

# DWP Worklessness Co-design – Interim Report

January 2011

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# DWP Worklessness Co-design – Interim Report January 2011

## Foreword

1. This report sets out progress in the project that Department for Work and Pensions (DWP) and five Local Authorities (Birmingham; Bradford; Lewisham; South Tyneside; and Swindon) are working on to develop new solutions to address specific problems of worklessness. Jobcentre Plus is actively engaged in similar discussions with local partnerships right across the country. Our aim in conducting this project is to focus on a small number of areas in England to develop a deep and shared understanding of the evidence on “what works” and how joint solutions could be developed which would be fit for the future environment.

## Summary

2. Worklessness is a complex problem that often cannot be addressed solely by one agency or government department but needs a range of agencies and organisations to work in partnership to address it.

3. The co-design work was developed between DWP, Jobcentre Plus and a small number of Local Authorities to find new ways of working together to address difficult problems of worklessness in a range of different areas. This work is to be underpinned by evidence and focused on priorities that best reflect those of the local areas. We are expecting potential new models of working to emerge for a range of policy areas and client groups including:

- family interventions;
- recipients of inactive benefits;
- intergenerational unemployment; and
- employer engagement.

## Introduction

### Background

4. Worklessness is both caused, and is affected by, a large number of different factors and as such it can't be addressed by one agency alone. DWP, Local Authorities and other partners have a role to play in addressing aspects of worklessness and are most effective when working together.

5. The idea for the co-design work emerged as a result of the work of Total Place. Whilst a number of the pilot areas focused on worklessness, it was felt that

there was more work to be done to really understand how we work together in partnership to help move more people into work. A number of Local Authority Chief Executives and DWP officials developed the idea of looking at a small number of areas to co-design evidence-based solutions to worklessness. We are looking closely at how we work together to address the needs of specific groups (as well as more generally) on addressing worklessness. We will:

- share these models with national and local government partners following publication of the final report in Spring 2011;
- work with local partners to advise them on evaluation methods, where this is requested, so that the outcomes of these interventions can be assessed.

6. Rather than offer a prescription, our aim is to showcase how good partnership working can be used to develop cost effective local solutions.

7. In developing the Co-Design Pilots DWP would like to acknowledge the support of all the members in the partnership, in particular the partner Local Authorities, Jobcentre Plus local office colleagues and the Audit Commission.

8. Additional support is being provided to the pilots by Local Government Improvement and Development to help maximise and spread the learning.

## Policy Context

### The Spending Review

9. The public sector has always worked within financial limits, but the current fiscal position is such that there are significant challenges ahead for all of the public sector. The Spending Review reported on the significant challenges on managing reductions to both national and local government funding streams. This will include a reduction in local resources to tackle worklessness.

10. The backdrop of reduced resources brings the need to avoid duplication and to develop cost effective approaches into even sharper relief. The Co-Design Pilots involve Local Authorities and their partners working together with Jobcentre Plus not just to develop new approaches to worklessness, but to ensure these are rigorously appraised to maximise impact and value for money. The challenge is to identify new ways of working, not just to spend specific pots of funding.

### The changing face of sub-national delivery

11. The economic development landscape is changing. On 29 June 2010 local government and business were invited to come together across functional economic areas and to submit plans to develop Local Enterprise Partnerships (LEPs). This is in part a response to the closure of the Regional Development Agencies (RDAs) by March 2012 and a recognition that by working together, Local Authorities and business could improve the economy of their areas. 62 proposals have been received and after an initial assessment, Government announced on 28 October 2010 the 24 LEPs that are considered for the next stage and invited to form a

Partnership Board. A further 4 LEPs have been invited to form Partnership Boards. London is not included on the initial LEP proposals as it is running to a separate timetable. In some areas, RDAs have put substantial funds into promoting employability and employment and this source of funding will stop by March 2012. The Government will look to devolve functions to the local level wherever it makes sense to do so although there are some functions which are best co-ordinated or delivered at the national level. The management and disposal of RDA assets will be based upon a clear series of shared principles. There will be no automatic presumption in favour of a disposal to any particular local enterprise partnership

12. There will be no central funding for the day-to-day running costs of LEPs. However, LEPs may have access to The Capacity Fund, £4m over the spending, review that BIS are making available from their Departmental budget to support local enterprise partnerships in identifying the real issues faced by business in their localities. This funding to support specific projects and will be allocated on a challenge basis.

13. Government has not prescribed what LEPs should do. It is for the partnerships themselves to determine their own priorities and responses to drive economic growth in their areas. The expectation is LEPs will set out and deliver local leadership on economic development and play a key role in rebalancing the economy towards the private sector. Business and Local Authorities will want to work together to create the right environment for business growth by tackling issues such as local transport, planning, housing, employment and create business development opportunities.

14. The Government announced the Regional Growth Fund, a discretionary £1.4bn fund, as part of the Local Growth White Paper on 28 October 2010. It will operate for three years between 2011 and 2014 to stimulate enterprise by providing support for projects and programmes with significant potential for creating long-term private sector led economic growth and employment. In particular, it will help those areas and communities that are currently dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity.

## Localism

15. Localism is the ethos of doing everything at the lowest possible level and only involving central government if absolutely necessary. Government is giving away power to individuals, professionals, communities and local institutions. Government's aim is to achieve a Big Society where people, neighbourhoods and communities have more power and responsibility and use it to create better services and outcomes.

16. The Prime Minister has set out his vision for a radical redistribution of power away from central government and to people through pushing power down as far as it will go, spreading choice and giving more power to neighbourhoods and professionals.

17. The Government has already taken steps to decentralise. It has already announced:

- the abolition of the Comprehensive Area Assessment and the disbanding of the Audit Commission;
- the end of central monitoring of the targets associated with Local Area Agreements (LAAs), giving councils the freedom to amend or drop LAAs;
- allowing councils to amend or drop any of the 4,700 LAA targets they choose; and
- replacing the National Indicator Set with a single data list.

## Localism Bill

18. The Localism Bill was introduced to Parliament by the Secretary of State for Communities and Local Government on 13 December. It contains a range of measures to devolve more powers to English and Welsh councils and neighbourhoods and give local communities greater control over local decisions like housing and planning.

19. The Bill is intended to help set the foundations for the Big Society by shifting power from the central state back into the hands of individuals, communities and councils.

20. The Localism Bill does not have major implications for the Department for Work and Pensions, but possible impacts include:

- giving communities the right to challenge and take over local state-run services (it is not planned that this will affect Department for Work and Pensions local services);
- reforming the planning system to give neighbourhoods much greater ability to determine the shape of their places (possible impact on employment); and
- making it easier for social tenants to move within the sector, establishing a national home-swap scheme (facilitating labour mobility).

21. From 2011-12, the Government will be freeing up a further £7bn of council funding from red tape and bureaucracy.

## The Big Society

22. The Big Society is seeking to initiate a huge cultural change, empowering individuals and groups to become drivers in their communities, with government in an enabling role. Big Society is about everyone playing their part, rather than turning to the state for solutions. It is based on three strands:

- social action;
- public service reform; and
- community empowerment.

23. The Government's approach to Big Society complements the localism programme. While localism pushes power outwards away from the centre towards

communities, localities, families and individuals, the Big Society allows these groups to have more influence and responsibility in using these powers.

## Community Budgets

24. By April 2011 the Government will help establish a first phase of single Community Budgets to help families with complex needs. In 16 pilot areas, local leaders, with their electorate, will become the ones who decide which local projects and priorities public money should be spent on from their own funding pot in order to offer the best support for families with complex needs. The intention is that all places will operate Community Budgets from 2013-14.

25. Community Budgets will drive down overhead costs by removing the bureaucracy that has created barriers, generated waste and duplication in public spending. Local solutions are needed for local issues.

26. All places will be able to form Community Budgets by local organisations agreeing to align and pool their funds locally and know that Whitehall will help tackle any barriers that stand in their way. All of the Co-Design Pilot locations fall within the first phase of Community Budgets with the exception of South Tyneside.

## DWP approach to Localism

27. DWP's approach to worklessness balances a national benefit system with a range of other support delivered through different channels, including our own delivery organisations, private providers, other public sector organisations and the voluntary and community sector. This *mixed-economy* approach offers real scope to make significant improvement to employment services and outcomes, and to do so efficiently.

28. DWP's approach to localism goes beyond the straightforward devolution of funding and functions to local areas to shaping support around individuals wherever they live. Action at the level of the individual is at the core of our policies and programmes. We are clear that working together and utilising the knowledge and skills of front line staff and local partnerships will be most important in order to deliver the best services we can for people in a time of constrained public finance.

29. Local partners are critical to the delivery of employment outcomes and in securing improvement to our employment services. We are actively encouraging Work Programme providers to engage with local partners. Local Authorities will have a key role in coordinating the involvement of local providers and community organisations as key participants in plans to tackle worklessness. Our approach to the Work Programme offers a significant degree of local flexibility, including the opportunity for Work Programme providers to pool their resources at local level. Where this improves outcomes, they will have a clear incentive to do so.

## Changes in Welfare and the Work Programme

30. On 11 November the Government published its welfare reform White Paper "Universal Credit: welfare that works". This paves the way for the introduction of Universal Credit.

31. Universal Credit will allow people to keep more of their benefit when they go back to work to ensure that getting a job is always worth it. It will provide a basic allowance with additional elements for children, disability, housing and caring. It will replace current working age means tested benefits – Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance, and income-related Employment and Support Allowance.

32. To receive Universal Credit, everyone will need to agree to conditions placed on them, based on their personal circumstances. People who can work will be expected to take steps to get a job. Those who can't reasonably be expected to look for work will not.

33. The Government will introduce the legislation needed to introduce Universal Credit in a Welfare Reform Bill in early 2011.

34. The Department will hold further discussions with Local Authorities and their associations about the detail and implications of Universal Credit for their Housing Benefit operations and of the new approach to Council Tax costs. Local Authorities may also have a role to play in delivering face-to-face contact for those who cannot use other channels to claim and manage their Universal Credit.

35. The current system of Community Care Grants and Crisis Loans will be reformed. In England, Local Authorities will be responsible for administering much of the reformed system – ensuring that support is tailored to local circumstances and targeted only at genuine need. Local Authorities will be consulted on the design of the new system.

36. The Government has also announced its intention to introduce a limit on the total amount of out-of-work benefits any one family can receive so that; unless there is someone in the household receiving Disability Living Allowance or Working Tax Credits, no family should get more from living on benefits than the average family gets from going out to work.

37. DWP is moving ahead with The Provision of Employment Related Support Services Framework (known as 'the Framework') based on 11 geographical lots and will be the commercial vehicle through which the Work Programme will be procured and delivered. On 25 November 2010 the Department announced the providers who were successful in the Framework competition.

38. The Work Programme will replace a range of programmes delivering support to those who need additional help to get back into work, thereby cutting out much of the confusion and duplication in the current system. Through non prescriptive and flexible contracts, the Work Programme will provide strong incentives for providers to deliver better results and leave them free to determine the most appropriate way to



deliver personalised local solutions. Providers will be encouraged to work with local, voluntary and community sector organisations to understand and meet the needs of individuals and communities.

39. The names of Providers invited to join the Framework for providing Employment Related Support Services was published on 25 November and can be found on the DWP website. The Work Programme invitation to tender was published on 22 December 2010 and places clear expectations on suppliers to engage with partners in developing and delivering their proposals. The names of those providers selected to deliver the Work Programme will be published on conclusion of the tendering exercise in spring 2011.

» [Supplying DWP - Work programme](#) (DWP website)

40. As we move to implement the Work Programme we will also work with local partners to focus efforts on pre-Work Programme support; maximising moving people into work prior to the programme and supporting long-standing customers to make the transition from inactivity to seeking work. Local providers will be encouraged to develop pre-Work Programme provision that Work Programme providers can align with in order to enhance the whole experience for customers moving into work.

## Jobcentre Plus Flexibility

41. DWP is also committed to ensuring that Jobcentre Plus has the freedom and flexibility to work in real partnership at the local level and to respond to customers' needs. We are aware that this involves developing an entrepreneurial culture locally as well as tackling any barriers in procedures etc that may be identified. The support that Jobcentre Plus delivers to customers across all working age benefits (Jobseekers Allowance JSA, Employment and Support Allowance ESA and Income Support IS) to be introduced from April 2011 will allow more flexibility to Jobcentre Plus managers and advisers to judge which interventions will help individual customers most cost effectively. We are creating a framework in which Jobcentre Plus staff can predominantly focus on delivering outcomes for our customers rather than completing activity and processes, and have more discretion to draw down from a menu of support to help customers according to their individual needs. The flexibility in delivery will be supported by a new Jobcentre Plus performance framework which will hold Jobcentre Plus to account for headline outcomes, specifically the rate at which people flow off working age benefits into employment

42. Additionally in April 2010 Jobcentre Plus began testing a flexible approach to delivering its business in Jobcentres by giving the District Managers the same freedoms that are given to private and public sector providers.

43. The pilots are operated in Greater Manchester Central, Glasgow, Gloucestershire Wiltshire and Swindon and South West Wales Districts. The flexibilities afforded to them included looking at the scope for closer working with partners, including the coordination, co-location and co-design of services. The pilots tested a range of seven flexibilities but not all of them were being piloted in each location. The range covered:

- segmentation approach (tackling customers by defined group)
- flexible interventions
- working with partners
- Decision Making and Appeals
- organisational design
- communications
- measuring success

44. The pilot work undertaken in Greater Manchester and South West Wales has been developed into trailblazers for the “Building Autonomous Local Delivery Units” Project. Districts will deliver the same core service as other Districts but with a flexibility that will enable them to match the needs of their customers to the local community rather than a corporate one-size-fits-all approach. An autonomous District will be judged on the results they achieve, not the way they get there.

45. To further support the move to a more flexible approach to working DWP recognises that, where there is a reduction in funding to tackle worklessness, this increases the pressure to get the best from limited resources and, therefore, the need for effective and productive partnerships working. To increase the effectiveness of future partnerships aimed at tackling worklessness we are working to develop the flexibilities available to Jobcentre Plus District Managers to support partnership working – whether they are with Local Authorities, the voluntary sector or other organisations. The options are still being developed but are likely to include the following:

- Jobcentre Plus engagement through case workers/outreach services;
- The potential for local alignment and pooling of limited local discretionary funding, through Jobcentre Plus;
- Potential tailoring of pre Work Programme support and Get Britain Working Measure for this client group;
- The co-location of Jobcentre Plus and partner’s services;
- Client group access to ESF funded employment support, for those not eligible for the Work Programme;
- Support to facilitate local discussions with (potential) Work Programme providers;
- Where it would be legal and proportionate, sharing data – via informed consent – to provide a more aligned and holistic customer service;

46. The District Manager will have discretion to work with those partnerships that will best deliver value for money and help Jobcentre Plus to achieve its objectives of moving people back into work and reducing the costs of fraud and error. District Managers will have the freedom to work with partners and partnerships to design and deliver the services that meet local needs.

## Data Sharing

47. The term data sharing is often used when information is shared between one organisation and another. The term data sharing is wide ranging and can extend from data already published, to non-anonymised data for operational purposes which is harder to share and requires specific lawful authority.

48. We recognise that data sharing can help Local Authorities target resources particularly with regards to worklessness initiatives. DWP are committed to supporting data sharing where it is legal, appropriate and can cost-effectively add value.

49. DWP analysts have produced a data sharing guide that aims to help those who are considering requesting data, or undertaking data share activities. The data sharing guide will help users to consider the relevance of information they need, and to better understand the process of acquiring data.

- » [DWP guide: Data sharing to tackle worklessness](#) (265KB)  (DWP website)

50. We have also started to produce regular Experimental Official Statistics that illustrate worklessness at small spatial levels (Output Areas) containing between 80-150 households. This new data will enable the identification of very small pockets of worklessness, as well as providing more detail on the nature of worklessness in areas (by benefit type).

- » [Census Output Area Data on workless benefit claimants](#) (DWP website)

51. We have also produced the DWP: Total Place Data Release which provides the costs of delivering face to face services for Jobcentre Plus and Pensions, Disability Carers Service clients for the financial year 2009/2010 at Jobcentre Plus district level. In addition, the data release also provides the costs of Employment Programmes at Jobcentre Plus district level and at National level where applicable. Note: this data relates to employment programmes prior to Work Programme.

- » [DWP: Total Place Data Release](#) (DWP website)

## Summary

52. With the move to a more local and flexible approach to working with partners DWP will be developing a menu of support options, as mentioned in the Jobcentre Flexibility section. Once the full menu has been finalised DWP will produce a check-list detailing the range of support that partnership can expect from DWP, Jobcentre Plus and Work Programme Providers and what this could mean for local authorities. A **draft** version is contained within Annex B of this report. Note: a final version of the check list will be available in the DWP Worklessness Co-design final report due to be published in Spring 2011.

# What do we know about what works (both locally and nationally)?

## National Approaches


53. It is efficient for DWP to set the framework for delivery of labour market policy across the UK and to specify core activity, in particular where mandation is required and where there are substantial economies of scale to be had. For instance, in benefit processing and delivery, and mandatory activities that maintain the link between benefits and job search.

54. DWP maintains an effective and active labour market policy. Jobseekers Allowance (JSA) has an explicit link to job search and finding work. Out of the 2.25 million claims for JSA every year, we know that around 60 per cent of jobseekers leave benefits within 13 weeks and increasing to around 80 per cent within 26 weeks. Therefore providing more intensive support to most jobseekers from the start of their claims would risk spending considerable resource on jobseekers who would have found employment anyway. Only 10 per cent of jobseekers making a claim for JSA are still unemployed 12 months later. We expect that people remaining on JSA after 12 months are likely to have serious and multiple challenges which will need to be overcome before they can move into work. However, it is difficult to identify the most disadvantaged jobseekers or those jobseekers who are most likely to become long-term unemployed at the start of their claims, so targeting those clients from day one is difficult. DWP is aware that some groups are more likely to face barriers and, therefore, offers access to provision from day one of claiming.

55. Early access to provision will continue to apply to some groups on a voluntary basis with the move to the Work Programme, the following groups may gain early access based on Jobcentre Plus discretion:

- An ex-offender;
- A disabled person;
- A person with mild to moderate mental health issues;
- A care-leaver;
- A carer on JSA;
- An ex-carer;
- A homeless person;
- A former member of HM Armed Forces personnel;
- A partner of current or former HM Armed Forces personnel; or
- A person with either current or previous substance dependency problems that present a significant barrier to employment.

56. A full list of the voluntary and mandatory early entry criteria to the Work Programme is available in the Work Programme Invitation to Tender document, page 34, annex 2 which can be accessed on the DWP website.

- » [DWP Work Programme - Invitation to Tender - Specification and Supporting Information](#) (522KB)  (DWP website)

## Employment rates for people with multiple disadvantages

57. In terms of employment generally the more disadvantages an individual has, the lower the likelihood of that individual being in employment. These customers are perhaps those who are often best helped through a multi-agency approach. Barriers to employment can include: a lack of qualifications, being a lone parent, coming from (certain) ethnic minority groups, being older or being disabled. Figure 1 below shows that the employment rate falls as the number of disadvantages increases.

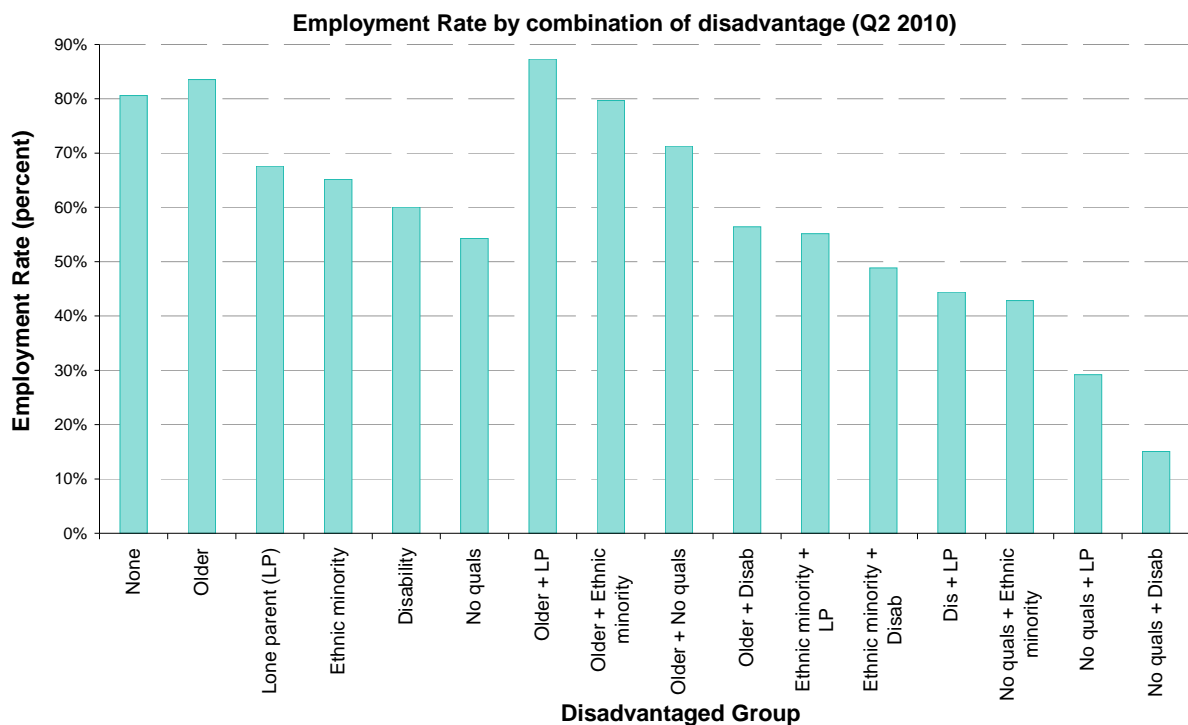
Figure 1 – Employment rates in Great Britain and Deprived Areas



Source: LFS Q4 2009, Deprived areas = 1250 wards defined under PSA 8

58. Some combinations of disadvantages are more disadvantageous than others, particularly those combinations including no qualifications (for example, no qualifications + disabled is a particularly unfavourable combination). The increased prevalence of the 'more disadvantageous combinations' can account for much of the difference between disadvantaged areas and the non-deprived areas shown in figure 1 above. Figure 2 below shows the Great Britain employment rate in 2009 for a number of common combinations of disadvantages. While these data provide a general context for why it is harder to get some groups back into work, one would normally expect support tailored to the needs of each individual to be more effective than assuming that this person conforms to the common needs of the group. A key challenge is how to drive greater efficiency through greater personalisation.

Figure 2 – Employment rate by Combination of Disadvantage



Source: Household LFS (Imputed) Q2 2010. Disadvantaged groups with three or more disadvantages are omitted for sake of clarity – the trend identified above continues across all numbers of disadvantage.

59. There is a great deal of evidence from DWP programmes to show that some approaches work better for different client groups. In general, holistic and personalised services tend to be most effective, but unsurprisingly, different approaches work for different types of customers. We know that older people value and respond better to advice, guidance and personalised support tailored to their needs. Lone parents have tended to respond well to approaches that are flexible, involve addressing issues and solutions that are relevant to them such as childcare and are focused on work. Work-focused interviews tend to produce good outcomes for this group. These interviews are also very effective for disabled customers as are interventions that are focused around helping and enabling them to manage their conditions. For minority ethnic groups, outreach work was found to be very effective in helping people engage and get back into a job, as is language support where it is needed. For those people who are hardest to help and perhaps furthest from the labour market, a joined-up approach that gives intensive personalised support and experience of work can help move people towards getting a job.

60. However, it needs to be borne in mind that it is often unclear as to whether differences in programme impacts on different subgroups are due to intrinsic differences between the groups or because they were treated differently under the programme. For example, a difference in impacts on earnings between programme participants with and without previous work experience may result if a welfare-to-work programme provides help in job search for the former and vocational training for the latter. This difference in impacts might or might not have resulted had the two

subgroups received the same services. This is especially important if the programme being examined can be described as a 'black box' or 'bundle of potential services'.

61. Some of DWP's previous programmes have been shown to impact differently upon different customer groups. For instance, the former New Deal for Disabled People (NDDP) reduced the amount of people on incapacity-related benefits over two years. On average, older participants in NDDP experienced greater impacts than younger workers with 22 per cent of longer-term recipients and 19 per cent of more recent claimants estimated to have left work by month 24 because of NDDP.

## Local Initiatives

62. We are in a 'mixed market' of policies and interventions delivered by a number of national, local and private organisations. There are distinct and different roles for the place/locality, depending on the spatial level. The Local Authority has a leadership role to bring all the partners together, ensure that the potential for overlap is reduced and maximise the potential for joining up and aligning investment at the local level.

63. The impact of locally-run initiatives is hard to evaluate due to the small scale and absence of comparison groups and as a consequence compelling evidence can often be difficult to find. There is, however, quite a body of evidence from nationally-led programmes delivered at local levels.

64. Under the previous government there was a sustained and very substantial investment in regeneration and worklessness funding for deprived areas (£5bn+ over 10 years through National Strategy for Neighbourhood Renewal (NSNR), New Deal for Communities (NDC) and Working Neighbourhoods Fund). While this has clearly made a difference to a range of outcomes of benefit to local residents, reflected in their opinion of their area as a place to live, it has not made a particularly substantial impact on levels of worklessness. It is important to note that this funding was aimed at both 'bending the mainstream' spend of Departments to fit local areas, and also at taking a 'holistic approach' to tackling area deprivation. Therefore, it appears unlikely that simply going further in these regards will deliver the improvements sought without a deeper consideration of the successes and lessons learned.

65. The evaluation of the NSNR found that area-based regeneration/worklessness initiatives are likely to be more effective at tackling worklessness where:

- the target area is within a relatively buoyant sub-regional economy;
- where the community is more 'mixed' in terms of its housing tenure and skills;
- there are clear objectives for the programme, as well as an exit strategy; and
- there was a level of spend of at least several hundred pounds per head.

66. Although there is no compelling evidence of an impact on tackling worklessness, area-based funding through the Working Neighbourhoods Fund and Neighbourhood Renewal Fund has added value by:

- providing flexible resources, not only to pilot innovative approaches to problems, but also to fund activity that does not fit neatly within a single domain;
- providing a catalyst for local stakeholders to come together to address both the planning and delivery of local services; and
- providing a degree of flexibility for local authorities and partnerships to develop tailor-made approaches matched to the needs of different areas.

## Cost Benefit Analysis

67. One aspect that emerged from the Total Place Pilots was that, especially in the fiscally constrained environment we inhabit, in many circumstances more evidence was needed to better understand the potential costs and savings that could be generated by local partnership activities.

68. Many projects can appear to represent good value for money, but sometimes this is based on counting all of the benefits but only some of the costs (for example as other agencies may also be supporting the same customers). The reverse can also be true: some projects would look like much better value for money if we could only account for the benefits that accrue to other local and national partners.

69. DWP is working with Local Authorities to support them in using Cost-Benefit Analysis techniques to take forward this agenda. We are endeavouring to support partners to address their own evidence challenges while at the same time ensuring a degree of consistency and comparability in the methods they use. DWP will be working with Manchester and Birmingham Councils as part of cross government analytical activity to support the work in those cities to develop new approaches to cost benefit analysis.

70. To support Local Authorities in their use of Cost Benefit Analysis (CBA) we have developed a tailored and abridged version of the core DWP CBA framework. In it we identify the issues that are likely to be of most relevance to Local Authorities and provide a number of “ready-reckoners” that will allow them to carry out a more robust CBA. This information is contained in the annex to this report.

71. Birmingham and Manchester, with the support of Whitehall are collaborating to improve the intelligence available in making resource allocation decisions. The first phase of work involves translating an economic model that will predict costs and benefits of competing investment options. This is building on work with the Washington Institute.

72. Birmingham City Council and its partners are also exploring a more sophisticated approach to investment in the City. Currently, many investment decisions are taken within our public institutions without much recourse to the relationship with other related investment decisions. Without better evidence about what works there is little opportunity to maximise return. As a result this work is seeking to develop a model to help the Birmingham City council make the right adjustments to re-balance and potentially more closely align investment in different interventions to get better returns and deliver priority outcomes. To do this requires a



better understanding of the relationships between interventions and their interdependencies and multiple outcomes.

73. Specifically, the purposes of the model will be to:

- understand the likely impacts on the range of social, economic and environmental outcomes arising from different configurations of public sector spend;
- understand the confidence limits surrounding estimates of impact on social, economic and environmental outcomes arising from public sector inputs;
- understand the likely impacts on the range of social, economic and environmental outcomes arising from different configurations of citizen inputs;
- understand the potential for trade-off between public sector inputs and citizen inputs in achieving improved outcomes;
- build a simulator which allows policy makers to estimate quickly the likely impacts on outcomes of policy interventions; and
- achieve each of these purposes both at city-wide level and within specific priority areas.

## A Focus on the Places – What is Each Place Doing to Co-design Services for Worklessness

### Overview of worklessness in Birmingham

#### Demography

74. Birmingham is the largest city outside London with a population of over 1million people. This population is becoming increasingly diverse and more than a third of the population are from black and minority ethnic communities. By 2026 it is expected that no single ethnic group will form the majority of the city's population. Birmingham is a comparatively young city with over 46% of the population estimated to be under 30.

#### Worklessness

75. Birmingham's economy has seen a long-term change from manufacturing to services although manufacturing continues to play a strong role in the economy of the city.

76. Birmingham has some of the highest levels of worklessness in the country and Birmingham has more jobseekers per Jobcentre Plus vacancy across the spread of occupations. However, those looking for jobs in elementary occupations are particularly likely to find it harder to secure employment as there are around 35 claimants for each Jobcentre Plus vacancy in this occupation. This compares to a national figure of around 7 per vacancy. Worklessness in Birmingham is not

concentrated in a small number of wards but is more widespread. For example, the 10 super output areas with most people out of work are spread across nine separate wards, making worklessness a significant challenge across Birmingham.

77. Birmingham has a much greater proportion of its residents on benefits than the England average and over 33 per cent of the population are amongst the most deprived in England. The proportion of people claiming JSA is double the England average and the skill level of at both GCSE and Degree are also slightly below the average too. Intergenerational unemployment is also a factor in Birmingham and has led to low aspirations and multiple barriers to people getting into work.

78. The partnership in Birmingham has identified a number of common themes relating to worklessness. The partnership is working with third sector organisations, the Skills Funding Agency and the Employment and Skills Group to gain an understanding of the barriers faced by people whilst worklessness and to provide a more focussed and tailored solution.

### **Co-design Activity**

79. Birmingham's Co-Design Pilot is based on a recognition that current employability programmes may not be appropriate for some individuals with multiple barriers or long-term worklessness. A key issue is the quality and type of employment support provided.

80. A criticism of the current funding model for employability programmes is that it can be operated as process driven rather than person-centred approach. The result is that some individuals are encouraged into inappropriate, or at least non-optimum support (over focus on CVs and ad-hoc qualifications), go through a revolving door, moving in and out of work, and through various employment support programmes. Often their barriers to employment are not heard across competing agencies and within a "silo" delivery of wrap-around support services.

81. Having duplicate provision has costs both in terms of duplication of interventions (without being effective) and the impact upon individual's motivation, mistrust and cynicism of services being provided. Just providing more of the same will not make a difference in moving those individuals into sustainable employment.

82. Birmingham view that a person centred support service, with clients receiving intensive one-to-one support tailored to their needs, would improve the client journey experience in securing sustainable employment. The crucial elements of the Co-Design model are:

- a more personalised approach, with quality, skilled advisors who can pick up psychological barriers, act as an advocate to ensure improved access to services, as well as challenging assumptions;
- effective and responsive wraparound services;
- personalised budget approach - which involves individuals in co-design of solutions; and
- effective engagement with employers to provide opportunities for work placements/ trials/ employment.

83. The focus for this pilot will be on those who are long-term workless with multiple needs. It will test the assumption that this approach would be more effective, and be able to deliver savings in the long run. The pilot will have a spatial focus, working to counter the lack of local success and explore the use of social networks. A small cohort will be identified, based on criteria proposed.

84. The partnership would like to:

- develop a Cohort of trained employment support advisors/ advocates (ongoing training and costs);
- gain DWP agreement that pilot individuals can have interventions outside of Jobcentre Plus offices;
- build on and recognising that DWP cannot exempt individuals from mandatory JSA conditionality; and
- gain commitment from public sector wrap around services to respond in an effective and timely way to support identified needs of individuals.

85. The partnership has worked with the Young Foundation to investigate the causes of worklessness and individual experiences of employability programmes. The findings will be used to inform this pilot. The performance and evaluation (cost benefit) criteria are still to be agreed and developed.

86. Opportunities for implementing the pilot outcomes: Since the outline was submitted Birmingham is now a CBB pilot. This includes a small area budgeting pilot in Lozells/ Handsworth, and a focus on Families with Complex needs in Shard End. They had already identified Lozells/ Handsworth as one of the geographic focuses for the Co-Design, given existing partnership arrangements on the Working Places Hub, to co-locate and ensure greater alignment of services. Linking with CBBs provides tangible opportunities to deliver the Co-Design pilot in those areas, thus maximising the impact. They will continue to develop co-location proposals at the Shared Services Hub (Poolway), and view this as an opportunity to deliver from lessons learnt in the pilot

87. A Project Group will take this work forward, which will include assessing the cost of the current interventions and support. They will also undertake the identification of the cohort of customers and assessment of immediate efficiency savings to service providers reduced medium/ long term demand, improved outcomes for individuals, using cost-benefit analysis.

## Overview of worklessness in Bradford

### Demography

88. Over 500,000 people live in Bradford of whom 318,000 are of working age. Bradford is forecast to have the fastest growing population of any major city in the UK, with particular growth from older people, young people and people of Asian and mixed ethnic origin. Much of the growth is expected to be in parts of the District that are relatively deprived.

## **Worklessness**

89. As traditional industries have declined, more emphasis has been placed on businesses based on new technologies and the service sector. The growth of these jobs tended to be in Bradford, Keighley and along the Aire valley. There are also new developments close to M606 and M62. Bradford is part of the Leeds City region and the council needs to get the best out of that relationship for its residents.

90. Bradford is facing a significant challenge as many people live in deprived areas and do not have the skills and qualifications they need to get jobs. A large number of people are seeking elementary occupations and yet the growth in jobs in Bradford is not in these occupations, leading to a mismatch between supply and demand.

91. In June 2010, there were 8.3 people claiming JSA for each position advertised in jobcentres in Bradford. Bradford also has a weak labour market and has more jobseekers than vacancies compared to the national average in each type of occupation.

92. Worklessness is concentrated in the City with additional concentrations in Keighley and Shipley. The central belt of the city has seen some reductions in the proportion of people out of work but the numbers in work in the north and south of the city has deteriorated as it has around Keighley.

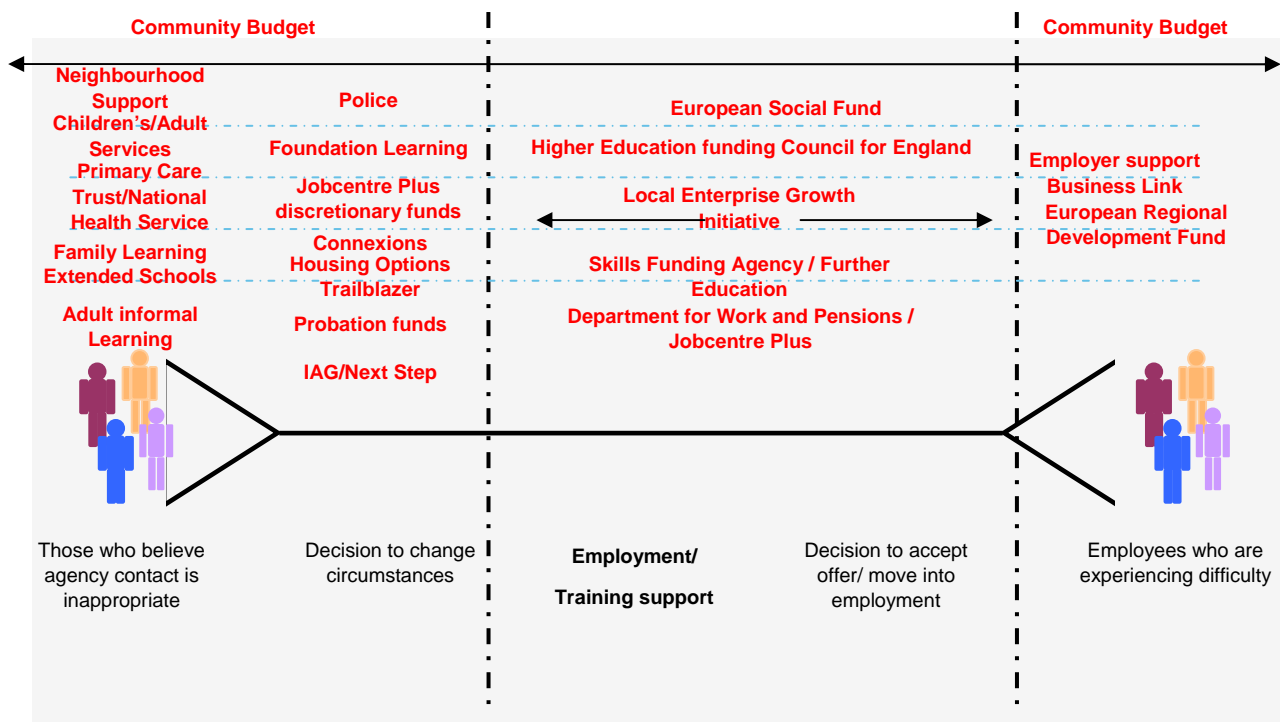
## **Co-design Activity**

93. In view of the specific evidence, and as a result of a high-level meeting that examined the evidence, we listened to the view of stakeholders, including a variety of customers with a wide variety of needs through a workshop and identified the following issues:

- support for employers to recruit and retain disadvantaged people;
- support for the most deprived super output areas; and
- support for tackling worklessness within the homeless community.

94. The client journey for these specific areas will be mapped out as a first step. These specific areas were illustrations for taking a ‘think family’ approach to tackling worklessness that builds on a model which was previously used in Bradford. The model, which includes a plan for a pooled budget for pre and post employment support, has been constructed to ensure there is a coherent progression route from the first engagement a customer may have, through to employment. This approach is flexible enough to enable Bradford to respond to the outcomes of the spending review.

Figure 3 – Bradford co-design model



95. Bradford Council recognises that implementing the new model will require significant local partner engagement. An Employability Co-Design Sub-group has been established. This sub-group of the Employment and Skills Partnership will bring together key partners, including Health, the Police and Children’s services to refine and implement the model.

## Overview of worklessness in Lewisham

### Demography

96. Lewisham is a diverse inner London Borough with around 260,000 residents. Minority ethnic communities make up around 40 per cent of the population. The north of the borough is urban and densely populated and the south more suburban.

### Worklessness

97. There are very few jobs advertised locally in Lewisham. An illustration of this is that there are 19 JSA claimants for every Jobcentre Plus advertised vacancy. Many residents commute out of the borough for work and those claiming benefit in Lewisham are likely to be looking for work across other London boroughs. Along with other inner London boroughs, Lewisham has relatively high levels of worklessness. For instance, there were 12,570 Incapacity Benefit/ESA claimants in Lewisham in May 2010, and 6,180 lone parent claimants. People claiming JSA in Lewisham and are predominantly in their twenties and forties.

98. Lewisham has a relatively active labour market along with other London boroughs, and the range of jobs being sought by Lewisham residents is greater and the skill levels higher than in the other Co-Design Pilot areas. Lewisham has high

levels of people on out of work benefits across the borough but in particular in Deptford, along a central spine down to Downham and Bellingham

### **Co-design Activity**

99. Worklessness has been a long standing priority for partners in Lewisham. Partners in Lewisham have adopted a strong collaborative approach to tackling worklessness, for example through their worklessness forum, commissioning support through the WNF, co-locating services or other employment/skills providers being based in Jobcentre offices, creating over 80 apprenticeships across the partnership, and creating 400 jobs through the Future Jobs Fund. The focus on young people and those furthest from the job market has been relatively successful. The proportion of JSA claimants aged 18-24 is below the London and UK average, despite the young population in the borough. The proportion of claimants with claims of over 12 months is also considerably lower than the London and UK average.

100. Having taken the evidence and previous work into account, the decision was taken to focus support on those furthest from the job market which will complement mainstream provision. There is scope to design local solutions that will work for those with particular complex needs, prior to engagement with the work programme. In particular this will include:

- long term Inactive claimants assessed as fit to work and moved to JSA;
- lone parents with their youngest child aged over 5, who will be moved to JSA from October 2011; and
- workless families.

101. Partners are already testing new approaches. These include using Working Neighbourhoods Funds to create a consortium of housing associations to deliver an estates-based outreach project, and delivering a Personal Budget pilot, which will aim to give out-of-work residents a greater ownership and flexibility over the support they receive to access sustainable employment.

102. The one vehicle for the co-design work is likely to be a partnership with the London Borough of Lambeth, London Development Agency and Participle (a design company), which will be developing new approaches to help those furthest from the labour market into sustainable employment.

## **Overview of worklessness in South Tyneside**

### **Demography**

103. South Tyneside is the smallest metropolitan borough in England and includes the towns of South Shields, Jarrow and Hebburn. The population has fallen to around 151,000 people but is predicted to rise again in the coming years. There are fewer children and young people living in the borough and the number of older people is increasing. Around 5 per cent of the population is from black or minority ethnic communities. Worklessness is high and is concentrated in the north of the borough.

### **Worklessness**

104. The local economy has moved over time from traditional heavy industries, such as shipbuilding and coal mining, and is now made up of manufacturing, retail and wholesale. There is also a large number of public sector jobs and many residents travel outside the borough for work. Unemployment remains a concern for partners and more work is needed to get people into jobs. The employment rate remains around 64 per cent, which is (generally) lower than England as a whole. Worklessness in some of the most deprived parts of South Tyneside has improved although overall remains high

105. The labour market in South Tyneside is particularly challenging as there is a low supply of jobs and there are high numbers of job seekers for each vacancy. Getting people into work is therefore a significant challenge. South Tyneside also has a large proportion of people on out of work benefits that do not require them to look for a job. The rate of people on Incapacity Benefit and Employment Support Allowance is nearly twice the national rate. South Tyneside also has concentrated areas of generation unemployment and has estates and wards with many families where no one works. The characteristics of the customers in this area are that many have low aspirations and low expectations of finding work. There is a culture amongst many men in the area whereby they only consider traditional male job roles and have unrealistically high expectations of wages for low skilled jobs. Many customers show an unwillingness to travel and others face family pressures not to take work, due to the impact on the benefits received by the household.

### **Co-design Activity**

106. South Tyneside partners want local people to realise their full potential and lead happy and prosperous lives. To do this they will need to improve the attitudes and ambitions to success and have greater access to high quality employment and skills provision. Resources need to be focused on the most disadvantaged residents and on the economic sectors with the greatest potential for growth. Given the profile of the client groups and labour market issues in the area, South Tyneside are focusing on the top issues which need to be addressed: these are intergenerational unemployment and long term Incapacity Benefit customers.

107. Evidence from two local projects, Making Headway (South Tyneside) and Families First, (East Durham) have demonstrated the positive impact of:

- delivering services in community based locations;
- providing a more flexible personalised service;
- the value of working with a range of key community based partners;
- working with the family unit;
- utilising mainstream services and their funding to support their customers; and
- having multi disciplinary teams with staff from a range of key organisations working together for the benefit of the customer or family.

108. They intend to use this collective evidence to co-design the service and change the way we currently offer and provide services and work together to deliver.

## Overview of worklessness in Swindon

### Demography

109. Around 190,000 people live in this relatively prosperous South West town. The town itself is densely populated with the remainder of the population living in outlying villages and the countryside. Swindon has good employment opportunities and lower house prices than the rest of South West.

### Worklessness

110. Until the recession, Swindon has had a strong economy with many national and international companies located in the area, higher than average wages and low unemployment. However, since the recession, young people in particular have found it difficult to get a job. To illustrate: between August 2008 and August 2009 the number of 18–24 year olds who had been claiming Jobseekers Allowance had increased by 200 per cent. Although the vacancy to claimant ratio is similar to that for England as a whole, there are particular issues for those looking for elementary vacancies. Those claiming JSA tend to be concentrated in the younger age groups although there is also an increase in JSA claimants in their forties.

111. Worklessness has increased across Swindon but is concentrated in two pockets. Given the increase in worklessness across the area, it has now become a priority for the Local Authority.

### Co-design Activity

112. Swindon does not receive any additional funding towards solutions for worklessness (for example Working Neighbourhoods Fund), and so has had to work closely with its partners, and target resources strategically to address the increase in youth unemployment. Therefore, in a climate where public funding is likely to be reduced dramatically, Swindon is ideally placed to highlight what areas can do locally, in partnership to develop together solutions to worklessness without additional funding.

113. Partnership working has a strong tradition in Swindon - Jobcentre Plus is a key member of many of the partnerships but in particular those aimed at strategically tackling worklessness, poverty, skills and other economic issues.

114. Swindon is currently undertaking three distinctive local activities which involve partnership working with stakeholders from across Government and the private sector:

- **One Swindon'** is the public sector board. The board, which includes Jobcentre Plus, Police, Fire, Criminal Justice, Health Services, Local Authority, Third Sector, and local community representatives, is developing joint or shared service delivery models to deliver the services people need and enable efficiency savings as part of Swindon's contribution to the deficit reduction while protecting and targeting frontline services; Examples include the involvement in Community Based Budget Pilot and also the Total Capital Asset Pathfinder;



- **Swindon's 'Connecting People Connecting Places'** approach will drive the Big Society concept to ensure that services, and decision making are empowered in Swindon's communities;
- **Swindon's Strategic Economic Partnership (SSEP)** is an employer led organisation, chaired in the private sector. It identified that employers find the range of offers and demands made on them around young people confusing and that young people of Swindon need more awareness of what employers are looking for. Through Forward Swindon (the LA's Economic Development and Regeneration Company) Swindon's public and private sector partnerships are being strengthened and economic strategies benefiting all of Swindon's residents are being developed.

115. The SSEP asked Caroline Hallatt (of Nationwide Building Society) to establish and chair a new group called Backing Young Swindon. Jobcentre Plus is one of the public sector partners involved in this group. BYS's focus was to design, develop and deliver solutions to Swindon's dramatic increase in youth unemployment. The expertise of this group and ability to target resources has led to the creation of 'Plan 500' which was launched in August 2010. The development of Plan 500 addresses the needs of the young people of Swindon and the needs of the employers of Swindon, creating an efficient route for employer engagement. Plan 500 aims to provide employers with potential employees who have the skills needed to develop and deliver their business, while targeting youth unemployment

**Plan 500 will enable:**

- 50 more business linked to Diploma schools;
- 50 employees achieving a work based qualification;
- 150 new work experience employers in Swindon;
- 100 new mentors for young people; and
- 150 people onto apprenticeships.

**Measuring the success of Plan 500**

116. Swindon is developing plans to track 5 clients through Plan 500 and gather information on the following themes:

- cost to the state (benefits, crime, education / training, health); and
- foregone earnings (compared to average earning for that age group).

The aim is that Swindon's Plan 500 evaluation will provide quantitative and qualitative data.

## Next Steps

117. Having looked at each of the Co-Design Pilot areas, we expect that potential models will emerge around the following areas:

- family interventions;

- recipients of inactive benefits;
- intergenerational unemployment; and
- employer engagement.

118. We aim to publish a final report in early 2011 and make that available to relevant stakeholders, so they can consider and apply any lessons and good practice at the local level.

119. Although it is too early to know what these models will look like. We expect any delivery model to incorporate an appraisal of likely costs and benefits and any barriers to delivery, along with conclusions on next steps. We expect them to generate an insight into what activities can be shared and how Jobcentre Plus can work flexibly with local partners to address local priorities more effectively.

120. The work of the Co-Design Pilots will continue beyond the scope of the pilot stage where, hopefully, they will demonstrate an improvement in helping people back into work. The longer term outcomes from the pilots will be used by DWP and Jobcentre Plus in identifying and addressing local barriers to working in partnerships in order to aid progress. The lessons learned will help support the development of more flexible and localised delivery models based on greater innovation and understanding of common goals.

121. Additional support to the pilots is now being provided by Local Government Improvement and Development, to help maximise and spread the learning, and draw on related work in other parts of the country. This may take a number of forms, working with the individual pilots and promoting wider dissemination, for example, through the online Worklessness Learning Forum Community of Practice at Community of Practice.

- » [Communities of Practice for public services](#) (website – log in required)

## Annex A: Prototype Cost Benefit Framework for Local Partnerships

### Introduction:

1. This annex highlights the issues that should be considered by local partnerships when they need to consider the potential savings that co-designed/multi-agency approaches to tackling worklessness can offer. It provides access to an outline Cost-Benefit Framework for local partners to use and attempts to highlight some of the pitfalls of, and approaches to, the greater use of Cost Benefit Analysis (CBA) techniques to appraise and evaluate these types of initiatives.

2. The annex also introduces some figures that are consistent with other CBA work undertaken by the Department<sup>1</sup> that estimate the costs and benefits to the

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<sup>1</sup> DWP Cost Benefit Analysis Framework, DWP Research Report Series, Working Paper #86 (2010). Available from DWP Research Website.

exchequer of moving people into work, as well as Secondary Market Impacts – for example – related health and crime improvements.

3. While all work is consistent with the core DWP Cost-Benefit Framework, it is subject to some caveats that must be included in its use. Some of the potential assumptions as well as costs and benefits are uncertain, therefore the overall principle should be to arrive at a methodology that is balanced and objective. We also recommend that local partners include sensitivity analysis in order to give an indication of the range of figures that may be plausible. It also relevant to mention that CBAs have been carried out for DWP Programmes to tackle worklessness, local partners should make use of these nationally published assessments when assessing plausibility.

### **Worklessness Cost Benefit Analysis: fundamentals**

#### **Background**

4. When trying to attribute a Cost Benefit Analysis (CBA) framework to any form of employment programme understanding the profile of the people and the places that the programme applies to is important. The basic assumptions of the CBA need to include; the demographic profile of programme participants, gender distribution, housing tenancy and in (and out) of work benefit payments. Evaluation of DWP Programmes have found that the success in getting people into work is variable according to the above assumptions. It is important, therefore, that any CBA must state underlying assumptions about the demographic nature of programme participants in order to obtain a useful estimate.

5. Even within the same benefit group – for example – all those on JSA – there is a great deal of variation. For example, JSA Claimants whose first job is for less than 6 weeks duration are more likely to be out of work during the following four years than those whose first job is over the 6 week threshold, (although for those who have had a longer duration on JSA the duration of the first job is shown to be significant if it does not last 26 weeks) showing that there is a lot of difference in outcomes, even between those who may be combined in the same “group” of participants. Therefore, it is important that as much information about the likely outcomes is gained to get an accurate CBA estimate.

#### **Cost Benefit**

6. There are three “levels” to a Cost Benefit Analysis, each of which includes more (wider) costs and benefits than the last. These are:

#### **Fiscal CBA**

7. This is an estimate of the costs to the Exchequer of using the programme. It measures the difference in the costs of a particular programme (the operational costs) and the benefits that flow back to the Exchequer in terms of increased tax revenue and benefit payments saved. **This form of CBA forms the basis of any further CBA work**, even though it does not capture all the outcomes that may occur due to a programme.

#### **Social CBA**

8. The aim of the framework is to measure, as far as possible, the net social impact of policy changes, by valuing the costs and benefits which would not have arisen in the absence of the policy change.

9. Social benefits measure increases in welfare that result from the change. Typically, from DWP policies this will be through increasing output (for example as more people enter employment), but it also covers other elements of welfare to which society attaches value (for example – improvements in health).

10. Social costs measure reductions in welfare that result from the change, typically as a result of the opportunity cost of the resources involved. For example, where there are resource costs in providing employment programmes, this is part of economic output that could otherwise have been consumed in other uses. This is the form of CBA that we recommend using to gain a full understanding of costs and benefits.

### **Tax/Benefit Model of benefits**

11. Initially, work was undertaken by David Freud<sup>2</sup> to estimate the average direct benefit to the taxpayer of getting Incapacity Benefit (IB) and Jobseekers Allowance claimants (JSA), as well as Lone Parents on Income Support (LP-IS) into work. He also estimated the “wider exchequer gains (offsetting direct and indirect taxes paid with additional tax benefits)”, based on sustained employment of one year.

12. These estimates, however, were undertaken in 2007 and subsequent work has been undertaken to refine them. The estimates provided below are taken from the DWP Tax/Benefit model that forms the basis of a variety of Cost Benefit work that is undertaken across the Department.

13. There are a number of assumptions that inform this piece of work, however this is not the forum to replicate all of them. Some of the more fundamental assumptions for the numbers shown below are that people who obtain work maintain their employment for 12 months, and that all estimates are based on the ‘typical’ outflow into employment. The figures below combine income statistics, in and out of work benefit estimates as well as taxation estimates to produce the “First order” estimate, which assumes that all jobs are additional. In some circumstances a ‘typical’ outflow could be replaced by a more specific group, however any assumptions regarding how to adapt the below figures should be well-evidenced by local partners.

14. While these figures are based on getting the claimant into work for an entire year, internal analysis shows that at the National level only shows that between 50 per cent and 55 per cent of JSA claimants stay off benefit for twelve months. The figures for Lone Parents and IB Claimants are not as robust, but are shown to be around 75 per cent plus<sup>3</sup>. Therefore, it is unlikely that the below estimates can simply be multiplied by the number of job starts, even in this relatively simple example. Some risk and discount factors need to be applied based on the nature of the

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<sup>2</sup> Freud, D., *Reducing Dependency, Increasing Opportunity: options for the future of welfare to work*, DWP (2007)

<sup>3</sup> Note, there are estimates available for outflows which do not last year – they are omitted here for brevity and because of the uncertainty around them, but they could be included in a full CBA with sufficient evidence.

workless person and the chance that they have of staying in work for one year to realise the benefits to the Exchequer.

	First order fiscal benefit of obtaining work (according to Tax/Benefit Model)	Likelihood of staying in work 12 months	Average cost per job therefore required
IB	£8,160	75%	£6,120
JSA	£7,800	50-55%	£3,900 - £4,290
Lone Parents	£6,380	75%	£4,785
ESA	£8,500	75%	£6,375

15. However, the table above only represents the 'average' claimant of these benefits, and not those in disadvantaged groups such as ethnic minorities or older people. Although we use these figures in lieu of more accurate sub-group estimates, it is reasonable to expect that the costs of getting some groups in to employment are actually greater than these "averages", based on the fact that they are likely to be further away from the labour market and have combinations of disadvantage. It is also worth noting that the costs of running programmes will be incurred across all participants, only a fraction of whom are likely to enter work as a result of the programme.

**Additionality**

16. A key estimate for CBAs of employment programmes is the estimated additional impact on employment:

- how many people do we expect to find work as a result of the programme;
- how long does this impact last; and
- how much do these people earn.

17. Estimates of employment impacts should ideally be based on evaluation evidence. For new programmes where evaluation has not yet been undertaken, analysts should develop estimates from the most relevant sources – for example, evaluations of similar programmes.

18. An estimate of the **total number of additional job years** generated by the programme (from each annual cohort of participants), should be calculated, as appropriate. Often this will be calculated by multiplying the number of participants by the estimated additional time in employment per participant as a result of the programme. It is important that the additional employment assumptions are consistent with the levels of programme expenditure identified in cost estimates.

19. The estimated **average gross annual earnings** of the participants that move into employment should also be derived. As noted above, the earnings of those who find work are set by using evidenced assumptions, based on the main client group.

Where appropriate these could be over-written by assumptions specific to the programme being analysed. Note that in the overall social cost-benefit calculations, the value of earnings are offset by in-work costs incurred (e.g. travel to work and childcare costs).

### **Movement off benefit but not into employment**

20. Programmes may also move people off out-of-work benefits without necessarily moving them into employment. This is essentially a transfer from the previous recipients to taxpayers, although it may also have a distributional impact. This can be reflected in the cost-benefit calculation by including a separate assumption about the impact of the programme on the **total number of years off benefit but not in employment**.

### **Net Present Value**

21. It is also worth acknowledging that the above estimates are based on the savings and spending in the same year, as there is standard discount function of 3.5 per cent to apply for any fiscal benefits in the future. This means that moving a JSA Claimant into work for 2 years at a cost of, for example, £15,600 would actually result in a loss because the savings would not equal the costs, but would instead be only £15,327 ( $£7,800 + (£7,800 * 96.5\text{per cent})$ ). (Note: the costs in year 2 would also be discounted by 3.5per cent too but where appropriate actual costs should be presented).

22. The gross costs per job of the equivalent New Deals (for New Deal for Lone Parents) are much lower than the break even scenario described above (at £841 per gross job), although these do not stipulate how long the job outcome was sustained for, but if we use estimates already produced then around 75% of these groups stay off benefit for 12 months or more.

23. Therefore, to simplify this process, it might be beneficial to work on the basis that the job outcome only lasts twelve-months. This negates the need to include a NPV figure in the CBA. However, where benefits (and costs) are realised and spread over multiple years, the figure should be included as the standard discount rate.

### **Wider Impacts of Intervention – for use in Social CBA**

#### **In Work Costs**

24. There are a variety of In-work costs that are experienced, especially by DWP claimants, including childcare costs and transport costs. DWP have liaised with the (then) Department for Children Schools and Families (DCSF) for childcare estimates and Department for Transport (DfT) for in-work transport costs. Below shows the upper and lower bounds for expected childcare costs, based on DCSF estimates of term-time references of formal childcare arrangements for all children. However, it should be noted that these figures represent National averages, according to the DCSF, and therefore Local Authorities may have more appropriate estimates for childcare and transport costs that could be supplied with proper evidence.

Figure 2: In work Childcare Costs per year

Group	Lower Bound	Upper Bound
Lone parent	£723	£798
Couple	£675	£745

Note: This DCSF estimate does not take account of family type (i.e. multiple children)

Source: DWP Internal CBF – Figures supplied in conjunction with then DCSF

Figure 3 shows the estimates produced by DfT for in work transport costs modified and updated to focus on people in the lowest quintile of the hourly pay distribution, and using data from Q4 2008 Labour Force Survey. DfT's assumptions are that clients moving into work spend 232 days a year in work, which accounts for someone working 5 days a week, and excludes weekends, minimum statutory annual leave and public holidays.

Figure 3: In work Transport Costs (per year)

	Lower Bound	Upper Bound	Core Value
Average annual travel cost	£420	£465	£443

Source: DWP Internal CBA – Figures supplied in conjunction with DfT.

## Health Benefits

25. There is increasingly strong evidence that suggests that being in employment has positive health benefits to the individual.

Unfortunately, as with additionality, there is a difficulty attached to attempting to codify what health benefits accrue from being employed, and further difficulty arises when they are turned into monetary values. However, evidence from a range of different sources and case studies has estimated that the average cost of a working age person, per annum, to the NHS is £1,220 (2008), which includes both employed and unemployed people.

26. Evidence shows that by moving people from unemployment into employment reduces GP consultation rates and medical costs by 33 percent. Therefore, having derived the cost to the NHS for the unemployed (from the average), we divide the estimate by 0.33 to produce a saving figure of £508 (2008) per annum to get unemployed people into work and double this amount, at £1016, for those on IB/ESA. Although, this estimate is likely to underestimate the costs to the NHS of unemployed people, it is worth noting as a proxy indicator when caveats are taken into account.

27. Again, additionality should be included here also. While moving someone from worklessness into employment may result in a reduced demand for NHS services, this value can only be used in the CBA if the benefit is directly attributable to the employment programme, i.e. that the job outcome that it produced was additional and wouldn't have been provided anyway.

28. Also, if the CBA framework does include an anticipated benefit for health, then appropriated caveats and assumptions should be noted. Justification for why it is important to include should also be provided. Generally, these estimates of health

benefits do not provide for an accurate control group to categorically state health benefits of being employed, and there is an additional level of warnings surrounding the nature of the work, and whether it is of sufficient quality to lead to a positive, rather than a negative, health benefit.

29. Therefore, to include the positive impacts on health as a result of getting someone into work, a figure of £508 should be included as a benefit for those on JSA, and £1016 for IB/ESA claimants. However, it should also be noted that health conditions cannot simply be “turned off” upon obtaining employment. This may mean that people who previously claimed any form of benefits may still cost more to the NHS than the “average” person in employment. Although, any estimates which differ from those presented above must have a robust framework and rationale for deviating.

### **Impact of Employment on Crime**

30. There is no clear linear path between employment and crime; however there is a well documented relationship between income and crime. There is an intuitive link between employment and income, therefore it follows that employment and acquisitive crime could be linked.

31. There have been a number of empirical studies which have verified this link between income and employment. Furthermore, studies found that the greatest impacts on crime were amongst low-earners, which is particularly relevant for employment programmes where the participants tend to be workless, and as a result on low-incomes. The evidence from these studies has shown that for a ten percent increase in wages reduces the propensity to commit property crime by 1.8 percentage points, equating to a 6percent fall.

32. To include the impact on crime of employment in a CBA requires this link to be restated in the numerical estimations: The first step is to estimate the percentage increase in income achieved by programme participants who find work. This is the amount of income gained from moving off benefits and into work as a proportion of initial benefit receipts. Multiply this by 0.6. This will provide an estimate for the percentage decrease in the probability of committing a crime by the individual who finds work.

33. For men aged 17-24, multiply this probability decrease by the cost of property crime per 17-24 year old male claimant, £5,170. For men aged 25+, multiply this probability decrease by the cost of property crime per male claimant aged 25+, £2,610 (this is an estimate of the reduction in crime related costs we would expect from getting an individual male into work dependent on his age). Multiply this individual cost saving by the number of additional jobs that accrue to men in the two age groups (this is the proportion of men in the two age groups on the programme\*additional job numbers).

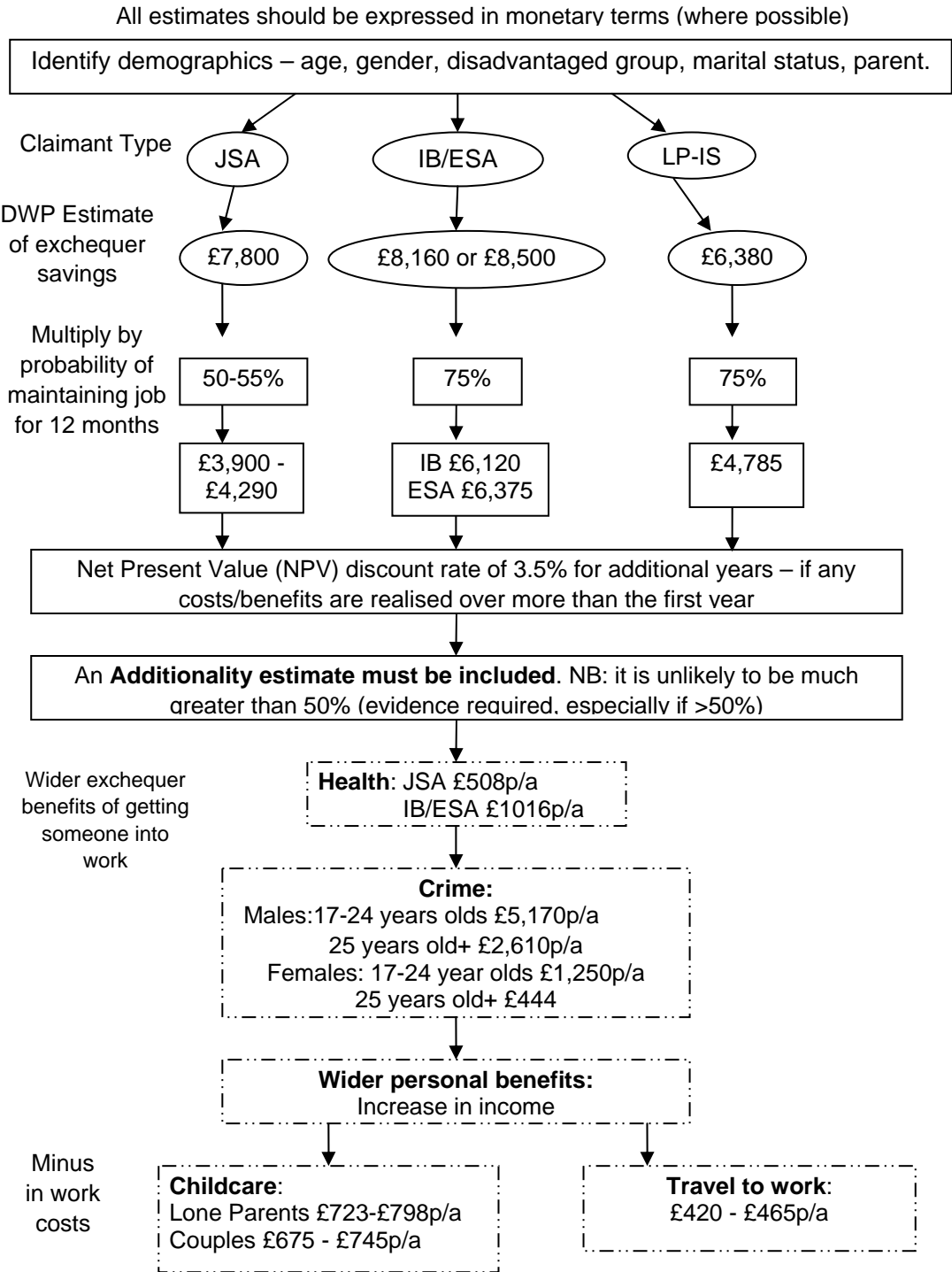
34. The same procedure should then be carried out for women (£1,250 18-24 year olds, £444 for 25+). To find the overall annual crime cost savings for the programme, add the two figures outlined above. However, there are a large amount of caveats attached to this estimate also. These include that the estimates are based on US



samples, revolve around the propensity to commit crime for young males, only include property crime (because it has a more readily-accessible monetary estimate), the estimates were made during “peak” periods of the 1990’s, these programmes do not offer advice for certain groups like ex-offenders – who may be more prone to commit crime out of work, and therefore would see this number even higher – and are a key focus of many local partners.

35. Therefore, given that Crime is a major theme in many submissions that we have seen, estimates of a reduction on crime levels are desirable. However, they should be treated with extreme care and are (usually) only estimates of the potential savings that employment programmes could make in this domain.

Diagram showing how the phases link together



Example of potential CBA outcomes for each circumstance and benefit

	Benefit of Claimant				
	JSA (low)	JSA (high)	IB	ESA	LP-IS
Fiscal CBA	£3,900	£4,290	£6,120	£6,375	£4,785
Social CBA	£3,918	£4,113	£5,539	£5,665	£4,311

Note: These numbers are indicative and should NOT be treated as actual results

**Summary**

36. There are other aspects to CBA that have been put forwards, including using a Social Cost Function amongst other things. However, DWP feel that the elements of the CBA above provide a fair estimation of what could be expected in tackling worklessness, especially given the uncertain nature of potential benefits and costs when dealing with these other issues.

- A comprehensive CBA would need to include:
- All CBA estimates should be presented in monetary terms, where appropriate, and where monetary values are provided they should be well-evidenced and checked;
- The Demographics of the people in the employment programme – gender split, age, disability, history of benefit claim, skill levels and location to ensure that what is being proposed in the CBA is sensible;
- There would need to be a well-evidenced benefit from moving one person into work – the suggestion is the Tax/Benefit model estimates are fairly robust (JSA £7,800, IB £8,160 and LP-IS £6,380);
- A well-resourced evidence of additionality is needed – generally we are not expecting to see much above 50% additionality without some very robust evidence as to why this is the case;
- We expect to see a very clear overall programme spend – this can be broken down to a cost-per-job, but sufficient caveats would need to be attached and additionality properly sourced;
- Appropriate measures of in-work costs and benefits should be taken into account including the costs of childcare – especially to lone parents – and of transport – especially those who are disabled who may incur extra costs;
- Health benefits from moving someone into employment should be based on NHS estimates (£508 for JSA, per year and £1016 for IB/ESA) – but presented with the appropriate limitations;
- Crime benefits from moving someone into employment should be based on the figures that are presented above. These figures depend on the age and the gender of the individual moved into employment; and
- Other elements should only be included if there is a sufficiently presented case for including them – and sufficient caveats are also presented.

# Annex B: **Draft** - Tackling worklessness

## Check list for Local Authorities.

### What you can expect from DWP/Jobcentre Plus

1. Unprecedented opportunity for Local Authorities to work with Work Programme providers: Our main employment programme no longer comes with a centralised rulebook. We're leaving the design work to contracted providers to better reflect local needs and priorities. To succeed in this, we expect Work Programme providers to work with LAs and LEPs as well as other local voluntary and community sector organisations to understand and meet the needs of individuals wherever they live. So Work Programme providers will be a key strategic partner for LAs. We've also set up the Work Programme contracting arrangements to allow local partners to easily buy into the skills and expertise of our Work Programme Framework providers
2. Proactive involvement of Jobcentre Plus in local partnerships: Jobcentre Plus is committed to developing and maintaining strong working relationships with local partnerships including LAs and LEPs. District Managers will have greater discretion to tailor support to local needs including: more scope for frontline staff to use their own judgement to help customers; capability to align small amounts of funding and resources with local partnership activity where it will have a positive affect on outcomes; and a new performance management framework which focuses not on process but exclusively on outcomes and off-flow rates.
3. Open to ideas on securing better value for money in local service delivery: We're already exploring opportunities for co-location with Local Government and tackling problems that can't be solved by DWP alone. In many cases, co-location of services can drive increase efficiency, value for money for the tax-payer, and improve the customer experience. And Jobcentre Plus is open to further discussion on the scope for more shared delivery and coordinated services with other local partners.
4. DWP to work with LAs to make the best use of data in line with the DWP Data Share guidance. We will work with LAs in developing ideas around the use of customer data through 'informed consent'. That will help ensure that any data is captured and used in the most timely, relevant and appropriate way within the Data Protection requirements.

» [DWP guide: Data sharing to tackle worklessness](#) (265KB)  (DWP website)

### **What does this mean for Local Authorities?**

5. Don't wait for central government to tell you what to do. Develop with local partners your own priorities for tackling worklessness. Consider whether you want to focus on particular disadvantaged areas and/or specific groups, and how private sector employment growth can be encouraged. Proactively use your local leadership role to knit together your local partnership, including health, police etc, to tackle worklessness as part of their other priorities. But do work with Jobcentre Plus and

Work Programme providers to find out what they are doing, their key priorities and where you can collectively add value, cost effectively. Both are strategic players in tackling worklessness locally and their advice is invaluable in order to develop a picture of any local gaps and opportunities in provision.

6. Try to get the whole of the Local Authority committed to tackling worklessness. Consider how the things you do anyway e.g. transport, planning, housing, supporting neighbourhoods, procurement, childcare sufficiency, role as employer etc can better support your local economy and tackle worklessness. The government has launched a programme to help families with multiple problems: in 16 areas the local authority will be able to pool budgets to provide more integrated support for families with complex needs through Community Budgets.


7. Consider the implications and opportunities of welfare reform. Local Authorities are well placed to bring together local partners/partnerships in raising the profile and importance of tackling worklessness. And the extensive welfare reform agenda leading to the introduction of Universal Credits will impact on the way all organisations nationally and locally help people back to work – especially those with greater labour market barriers. Local Authorities will have an opportunity to think through the implications of welfare reforms for delivery locally across a range of agencies e.g. greater need for psychological therapies for people moving into ESA WRAG, access to childcare, welfare rights etc. will draw in support from Local Authorities, NHS, Schools, Jobcentre Plus and a host of other organisations. Getting that right will help us deliver reforms effectively and fairly against a backdrop of tight budgets.

8. Use your influence and support with local enterprise partnerships to tackle worklessness effectively. They have a key role in promoting private sector growth – something which is particularly important in supporting job opportunities in those areas with a high dependence on public sector employment. Jobcentre Plus are committed to actively working with LEPs through advice and guidance and joint working with Work Programme providers, colleges and others. And there are opportunities to work with Jobcentre Plus to align opportunities under “Getting Britain Working” measures and agree action for the most disadvantaged communities.

9. Forge a strengthened business relationship with Jobcentre Plus. Jobcentre Plus have an extensive advisory network and outreach facilities to help people back to work across the whole of the country. For example, they deliver services from 1500 outreach locations including: Local authority offices; Children’s centres; libraries; prisons; GP surgeries; and mobile Units. Explore with Jobcentre Plus locally the scope for using their greater local flexibility for more shared delivery and coordinated services. And look to discuss ways in which they might use these cost effectively in partnership with you.

10. Develop your relationship with Work Programme providers. Through the ‘black box’ approach, they have considerable discretion in how they work with local partners – including local authorities – to get people back into work, rather than follow centralised rules. Influence them to work with you on joint activity. They will value your local knowledge about worklessness and skills and your contacts with

employers and other partners. Work Programme preferred providers covering your area can be accessed via the Preferred Suppliers for the Employment Related Support Services. Remember:

- We expect that Framework Providers will work with LAs and LEPs in delivery. Bid assessment included criteria to examine how they have engaged with these in formulating their bids and how they propose to work with them.
- Public partners will be able to use the Work Programme framework to purchase additional employment support.
- Providers will be free to pool resources if they wish.
- » [Preferred Suppliers for the Employment Related Support Services](#) (147KB)   
(DWP website)

11. With reduced resources, interventions need to be prioritised, tackling barriers to employment growth that the market will not address itself. Local citizens will be concerned if your activity appears merely to duplicate what others are doing (including central government) and not deliver good VFM. We've set out an approach to support efforts to assess the value for money of worklessness interventions, in the form of our Cost Benefit Framework.

12. Learn from what other local authorities and their partners are doing. Take part in Local Government Improvement & Development's Worklessness Learning Forum<sup>4</sup> and be aware of initiatives in addressing worklessness. For example DWP is working with Birmingham, Bradford, Lewisham, South Tyneside and Swindon local authorities to develop a better shared view of what works locally and with plans to publicise a report in April via the LGID website on partnership models to support people into work.

13. Use your influence to 'nudge' the Big Society locally to help tackle worklessness. Give recognition and support to volunteers when they try to tackle worklessness in innovative ways. Encourage local councillors to bring their skills, experience and local knowledge to tackling worklessness in partnership with their local communities.

14. Explore opportunities with Jobcentre Plus for the co-location of services to promote efficiency and VFM for the tax payer, improve the customer experience and reduce the overall public sector estate. But bear in mind Jobcentre Plus / DWP don't own estate: moving can have high 'get out' costs for them so early consultation with them on any proposals is essential. We are however, already in discussions with LAs across the country and remain very much open to discussion on approaches which might help us deliver services more cost effectively,

15. Explore the opportunities more data-sharing to promote cross-agency working locally, where this can help tackle worklessness. Find opportunities with partners to collect informed consent from job-seekers to share information. While there remain difficulties in sharing some personal data held by DWP, you might consider the

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<sup>4</sup> LGID is currently consulting the forum on "Driving economic growth – summary guide" for local authorities, local enterprise partnerships etc.

options set out in DWP's Guidance on Local Data Sharing for partnerships, in the areas of "tackling worklessness" and "use of Housing Benefit / Council Tax Benefit data". Both Guides can be found through the DWP Data Share internet site. And look too, at what you might find to support operational and strategic plans in new Official Statistics which allow the identification of very small pockets of worklessness through the Census Area Output Data.

- » [Data Sharing: guidance for local authorities on the use of social security data](#) (DWP website)
- » [Census Output Area Data on workless benefit claimants](#) (DWP website)