



December
2007

Ready for work:
full employment in our
generation
Impact Assessment

Ready for work: full employment in our generation – Impact Assessment

Summary: Intervention and options

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

The Government has set the challenging long-term aspiration of an overall employment rate of 80 per cent as well as continuing to narrow the gap in the employment rates of disadvantaged groups. The Government also aims to halve child poverty by 2010 and eradicate it by 2020. The policies outlined here are intended to move the UK closer to these goals, by providing extra assistance to help people, especially the most disadvantaged and those claiming inactive benefits, move into work. Without Government intervention, these groups would remain at risk of exclusion from the labour market.

What are the policy objectives and the intended effects?

We want to give individuals greater support and, in return, expect them to take on greater responsibility themselves for finding work. The objective is to increase employment, particularly among disadvantaged groups and those who have been on benefits for a long time. This will in turn help reduce child poverty, as well as poverty and exclusion more widely. There are also likely to be wider social benefits (health, crime, etc) which are not discussed in any detail here.

What policy options are being taken forward?

This Impact Assessment focuses on six areas of the *Ready for work: full employment in our generation* policy intent:

- 1) For lone parents with older children, removing entitlement to income support and offering more active, work-focused support through the Jobseeker's Allowance regime, as well as a package of further measures designed to help lone parents enter and stay in work.
- 2) The introduction of a flexible New Deal to replace the current suite of employment support for the long-term unemployed with more personalised, flexible and responsive support. Jobcentre Plus will retain the core role as 'owner' of the customer. A network of specialist providers from the public, private and voluntary sectors will deliver back to work support to jobseekers after they have been unemployed for 12 months.
- 3) Local Employment Partnerships will help 250,000 people in the hardest to help groups back into work over the next three years, drawing on existing provision and new support as it becomes available. Jobcentre Plus will work closely with employers who have committed to Local Employment Partnerships to help individuals prepare for work and match them to suitable vacancies.

- 4) The introduction of a better off in work trial that will ensure long-term benefit recipients (on Employment and Support Allowance, incapacity benefits, Income Support or Jobseeker's Allowance) who move into full-time employment will receive an in work income, including in work benefits, at least £25 higher than their out of work benefits. The intention is to test the credit in 2008 and if it proves successful, we will look to extend it nationally in 2009.
- 5) Building on the success of Pathways, we will start by moving existing young customers, under the age of 25, onto Pathways to Work. We will also use the revised work capability assessment descriptors when reviewing young people's capability for work.
- 6) New proposals on skills were recently published in *Opportunity, Employment and Progression: making skills work*. These include Light Touch Screening on day one for Jobseeker's Allowance, Employment and Support Allowance and lone parents; allowances for Jobseeker's Allowance claimants undertaking training; mandating Jobseeker's Allowance and Employment and Support Allowance claimants to a Skills Health Check; and, removal of the 16 hour Housing Benefit Rule for short-term incapacity benefits claimants.

When will the impact of the policies be reviewed?

The Impact Assessment is a working document that has developed alongside the proposed policies. The assessment will continue to be updated as more information becomes available and policies are implemented. There will be an evaluation of the policies to further identify the impact of proposals and inform the accuracy of this Impact Assessment.

Ministerial Sign-off

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: 13th December 2007

Policy Appraisal: Ready for work: full employment in our generation

<p>Annual Additional Costs</p> <p>One off (Transition) £30m</p> <p>Average Annual Cost (excluding one-off) £63-70m</p>	<p>Description and scale of key monetised costs by 'main affected groups'</p> <ul style="list-style-type: none"> • The costs associated with removing entitlement to Income Support for lone parents with older children. • Flexible New Deal was designed to be cost neutral, funded from the existing support for the long-term unemployed. However, recent proposals to fast-track young jobseekers who have a history of not being in employment, education or training to the flexible New Deal Gateway will additionally cost around £15-£20m. • The costs associated with providing the better off in work credit. • The costs associated with extending Pathways to Work to the stock of incapacity benefits claimants aged under 25.
<p>Other key non-monetised costs:</p> <ul style="list-style-type: none"> • Implementation costs for the better off in work credit, Lone Parents, incapacity benefits, Local Employment Partnerships and Skills proposals. • The costs associated with extending the skills agenda. 	

<p>One-off Benefits</p> <p style="text-align: center;">£0m</p> <p>Average Annual Benefit (excluding one-off)</p> <p style="text-align: center;">£200-335m</p>	<p>Description and scale of key monetised benefits by 'main affected groups'</p> <ul style="list-style-type: none"> • Reduced benefit payments and increased flow backs to the Exchequer through higher tax and National Insurance receipts have been included for the lone parent and flexible New Deal proposals. • flexible New Deal has been estimated to generate benefits of between £70m and £140m per year. • The benefits of the lone parent proposals have been estimated at between £70m and £130m per year. • The benefits of Local Employment Partnerships have been assumed to be the lower scenario: £166m over the three year period. • The proposals for young incapacity benefits claimants have been estimated at £20m to £25m over the three year period. • No benefits have been estimated as a result of increased flows into work from the better off in work credit.
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Other key non-monetised benefits by 'main affected groups'

Increasing employment will also have wider benefits to society, including reduced poverty, improved child outcomes, improved intergenerational and social mobility, reduced crime and improved health.

Benefits have not been included for the better off in work credit.

Key Assumption/Sensitivities/Risks

The cost and benefit estimates provided are highly indicative and will be further developed during the detailed policy design phase. Further details of assumptions are provided in the evidence base below.

For simplicity, in presenting the net benefit of the proposals, it has been assumed that all policies will be implemented at the same time.

Price Base Year 2007/08	Time period Years: 3	Net Benefit Range (NPV) £360m to £740m (excluding additional childcare costs)	Net Benefit (NPV best estimate) £550 million (excluding additional childcare costs)
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Evidence base for summary sheets

Background

1. Compared with 1997 there are 2.8 million more people in jobs and more women, lone parents and disabled people working than ever before. Yet there remain stubborn barriers to achieving the goal of full employment in a generation. There are over three million people of working age who have been on benefit for over a year, many on incapacity benefits. There are concentrations of worklessness in our cities often close to thriving labour markets. There are nearly three million households in which no-one is working, and 1.7 million children are growing up in such families. Too many 16 and 17 year olds are not in education, work or training.
2. The Welfare Reform paper sets out the next steps the Government is taking on the road to full employment. This evidence base provides further details on how the costs and benefits of the policy proposals have been estimated. This evidence base also reports the updated Equality Impact Assessments for proposals following the consultation.
3. The Impact Assessment is a working document that has developed alongside the proposed policies. An initial assessment was published alongside the Green Paper *In work, better off: next steps to full employment*, in July 2007. The Impact Assessment will continue to be updated as more information becomes available and policies are implemented. There will be an evaluation of the policies to further identify the impact of proposals and inform the accuracy of this Impact Assessment. We intend to publish a further update to the Impact Assessment in the new year.
4. The evidence base provides further information on the following proposals:
 - For lone parents with older children, removing entitlement to Income Support (IS) and offering more active, work-focused support through the Jobseeker's Allowance (JSA) intervention regime.
 - The introduction of changes to the JSA regime and a flexible New Deal to replace the current suite of employment support for the long-term unemployed with more personalised, flexible and responsive support. Jobcentre Plus will retain the core role as 'owner' of the customer. A network of specialist providers from the public, private and voluntary sectors will deliver back to work support to jobseekers after they have been unemployed for 12 months.
 - Local Employment Partnerships (LEPs) will aim to offer 250,000 job opportunities to people on inactive benefits and the long-term unemployed.

- The introduction of a better off in work credit that will ensure long-term benefit recipients (on incapacity benefits, IS or JSA) who move into full-time employment, will receive an in work income, including in work benefits, at least £25 higher than their out of work benefits.
 - Building on the success of Pathways, we will start by moving existing young customers, under the age of 25, onto Pathways to Work. We will also use the revised capability assessment descriptors when reviewing young people's capability for work.
 - New proposals on skills were recently published in *Opportunity, Employment and Progression: making skills work*. These include Light Touch Screening on day one for JSA, Employment and Support Allowance (ESA) and lone parents; allowances for JSA claimants undertaking training; mandating JSA and ESA claimants to a Skills Health Check; and, removal of 16 hour Housing Benefit Rule for short-term incapacity benefits claimants.
5. In addition, the Department recently published an interim report on the development of a Commissioning Strategy. The Commissioning Strategy will establish the principles for how we will work with external providers to support the 80 per cent employment aspiration.
 6. The Impact Assessment is a working document that has developed alongside the proposed policies. The assessment will continue to be updated in the new year as more information becomes available and policies are implemented. The cost and benefit estimates provided are highly indicative and will be further developed during the detailed policy design phase.
 7. Information products publicising the changes will be available in a range of languages and accessible formats, with the Department meeting its obligations under the Welsh Language Act, Race Relations (Amendment) Act (RRA) 2000 and Disability Discrimination Act.

Lone parent proposals

Introduction and policy rationale

8. The Government has set challenging targets to increase lone parent employment and reduce child poverty. The current policy approach, based on voluntary participation by lone parents, has helped to achieve a lone parent employment rate today of 57.2 per cent, an increase of 12.5 percentage points since 1997. However, to reach a 70 per cent lone parent employment rate, which would lift around 200,000 children out of poverty, would require an extra 300,000 lone parents to be in work incorporating demographic change.
9. Work is a highly effective way out of poverty and social exclusion for lone parents and their children. Over half – 56 per cent – of children in non-working lone parent families live in poverty, compared to 17 per cent of children of lone parents working part-time and seven per cent of those working full-time (2005/06 HBAI). Lone parent families are also more likely than other family types to experience persistent poverty and deprivation.
10. There are some 1.8 million lone parents of working age in Great Britain. Of these, 765,630 lone parents are claiming IS (May 2007 data). Lone parents are much less likely to participate in the labour market than partnered mothers. 71.6 per cent of partnered mothers are in employment compared with 57.2 per cent of lone parents (Q2 2007, LFS data). Recognising the importance for child poverty of increasing the lone parent employment rate, independent reviews by the OECD, David Freud and Lisa Harker maintained that, with the right support available, it is right for the Government to consider increasing the obligations to look for work on lone parents with older children.
11. Considerable progress has been made in the provision of support for lone parents, for example, the Working Tax Credit and Child Tax Credit, the right to request flexible working, and the New Deal and other employment support. It is the Government's aim that, by 2010, every school in England will be an extended school. Extended schools will provide childcare and supervised activities from 8am to 6pm, Monday to Friday, throughout the year, including during school holidays.
12. The provision of flexible support to help lone parents move into, and stay in, employment is essential. This assistance needs to be in place before October 2008 to support lone parents throughout the change. A strong package of support, which not only ensures flexibility, but will make work pay and provide lone parents with the skills they need to remain and progress in work is vital. The Government already provides a comprehensive package of assistance for lone parents, including the New Deal for Lone Parents (NDLP), which will continue to be available to lone parents if they want to use these services.

13. In September, the Prime Minister announced new measures to support lone parents in moving into work. These were: increasing the Work Trials period from three to six weeks; group seminars for lone parents; job interview guarantee and national extension of In Work Credit. Also, *Ready for work: full employment in our generation* announced measures to support people in a job: In work support from Jobcentre Plus advisers; the national rollout of the In Work Emergency Fund; piloting In Work Credit as a retention tool; and piloting the provision of Up-Front childcare costs in London.
14. Given this increase in support, the Government believes that changing from a voluntary to a mandatory intervention regime for lone parents of older children will help more lone parents to move into work. Lone parents with older children will no longer be entitled to IS solely on the grounds of being a lone parent. They will move to JSA or an appropriate benefit for their circumstance. The change will be rolled out in three stages: to lone parents with youngest child aged 12 or over (from 16), to lone parents with youngest child aged 10 or over and then to lone parents with youngest child aged seven or over. Table 1 shows the lone parent employment rate, numbers on IS, and numbers of poor children in lone parent families by age of youngest child.

Table 1: Lone parent employment rate, numbers on IS, and numbers of poor children in lone parent families by age of youngest child

Age of youngest child	Lone parent employment rate	Lone parents claiming IS (May 2007)	Number of poor children in lone parent households (HBAI 2005/06) ¹
Under 7	40.5%	469,990	600,000
7 to under 10	62.8%	121,140	200,000
10 to under 12	63.9%	67,900	100,000
12 to 15	71.4%	106,610	200,000
16 to 19	76.8%	NA	-
All	57.2% ²	765,640	1,100,000

*Figures do not add up due to rounding.

15. Lone parents with older children are more likely to be working than those with younger children and are less likely to be in receipt of IS. However, the employment rate of lone parents with youngest child aged 12 to 15 is still some nine percentage points below that of partnered mothers with children of the same age, suggesting that further progress can be made with this group. However, in order to make a real impact on child poverty, policy reform needs to reach lone parents with younger children. Eighty per cent of poor children with lone parents live in a family where the youngest child is under the age of 12.

¹ Households Below Average Income – An analysis of the income distribution 1994/95 – 2005/06. Based on the Family Resources Survey, 2005/06. Note: All figures are rounded to the nearest 100,000 children (rounds down to 0 for the 16-19 group)

² 'All' figure includes lone parents with youngest child 0-19. Lone parents are only entitled to IS until their youngest child reaches 16 years of age.

Table 2: Age of youngest child, lone parent employment rate and partnered mothers' employment rate

Age of youngest child (Q2 2006, Labour Force Survey)	Lone parent employment rate	Partnered mothers' employment rate
Under 7	40.5%	63.8%
7 to under 10	62.8%	77.5%
10 to under 12	63.9%	79.4%
12 to 15	71.4%	80.3%
16 to 19	76.8%	80.1%
All	57.2%	71.6%

16. A 70 per cent overall lone parent employment rate does not mean 70 per cent for all groups. It would require those with older children to achieve much higher rates of employment – closer to the partnered mothers' equivalent of around 80 per cent.

Estimating costs and benefits

17. The costs and benefits presented are based on rolling out the policy in three stages: initially to all lone parents with a youngest child aged at least 12 in 2008/09; then to lone parents with a youngest child aged at least 10 in 2009/10; and finally in 2010/11, to lone parents with a youngest child aged at least seven. They are based on IS entitlement for lone parents and do not include the one-off costs of implementation.
18. Our estimate, based on our assumptions, is that the removal of IS entitlements would cost in the region of £35 million over three years from April 2008-2011. However, for every additional lone parent moved into work, there are fiscal benefits generated by reduced spending on out of work benefits, extra Income Tax and National Insurance receipts, offset by spending on Tax Credits. These savings are particularly hard to estimate as we will not know the additional impact of the policy change until a full evaluation has been conducted. However, our analysis suggests that savings might be in the region of £200-400 million over the three years (note that these do not include the cost of extra Government spending on childcare, but does include the childcare element of Working Tax Credit). We are, therefore, assuming a net fiscal saving.
19. The final costs and benefits depend on various elements including:
- whether lone parents who are no longer entitled to IS under the new regime join JSA, claim other benefits, or leave benefits altogether;
 - the speed at which they find work from JSA (or other benefits);
 - the extra Income Tax and National Insurance receipts resulting from extra lone parents entering work; offset by Government spending on tax credits.

20. Assumptions have been made regarding these elements. Previous evaluation of Government programmes aimed at helping lone parents move into work (in particular, NDLP and Work Focused Interviews) has shown that such programmes are effective and efficient, with favourable cost-benefit ratios.³
21. Our current estimates, based on conservative but necessarily uncertain assumptions, are that the implementation of the policy as set out above will lead to a net reduction of 100,000 in the number of lone parents on out of work benefits by 2011, rising eventually to around 140,000 from 2013 onwards. This reflects reductions in the number of lone parents on IS, combined with smaller increases in the number of lone parents on JSA and ESA. As stated previously, these estimates are sensitive to the particular assumptions used, which may or may not prove accurate in practice.
22. This reduction in the number of lone parents on out of work benefits will have a beneficial impact on employment and child poverty. Our current estimates are that over the longer-run (again from 2013 onwards) this would imply an increase in the number of lone parents in work of 75,000 to 100,000, and a reduction in child poverty of approximately 70,000⁴.

Equality Impact Tests

23. While these policies are likely to impact disproportionately on certain groups of lone parents, it is these groups that are among the more disadvantaged in society. And given the policy objectives, it will boost family incomes and therefore, lift their children out of poverty, helping to close the gap with the overall population.

Gender

24. Over 90 per cent of lone parents are female. Moreover, female lone parents are more likely than male lone parents to be out of work (43.5 per cent of lone mothers are not employed, compared to 35.3 per cent of lone fathers). As a result, over 95 per cent of IS lone parent claimants are female. Any changes to the policy regime for lone parents will therefore have a much greater impact on women.
25. It is worth noting that the gender impact is much less pronounced for lone parents of older children – there are proportionately more lone fathers with a youngest child aged seven and over compared to the lone parent population as a whole. While there is an eight percentage point gap in the employment rate for lone mothers and lone fathers, this gap disappears for lone parents of children aged 12 and over. Similarly, whilst 98 per cent of IS lone parent claimants with a youngest

³ Knight, G. and others (2006), *Lone Parents Work Focused Interviews/New Deal for Lone Parents: combined evaluation and further net impacts*. DWP Research Report 368.

⁴ These estimates relate solely to the measures set out in this paper, which are separate from the measures announced in the 2007 Budget and 2007 Pre-Budget Report, which will also have an impact on child poverty.

child aged under five are female, only 90 per cent of IS lone parent claimants with youngest child aged 11 to under 16 are female.

26. The vast majority of NDLP participants are female – 92 per cent. Women actually have somewhat better outcomes than men – 60 per cent of women leave NDLP for employment compared to 52 per cent of men.
27. As the policy is aimed at lone parents with an older youngest child, it is going to impact older lone parents. A number of independent reports have suggest that, with the right support, it would be appropriate to increase the responsibility for lone parents with older children to look for work to tackle worklessness and child poverty.

Ethnicity

28. Table 3 shows the ethnicity breakdown of lone parents compared to the working age population as a whole. Some 15 per cent of lone parents are of non-white ethnicity. The table also shows that the proportion of lone parents who are black is substantially higher than the proportion of black individuals in the working age population as a whole, while the proportion of lone parents of Asian ethnicity is lower. The employment rate of all non-white lone parents is 45% compared to 59% for White lone parents.

Table 3: Ethnicity breakdown of lone parents compared to the working age population as a whole

(Q2 2007, Labour Force Survey)	White	Mixed	Asian	Black	Chinese	Other ethnic group	All non-white
All working age population	89.1%	0.8%	5.2%	2.6%	0.6%	1.8%	10.9%
Lone parents	85.3%	1.4%	3.6%	7.2%	0.3%	2.2%	14.7%
Lone parent employment rate	59.2%	45.9%	35.7%	53.6%	51.6%	33.2%	45.4%

29. Looking at those who will be affected by the removal of IS, there are proportionately fewer non-white individuals than in the lone parent population. Around 14 per cent of lone parents with a youngest child aged 7-10 are non-white, compared with 13 per cent of those with a youngest child aged 10-12 and 11 per cent of those with a youngest child aged 12 and over.

30. New Deal for Lone Parents statistics can also be broken down by ethnicity. 15.9 per cent of NDLP participants in May 2007 were from an ethnic minority. They have considerably worse outcomes from NDLP – 47 per cent of all leavers go into employment, compared to 60 per cent of white NDLP participants. This contrasts with results from ND25+, from which the percentage of white leavers entering employment is only slightly higher than for ethnic minorities at 31 per cent compared with 33 per cent.

Disability

31. Lone parents with a youngest child aged 12 and over are particularly affected by the issue of disability. According to the Labour Force Survey, 29 per cent of lone parents of this category suffer from a type of disability, of which 18.6 per cent are affected by the Disability Discrimination Act (DDA) and work limiting disability. This compares with 23.7 per cent and 14.9 per cent for lone parents of children of all ages. However, under the proposals, lone parents who are disabled and are unable to work could claim incapacity benefits.
32. Disabled participants in NDLP are seen to have somewhat worse outcomes than non-disabled participants, with 52 per cent of them entering employment compared with 60 per cent of non-disabled participants

Table 4: Number of participants in NDLP (May 2007) and percentage of leavers entering employment

	Number of participants in NDLP (May 2007)	Percentage of leavers entering employment
Disabled lone parents	4,230	52%
Non-disabled lone parents	60,180	60%

33. There are also just under 28,000 lone parents on IS with a child in receipt of Disability Living Allowance (DLA). We need to ensure that our support for lone parents is attuned to the particular needs of those with disabled children, and that all lone parents claim the appropriate benefit. This might be ESA for lone parents with disabilities or IS for lone parents receiving Carers Allowance.

Age

34. Table 5 shows the age profile of IS lone parents. Rolling out conditionality to those with older children will mean that the lone parents themselves are also more likely to be older. However, there are good reasons for targeting lone parents with older children, as childcare constraints are lower, the older the child. Furthermore, the age distribution of lone parents is not particularly wide, with over 90 per cent of lone parents on IS being between the ages of 18 and 45.

Table 5: Lone parent IS claimants: age of claimant by age of youngest child age bands (May 2007)

Age	Under 7	7 to under 10	10 to under 12	12 and over
Under 18	100%	0%	0%	0%
18-24	99%	1%	0%	0%
25-34	72%	18%	6%	4%
35-44	38%	23%	15%	24%
45-49	15%	22%	19%	44%
50-54	7%	14%	19%	60%
55-60	10%	11%	14%	64%

Summary

35. The assessment above suggests that the lone parent proposals contained in *Ready for work: full employment in our generation* will have a greater impact on the following groups: women, ethnic minority lone parents, older lone parents, disabled lone parents and lone parents of disabled children. Some of these groups, in particular lone parents from an ethnic minority or those affected by disability, appear to have worse employment and poverty outcomes under the current system. They, therefore, stand to benefit the most from the new policy.
36. The change in IS entitlement should benefit the groups identified insofar as it moves more of them into work, and removes disparities in their treatment, and helps the Government's objective of reducing the gap between the most disadvantaged in society and the overall population.
37. While lone parents in London fare the worst in employment outcomes (the lone parent employment rate in London is 40.6 per cent compared to 57.2 per cent nationally), these proposals aim to help lone parents into the labour market and therefore, them and their children out of poverty. And in London opportunities for lone parents exist, with the job market density greater than the rest of Great Britain and where 30,000 vacancies arise each month.

Flexible New Deal proposals

38. The Impact Assessment is a working document that has developed alongside the flexible New Deal policy development. An initial Impact Assessment was published alongside the Green Paper *In work, better off: next steps to full employment*, in July 2007. The Impact Assessment will continue to be updated as more information becomes available and policies develop. Underlying the assessment will be an evaluation of the policies as they are introduced.

Introduction and policy rationale

39. The Government has set the challenging aspiration of increasing the employment rate to 80 per cent. The current policy approach for jobseekers is based on mandatory participation by jobseekers in the JSA intervention regime and New Deals. This has helped to achieve an employment rate today of 74.4 per cent. However, to reach an 80 per cent employment rate would mean helping significantly more jobseekers into employment.

40. The current New Deal programme has helped more than 1.7 million people into work, helped to virtually eradicate long-term (12 months plus) youth unemployment and reduced long-term adult unemployment to close to its lowest level for 30 years.

41. However, the New Deals are nearly 10 years old and there is now a weight of evidence, including the Leitch and the Freud reports, suggesting the need to:⁵

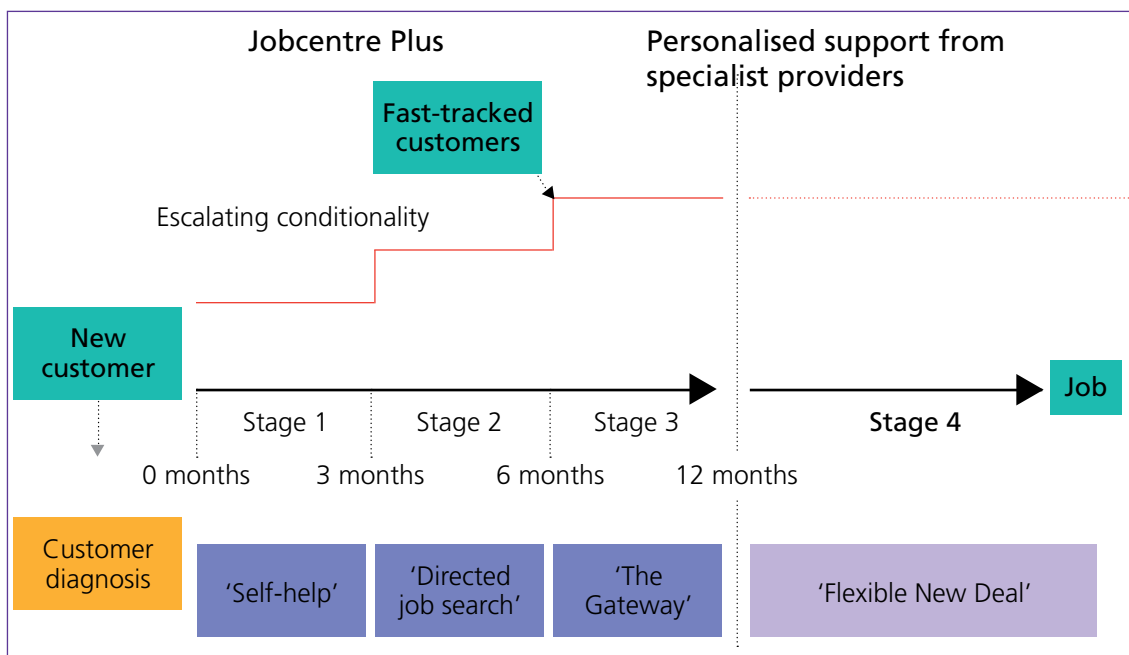
- improve the flexibility of provision and increase personalisation to meet customer needs;
- ensure jobseekers with longer duration unemployment get additional help;
- help jobseekers get the skills training they need to help them get better jobs;
- make greater use of the flexibility and innovation that partnership working with the public, private, third and voluntary sectors can provide.

42. Ensuring that the long-term unemployed are equipped with the key employability skills that they need to effectively engage with the labour market requires more personalised and tailored support than the current New Deals provide. Using experience from the New Deal programmes and Employment Zones (EZs), the flexible New Deal has been designed to provide this support and replace the current suite of employment support for the long-term unemployed. The flexible New Deal will also simplify the current range of programmes for the long-term unemployed, replacing them with a single routeway for all jobseekers.

⁵ *Prosperity for all in the global economy – world class skills*, December 2006. Lord Leitch's review of long-term skills needs.

Outline of a flexible New Deal

43. We propose a strengthening of the requirements for those claiming JSA and the introduction of a new, flexible New Deal for all jobseekers. This would replace the current, separate New Deals for young people and unemployed adults. The effect of this would be to provide increasing levels of support and require corresponding effort on the customer's part as the duration of the claim for JSA increased. There would be four stages to the increase in support and mandatory activity.



Stage 1

44. Many claims for Jobseeker's Allowance are by people who leave the benefit quickly – around six out of 10 jobseekers leave during the first 13 weeks. We are making two important improvements to the early stages of a claim for JSA to increase the level of help available: Firstly, at the new claim interview, the adviser will undertake a skills screen to identify any potential basic skills needs and, on the basis of the result, will encourage the customer to undertake a Skills Health Check through the new Adult Advancement and Careers Service. Secondly, we are adding a mandatory back to work group session at around week six to reinforce the importance of work and encourage access to the help on offer through Jobcentre Plus.
45. We believe that conditionality and the existence of benefit sanctions support the individual's own responsibilities to actively seek work and help deter someone leaving a job without good cause in the first place or failing to accept the offer of a suitable job. We would not be playing fair with the expectations of the public at large if we did not keep our 'something for something' offer subject to sanctions. So we have concluded that the present principles of conditionality will continue to apply to all jobseekers. Furthermore, in return for additional support we will also seek to increase our expectations as a claim continues.

Stage 2

46. Jobseekers whose own efforts have not succeeded after three months will be required to widen the scope of jobs they look for, to include any suitable job, and we will introduce greater direction of job search by Jobcentre Plus staff. Everyone will be submitted to a suitable job. Weekly rather than fortnightly attendance at the jobcentre will also be required for the next six weeks. Around a fifth of customers with particularly poor employment history or other difficulties, will receive personal adviser interviews to provide additional help and encouragement.

Stage 3

47. After six months, around eight out of every 10 customers will have left JSA and after a year the figure reaches about nine in 10. Jobcentre Plus will use its reward and recognition arrangements to help staff build on these outcomes.
48. To support Jobcentre Plus to deliver back to work support, we will increase the flexibility in the system to enable a more personalised service for those who have been on benefit for longer. After six months, all customers will enter a single Gateway lasting for up to six months; this proposal was particularly welcomed in the consultation. For those aged over 25, this brings forward more intensive help by a year. For most people this will be after six months on benefit with some people fast-tracked from the start of their claim.
49. The most powerful aspect of the Gateway is regular contact with a personal adviser. The initial interview with the adviser will determine the customer's action plan. The action plan must be stretching and will cover activity over and above that of the Jobseeker's Agreement (which will remain). In addition to some common basics – for example, updating CVs – the adviser will assess the customer's needs and identify specific activity that they must do to improve employability and find work. The adviser and customer will agree the activity and the timetable for achieving it. The customer will be seen by their adviser every four weeks to check on progress, with regular Job Reviews as now.
50. As part of the first Gateway interview, all customers identified with potential basic skills and employability needs that have not been addressed since the start of the claim will be referred and in some cases directed to attend a Skills Health Check at the new Adult Advancement and Careers Service. The adviser will use the skills check results to determine the customer's required activity, which may include training. Jobseeker's Allowance customers, at appropriate points in their claim, should be expected to engage with the advancement service if they have skills needs stopping them from finding employment and we will enforce this where appropriate. All of this would be identified on the action plan.
51. For those with basic skills needs, at the discretion of advisers, we intend to pilot mandating attendance on relevant training at this stage.

52. Some customers will be identified at six months as needing employment-related training in order to return to work. To meet this need, they will be able to participate in short periods of full-time training, up to eight weeks in length, focused on getting them back to work and on meeting employers' needs. Vacancies identified through Local Employment Partnerships will be supported by this measure, where appropriate. Customers will move off JSA and onto a training allowance for the duration of the training.
53. To support customers in fulfilling the action plan requirements, Jobcentre Plus advisers will have access to a discretionary fund to provide extra and flexible help at this stage.
54. In addition to the existing sanctions for failure to look for or take suitable work there will be a two-week benefit sanction for failure to comply with Gateway activity agreed between the customer and the adviser.

Early entry to the Gateway

55. We must do more to support people who return repeatedly to long-term unemployment. To improve all customers' chances of finding sustained work as quickly as possible, we will fast-track the most disadvantaged to the more intensive Gateway from day one of their claim. Fast-tracking to the Gateway and a Skills Health Check, where appropriate, will provide these customers with an earlier opportunity to improve their employability and tackle skills challenges that will help more of them get and sustain work.
56. A strong indicator of labour market disadvantage is a person's JSA history. We have decided that jobseekers with the longest durations on benefit will be selected for this additional early support. The fast-track will take customers to the Gateway with Jobcentre Plus rather than a contracted provider because, even amongst customers with long histories on JSA, many will leave benefit relatively quickly. For younger jobseekers, who have a shorter benefit history to go by, we will fast-track those who have spent a significant part of that time on JSA or who have not been in education, training or employment for a period prior to claiming JSA.
57. We will continue to allow people in vulnerable groups the opportunity to volunteer to enter the Gateway early, subject to capacity.

Stage 4

58. At the end of the intensive Gateway with Jobcentre Plus, jobseekers who remain on benefit will be referred to an external provider for further, specialist help. Customers will remain in contact with Jobcentre Plus throughout this stage.
59. As a minimum there would be an initial in-depth assessment of the customer's employment-related needs and circumstances and an action plan agreed with the customer, which includes personalised and stretching activity to get back to work.

60. As with the existing New Deals, participation with an external provider and compliance with the accompanying action plan will be mandatory. Failure to undertake any back to work activity arranged by the service provider would mean a referral to Jobcentre Plus to consider benefit sanctions.
61. We have listened to views about the relative merits of requiring customers to undertake a period of full-time activity. We believe that this approach could be beneficial, by supporting providers when they engage with harder-to-help customers. It is important to promote suitable activity which responds to an individual's needs at the most relevant point for that person and we see it as a positive aspect of the flexible menu of support providers can offer jobseekers. It would mean that everyone will get the opportunity to experience a period in work-like activity.
62. People who move across to an external provider will remain on JSA. They will continue to attend a Jobcentre Plus office on a fortnightly basis unless they undertake a period of training or other activity outside the JSA rules, when they will receive a training allowance. It will be Jobcentre Plus's continuing responsibility to oversee the job seeker's journey through the flexible New Deal and the payment of the allowance appropriate to the work-related activity.
63. Those who fail to get work at the end of the contracted support will return to the Gateway for Jobcentre Plus to optimise the improved employability achieved by suppliers. We are determined to help those who repeatedly return to long-term unemployment to break this cycle. We will continue to explore what more we can do to support those who fail to get work during their time with a provider to make sure that they continue to receive personalised, tailored support matched with appropriate conditionality.
64. We are committed to giving all specialist providers in the private, voluntary and public sector a chance to deliver services. We want to buy support that works for everyone. The expectations of the provider will be set out in contracts in a way similar to those for current EZs.

Methodology

65. There are two key elements to the estimated flexible New Deal costings: (1) the number of jobseekers receiving interventions, and (2) the unit cost of each intervention.
66. To estimate the number of jobseekers who will receive additional support through, for example, the flexible New Deal Gateway or flexible New Deal stage, it has been assumed that the number of jobseekers reaching six and 12 months will be approximately the same as the number of jobseekers who started a JSA claim in 2004/05 and reached six and 12 months unemployment. Jobseekers starting a claim in 2004/05 have been used so that they can be followed for at least two years.

67. The number of jobseekers reaching specific durations of unemployment have then been modified to take account of the key features of the FND model:
- Off-flows (number of jobseekers leaving JSA) for young people after six months have been replaced by off-flows for 25 to 29 year olds because young jobseekers will enter a modified Gateway from six months followed by the flexible New Deal from 12 months. Twenty-five to 29 year olds are the group of jobseekers most similar to young jobseekers.
 - Off-flows for all jobseekers have been increased after six months because the flexible New Deal Gateway will help more jobseekers into employment quicker.
68. Off-flows for young people after six months have been replaced by off-flows for 25 to 29 year olds because young jobseekers will enter a modified Gateway from six months followed by the flexible New Deal from 12 months. Twenty-five to 29 year olds are the group of jobseekers most similar to young jobseekers.
69. The unit costs of Jobcentre Plus interventions have been estimated using Jobcentre Plus Finance's staff costs and the costs of non-Jobcentre Plus interventions have been estimated using the costs of similar interventions.
70. The cost of the flexible New Deal stage has been estimated based on the cost of EZs and the New Deals. We expect to drive efficiencies through, increasing the size and scale of contracts, intervening earlier for jobseekers aged over 25 years and bearing down on EZ costs, which are particularly high.
71. The final element of the flexible New Deal is early entry to the Gateway stage. To estimate the number of jobseekers who could be fast-tracked to the Gateway, the pot of money left over after paying for mandatory flexible New Deal participants has been divided by the additional cost of allowing jobseekers to join the Gateway stage rather than at day one.

Sensitivities

72. The main assumption in the costings model is the number of jobseekers flowing through six and 12 months and therefore, receiving additional support during the Gateway and flexible New Deal stages. This is a particular risk because the off-flows for jobseekers from 2004/05 have been used for costings, but the level of unemployment might be different in 2009/10 and 2010/11.
73. To understand the scale of this risk, we have tested the robustness of the base model against a number of possible sensitivities. Outside forecasts estimate higher flows through six and 12 months than off-flows for jobseekers from 2004/05 and the funding for the flexible New Deal is tighter under these forecasts.

74. In addition, assuming no additional off-flows as a result of the extra Jobcentre Plus interventions during the Gateway stage, more jobseekers enter the flexible New Deal stage – the major cost of the proposed model. It is, however, still possible to remain within a balanced budget.

Impact of the flexible New Deal

75. We have estimated that overall the claimant count will fall by between 10,000 and 20,000 as a result of the Jobcentre Plus and flexible New Deal stages. These estimates have been made using evidence from evaluations of the mandatory New Deals and EZs.

76. Helping more jobseekers into work will provide benefits for four groups:

- **Jobseekers:** Jobseekers will gain financially as their in work income from earnings and tax credits (where applicable) will be higher than their out of work income from benefits and tax credits. There will also be wider benefits for jobseekers from moving into employment.
- **Employers:** There will be benefits for firms that employ the jobseekers.
- **The Exchequer:** There will be financial savings to the Exchequer from reduced benefit payments and higher Income Tax, National Insurance, and VAT receipts.
- **Society:** There will be wider benefits for society from reduced crime, reduced social exclusion and improved health.

77. Our initial estimate of the benefits of the flexible New Deal to the Exchequer is between £70 million and £140 million per year. This estimate includes reduced benefit payments, higher Income Tax and National Insurance contributions, reduced Housing Benefit payments, increased Council Tax payments and payment of tax credits.

78. The ongoing costs of the flexible New Deal will be met from within existing funding for employment support targeted at the long-term unemployed. The only additional costs will, therefore, be one-off implementation costs that could potentially be in the range of £30 million.

Impact Tests

Flexibility

79. The flexible New Deal model will draw on the most successful aspects of current programmes and provision, notably EZs. Employment Zones have three stages, which involve developing an action plan, implementing that action plan and in work support. Providers are able to tailor a package of support to individuals' needs as a result of their flexibility. Employment Zones are work-focused and centre their attention on 'realistic aspirations'.
80. Evidence shows that EZs are better than their equivalent New Deal programmes at placing jobseekers into (sustained) employment: EZ performance is significantly better than equivalent New Deals for all client groups, including those with multiple barriers. For example, for 25+ clients, EZs achieve between five and 10 percentage points more jobseekers achieve jobs outcomes and sustained job outcomes.⁶
81. There is evidence that jobseekers, staff and providers support the move towards greater flexibility in determining jobseekers' package of support. There is high jobseeker satisfaction with EZs, even among those who did not secure work. Satisfaction was principally related to the quality and content of the jobseeker-adviser relationship. Jobseekers perceived that EZs allowed them to pursue employment goals of their own choosing, not being compelled into jobs they did not want.⁷
82. Employment Zones aim to build trust and a good rapport with their jobseekers. As part of this process, and to attain good job outcomes, some have attempted to match the personal adviser with the jobseeker, for example, younger jobseekers will have a younger personal adviser. Evidence has shown that they are then in a better position to engage with individual jobseekers. In addition, it is known that younger jobseekers have appreciated the greater amount of time they had to spend with their EZ adviser and the level of attention and support they received. It is expected that flexible New Deal providers will use this type of individual, tailored support to help jobseekers find sustained employment.
83. What differentiates EZ delivery from mainstream employment services and contributes to improved performance, is the way in which the flexibilities afforded to providers feed into the interface between adviser and jobseeker. Employment Zones advisers are able to devote more time to getting to know jobseekers, and to identifying their barriers and job aspirations. They are also persuasive and accommodating, aiming to place jobseekers into work of their own choosing rather than compelling them into jobs they do not want.⁸

⁶ Griffiths, R. and Durkin, S. (2007), *Synthesising the evidence on Employment Zones*. DWP Research Report 449.

⁷ Griffiths, R., Durkin, S. and Mitchell, A. (2006), *Evaluation of the Single Provider Employment Zone Extension*. DWP Research Report 312.

⁸ Griffiths, R. and Durkin, S. (2007), *Synthesising the evidence on Employment Zones*. DWP Research Report 449.

84. Employment Zones have both operational and financial flexibility. In practice this means that advisers can, for example, meet jobseekers in alternative locations, such as cafés or outreach centres – not just the main office. In terms of tailoring support to the individual, when writing the action plan, advisers will ascertain what real barriers the jobseeker faces, for example, childcare responsibilities, and they can then help to find a solution. With respect to financial flexibility, EZs are able to shift resources between jobseekers, allowing them to spend more money on those who need it.
85. Since their introduction, EZs have shown that they are able to experiment and innovate to improve and tailor their support to the individual needs of jobseekers. Some examples of provider innovations are:
- Some providers have developed in-house courses for jobseekers with English as a second language but, with an enhanced focus on work-based language.
 - Some providers have exploited the skills of psychologists or behavioural experts, for example, using Cognitive Behavioural Therapy to help jobseekers with lower level behavioural disorders.
 - Some advisers scheduled a half or entire day to visit potential employers with individual jobseekers, running 'Discovery sessions' (month-long programmes with two weeks in the classroom, and two weeks at computers searching for jobs), setting up placements for jobseekers with employers to enable them to build relationships, running confidence building workshops with 'homework', and distributing CVs.
 - At least one provider had organised workshops inside prisons to gain knowledge of the likely needs of ex-offenders.
 - Advisers have met jobseekers in cafés and pubs to strengthen the rapport they build with jobseekers.
 - Advisers have taken jobseekers' phone calls out of office hours and liaised directly with employers on jobseekers' behalves.
 - The introduction of specialist advisers and counselling support for jobseekers with mental health conditions, or drug- and alcohol-related problems.
86. Other examples of EZ advisers using their flexibility to customise their support to jobseekers' needs include:
- financial help toward advertising a new gardening business to help jobseekers into self-employment.
 - helping a jobseeker to lose weight and then set up a personal fitness business.

Small Firms Impact Test and contracting for the flexible New Deal

87. The flexible New Deal will be purchased in accordance with the Department's Commissioning Strategy, which is currently being developed. The approach to contracting will be assessed and published as the Commissioning Strategy develops in the new year.
88. The flexible New Deal will not increase regulatory requirements for small and medium-sized firms so no negative impacts are expected in this respect.
89. To ensure that providers are improving outcomes for the most disadvantaged, their performance will be monitored on an ongoing basis. The performance of the flexible New Deal will be scrutinised through independent qualitative and quantitative evaluations.

Health Impact Assessment

90. There is a strong positive association between unemployment and increased rates of overall mortality and poorer physical, mental and general health. Furthermore, there is strong evidence that unemployment can cause, contribute or aggravate most of these conditions. Similarly, there is a strong theoretical case supported by a great deal of background evidence that work and paid employment are generally beneficial for physical and mental health and well-being.⁹ Our estimates suggest that the flexible New Deal will help more jobseekers into employment. The flexible New Deal may, therefore, have positive health effects. It is not possible to quantify the scale of these effects.

Equality Impact Test

Gender

91. The proportion of female jobseekers claiming JSA has increased over time, from 23 per cent in May 1997 to 27 per cent in May 2007.
92. New Deal for Young People (NDYP) has seen an increase in female participants of similar proportions to that seen in the JSA caseload, from 27 per cent in 1998/99, to 31 per cent in 2006/07. There is a two percentage point gap in performance between males and females, with the female employment destination rate at 36 per cent, while for males it is 38 per cent.
93. New Deal 25 plus (ND25+) has seen a small increase in female participation from 16 per cent in 2001/02 to 19 per cent in 2006/07. There are fewer female ND25+ participants than the proportion of females on the claimant count aged over 25 (24 per cent). There are no gender differences in terms of employment outcomes; they are both 29 per cent.

⁹ Waddle and Burton. (July 2006), *Is Work Good for your Health and Well Being?*.

94. We do not expect negative impacts on the basis of gender. Providers will offer greater support tailored to the individual needs of jobseekers, much like that provided in EZs. Our experience of EZs suggests that greater flexibility will have a positive effect. Evaluation backs this up as EZ performance is significantly greater than equivalent New Deals for all client groups, including those with multiple barriers. Evidence on female customers in EZs (early entrants who were over 25) indicates that they benefited from the encouragement offered by their personal adviser. In some cases they had secured jobs in sectors they were unfamiliar with or initially reluctant to apply for.

Ethnicity

95. The proportion of white jobseekers on the count has fallen from 76 per cent in May 2002, to 71 per cent in May 2007. This reduction has been offset by a two percentage point increase in jobseekers from an ethnic minority and a three per cent combined increase in 'unknown ethnicity' and jobseekers who 'prefer not to say'. Ethnic minorities currently make up 16 per cent of the caseload, while unknown ethnicity accounts for 13 per cent. This is a substantially greater proportion than their representation in the total population.
96. There has been a slight increase in NDYP participants from an ethnic minority, increasing from 14 per cent in 1998/99 to 18 per cent in 2006/07. Ethnic minorities have a higher proportion of female participants (34 per cent) than white participants (30 per cent). The proportion of ethnic minorities leaving NDYP to employment is lower than that for whites at 31 per cent compared with 38 per cent, but there is wide variation between different ethnic groups.
97. There has been a significant increase in ND25+ participants from an ethnic minority, from 12 per cent in 2001/02 to 17 per cent in 2006/07. Unlike with NDYP, there is no significant gender difference with ethnic minorities (although females are slightly higher among ethnic minorities). White leavers to employment are only slightly higher than ethnic minorities at 29 per cent compared with 28 per cent.
98. It is not expected that the flexible New Deal will result in negative impacts for any ethnic group. Providers will offer greater support tailored to the individual needs of jobseekers, much like that provided in EZs. Analysis of EZs highlights many examples of their flexibility in supporting ethnic groups. Some providers have developed in-house courses for English for speakers of other languages, with a specific work focus. In addition, one provider had a Kurdish immigrant on their staff to help with supporting the large Kurdish community – not just for language issues, but in order to help understanding of the wider cultural and social issues that are pertinent to Kurdish jobseekers. Evaluation substantiates this as EZ performance is significantly greater than their equivalent New Deals for all client groups, including those with multiple barriers.

99. We are currently consulting with jobseekers about their experiences of EZs and the New Deals. We will monitor and evaluate the flexible New Deal using administrative data to ensure it works effectively for all groups including ethnic minorities. The performance of the flexible New Deal for ethnic minorities will be scrutinised through independent qualitative and quantitative evaluations.

Disability

100. There has been a marginal increase in the proportion of NDYP participants with a disability, from 13 per cent in 1998/99 to 14 per cent in 2006/07. New Deal for 25+ has a much larger proportion of disabled participants. This has increased from 27 per cent in 2001/02 to 33 per cent in 2006/07.
101. Participants without a disability perform significantly better on the New Deal: on NDYP, 38 per cent leave to employment compared with 31 per cent who have a disability. A similar difference can be seen on ND25+ where only a quarter of participants with a disability leave the New Deal for employment, compared with 31 per cent who do not have a disability.
102. Hales et al. (2003) compared EZ performance with ND25+. They found that EZs outperformed comparative New Deal areas for participants who were in poor health, which included jobseekers with a health condition or a disability.¹⁰ The report also found that jobseekers in good and poor health had a greater probability of starting a job in EZs than on ND25+. The focus on individuals' barriers to employment and a range of provision should ensure that like EZs, the flexible New Deal achieves better outcomes for this group than seen under the New Deal.
103. It is not expected that the flexible New Deal will have a negative effect on disabled people. Providers will offer greater support tailored to the individual needs of jobseekers, much like that provided in EZs. However, we will monitor and evaluate the flexible New Deal programme to ensure it works effectively for jobseekers with a disability. The performance of the flexible New Deal will be scrutinised through independent qualitative and quantitative evaluations.

Age

104. There are a greater number of young JSA claimants compared with older claimants; 28 per cent are aged 18 to 24, compared to only 17 per cent aged 50 to 59 years. The proportion of 18 to 24 year olds has increased over time by a similar proportion to the fall of 25 to 34 year olds (see Table 6).

¹⁰ Hales, J., Taylor, R., Mandy, W. and Miller, M. (2003), *Evaluation of Employment Zones: Report on a Cohort Survey of Long-Term Unemployed People in the Zones and a Matched Set of Comparison Areas*. National Centre for Social Research.

Table 6: Proportion of JSA caseload by age

	Under 18	18-24	25-34	35-44	45-49	50-54	55-59	60-64
May 1997	1%	24%	29%	21%	9%	9%	7%	1%
May 2007	1%	28%	24%	21%	9%	8%	8%	1%

105. Under the JSA and flexible New Deal intervention regime, jobseekers will not be segmented on the basis of age, removing the current differential treatment under the mandatory New Deals. No negative effects relating to the flexible New Deal are expected. The flexible New Deal will bring forward additional support for jobseekers aged 25 years and over from 18 months to six months. Young people will receive a modified Gateway from six months. Jobseekers of all ages will now enter the Gateway at six months.
106. Under the flexible New Deal a jobseeker with a long benefit history will be fast-tracked to the Gateway stage. There are four routes through which jobseekers can be fast-tracked:
- jobseekers aged 20 years and over and who have claimed JSA for 22 out of the last 24 months;
 - jobseekers aged 18 and 19 who have claimed JSA for a total of six months prior to their new claim for JSA; and
 - jobseekers aged 18 years who have been Not in Education, Employment or Training (NEET) for six months; and
 - under adviser discretion for the most disadvantaged groups.
107. Fast-tracking recognises that some jobseekers may need more support to find and remain in employment. Under these arrangements, more young jobseekers will be fast-tracked to the greater support offered by the Gateway stage. Unemployment imposes a sizeable and on-going scar on young people's employment and wage prospects.¹¹ Fast-tracking more young people to greater support will help to reduce the long-term damaging effects of unemployment scarring on young people.
108. The over 50s will also benefit from access to mandatory rather than voluntary help, as demonstrated in the recent ND25+ Intensive Activity Period (IAP) pilot. Older jobseekers mandated to participate in the IAP stage were more likely to enter employment: 29.8 per cent compared to 23.4 per cent for those not mandated.¹² There is evidence that the over 50s have less success in moving into jobs than younger people. However, the 'gap' in success in moving into jobs between

¹¹ Gregg, P. (2004), *The Wage Scar from Youth Unemployment*.

¹² Dorsett, R. and Speckesser, S. (2006), *Mandating IAP for older New Dealers: an Interim report of the quantitative evaluation*. DWP Research Report 362.

those aged 50 years and over and those aged 25-49 years is narrower in EZs than ND25+. This suggests that EZs have more success at helping older jobseekers than ND25+, with the greater flexibility in EZs potentially being an important factor in helping older jobseekers.¹³

109. Griffiths et al. (2007) highlighted that young people performed better with an EZ provider than returning to the NDYP.¹⁴ We expect the flexibility of flexible New Deal provision to benefit jobseekers of all ages. Jobseekers will receive individually tailored support, which should be an improvement on the prescribed activities in the current New Deal provision.
110. We are currently consulting with jobseekers about their experiences of EZs and the New Deals, and we monitor and evaluate the programme to ensure it works effectively for jobseekers of all age groups. The performance of the flexible New Deal will be scrutinised through independent qualitative and quantitative evaluations.

Rural

111. For both NDYP and ND25+, the more rural districts perform better than the urban ones. Under the flexible New Deal regime more frequent attendance and increased conditionality should not negatively affect rural areas and should positively impact upon the lower urban performance.
112. The flexibility of the flexible New Deal should cater for both urban and rural participants by ensuring they receive the correct support. Jobseekers in varying geographical locations may need differing help, with diverse local labour market conditions (e.g. type of vacancies) commanding different support requirements.

Summary

113. Disadvantaged groups will be over-represented amongst flexible New Deal stage participants and they currently have worse outcomes than the wider group of jobseekers. The flexible New Deal is expected to help to improve outcomes for disadvantaged groups by offering individualised support, tailored to their specific needs. We expect the flexible New Deal to improve both the absolute and relative position of disadvantaged groups by targeting resources at those jobseekers with the greatest needs. Targeting early access to the Gateway stage on jobseekers who have shown they are disadvantaged through their histories of unemployment, should also help to provide greater support for jobseekers requiring more help to find sustained employment.

¹³ Hasluck, C. and Green, A. (2007), *What works for whom: A review of evidence and meta-analysis for the Department of Work and Pensions*. DWP Research Report 407.

¹⁴ Griffiths, R. and Durkin, S. (2007), *Synthesising the evidence on Employment Zones*. DWP Research Report 449.

114. However, securing better outcomes for the most disadvantaged in practice will be dependent on ensuring that providers, whether from the public, private or voluntary sector, have the:
- flexibility to tailor their support to the needs of the most disadvantaged, including those from specific ethnic groups and those with health conditions;
 - experience, knowledge and tools to be able to do so in an efficient and effective way; and
 - incentives to do so, through the contracting structure.
115. There is a theoretical concern that funding providers on the basis of outcomes will encourage 'creaming' (focusing on the easiest to help at the expense of the most disadvantaged). Available evidence suggests that while creaming is always a concern in this context, it is no more so for outcome-focused contracts than for Jobcentre Plus provision.¹⁵ However, it is important in contract design of the flexible New Deal to ensure that providers are properly incentivised to focus on the most disadvantaged.

¹⁵ Griffiths, R. and Durkin, S. (2007), *Synthesising the evidence on Employment Zones*. DWP Research Report 449.

Local Employment Partnerships proposals

Introduction and policy rationale

116. Jobcentre Plus has significant day-to-day interaction with employers, taking over 10,000 new vacancies every working day. Surveys suggest at least as many again are advertised through other recruitment channels. Jobs are coming up covering a wide range of different types and patterns of employment, and this dynamism and diversity supports high levels of employment by helping people find work that suits their particular needs and circumstances.
117. A key role of Jobcentre Plus is to open up as many of these opportunities as possible to those who make use of its services, particularly long-term benefit recipients and others at a disadvantage in the labour market. It does this through the help and support offered by advisers in local Jobcentre Plus offices, allied with the requirements on individuals to participate in regular activity, such as Work Focused Interviews, or to actively seek work. This also acts as a gateway to additional help through programmes such as the New Deal. The plans outlined in other parts of this document focus on ways of enhancing and improving the existing pattern of support, which has already contributed towards a one million fall in the number claiming the key out of work benefits over the last decade.
118. To maximise the effectiveness of The Department's support for jobless people, it will be necessary to build further on Jobcentre Plus' engagement with employers. This means enhancing the service we offer so that it can quickly and reliably meet their recruitment needs, while ensuring there are effective and consistent pathways to employment for individual customers who might otherwise be at a disadvantage in the jobs market.
119. In the 2007 Budget statement, the Chancellor of the Exchequer announced the introduction of LEPs, initially focusing on the retail sector. Local Employment Partnerships provide a fresh approach to the work that Jobcentre Plus does with employers, and are designed to improve the job matching process by ensuring that the support for long-term unemployed and other priority groups prepares them for the world of work, helps them to acquire the skills they need to meet employers' expectations, and gives them a fair chance to apply for the new jobs coming up all the time.
120. The Green Paper *In work, better off: next steps to full employment* set out the aim of extending LEPs and through them, help, 250,000 jobless people across the country into work by the end of 2010. Jobcentre Plus is in the process of establishing LEP agreements with employers. So far over 250 employers have committed to LEPs, of which 77 have already started working on implementation, with a further 350 employers in discussion with Jobcentre Plus.
121. As employers commit to LEPs, Jobcentre Plus works with them to agree specific measures at local level. Each local agreement provides disadvantaged jobless people with opportunities to move into work.

122. Local Employment Partnerships will play an important role in supporting the success of the programmes and reforms outlined elsewhere in this paper, and for developing closer working with the Learning and Skills Council and other key partners to develop jobs and skills offers that meet the needs of employers.
123. The success of LEPs will depend, in part, on the ability to make best use of all the existing support available, maximise the flexibility that already exists within existing programme contracts, and ensure the help and support on offer is work-focused and accessible to priority clients. This includes the development of 'routeways' in a number of sectors including retail, construction, hospitality, security, transport, textiles, health, leisure and facilities management. These are short programmes designed to address employability skills and the core job-specific skills that participants need in order to meet employers' requirements.

Estimating costs and benefits

124. Local Employment Partnerships offer a new approach, linking priority disadvantaged groups with relevant training and opportunities with a range of employers seeking to fill vacancies. The initiative is also in its very early stages and there is a lack of available information and evidence to support a definitive cost-benefit assessment. Local Employment Partnerships will be fully evaluated to provide an estimate of what the costs, benefits and additionality have been in practice.
125. The figures that follow represent a current best estimate under what are considered reasonable assumptions and based on broadly comparable past programmes and policies. However, these estimates are sensitive to the assumptions on which they are based.

Benefits

126. Local Employment Partnerships aim to help 250,000 people into work between now and the end of 2010. The targets groups include people on inactive benefits – lone parents, disabled and 'other' inactive benefit claimants – and the long-term claimant unemployed. These are the top two priority groups in the hierarchy used for the job outcome target.
127. The existing evidence shows that around 150,000 lone parents, 385,000 disabled people and around 180,000 people who were claiming JSA for over six months, move from worklessness to employment each year.
128. The available data on flows from worklessness into employment enables us to provide some estimates on how the 250,000 jobs provided through the LEPs might be taken by various client groups. The base case assumption is that these proportions are broadly replicated by the LEPs. Therefore, of the 250,000 jobs, we estimate that around 20 per cent would go to lone parents, 55 per cent would be taken by disabled people and 25 per cent by long-term claimant unemployed.

129. The net impact of the policy on employment depends crucially on two factors: additionality and displacement.
130. Additionality refers to the proportion of those getting jobs through the programme who would not have done so otherwise. Additionality will not be 100 per cent – because of the normal process of flows into and out of work in the labour market some people will get jobs anyway. Estimating additionality is difficult even with an existing programme, since it is impossible to know precisely what would have happened to those on the programme had they not participated.
131. This analysis uses three scenarios – additionality of 10 per cent, 25 per cent and 30 per cent. These are plausible scenarios, given the evidence from evaluations of programmes with similar client groups, which show relatively high levels of additionality¹⁶. This follows from the nature of the target group – since most long-term benefit recipients are inactive – that is, not looking for work – rather than unemployed, and those who are looking for work can face multiple barriers, they are less likely to have found work in the absence of the programme.
132. Displacement and/or substitution refers to the fact that the programme may have a negative impact on the employment chances of other jobseekers in the labour market, since they will not have access to these jobs. In practice, the UK labour market is highly flexible and the number of jobs is not fixed. Someone who fills a job does not necessarily preclude another person from finding alternative work. Over the medium term, employment is primarily driven by the supply side, the proportion of people active in the labour market, rather than by any limit on the number of job opportunities available. Therefore, short-term displacement is not necessarily a serious concern as it does not prevent programmes from improving the functioning of the labour market and, over time, supporting higher levels of sustainable employment.
133. There is no significant quantitative evidence of displacement in existing evaluations of UK labour market programmes¹⁷. Other evidence suggests that the UK labour market is sufficiently flexible that substitution is not a serious concern. For example, Gilpin et al.¹⁸ show that the flow of workers from new EU member states did not have a significant impact on the unemployment chances of natives. Given the paucity of any empirical evidence that substitution or displacement are a concern, this analysis assumes that they are not.

¹⁶ For Pathways to Work see, Bewley, H., Dorsett R. and Haile G. (2007), *The impact of Pathways to Work*. DWP Research Report 435.

For NDDP see, Stafford and others (2007), *New Deal for Disabled People: Third synthesis report – key findings from the evaluation*. DWP Research Report 430.

¹⁷ See for example, Blundell., Dias., Meghir. and van Reenen. (2001), *Evaluating the impact of a mandatory job search assistance programme*. IFS working paper WP01/20.

¹⁸ Gilpin, N., Henty, M., Lemos, S., Portes, J. and Bullen C. (2006), *The impact of free movement of workers from Central and Eastern Europe on the UK labour market*. DWP Working Paper 29.

134. The national commitment through LEPs will give people who are at a disadvantage in the labour market a chance of competing for more of the 10,000 vacancies that come up at jobcentres every working day, and because of the support they receive, may have wider effects on the numbers moving into some of the many more that are advertised through other recruitment channels such as private agencies and newspapers. Individuals on benefit who find work will gain financially as their in work income from earnings and tax credits will be higher than their out of work income from benefits and tax credits.
135. There will be financial savings to the Exchequer from reduced benefit payments and higher Income Tax, National Insurance, and VAT receipts. We estimate that moving people into work through the LEPs scheme, over the course of a year, has net benefits of around £6,600 for the Exchequer. This estimate includes reduced benefit payments, higher Income Tax and National Insurance contributions, higher indirect tax payments and payment of tax credits. This is based on the weightings given in paragraph 12. We would expect higher fiscal savings if these proportions were weighted towards those on incapacity benefit and, or long-term JSA claimants. For lone parents the saving is lower, reflecting higher in work tax credit payments and lower working hours.
136. Employers will also benefit from the scheme. Jobcentre Plus can offer employers a service which matches the right potential candidates to their vacancies and can, in conjunction with the Learning and Skills Council and local providers, organise tailored pre-recruitment assessment and training so that employers can be confident that the people they are recruiting have the skills they need to do the jobs.

Costs

137. The LEP initiative is not a defined employment programme in its own right. Rather, it is a process that seeks to make use of the whole range of provision and support on offer from Jobcentre Plus and other agencies, such as the Learning and Skills Council. Combined with the commitment of employers who sign up, the aim is to increase the rate at which we can match individuals from the most disadvantaged groups with the jobs that employers need doing. It is, therefore, not possible to specify a particular cost for LEPs at this stage. A cost of £400 per participant into work is used for the purposes of this Impact Assessment, but this is little more than a working assumption. It will only be possible to properly assess this figure once it is clear from the operation of the initiative, which support mechanisms or provision individuals taking up LEP vacancies are undertaking.

Cost-benefit assessment

138. Under each of the additionality assumptions above, the programme would deliver a net fiscal benefit to the Exchequer. The figures below assume a duration of one year for all jobs taken up by LEP participants. In reality, some jobs will last three years from the start of the period, and will accrue benefits throughout the

programme. Some will last for much shorter periods of time. Analysis of New Deal for Disabled People (NDDP) suggests employment effects can last for several years, however, one year is used here for simplicity and the absence of specific evidence for programmes of this type.

- Given additionality of 10 per cent, we estimate benefits to the Exchequer of £166 million, or a net benefit of £66 million.
- Given additionality of 25 per cent, we estimate benefits to the Exchequer of £414 million, or a net benefit of £314 million.
- Given additionality of 30 per cent we estimate benefits to the Exchequer of £497 million, or a net benefit of £397 million.

139. Given that a precise estimate of additionality is not possible at this early stage in the operation of LEPs, we have also calculated what the additionality of the programme would need to be in order for it to break even, or in other words give a net benefit of £0. This level of additionality is found to be six per cent. This is equivalent to 15,000 of the 250,000 flows into work to be additional, or 15,000 people which the LEPs need to help into employment and who would otherwise have remained workless. As indicated above, evaluation of the initiative will seek to provide a definitive answer to this question.

Equality Impact Tests

Gender

140. While women make up half of all benefit claimants, they tend to make up a disproportionate share of recipients of some inactive benefits. Over 90 per cent of lone parents in Great Britain are female. Female lone parents are more likely than male lone parents to be out of work (43.5 per cent of lone mothers are not employed compared to 35.3 per cent of lone fathers), though this gap disappears for parents of older children. Over 90 per cent of NDLP participants are female, and they have better outcomes from the programme than men – 60 per cent of women leave NDLP for employment compared to 52 per cent of men.
141. Lone parents who engage in Work Focused Interviews, join the NDLP or take part in other programme support, will be one of the key target groups for Jobcentre Plus as they seek to help individuals take up jobs in LEP firms. This would, therefore, be expected to have a much greater impact on women.
142. The trend is reversed, however, for recipients of IB and Jobseeker's Allowance (JSA). Fifty-eight per cent of IB claimants are men, while 42 per cent are women. Only 23 per cent of long-term (six months plus) JSA claimants are women. Individuals coming through the JSA New Deals or Pathways to Work are also target groups for matching individuals to vacancies with LEP employers, and depending on the split of LEP outcomes by client group, this could make the overall impact of LEPs on women and men more balanced.

143. Through LEPs, Jobcentre Plus will work with employers to provide a wide range of employment opportunities including part-time and flexible working when this meets labour market and individual needs.

Ethnicity

144. While about one in 10 of the working age population in Great Britain has an ethnic minority background, about 15 per cent of NDLP participants are from an ethnic minority, while 20 per cent of long-term JSA claimants also have an ethnic minority background. Nearly one in 10 of the disabled working age population comes from an ethnic minority background—similar to their share in the overall population.
145. With LEPs focusing on long-term JSA claimants, all recipients of inactive benefits, and all jobless job entries in disadvantaged wards, there is the potential for a substantial impact in more effectively linking people from ethnic minorities with job vacancies in LEP firms.¹⁹
146. Jobcentre Plus works with employers to ensure that recruitment practices do not inadvertently exclude people by asking for unnecessary qualifications or placing restrictions on the pool of potential applicants. This ensures that employers have a greater opportunity to recruit from local or underrepresented groups.

Disability

147. The IB caseload has fallen from a high of 2.77 million in May 2003 to 2.64 million in May 2007, its lowest level in seven years. Programmes such as Pathways to Work and the NDDP have already had some success in boosting the number of disabled people moving into work.
148. As one of the core target groups, the aim is that LEPs will help to maximise the benefits of the investment these programmes have made in participants' skills and motivation by linking them more effectively to job vacancies. Alongside this, LEPs will seek commitment from employers to consider the widest range of possible candidates, including those from groups such as disabled people, that they might otherwise overlook.
149. Local Employment Partnerships build on existing Disability Employment services within Jobcentre Plus and are expected to provide additional employment opportunities for customers with disabilities.

¹⁹ Wards targeted as part of the Deprived Areas Fund.

Age

150. Since 1997, the proportion of the incapacity benefit caseload that are in the 50-State Pension age group has fallen and this group currently makes up 46 per cent of the caseload. In the last year all of the three main age groups on the IB caseload have seen a reduction in numbers. Table 7 shows the trends for IB.

Table 7: Number and percentage of incapacity benefits claimants by major age group, 2001/07

	2007		2005		2001	
	Number	Per cent of caseload	Number	Per cent of caseload	Number	Per cent of caseload
50-SPA	1,206,000	45.9%	1,249,000	46.1%	1,304,000	47.5%
25-49	1,271,000	47.9%	1,292,000	47.7%	1,276,000	46.5%
Under 25	159,000	6.3%	170,000	6.3%	166,000	6.0%

151. The age distribution of lone parents is not very wide, with over 90 per cent of lone parents on IS being between the ages of 18 and 45. Three-fifths of long-term JSA claimants are aged 25 to 49, with around a third aged from 50 to State Pension age and only five per cent between the ages of 18 and 24. Given these figures, it would be expected that LEPs are likely to have a greater impact and benefit for the middle and older parts of the age distribution.

Summary

152. The assessment above suggests that LEPs will disproportionately benefit women, ethnic minorities, disabled people, and older long-term unemployed people. Some of these groups, in particular those from an ethnic minority or those affected by disability, appear to have worse employment and poverty outcomes under the current system. More effective joining up of the range of support available, closer tailoring of that support to the requirements of employers, and a stronger commitment from employers to consider people from these groups (for example, through guaranteed job opportunities) should contribute towards reducing this disparity, in line with the Government's wider employment objectives.
153. In addition to helping individuals to access employment opportunities, it will be necessary to work closely with employers to ensure that they are committed to providing a supportive working environment for those from disadvantaged groups, including, where necessary, flexible working (particularly relevant for lone parents and parents more generally) and reasonable adjustments (particularly relevant for those with a health condition) as well as being committed more generally to the promotion of a diverse workforce.

154. It should be noted that LEPs are not an employment programme in the same way as some of the other initiatives considered as part of this Impact Assessment. Rather, they reflect an attempt to improve the job matching process, joining up more effectively the range of support on offer to ensure individuals using mainstream Jobcentre Plus services or participating in programmes like the New Deal and Pathways to Work have access to apply for and take up work from the many new vacancies coming up all the time.
155. Much of the information relating to the equality impact of The Department's programmes is provided elsewhere in this report; additional material has been provided here that links this information to the role of LEPs. As a new initiative, for which outcome information is not yet available, assessment of its equality impact, and what further actions we may need to take, will be refined further as more information becomes available.

Better off in work proposals

Introduction and policy rationale

156. The Government has an objective to increase employment, particularly among disadvantaged groups and those who have been on benefits for a long time. We know that some of these customers are wary of taking employment for fear that their income in work will be less than their out of work benefits. We want to do more to remove this barrier to people moving into work.
157. The design of the benefit and tax credit systems ensures that in the majority of circumstances individuals are financially better off in work – even at the minimum guaranteed income (defined as 16 hours work (or 24 hours for couples) at the National Minimum Wage including any relevant tax credits). Any increase in hours and earnings will increase this gain further.
158. In a limited number of specific circumstances in the benefit system, an individual can be financially better off on benefits when compared to the minimum in work income, even before accounting for in work costs. We estimate that two per cent of individuals claiming out of work benefits are currently in this position.
159. Of the individuals who would experience a financial gain if they moved into work at the minimum in work income, the gain can be very small so that when we take account of in work costs they may be worse off in work. We estimate that around 12 per cent of individuals who are currently on out of work benefits have a gain to work less than or equal to £20 per week (including those who have a negative gain).
160. Low or negative financial gains to work impact negatively on work incentives. They are also presentationally difficult, given the Government's promotion of work as the best form of welfare.

Policy options considered

161. We will introduce a better off in work credit that will ensure that all customers who have been on incapacity benefits, IS or JSA for 26 weeks or more and who move into 'full-time' employment will receive an in work income, including in work benefits, that will be at least £25 higher than it was from their out of work benefits. Full-time work is defined as 16 hours for single people and 24 hours for couples. The guarantee will be payable for up to six months.
162. If, on returning to work, a person can demonstrate that their in work income is not £25 more than it was from their out of work benefits, despite claiming all the in work benefits to which they are entitled, they will be able to apply to Jobcentre Plus for a top-up payment that would take them up to this level. The onus would be on the individual to prove their financial position by providing any necessary evidence.

Intended Consequences

163. This credit directly tackles the problem of low or negative financial gains to work by ensuring that every individual will receive £25 more income in work, after taking up all available in work support, than they received in out of work benefits. This policy will ensure that everyone is financially better off in work, even after work-related costs (such as transport to work) of up to £25, so it should provide a boost to work incentives and help to meet Government employment targets.

Estimating costs and benefits

164. The cost estimates in this Impact Assessment are initial estimates based on survey data. The estimated cost may change because there will be some complex interactions with other parts of the benefit system (for example, In Work Credit for lone parents) and further work is needed to work through how the Guarantee will be implemented operationally.
165. Our initial estimate, based on stylised assumptions, is that a better off in work credit of this nature will cost in the region of £28 million annually. Implementation and ongoing running costs have yet to be estimated. These are highly dependent on the operational design of the Guarantee, which has yet to be confirmed.
166. The estimated cost is based on current flows from benefit to work, taking no account of behavioural effects. For every additional claimant that this policy moved into work, there are fiscal benefits generated by reduced spending on out of work benefits, extra Income Tax and National Insurance receipts, offset by spending on in work tax credits and childcare. These savings have not been estimated because we do not know the additional impact of the policy change (and will not know it until a full evaluation has been conducted).

Assumptions and sensitivities

167. The cost estimates are based on a worst case scenario where those moving into work move into the minimum number of hours (16 for singles, 24 for couples) and at the National Minimum Wage. In reality, we would expect some individuals to move into work of longer hours and higher pay, making their gain to work higher, so the top-up needed would be lower.
168. The cost estimates are based on the assumption that off-flows from benefit to work have the **same characteristics** as the whole benefit population. This is unlikely to be the case. Those leaving work are more likely to be on lower amounts of benefit, so their gain to work will be higher, and the top-up needed lower.
169. Whilst the estimates include the £40 Return to Work Credit for Pathways participants, it **does not include the £40 (£60 in London) In Work Credit for lone parents**. This again will raise the gain to work for lone parents and reduce the top-up needed, but we do not expect it to have a significant impact on the total cost as most lone parents will already have a gain to work in excess of £25.

170. We have **assumed 75 per cent take up** as this is broadly in line with the take up rates across income-related benefits.
171. **Durations on the credit are assumed to be 4.5 months** based on survey data. If the durations are longer, costs will increase proportionately, and if they are shorter, they will decrease proportionately.

Equality Impact Tests

172. This proposal only involves making people better off. There will be no losers. The policy benefits those people who have a gain to work of less than or equal to £25 per week. The policy neither benefits nor penalises anyone with a gain to work in excess of £25. To this extent, we expect that there will be a positive impact on income equality.
173. We are currently investigating the feasibility of gathering better data on the gains to work and the flows to work from benefit, split by sex, race, age and disability. Meaningful data is difficult to acquire because of very small sample size. We will provide a further update if and when we have more data.

Gender

174. While women make up half of all benefit claimants, they tend to make up a disproportionate share of recipients of some inactive benefits. Over 90 per cent of lone parents in Great Britain are female. Female lone parents are more likely than male lone parents to be out of work (44.7 per cent of lone mothers are not employed compared to 30.9 per cent of lone fathers) though this gap narrows for parents of older children. Ninety-six per cent of lone parents on IS for six months or more are female.
175. However, lone parents are also more likely to have a gain to work in excess of £25 per week, due to greater in work support (for example, entitlement to Working Tax Credit (WTC) at 16 hours, and the In Work Credit). The proposal would therefore be expected to have a lesser impact on women.
176. Only 23 per cent of long-term JSA claimants (six months plus) are women. Assuming an even distribution across gains to work for men and women, the proposal will have a greater impact on men.
177. Fifty-nine per cent of long-term (six months plus) incapacity benefits claimants are men, while 41 per cent are women. The majority of incapacity benefits claimants will have a gain to work in excess of £25 due to higher in work support (see below). However, for the minority who do not, the proposal will have a greater impact on men.

Ethnicity

178. While 10.8 per cent of the working age population in Great Britain has an ethnic minority background, almost 30 per cent of IS for lone parent claimants are from ethnic minorities, while 20 per cent of long-term JSA claimants also have an ethnic minority background. Just over nine per cent of the disabled working age population comes from an ethnic minority background – slightly smaller than their share of population.
179. Overall, the proposal should have a greater impact for ethnic minorities, particularly where their gains to work are lower.

Disability

180. The incapacity benefits caseload has fallen from a high of 2.77 million in May 2003 to 2.64 million in May 2007, its lowest level in seven years. Programmes such as Pathways to Work and the NDDP have already had some success in boosting the number of disabled people moving into work.
181. The average amount of incapacity benefits paid tends to rise with duration on benefit, so the gain to work would be lower for long-term incapacity benefits claimants (six months plus), were it not for other forms of in work support. The majority of disabled people have a gain to work in excess of £25 per week (due to entitlement to WTC at 16 hours, and payment of the Return to Work Credit for Pathways participants) so they would be less likely to receive a better off in work credit. It will therefore have a lesser impact on disabled people.

Age

182. In the last year all of the three main age groups on the incapacity benefits caseload have seen a reduction in numbers. The 50 to State Pension age group currently makes up 46 per cent of the caseload. Forty-eight per cent are aged 25 to 49 and six per cent are aged under 25.
183. The age distribution of lone parents is not very wide, with over 90 per cent of lone parents on IS being between the ages of 18 and 45.
184. Forty-eight per cent of long-term JSA claimants are aged 25 to 49, with 37 per cent aged from 50 to State Pension age and only 13 per cent between the ages of 18 and 24.
185. Assuming an even distribution in gains to work across all age groups, these figures imply that the proposal is likely to have a greater impact and benefit for the middle and older parts of the age distribution.

Summary

186. This policy option targets those with the smallest financial gains to work. Given the individual nature of this data it is hard to draw any firm conclusions around exactly who will be affected. All else being equal, we expect it to have a greater impact on males, ethnic minorities and on the middle and older parts of the age distribution.

Incapacity benefits reform proposals

Introduction and policy rationale

187. The Government has set a challenging aspiration to reduce the number of people claiming incapacity benefits by one million by 2015. After consistently large increases over the last two decades, we have now turned the corner, with the numbers on benefit falling year on year for the last 13 consecutive quarters to stand at the lowest for seven and a half years.
188. Moving customers off incapacity benefits and into work, benefits the Government, society, and of course, individuals themselves. Potential savings for the taxpayer are large, and work is the best route out of poverty for individuals and their families. There is a strong evidence base showing that leaving benefit for work is generally good for physical and mental health and well-being. Work can be therapeutic and can reverse the adverse health effects of unemployment.
189. Our evidence suggests that early intervention is important to making a difference – we know that 80 to 90 per cent of those making a new claim to incapacity benefits want or expect to return to work, but the longer you stay on IB the lower your chances of leaving the benefit: indeed, those who have been on the benefit for more than two years are more likely to die or retire than return to work.
190. Young people tend to have shorter durations on incapacity benefits (around a quarter have been on the benefit for only six months), and only around 55 per cent have been on the benefit for over two years, whereas it is closer to 80 per cent for the rest of the caseload. As such, intervening with this group is more likely to be effective, as well as offering the potential for improved outcomes over the whole life cycle.
191. The core of our current approach for new customers is engagement through mandatory interviews and access to an holistic package of support offered through Pathways to Work. We have strong evidence that this approach has been effective – new customers in Pathways areas are over seven percentage points more likely to have a job after 18 months.
192. Building on this success, we will start by moving existing young customers, under the age of 25, onto Pathways to Work. There are good reasons to start with young people given the recent increase in new incapacity benefits claims by this group and evidence that youth unemployment is particularly scarring and reduces life chances significantly, both in terms of future wage and employment prospects²⁰ and mental health outcomes²¹.

²⁰ Gregg and Tominey (February 2004), *The Wage Scar from Youth Unemployment*.

²¹ Waddell and Burton (2006), *Is Work Good for Your Health and Well-Being?*

193. There are 159,000 incapacity benefits claimants under 25 – some six per cent of the caseload. The employment rate of disabled people is lower than the employment rate of the wider working age population, and it is a Public Service Agreements (PSA) target to close the gap between the overall employment rate and the disabled employment rate. This policy is consistent with that ambition.

Table 8: Incapacity benefits claims and employment rates for disabled people by age (working age)

Age	Incapacity benefits claimants	Employment rate	
		Disabled	Not disabled
Under 25	159,000	40.2%	60.4%
25-49	1,271,000	53.1%	86.1%
50-SPA	1,206,000	45.1%	82.5%
Overall	2,637,000	48.4%	80.0%

Source: *Work and Pensions Longitudinal Study; Labour Force Survey.*

194. We will also use the descriptors from our revised capability assessment when reviewing capability for work for the under 25 age group. In recent years, both the recognition and understanding of conditions affecting mental function has improved. The new assessment descriptors recognise this and, as such, it is appropriate that they are applied initially to the group where those with mental health conditions, or conditions such as learning disabilities that affect mental function, make up a higher proportion of claimants – around 60 per cent amongst the under 25s compared to around 40 per cent amongst the total caseload.
195. There are a number of considerations that make the case for these policies being aimed specifically at the under 25s:
- In recent years, both the recognition and understanding of conditions affecting mental function have improved. The new capability assessment descriptors recognise this and, as such, it is appropriate that they are applied primarily to the group where such conditions account for the highest portion of the caseload, and this is around 60 per cent amongst the under 25s compared to around 40 per cent amongst the total caseload.
 - Intervening early in life is also important, before young people become accustomed to a life on benefits and are further removed from the labour market. Benefit dependency can itself have potentially negative health consequences. We know that work is good for health.

- Our current Pathways interventions are focused on new claimants because the evidence suggests that labour market intervention policy is most effective for shorter term duration cases. Younger people will have been on benefit for shorter durations.

Estimating costs and benefits

196. The main costs of the extension of Pathways conditionality to existing customers under 25 are associated with the delivery of the Work Focused Interviews, and any consequent take-up of our provision for customers with health conditions and disabilities, such as our Condition Management Programme. We estimate that these would be around £20 million-£25 million over three years. There are further set-up costs (for example, administrative costs associated with scanning the caseload to decide who to bring in for interviews) but we are not able to quantify these at this stage in policy development.
197. The revised Work Capability Assessment (WCA) is replacing the Personal Capability Assessment (PCA) for new ESA claimants from October 2008, with the revised descriptors which have been developed to determine limited capability for work also being applied to existing incapacity benefits customers under 25 for their repeat assessments from 2009. Naturally, we only need to cost the difference between the old and new assessments for this group. Final costs will depend, in part, on future contractual negotiations with ATOS (the medical providers who deliver our capability assessments under contract) but early estimates suggest that it will cost under £1 million over a number of years.
198. The monetary benefits associated with both policy changes are direct Annually Managed Expenditure (AME) savings from any caseload reduction, and increased tax revenues (both direct and indirect) net of tax credit payments. We cannot be certain how far either the new capability assessment descriptors or Pathways will reduce the caseload for the under 25s incapacity benefits stock. However, we can be confident that the impact of the AME savings from the reduction in the incapacity benefits stock and the wider fiscal savings will outweigh the Departmental Expenditure Limit (DEL) costs described.

Equality Impact Tests

Gender

199. A little under half of those under 25 on incapacity benefits are female. This is slightly higher than in the incapacity benefits population at large. This may increase slightly if the reforms to lone parents' benefits lead to more lone parents flowing onto incapacity benefits as over 95 per cent of lone parent IS claimants are female.
200. Pathways for new and repeat claimants has been seen to have a more marked effect for women than for men on the probability of being in work. Nevertheless, there is no apparent difference to be noted in the likelihood of being off benefits after 18 months.

201. Pathways is applied equally to men and women and there is no intuitive way in which it would have more of an impact on one group than another in a way that it would be possible to correct for without jeopardising the equality of opportunity offered to men and women under 25.
202. There will be no specific changes in the extension to Pathways to Work to the existing stock of under 25s which will impact on the volume of customers in terms of their gender. However, whilst in general there will be no discrimination on grounds of gender in Pathways, and there has not been under the current Pathways regime, there are some ways in which customers may be treated differently because of their gender.
203. In terms of the Work Capability Assessment Descriptors, ATOS healthcare will continue to have in place policies to ensure that they comply with requests for medical examinations to be carried out by health care professionals of the same sex as the customer and the need for a third party to be present if the customer so requires.
204. Also, there are around 4,500 women who are on incapacity benefits due to pregnancy and conditions associated with childbirth. Currently, incapacity benefits provide a 'fall back' for those women who cannot get Statutory Maternity Pay (SMP) or Maternity Allowance (MA), as well as those who receive MA at a weekly rate less than the incapacity benefits short-term weekly rate, as long as they also meet the incapacity benefits contribution conditions. Employment and Support Allowance legislation will recognise and continue this approach, using the maternity certificate as evidence of 'limited capability for work'. In this way we will satisfy the requirement in the Pregnant Workers Directive that maternity payments must be at least equal to the payment the woman would receive if she were off work sick.

Table 9: Gender breakdown of under 25 incapacity benefits caseload (May quarters)

Year	Male	Female	Total
2000	88,250	76,250	164,500
2001	91,910	77,330	169,240
2002	92,050	77,780	169,830
2003	94,010	79,780	173,780
2004	94,920	80,800	175,730
2005	93,220	79,950	173,180
2006	89,510	77,220	166,740
2007	88,890	76,850	165,740

Source: *Work and Pensions Longitudinal Study*.

Ethnicity

205. The Department has not yet published statistics on incapacity benefits rates broken down by ethnicity as data is only available for about one-third of IB cases. The data currently is skewed towards those who have attended the jobcentre for a Work Focused Interview and is not representative of the IB population as a whole. As Pathways rolls out to the entire country, we expect to have better data on the ethnicity of claimants.
206. As with Pathways and IB currently, the new conditionality for under 25 stock claimants will not apply differently to people of different races or cultures, as conditionality will apply equally to everyone irrespective of race, whilst accommodating any factors relevant to particular groups.
207. Eligibility for incapacity benefits, as for all Social Security benefits, is subject to satisfying the Habitual Residency Test (HRT). This is a two-stage test where the claimant first has to demonstrate a right to remain in the UK and then has to prove that they are habitually resident in the UK. This test is applicable to everyone, whether they are a UK national or not. It is exempted from race relations legislation under Section 41 of the Race Relations Act 1976.
208. ATOS Healthcare, who are the contract holders for the provision of medical services to the Department, will continue to have in place policies to ensure that the healthcare professionals they employ are receptive to the needs of racial or ethnic minorities when medical examinations are carried out.
209. Both Pathways and the new WCA descriptors will be applied to all new ESA customers from October 2008 and Pathways already exists in 40 per cent of the country. There is no evidence that there is, or suggestion that there will be, an adverse impact in terms of race.

Disability

210. The revised descriptors and scores for determining limited capability for work will be applied to under 25s from 2009. Since the PCA was developed we have seen changes in society, in workplaces, in the pattern of health problems and disabilities being presented and in the types of treatments available. Table 10 shows the distribution of under-25 medical claimants by medical condition. Since 2000 mental and behavioural conditions, already high, have seen a 7.7 percentage point increase and now make up the majority of the IB caseload under the age of 25.

Table 10: Number of under 25 incapacity benefits claimants and proportions in Great Britain by medical condition (May quarters)

Medical condition of IB claimant	2000		2007	
	Caseload	Per cent	Caseload	Per cent
Other	43,780	26.6%	36,360	21.9%
Mental and behavioural	81,411	49.5%	94,760	57.2%
Diseases of the nervous system	13,190	8.0%	13,900	8.4%
Circulatory or respiratory	2,900	1.8%	2,210	1.3%
Musculoskeletal	9,340	5.7%	6,250	3.8%
Injury, poisoning and certain other consequences of external causes	13,880	8.4%	12,270	7.4%
Total	164,500	100.0%	165,750	100.0%

Source: *Work and Pensions Longitudinal Study*.

211. The new assessment for under 25s is based on the severity of functional limitation caused by their condition; not on the basis of the condition itself, because different people may be affected in different ways by the same condition. In this way, the assessment will offer a fairer and more accurate assessment of a customer's needs and limitations.
212. Under 25s will have access to the range of back to work support that Pathways to Work offers, which will roll out nationally by April 2008. This includes the Condition Management Programme, Return to Work Credit, mentoring, job coaching, occupational health support, and debt counselling. This support will help young people with health conditions and disabilities back into work and improve their lives.
213. In terms of operating the Work Focused Interview regime, the Department will take steps to make reasonable adjustments for disabled customers with particular needs. For example, in communication with profoundly deaf people who are not British Sign Language (BSL) users, we will endeavour to arrange an interview with communicator support – BSL signer, lip speaker, whatever communicator is appropriate – within one working day. Otherwise we will follow the lead of the individual – passing notes or with an advocate or friend in attendance.
214. It is inevitable that the revised capability descriptors will engender different results when compared with the current PCA. Around 60 per cent of under 25s have a condition affecting mental function and the new WCA will enable us to better assess these conditions in a way that is crucial to providing the right support to these people. The DDA requires employers to make reasonable adjustments for employees with disabilities, and we want to ensure the assessment remains relevant in today's environment, so that it accurately identifies those people whose functional capacity is so limited it is unreasonable to require them to work.

215. In this way, the WCA will deal more effectively with the types of conditions that are prevalent today, especially conditions affecting mental function which are so prevalent amongst the under 25s, and lead to assessments that are more equitable between groups with different impairments. In particular, the changes to the mental function assessment will address a current gap in the assessment of cognitive and intellectual function – in conditions such as learning disability, autistic spectrum disorder, and acquired brain injury.

Age

Table 11: IB Caseload by age (May quarters)

Year	Under 25	Over 25
2000	164,500	2,521,800
2001	169,240	2,584,410
2002	169,830	2,595,890
2003	173,780	2,599,830
2004	175,730	2,597,020
2005	173,180	2,568,390
2006	166,740	2,521,320
2007	165,740	2,477,470

Source: *Work and Pensions Longitudinal Study*.

216. The proportion of under 25s in the stock has remained at a similar level, between six per cent and seven per cent, over the last five years. However, young people have accounted for an increased proportion of the inflow (around one percentage point) over the same period and account for more than two percentage points more of all inflows than they did in 1997.
217. When introducing these proposals for young people, we build on evidence that youth unemployment is particularly scarring and reduces life chances significantly. Evidence suggests that there is a wage penalty in later life for those who are unemployed under the age of 25 and that they are more likely to be unemployed later if they are unemployed earlier.²² There is also evidence that young people's mental health outcomes are negatively affected by unemployment²³. As such, there is a strong case to extend intervention initially to the under 25s to try and prevent them becoming dependent on benefits and further from the labour market.
218. These policies clearly target the under 25 group; this policy will have no immediate impact on any other age group. This is appropriate given that under 25s are more

²² Gregg and Tominey (February 2004), *The Wage Scar from Youth Unemployment*.

²³ Waddell and Burton (2006), *Is Work Good for Your Health and Well-Being?*

likely to have a mental health condition, with 60 per cent of young people having a mental health condition compared to 40 per cent of the rest of the caseload. The new WCA descriptors will more effectively identify and assess mental health conditions. The Pathways policy targets a group which, it is recognised, suffer disproportionately from the effects of long-term benefit claiming.

Summary

- 219. These reforms are clearly targeted at young people. It aims to provide them with the fullest access to the advantages of the reformed incapacity benefits regime, to attempt to reduce the scarring effects of long-term unemployment and engage young people with the labour market and support them into work, with the health benefits that entails. These policy changes will be applied equally to young IB claimants, regardless of race, culture, gender and will accommodate particular disability and medical conditions.
- 220. The roll-out of Pathways to the under-25 stock should benefit that group identified by the policy rationale and it is the Government's clear objective that this should be the case. We will be undertaking more detailed equality Impact Assessments to determine the precise nature of these impacts, and what further actions we may need to take to ensure that the proposals do indeed improve outcomes for disadvantaged groups.

Monitoring – Future analysis

- 221. The impact of Pathways to Work and the WCA descriptors will be evaluated separately.
- 222. We have conducted past evaluation of our Pathways to Work programme and will continue to evaluate further reforms, including the extension to the stock. We also publish regular reports on the administrative evidence from Pathways.
- 223. Evaluation of the WCA and its descriptors will form part of wider evaluation of incapacity benefits' reform, both in terms of the effectiveness of the policy and the experience of the customer.
- 224. We are continuously evaluating, through administrative data, internal analysis and commissioned independent evidence, the effectiveness of our IB reform proposals. These policy proposals will form part of these evaluations.

Making skills work proposals

Policy rationale

225. The changes described below are being developed as part of the proposals set out in *Opportunity, Employment and Progression: making skills work* (26 November 2007).
226. Meeting the challenges of increasing skills across the whole population and making further progress on getting people into sustainable work and helping them to progress, demands that we create a truly integrated employment and skills system. A system that builds on the success of Welfare to Work and ensures that all have the skills they need not just to survive, but to prosper in today's labour market. If such a system is to work, to deliver a truly seamless journey for those moving from benefit to training and on to sustainable employment, it needs to be based on the following principles:
- a major culture change, boosting individual and employer commitment to, and investment in, learning and higher skills. Not just helping people into jobs, but helping to break the cycle of low skills, short-term jobs and low wages;
 - services that are modern, responsive and personalised, so that the customer is not just a benefit claimant who needs to be slotted into a job, or someone who can be signed up to a course that happens to have a place. Instead, customers get the right advice at the right time and in the right way about skills and jobs, whether in or out of work;
 - a system that can identify those for whom a lack of skills or qualifications is a barrier preventing them from moving into sustainable employment and can supply the training needed, with financial support depending on circumstances, through accounts that reinforce commitment to higher skills;
 - benefit claimants to get rapid access to help with measures to engage the lowest skilled to improve their skills, including the expectation that people will take up the help on offer where it can overcome barriers to jobs;
 - a system where everyone is able to tap in easily to information and advice to help them progress in their careers, and tackle issues – such as caring responsibilities and lack of finance – that can get in the way; and
 - a system that is flexible and responsive to a greater variety of demands, driven by the training needs of employers and learners, with a qualifications framework which better reflects that skills gained are relevant to employer needs.

227. There are currently 4.5 million people of working age without qualifications, of whom 2 million are inactive and 310,000 are unemployed. While the UK's employment rate is high, and has improved in recent years for all disadvantaged groups, it has fallen for those with no qualifications. Those with poor literacy skills have an employment rate of 55 per cent compared with around 75 per cent for those with good literacy skills. Within three months of moving into employment from JSA, 21 per cent return to benefits. A degree of churn is a normal feature of a modern labour market, but for too many people cycling on and off benefit is the norm. Enhancing the skill levels of this group will play a large part in ensuring they remain in work.
228. Welfare to work is no longer just about placing people in jobs but more and more about education and training to make Britain's workforce benefit from the challenges and opportunities of a globalised world. Hence, the new emphasis on skills as the key to sustainable employment, so that there is a focus on retention and progression not just job entry. An emphasis on sustaining work will create a seamless journey from benefits into work and into in work training, career progression and more rewarding lives.
229. To do this we will:
- help those on benefits identify skills needs and available support;
 - ensure that the training people need to upgrade their skills is available when they need it; and
 - go further to ensure that work pays.
230. In return we will expect people to take up the opportunities provided. This 'something for something' approach will help people unlock their full potential and help them not only to get a job but also sustain and progress in employment.
231. At the heart of the new approach is a strong focus on identifying the barriers to sustainable employment and progression, and organising welfare and skills systems around tackling them. A commitment to helping individuals in work to continue to train and gain new qualifications so that they can progress to better paid and rewarded employment and achieve more for themselves and their families. The new Adult Advancement and Careers Service and an expansion of Train to Gain will be crucial to achieving this ambition.

Outline of the policy changes

Jobseekers

232. All new jobseekers will be signposted to the Adult Advancement and Careers Service. But it is also crucial that those with basic skills needs are identified as early as possible so all new JSA claimants will be subject to a light touch skills screen when they start their claim. This will identify those with obvious basic skills needs. Where skill gaps could be a major barrier to finding employment, jobseekers will be encouraged to attend a full Skills Health Check.
233. The results of the Skills Health Check will inform personal advisers' decisions about whether the jobseeker needs to be referred to work-focused training in order to enhance their prospects of finding work. For most this will be part-time training alongside job search as the evidence suggests that this is the most effective way of increasing the benefits from skills training.
234. Jobseekers who are still on JSA after six months and identified with basic skills needs who have not previously engaged with the Adult Advancement and Careers Service, will be mandated to attend a Skills Health Check. We are exploring fast-tracking repeat claimants with skills needs to this point. If this reveals that the jobseeker needs to improve their skills to improve their chances of getting a job the personal adviser will encourage their attendance at job-focused training courses, and we will pilot options for mandating training where necessary.
235. We will put in place the funding arrangements to ensure that all longer-term jobseekers who have been through a Skills Health Check and would benefit from intensive training of up to eight weeks, clearly designed to meet employers' needs, would have the opportunity to do so by moving to a training allowance. We will ensure that personal advisers have the guidance they need to make an informed decision and to ensure that getting the customer back into work remains the priority.

Employment and Support Allowance claimants

236. From 2008, for new claimants IB will be replaced by the ESA. It is estimated that around 16 per cent of Employment and Support Allowance (ESA) claimants will have basic skills needs.
237. Employment and Support Allowance claimants will be subject to a similar screening regime to JSA claimants with a screen soon after the start of their claim and, where appropriate, a mandatory Skills Health Check at a later point in their claim. However, recognising that their skills needs will need to be addressed in a way that supports measures taken to overcome health conditions which, in many cases, may be the critical barrier preventing the claimant from returning to work. So, alongside an intensified focus on skills, we will also test improved support for those with mental health conditions.

238. We will also remove the 16 hour Housing Benefit Rule completely for short-term recipients of IB, so that they, like long-term IB claimants, will always be able to take up the training they need to enable them to return to work.

Lone parents

239. Lone parents will be signposted to the Adult Advancement and Careers Service who will advise them of their entitlements to training. In addition, lone parent IS claimants will undergo a skills screen when they start their claim. This will identify those with obvious basic skills needs, who will be encouraged to take up support offered by the new Adult Advancement and Careers Service or the local Children's Centre.
240. At present, lone parents lose eligibility for IS and move on to the job-focused JSA regime when their youngest child turns 16. However, this age will be lowered to 12 in 2008, 10 by 2009 and to seven by 2010. To ensure that all lone parents are making the preparations needed to engage with mandatory job search at this point, all will be encouraged to attend a full Skills Health Check two years before they are due to lose eligibility for IS. We will consult on whether these Skills Health Checks should be made mandatory.

Estimating costs and benefits

241. Costs for these proposals are still being finalised as part of the implementation of Leitch. Table 12 summarises the likely costs and benefits of the policies. A future update of this assessment will include more information on costs and benefits. We shall be looking at the benefits of the policies as part of any evaluation.

Table 12: Policy changes – costs and benefits

Policy	Costs	Benefits
Light Touch Screen on day one – JSA, ESA and lone parents to identify people with basic skill needs	Cost of carrying out screening and referral to a Skills Health Check	Early identification of problem and referral to support will mean people get the help they need sooner. This will help them to get work quicker and help them remain in work, leading to savings in benefit payments
Allowances for undertaking training – JSA claimants	Administration of AME cost of the allowance	Engaging in work-related training will help people find and remain in work longer, leading to savings in payment of benefits
Mandating of JSA claimants who have a basic skills need reaching six months to a Skills Health Check	Cost of carrying out screening and referral Skills Health Check including sanction costs	People get the help they need sooner. This will help them to get work quicker and help them remain in work, leading to savings in benefit payments
Mandating of ESA claimants with basic skill needs further on in their claiming to a Skills Health Check	Cost of carrying out screening and referral Skills Health Check including sanction costs	People get the help they need sooner. This will help them to get work quicker and help them remain in work, leading to savings in benefit payments
Removal of 16 Hour Housing Benefit Rule for short-term IB claimants	Cost of paying Housing Benefit for those who would otherwise forgo benefits in order to take up full-time training	People no longer constrained to undertake training by the threat/ sanction of losing Housing Benefit. This will help them get the skills they need to get work quicker and help them remain in work leading to savings in benefit payments.

Equality Impact Tests

Gender

242. Our policies to make skills work will be equally available to both men and women.

243. Demographic data on the skills profile of benefit claimants is unreliable, so the following draws largely on data relating to unqualified workers in the working age population of Great Britain, in the three months ending in September 2007. Roughly half of those who have no qualifications are women, but they have poorer employment outcomes than their male counterparts. Only 41 per cent of women with no qualifications are in employment, compared with 56 per cent of unqualified men.
244. Aspects of the Skills Coaching trial may be relevant to an assessment of our policy proposals because it included some similar elements. It provided an additional service to add value to existing Jobcentre Plus support for customers, and involves a referral process (from a Jobcentre Plus adviser) and a skills diagnostic assessment, both of which form part of our current proposals. Individuals eligible to participate in Skills Coaching are adults claiming JSA or inactive benefits for whom a lack of skills is **the** barrier to sustained employment. The skills coach then seeks to broker appropriate provision through local learning providers to enable the customer to meet their Skill Development Plan objectives.
245. The evaluation of Skills Coaching points to men being slightly more likely than women to enter a full- or part-time job, but are also more likely to be recorded as returning to benefit. Women were more likely to have entered further education or left to 'other' destinations.
246. Hence, whilst we will ensure equality of access to skills provision, the impact of the policies may vary by gender, or by other groups. The outcomes will need to be monitored and evaluated, and the evaluation will assess variation across groups. Where it is necessary, appropriate and within our power to intervene, we will do so, although the precise nature of the intervention will depend on the cause of differential group impacts. We may, for example, need to consider how we can raise standards where differential impacts reflect the specification of the proposal, the standard of delivery, or the level of resource.

Ethnicity

247. Our skills policies will be equally available to all ethnic groups.
248. The low skilled have a different ethnic profile to higher skilled groups. Table 13 overleaf shows the ethnic breakdown of the unqualified compared to those with at least one qualification at any level. A higher proportion of the unqualified are from ethnic minority groups, when compared to those who have at least one qualification.
249. Non-whites who have no qualifications are also much less likely to be in work. Eight per cent of the unqualified group are Asian or Asian British, and they have a particularly poor employment rate (35 per cent).

Table 13: Ethnicity breakdown and employment rates of the qualified and unqualified²⁴

	No qualifications		Possess at least one qualification	
	Per cent of unqualified	Employment rate	Per cent of qualified	Employment rate
White	85%	50%	90%	80%
Mixed	1%	17%	1%	70%
Asian or Asian British	8%	35%	5%	66%
Black or Black British	3%	41%	3%	69%
Chinese	1%	60%	1%	61%
Other	2%	40%	2%	65%
All non-white	15%	37%	10%	67%

250. Evidence from the Skills Coaching pilots suggested that customers who were white or of mixed ethnic backgrounds were the most likely to enter a full-time job from Skills Coaching, while customers of South Asian ethnic origin were the least likely. Customers from black ethnic minority groups had a relatively high rate of exit to work-related destinations, but were less likely to have an education-related outcome. However, it should be recognised that variation in the impact of skills policies could be due to differences in the other demographic characteristics between ethnic groups. Indeed, once these were controlled for in the Skills Coaching evaluation, variation in the likelihood of a positive outcome was insignificantly different across ethnic groups. The only significant difference was for those of South Asian ethnic origin, who were less likely to have a positive (employment or education) outcome. Despite a lack of evidence suggesting that there will be strong differences in the impact of our proposals across ethnic groups, we will monitor this carefully as part of our impact evaluations.
251. Overall, the evidence on the potential impact of the proposals by ethnicity indicates that a differential impact is not expected. The impact of the proposals on different ethnic groups will be a key element of the evaluation of the skills proposals.

²⁴ Note that the figures below are based on Labour Force Survey data, and some of the sample sizes (e.g. for unqualified Mixed race and Chinese groups) are small, such that the reported employment rates may be subject to a small-sample bias.

Disability

252. Equal access to skills policies will also be provided for disabled and non-disabled people with skills needs.
253. It is possible that the labour market barriers associated with some of groups considered in this section interact with being low skilled. Take, for example, a disabled individual, low skilled and out of work. It could be that their health condition acts as a barrier because it prevents them from doing work to which they realistically have access. However, upskilling that individual may reduce the barrier associated with their disability, by providing access to a wider range of jobs, some of which they have the capacity to do.
254. We are aware that lower skilled groups are more likely to be DDA disabled, as Table 14 illustrates: 37 per cent of those who have no qualifications have a DDA disability, compared to just 17 per cent of those who have at least one qualification at any level. Those who have a DDA disability are less likely to be in employment, but even more markedly so if they are also unqualified (an employment rate of 25 per cent).

Table 14: Proportion of qualified and unqualified with a DDA disability and employment rates

	No qualifications		Possess at least one qualification	
	Per cent of unqualified	Employment rate	Per cent of qualified	Employment rate
DDA disabled	37%	25%	17%	59%
No DDA disability	63%	62%	83%	83%

Age

255. We will signpost customers who are 20 year of age or older to the Adult Advancement and Careers Service. The Connexions service will be available for 16 to 19 year olds.
256. We note in Table 15 that a higher proportion of those with no qualifications are over the age of 50 and roughly half of these are out of work. Descriptive evidence on the outcomes from Skills Coaching trials suggests that there may be differences in the types of outcome achieved from our policies by age group. For instance, the likelihood of entering full-time employment diminished sharply with age, with the proportion of customers aged 50 plus entering a full-time job being around half that of customers in younger age groups: 18 per cent of participants aged over 50 had a full-time employment outcome, whereas the corresponding proportion of 18 to 24 and 25 to 34 year olds was 34 per cent and 29 per cent respectively. While the prospect of entry to a full-time job decreases with age, the likelihood of entering a part-time job increases (21 per cent of outcomes for the 50 plus age group taking the form of part-time employment).

257. Again, the evaluation evidence from Skills Coaching is far from definitive with respect to the potential for differential impacts of the current proposals to make skills work. Whilst differential impacts across age groups need to be monitored, we will also need to assess whether any variation in impact reflects a choice on behalf of the individual, or the limitations in policy delivery.

Table 15: Age profile and employment rates of the qualified and unqualified

	No qualifications		Possess at least one qualification	
	Per cent of unqualified	Employment rate	Per cent of qualified	Employment rate
16-17	9%	20%	4%	39%
18-24	9%	41%	15%	69%
25-49	42%	53%	58%	85%
50+	40%	51%	23%	77%

258. Strengthening the skills support, and integrating this with employment support, is expected to improve the employment and skill outcomes for benefit claimants from all age groups.

Summary

259. There is no inequality of opportunity or access regarding policies to make skills work, with respect to the groups discussed above. Some groups are disproportionately represented in the low skilled and low qualified, and thus could be more likely to receive a skills intervention.
260. To the extent that the low skilled are also more likely to belong to the groups above, one would expect that these groups are more likely to benefit from the policy interventions. We note, however, the possibility that interventions to improve the outcomes of the low skilled will have variable impacts according to an individual's other characteristics. This will form part of the policy evaluation. Likewise, the types of outcome (full-time or part-time employment or educational outcomes) achieved from policies to make skills work could vary.
261. We will undertake an evaluation to assess the impact of these changes and ensure that we can report on take-up of Integrated Employment and Skills services by gender, disability, ethnicity and age.

