WELFARE EARNBACK

An invest-to-save approach to designing the new Work and Health Programme

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60-SECOND SUMMARY

The 'hardest-to-help' have been left behind by employment support. The government's Work Programme has been under-resourced and unable to provide the innovative, holistic approach that is required by those who have been out of work for a long time.

When the current programme's contracts expire in 2017, the government will replace it with a new scheme. However, this Work and Health Programme is set to have even fewer resources. It is therefore unlikely to provide either the support or the innovation required to help move people into good quality, sustained employment.

Instead, we propose a radically different 'welfare earnback' approach, with the following key features.

- **Local welfare earnback companies should be set up by mayors or local leaders to cover major city-regions, with investment from across the public sector – local authorities, the Treasury, the Department for Work and Pensions and local NHS commissioners.**
- **These companies should adopt an invest to save approach – that is, investing in employment support upfront, on the basis that getting people into work will result in both savings for the public sector and increased tax revenue.**
- **Specialist advisors should use an intelligent diagnostic tool to select candidates for whom there is a 'case for investment' – where the financial cost of the intervention is likely to be outweighed by the financial benefits of their being in work.**
- **These advisors should be able to commission whatever works on a case-by-case basis, including job placements. Local government would then be incentivised to align these advisors' initiatives with their own job-creation or brokering activities because they would save when they are successful.**

KEY FINDINGS

Many individuals are too ill to work, or lack the experience and qualifications that employers need. The government's Work Programme is designed to deal with this but, due to a lack of resources and an inability to innovate, it has failed to provide the interventions that people need. This **wastes public money** on both ineffective interventions and spells on benefits that are, for some, unnecessary: with the right interventions many more could be in work and contributing to the public finances instead.

However, not enough money is being made available to **invest in these interventions upfront,** despite the fact that they could **save money down the line**, or may involve the same amount of spending as currently but succeed in moving someone into work.

For example, the annual tax-benefit saving for moving a single woman on employment and support allowance, living in council tax band C private rented sector housing in Southwark, who moves into a job paid at £8.25 per hour is £9,000 for a 20-hour week – enough to fund a wide range of employment support, **provided that that sum can be harnessed.**

The **Work and Health Programme** that will succeed the current Work Programme will be a **better model in some ways**: it will be **co-commissioned** with local authorities in order to more effectively tailor the scheme to suit local labour markets. However, it will have **even less money to spend** than the current scheme. In order to function, it will therefore need to do the following.

- **Unlock more funding upfront** for the support that is required, which can often be more expensive than the interventions which are currently being delivered.
- **Enable a broader range of interventions**, that are tailored to individuals' needs, including the option of **paid work placements or sheltered employment** when necessary.

A number of lessons emerge from our review of current and alternative policies in the UK and abroad.

- Public money can and has been shifted around the system through various **invest to save** and place-based initiatives in public services, but the **realisation of cashable savings** is crucial.

- **Local government** is in a good position to shape employment support in order to **generate jobs** and to place the hardest-to-help in those jobs where appropriate. However, **close collaboration with the rest of the public sector** is essential.

KEY RECOMMENDATIONS

We therefore propose that the Work and Health Programme is funded on a radically different basis than is currently proposed.

- A 'welfare earnback' **joint venture company** should be set up, with the purpose of **investing to save**.
- All relevant agencies would invest in this company with the objective of getting the hardest-to-help and others for whom there is a case into work: the combined authority, the Treasury, the Department for Work and Pensions and local NHS commissioners would invest, and it would have a remit that extends across the city-region in question.
- This initiative could be **led by the 'metro mayor'** where the office exists; otherwise, a **local authority leader or leaders** could bring stakeholders together.
- They would be incentivised to do so because it would make their own services **more effective** without spending more money; there would even be the **potential to make a saving if so desired**.
- The advisors would select individual jobseekers, using a more developed form of the **cost–benefit analysis** tools already in use, and **invest in their support upfront** based on the savings they expect to make.

Participants should be referred and assessed for eligibility on a case-by-case basis.

- People could be **referred by doctors or housing associations**, or could **refer themselves** for assessment by a specialist advisor.
- This specialist advisor would use their own **experience**, and a wide range of **intelligence** to make an assessment of (in simple terms):
  - the **cost** of overcoming all of their barriers to work
  - the **saving and additional revenue** that would accrue to the whole public sector over three years
  - the **probability** of success.[1]
- Some participants could be '**high-cost, high-saving**' claimants, such as those with low-level health needs claiming employment support allowance who are not receiving the holistic and more expensive support they need; however, '**low-cost, low-saving**' claimants would also be eligible, such as a young jobseeker's allowance claimant in need of a short-term job placement to gain work experience.
- Those who do not present a case for investment according to these criteria would **still receive support**, but through other programmes or Jobcentre Plus – which is getting more investment.

If there is a **case for investment** then a '**whatever works**' approach should be adopted.

- The hardest-to-help claimants often need **multi-agency, wraparound support**. For some this might include mental or physical health provision; for others it might mean literacy classes or other skills provision.
- Crucially, in cases in which there appears to be a strong chance of success, the company should be free to fund short-term **job placements**, **intermediate labour markets** and other demand-side interventions.
- The 'whatever works' approach means, in turn, that **whichever organisation** in whichever sector is best-placed to undertake each function does so.

Employment support should **join up with job creation** where possible.

- Local government should be **rewarded when their job-creation and/or brokering activities** result in the employment of the hardest-to-help, on the basis of the reductions in the benefits bill and increases in the tax-take that result.
- These rewards should be allocated through a separate mechanism: the five-yearly '**gateway assessments**' of current **earnback and gain-share deals** should include robust estimates of savings generated by such activity, which can be derived from universal credit's reporting systems. The Treasury and the government departments that benefit should sign up to such an arrangement as part of a devolution deal and would then be expected to contribute if sufficient evidence is provided.

1 This would need to account for deadweight, retention rate, cashability and optimism bias (see HM Treasury 2014).

For the full report, including all references, data sources and notes on methodology, see: www.IPPR.org/publications/welfare-earnback

Citation: Raikes L and Davies B (2016) *Welfare earnback: An invest-to-save approach to designing the new Work and Health Programme*, IPPR North. http://www.ippr.org/publications/welfare-earnback

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