.

What is the change in policy?

134. The Guarantee of a job or work experience will include intensive caseworker support delivered by Jobcentre Plus. This will be designed to help the jobseeker address remaining barriers to work and ensure this links in with support available through Local Authorities and other Government agencies.
135. Through the guarantee jobseekers will be able to access:

- **Future Jobs Fund** – based on the Young Person’s Guarantee, this will offer jobseekers a six month job in the public sector paid a national minimum wage;
- **Internships** – offering a up to 13 weeks work experience;
- **Volunteering** – the Department will offer help to source a suitable volunteering opportunity to help people who may not have had recent experience of work get closer to the labour market;
- **Work experience** – a tailored, full time, work experience placement lasting for up to 13 weeks. This will include additional employment and job search support to ensure that participants have the best chance of entering sustained work.

136. If after a further three months customers have not chosen to exercise their guarantee, then they will be required to undertake a period of work experience.

Overall Estimated Impact of Policy / Estimating Costs and Benefits

Evidence

137. Offering jobseekers a period of full-time work-focussed activity can help long-term jobseekers find employment. The Flexible New Deal Evidence Paper²¹ highlighted three key routes through which full-time activity can help jobseekers find and sustain employment by:
- Refreshing basic employability habits and skills. An evaluation of the New Deal for Young People (NDYP) found that through taking part in subsidised employment, participants gained an insight into the job and the working environment.²²
 - Boosting active job search. Many NDYP participants viewed taking part in the community work activities as temporary and transitional. High levels of job search were evident, especially amongst those who were unwilling referrals to this activity.
 - Giving jobseekers who are working but not declaring it no option but to sign-off JSA.
138. Further evidence on the benefits of full-time activity comes from the Intensive Activity Period (IAP) pilot, which tested introducing mandation to the Intensive Activity Period stage of New Deal 25 Plus (ND25+), delivering full-time activity for jobseekers aged 50 years and over. The pilot tested the effect of mandating jobseekers who had been unemployed for approximately 22 months to participate in the IAP compared to allowing jobseekers to opt out of the IAP stage. The evaluation found that making the IAP stage mandatory had three key effects²³:
- The proportion of jobseekers finding employment increased by over 25 per cent (increasing from 23.4 per cent for those not mandated to 29.8 per cent for those mandated);
 - The average number of days spent in recorded employment increased by 25 days over a two-year period; and
 - The average number of days spent on JSA reduced by 49 days over a two-year period.
139. In addition, evaluations of New Deal programmes have pointed to the critical role of the Personal Adviser. Advisers provide continuity of support for job seekers and, where a good relationship is established, the likelihood of a positive outcome is increased. Many advisers believed that more frequent and purposeful contact with job seekers during the New Deal, has ‘improved’ attitudes amongst job seekers for example improved job seekers opinion of

²¹ DWP (2007) “Flexible New Deal Evidence Paper,” <http://www.dwp.gov.uk/welfarereform/readyforwork>

²² White, M. and Riley, R. (2002) “Findings from the Macro Evaluation of the New Deal for Young People”, DWP Research Report No. 166, <http://www.dwp.gov.uk/asd/asd5/168summ.asp>

²³ Dorsett, R. and Smeaton, D. (2008) “Mandating Intensive Activity Period for jobseekers aged 50+: final report of the quantitative evaluation”, http://www.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_500.asp

Jobcentre Plus and their engagement in job search activity. Similarly, interviews with job seekers have found that the one-to-one contact with a Personal Adviser was one of the best elements of the New Deal, and distinguished it from their usual experience of Jobcentre Plus or previous employment support.

140. In summary, introducing a period of full-time activity is expected to benefit participants and help more job seekers find sustained employment. In developing this policy, DWP will learn from evidence from previous work experience policies, particularly those in the 1970s and 1980s, in order to develop a policy that improves job seekers long-term job prospects and helps them achieve sustained employment. DWP will also learn from the mixed results of the “workfare” programme, ensuring that proposals contain a significant element of employment support and are flexible enough to cater to an individual’s needs, particularly for those with complex and multiple barriers.

Equality Impact Assessment

141. This Equality Impact Assessment assumes that job seekers starting the guarantee will have similar characteristics to jobseekers that have experienced long-term unemployment. The long-term unemployed group are more likely to have multiple barriers to employment than customers who are unemployed for shorter periods, for example they are more likely to have a health condition or disability, be a lone parent and have fewer qualifications than individuals with shorter benefit spells.

142. Three sources of information have been used to identify the potential characteristics of job seekers who will receive the guarantee:

- The characteristics of job seekers who reach two years on Jobseeker’s Allowance in 2007/08;
- The characteristics of job seekers who reach the Follow-Through stage of ND25+ in 2007/08; and
- The characteristics of job seekers identified in the research report Repeat Jobseeker’s Allowance spells as having spent long periods of time on JSA or New Deal programmes.²⁴

Disability

143. Table 17 compares the proportion of job seekers recorded as having a disability of two different cohorts of job seekers - those who started a claim in 2007/08 and those who reached the Follow-Through stage of ND25+ in 2007/08. This comparison is useful to inform a broad view on likely impacts.

Table 17 Disability²⁵

	Disabled
JSA new claims 2007/08	14%
Job seekers reaching ND25+ Follow-Through stage	31%

144. Within the population of job seekers in 2007/08, 14 per cent are recorded as having a disability. This proportion increases to 31 per cent for job seekers who reach the Follow-Through stage of ND25+.

²⁴ Carpenter, H. (2006) Repeat Jobseeker’s Allowance spells DWP Research Report No 394, http://www.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_394.asp

²⁵ Data taken from <http://www.dwp.gov.uk/asd/tabtool.asp> and the National Benefits Database and New Deal Evaluation Database

145. The report on repeat Jobseeker's Allowance spells noted that respondents with experience of the Department's programmes were more likely than average to report health problems. For job seekers in this category, health is often the single greatest barrier to work, and can lead to a long absence from the labour market.²⁶
146. This policy proposal is expected to have a greater impact on jobseekers with a disability as they are more likely to reach two years unemployment. The support that the guarantee offers would continue to be flexible and personalised to the individual and therefore accommodate individuals' needs, and DWP expects it will help more job seekers with a disability find sustained employment, thereby promoting equality of outcomes.

Gender

147. The table below compares the gender breakdown of two different cohorts of job seekers – customers who started a claim in 2007/08 and customers who reached the Follow-Through stage of ND25+ in 2007/08. A higher number of men than women make a claim for JSA and they are more likely to reach long-term unemployment than women.

Table 18 Gender breakdown²⁷

	Male
JSA new claims 2007/08	70%
Job seekers reaching ND25+ Follow-Through stage	82%

148. The finding that men are disproportionately more likely to reach long-term unemployment and therefore be affected by this support is confirmed by externally commissioned research²⁸. This research found that only 14 per cent of the job seekers in group one (job seekers who had spent significant periods on JSA or the New Deals) were women. However, introducing the guarantee is expected to benefit participants by helping them find and sustain employment so DWP does not expect any negative impacts on women.

Ethnicity

149. The table below compares the ethnicity breakdown of two different cohorts of job seekers, those who started a claim in 2007/08 and those who reached the Follow-Through stage of ND25+ in 2007/08.

Table 19 Ethnicity breakdown²⁹

	White	Ethnic Minority	Missing	Prefer not to say
JSA new claims 2007/08	75%	14%	2%	8%
Job seekers reaching ND25+ Follow-Through stage	72%	19%	0%	9%

150. Ethnic minorities are more likely to be affected by this proposal because they are more likely to reach long-term unemployment than white job seekers. The table above shows a

²⁶ Carpenter, H. (2006) Repeat Jobseeker's Allowance spells DWP Research Report No 394, http://www.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_394.asp

²⁷ Data taken from the Office for National Statistics, <https://www.nomisweb.co.uk/Default.asp> and the New Deal Evaluation Database

²⁸ Carpenter, H. (2006) Repeat Jobseeker's Allowance spells, DWP Research Report No 394, http://www.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_394.asp

²⁹ Data taken from <http://www.dwp.gov.uk/asd/tabtool.asp> and the New Deal Evaluation Database

small change between the ethnic breakdown of people making new claims for JSA and JSA customers who reach the Follow-Through stage of ND25+. The Repeat Jobseeker's Allowance Spells report also found that ethnic minorities were more likely than average to have spent long periods on JSA and New Deal programmes³⁰.

151. Introducing the guarantee is expected to benefit participants by helping them find and sustain employment so a positive impact on ethnic minority customers is expected.

Age

152. The table below shows that the largest proportion of job seekers who reach the end of two years on JSA without having moved into work are jobseekers aged 25 to 49. Jobseekers aged 18 to 24 represent 40 per cent of JSA customers but only ten per cent of those whose claims reach two years in unemployment. Jobseekers aged 50 and over are significantly more likely to remain on JSA for a long period. Therefore DWP expects this policy to have a disproportionately positive impact on this group of customers.

Table 20 Age breakdown³¹

	Under 18	18 to 24	25 to 49	50+
JSA new claims 2007/08	2%	40%	47%	12%
Job seekers whose claim lasted one year or more	1%	15%	68%	16%
Job seekers whose claim lasted two year or more	0%	10%	60%	30%

153. Introducing the guarantee is expected to help reduce long-term job seekers' barriers to finding employment, thereby having a positive impact on their employment prospects. Job seekers aged 25 and over are more likely to have claims lasting more than two years than job seekers aged under 28 or 18 to 24, and therefore more likely to benefit from improved employment prospects as a result of the guarantee.

154. DWP will use the results of the policy evaluation to learn lessons to further promote the equality impacts of this proposal.

³⁰ Carpenter, H. (2006) Repeat Jobseeker's Allowance spells DWP Research Report No 394

³¹ Data taken from the National Benefits Database

Specific Impact Tests: Checklist

Type of testing undertaken	Results in Evidence Base?	Results annexed?
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	Yes	Yes
Disability Equality	Yes	Yes
Gender Equality	Yes	Yes
Human Rights	No	No
Rural Proofing	No	No