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Pathways from  
Poverty

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Ben Glover

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The Future of  
the DWP

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March 2019



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All errors and omissions remain my own.

Ben Glover

March 2019

## Executive Summary

The Department for Work and Pensions (DWP) is failing disabled people, even by its own standards. In 2015 the Conservative Party manifesto pledged to halve the disability employment gap, a target the DWP is unlikely to meet any time soon.

The reasons for this are multiple and complex. A failure to involve service-users sufficiently in the design of DWP services. A sanctioning regime pushing people further away from the labour market, not towards it. A system of conditionality that assumes an 'attitude of worklessness' is the main barrier to employment, not factors beyond individuals' control.

The staff and ministers of the DWP do not lack goodwill, or ambition, and yet these characteristics have proved insufficient to deliver on the department's goals. Will it ever be possible for the department to engage effectively with 'harder-to-help' groups? That was the provocative question posed by Demos Associate Tom Pollard in an earlier discussion paper.<sup>1</sup>

Expanding on that paper, this report finds good reason to believe the answer is 'no'. We explore how institutions beyond the DWP could deliver employment support to ill and disabled people. We also consider a number of less wholesale but equally worthy reforms to the welfare system. Our answers are grounded in a research project that examined three distinct questions:

- What are the barriers to the DWP engaging effectively with ill and disabled people?

- What alternative institutions could be responsible for the delivery of employment support for ill and disabled people?

- What alternative approaches to conditionality and service-design could be utilised by the DWP?

On question (1) through original polling conducted for the report, we find the DWP suffers a significant lack of trust amongst both the general public and 'harder-to-help' groups. This is likely to seriously hamper efforts at engagement between the department and ill or disabled people, reducing the scope for employment support to ever be successfully delivered by the DWP.

We find the DWP's 'benefits lens' reduces the scope for meaningful relationship building with claimants, particularly 'harder-to-help' groups. We also find the DWP's risk-averse culture may act as a barrier to delivering the radical changes required.

On question (2), we examined three institutional alternatives to the DWP: devolution to bodies such as devolved assemblies or local authorities; the Department of Health and Social Care working with local NHS bodies; and third sector organisations. We find that all three alternatives are likely to deliver significant benefits vis a vis the DWP.

On question (3), we find little reason to believe conditionality will be effective in helping ill and disabled people to find work. However, we also recognise the need to uphold public legitimacy in the welfare system, and believe the government should seek to soften conditionality for ill and disabled people. We also examine alternative methods of service design such as co-production, which we find have plenty to offer.

Our findings leave us in no doubt that the current system of support is broken and must be radically reshaped. To loosen the DWP's grip on ill and disabled people, we recommend:

Recommendation 1: Devolved assemblies should gain full responsibility for providing employment support to ill and disabled people.

Recommendation 2: A number of local authorities and NHS trusts should gain full responsibility for delivering welfare-to-work programmes for ill and disabled people for a trial period.

Recommendation 3: The DWP should explore new commissioning models which move beyond a 'payment-by-results' approach for third sector organisations.

To reflect the fact that conditionality is unlikely to be helpful for ill and disabled people, we recommend:

Recommendation 4: Government should exempt those in the ESA WRAG group from conditionality.

Recommendation 5: Government should introduce a 'three strikes' warning system before sanctions are applied for Jobseeker's Allowance claimants.

To better involve the views and lived experience of ill and disabled people in the design of DWP services, we recommend:

Recommendation 6: The DWP should launch a 'co-production unit' committed to involving these techniques in the delivery of their services.

Recommendation 7: The DWP should trial awarding groups of ill and disabled people shared 'personal budgets' for co-designed employment support.

# Introduction

This paper is about what institutional changes are required for the state to better provide employment support to ill and disabled people. When we know 30% of disabled people in the UK live in poverty, we believe this could help loosen poverty's grip on people in these groups.<sup>2</sup>

Employment is often a vital first step of a pathway from poverty, but of course this alone may be insufficient to secure an individual or family's freedom from poverty. This is because we know too many ill and disabled people often find employment that is low paid and insecure, because in-work benefit reductions over the last nine years, and because the costs of living with a disability can be high. Furthermore, disabled people all too often face discrimination and prejudice in the workplace. Fully addressing poverty among ill and disabled people will require social and economic changes to the labour market which, whilst extremely important, are beyond the scope of this paper.

This paper follows Demos Associate Tom Pollard's earlier paper, *Pathways from Poverty: A case for institutional reform*, which set out why he believes the DWP is culturally and institutionally incapable of making the reforms needed to deliver better outcomes for society's most vulnerable. Tom has worked on social policy related to mental health for the last ten years and recently spent 18 months at the DWP on secondment from the mental health charity Mind.

This paper expands on Tom's ideas and assesses the best options for institutional reform, recommending a number of practical steps to achieve this. It draws on academic literature, original polling evidence and a roundtable held in December 2018 with leading parliamentarians, policy experts and representatives from the charity sector. We are extremely grateful to the attendees of the roundtable for contributing their time and invaluable expertise to the development of this paper's thinking.



## Policy Background

This chapter provides a short overview of the relevant government policies and frameworks in place to support ill and disabled people that are out of work.

### *Benefits*

The Employment and Support Allowance (ESA) provides financial support to those with a health condition or disability. ESA claimants complete a Work Capability Assessment within thirteen weeks to determine whether they have a 'limited capability for work'. This assesses people according to 17 sets of functional impairments, examining practical abilities related to their ability to function in the workplace. Following this assessment, claimants are placed into one of three groups:

#### (1) Support group

Claimants scoring the highest on the measures of functional impairment are placed in the support group. They receive a higher rate of benefit and face no conditionality on receipt of this. This means that they do not have to take part in work-related activity to receive the benefit. Furthermore, those in the support group cannot be sanctioned, a situation where the individual's benefits are cut for failing to do something they agreed to, such as attending an appointment.

#### (2) Work-related activity group (WRAG)

Claimants assessed as ready to prepare themselves for work or support are placed in the work-related activity group (WRAG). Whilst having limited capability for work, they are considered able to take part in 'work-related activity', returning to work in due course.

Whilst those in the WRAG are not expected to look for work, access to the full amount of benefit may be conditional upon attending a work-focused interview and doing work-related activities. This includes work experience and training programmes. Those in the ESA WRAG group can be sanctioned for failing to do things that they agreed to.

#### (3) Fit to Work

Those assessed as 'Fit to Work' are not eligible for ESA and instead may be eligible to make a claim for Jobseeker's Allowance (JSA). It is important to remember, though, that many in this group may have an illness or disability, even if it is one that does not prevent them from working.

It is important to note that the rollout of Universal Credit will affect the operation of these benefits. Universal Credit is replacing means-tested benefits for those of working age. It aims to streamline the existing benefits system through combining several benefits into one.

Employment and Support Allowance and Jobseeker's Allowance are both being moved onto Universal Credit, so its roll out will affect ill and disabled people. Most people who would have qualified for ESA must now claim the limited capability for work and WRA elements of UC.

However, certain people - depending on their circumstances - may be able to claim new-style Employment and Support Allowance in addition to the payments that they receive through Universal Credit.

#### *Welfare to Work programmes*

Disabled and ill people that are out of work were eligible to participate in the two main back-to-work schemes - the Work Programme and Work Choice - that operated between 2010/11 and 2017.<sup>3</sup>

Those disabled and ill people on Jobseeker's Allowance or in the WRAG ESA group could be mandated to take part in the Work Programme or could opt in to taking part in Work Choice.<sup>4</sup> Those in the ESA support group could not be mandated to take part in either programme, but have the option to do so voluntarily.

Since 2017 these programmes have been replaced by the Work and Health Programme.<sup>5</sup> This programme offers support with the intention of helping people to find work and to stay in work. Whilst it is available on a voluntary basis to those with ill health or disabilities, it is mandatory for ill and disabled people who have been out of work for more than two years.

# 01.

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## Assessing the institutional capability of the DWP

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“It is not possible for the DWP to engage meaningfully with ill and disabled people in the way its own ministers and leaders would want...”

In a discussion paper published earlier this year by Demos, Tom Pollard identified three characteristics of the DWP that, he argued, make it 'nearly impossible' for it to establish the trusting relationship with ill and disabled people that is needed if they are to successfully engage with the support offered.<sup>6</sup> These characteristics are:

1. The reputational baggage the department and its Jobcentres have with ill and disabled people.
2. The department's institutional resistance to radical reform and innovation.
3. The 'benefits lens', through which all interaction with 'claimants' is viewed.

This chapter examines the wider academic and grey literature to assess the evidence underpinning Tom's claims. It also draws on original polling evidence conducted for this report.

It finds strong evidence that with its current configuration, culture and reputation, it is not possible for the DWP to engage meaningfully with ill and disabled people in the way its own Ministers and leaders would want. This demands radical institutional changes, which we examine in the next chapter.

## **Reputation**

Does the DWP's poor reputation amongst both the public and 'harder-to-help' groups make meaningful engagement with these groups impossible? As we discuss below, trust is important in successful employment support programmes, especially with vulnerable claimants who may struggle to engage due to physical or mental health conditions. Previous research has found that where participants "became hostile to the programme" they "failed to engage with offers of support as a result".<sup>26</sup>

To assess whether low trust could be a barrier to successful employment support, Demos commissioned a nationally representative survey with over 2,000 members of the public. We find good evidence to support the view that the DWP is deeply distrusted by the public, in particular by ill and disabled people. In summary, the key findings from our polling exercise are that:

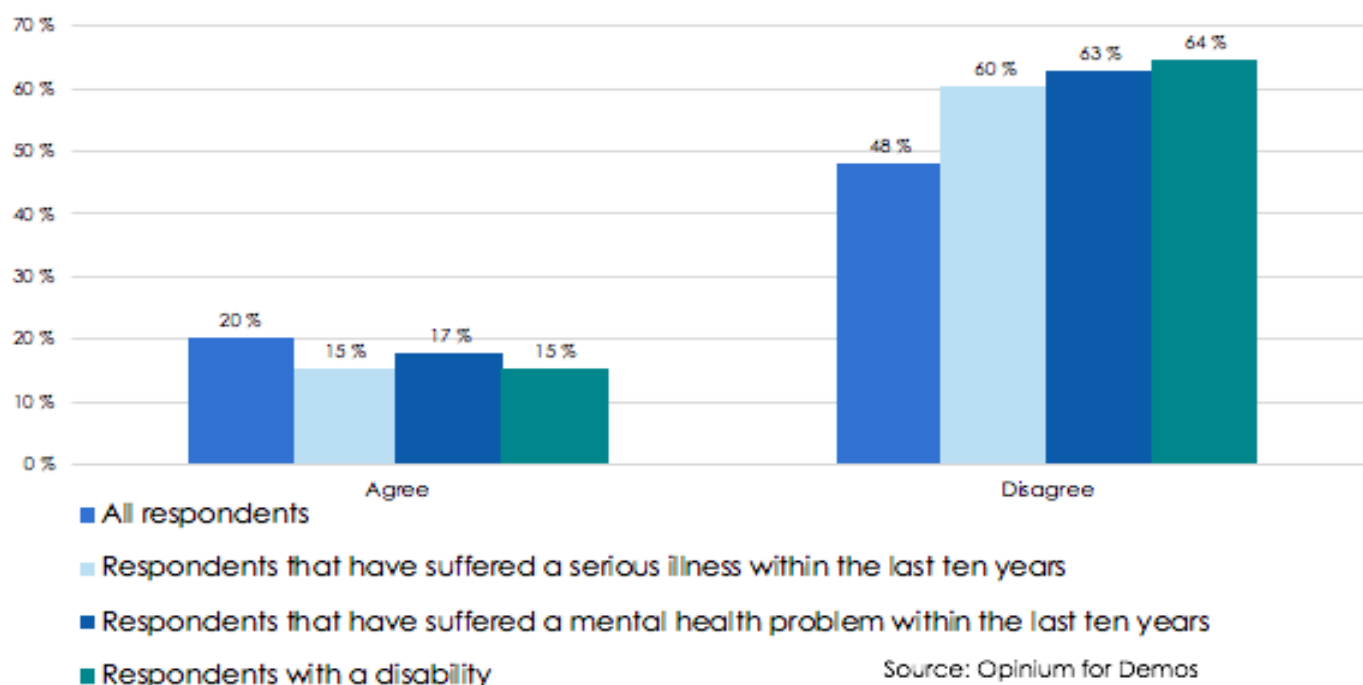
- The DWP has a very poor reputation, with just over one in ten (11%) thinking the DWP has a good reputation amongst the people they know. Its reputation is even worse among disabled people and those who experienced mental health conditions or serious ill health.
- The public do not think the DWP understand the concerns of ill and disabled people (20% agree). They are more likely to believe third sector organisations (61% agree) or the NHS do (59% agree).

- There is little trust in Jobcentre staff to treat people fairly (26% agree) and to help them find work (27% agree). These views are held more strongly by disabled people and those who have experienced mental health conditions or serious ill health.
- The public strongly believe health and education professionals would be better suited to helping ill and disabled people (55% agree) and there is a degree of support for local councils to run Jobcentres instead of the DWP.
- Support for institutional reform is greater amongst disabled people and those that have suffered mental health problems or serious ill health.

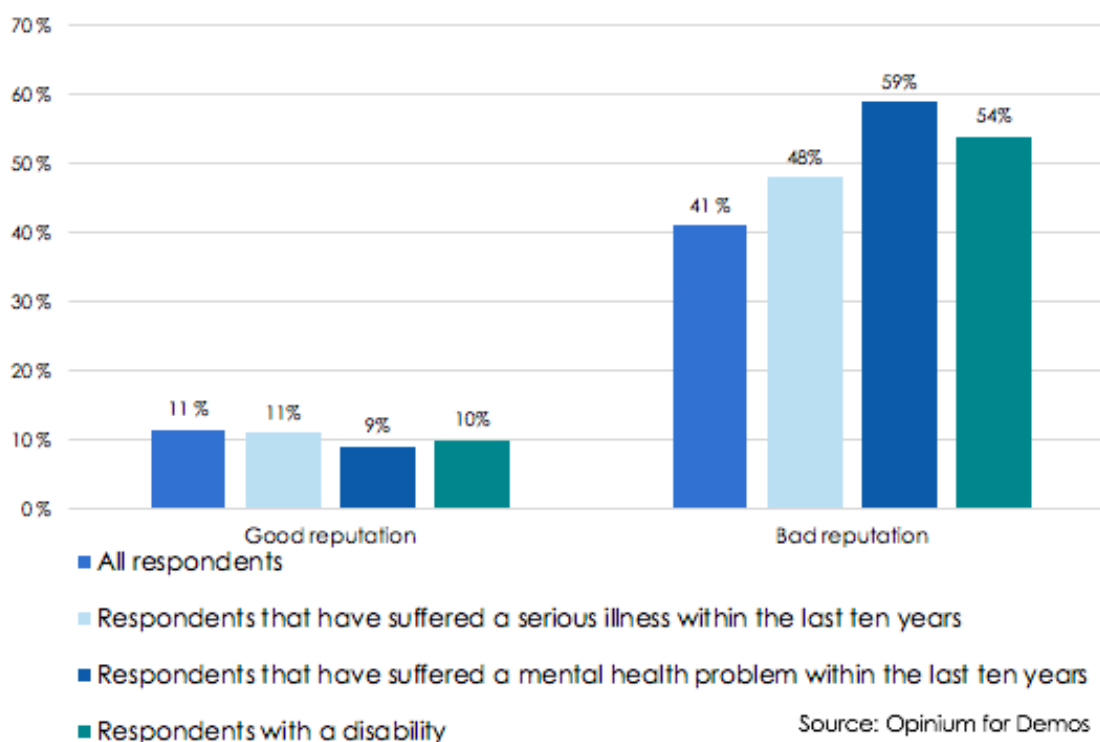
Perhaps the most important finding from our polling exercise is that the DWP has a consistently poor reputation with the public. It is no exaggeration to say this attitude persists across almost all sections of the population.

Just 11% of all respondents think the DWP has a good reputation amongst the people they know, with 41% thinking it has a bad reputation. This rises to almost six in ten (59%) amongst those who experienced a mental health issue in the last ten years and to over half (54%) amongst disabled people. This provides clear evidence that the DWP has a worse reputation amongst 'harder-to-help' groups, a likely barrier to meaningful engagement with these groups.

#### I think the Department for Work and Pensions understands the concerns and issues facing ill and disabled people

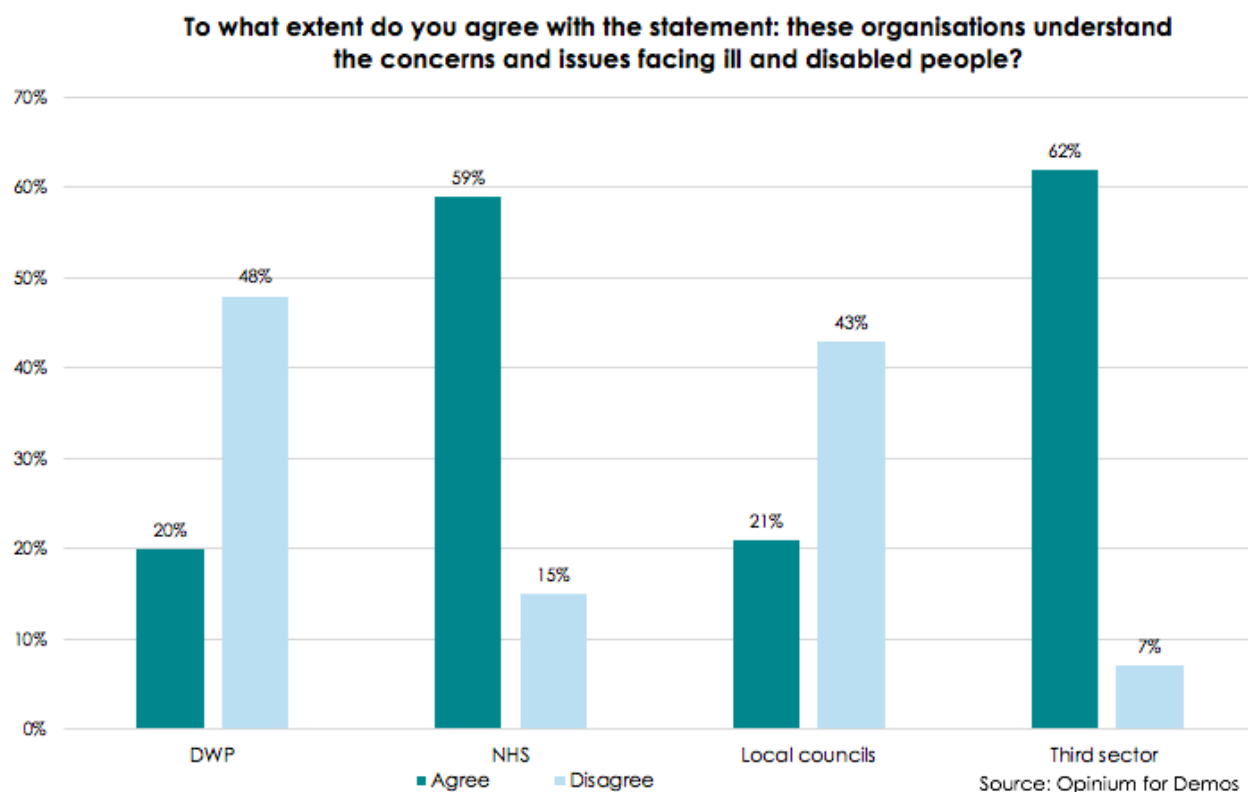


### What reputation do you feel the Department for Work and Pensions has amongst the people you know?

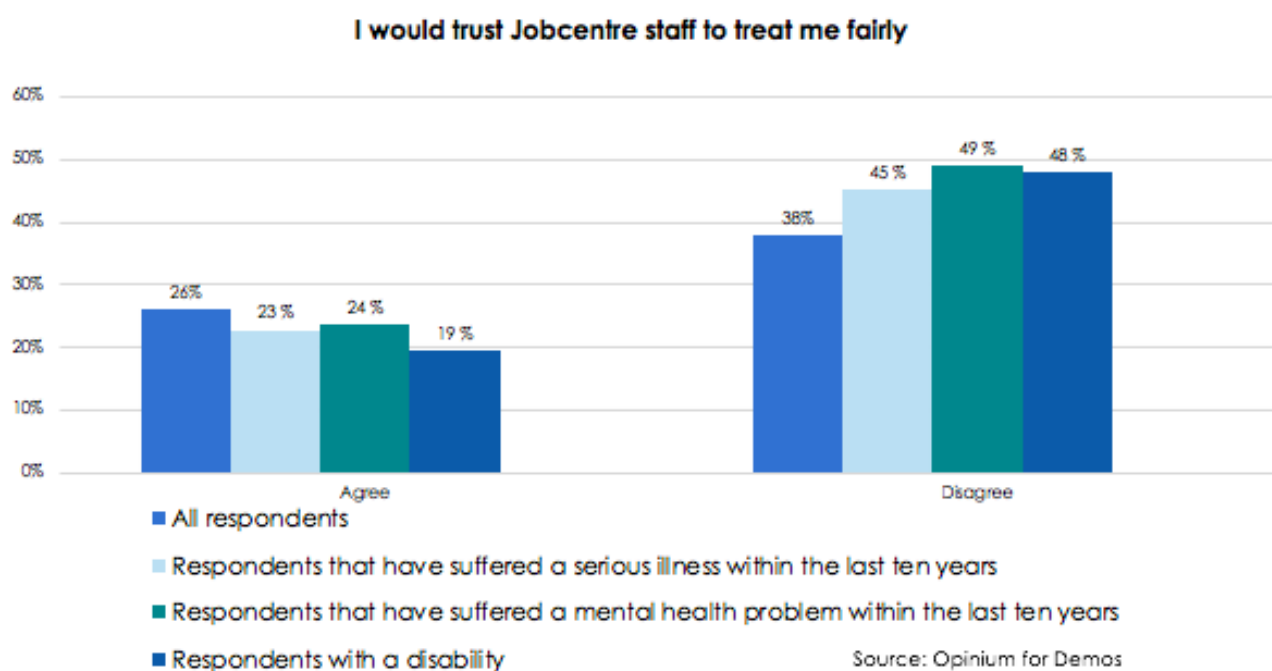


Only a fifth of respondents (20%) think that the DWP understands the concerns of ill and disabled people, with around half (48%) disagreeing with this statement. This rises to 60% amongst disabled people and 63% amongst those who experienced a mental health issue in the last ten years. This provides good reason to suggest that the DWP is failing to meaningfully engage with these groups.

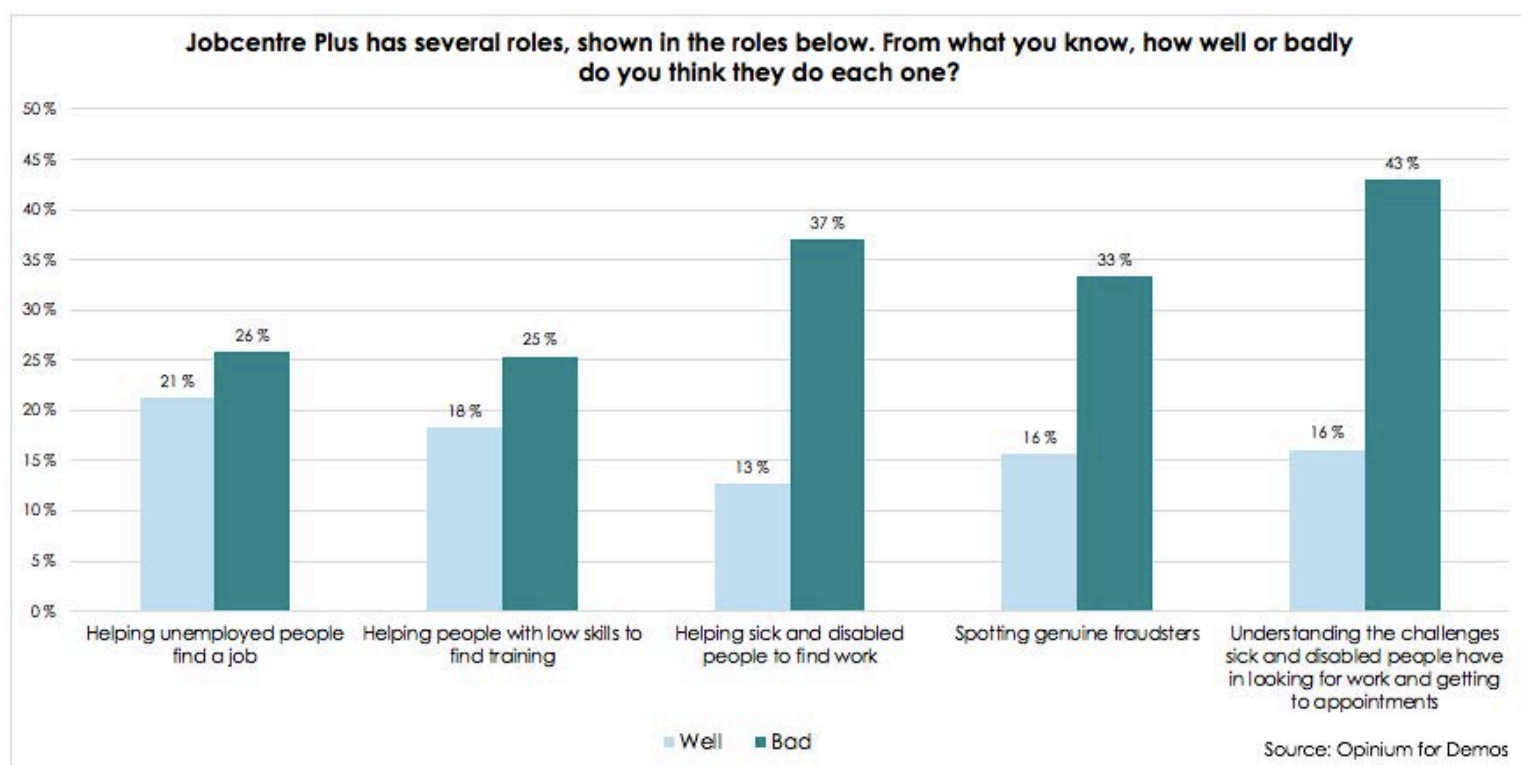
We examined whether the public believes other institutions understand the concerns of ill and disabled people. We find the public views the third sector as most understanding of these concerns, with 62% agreeing with the statement that third sector organisations understand the concerns and views of ill and disabled people. A similar level of support is expressed for the NHS (59%). On the other hand, the public hold a less favourable view of local councils, with just 21% believing they understand the views and concerns of ill and disabled people, a score very similar to the DWP's.



We also examined the public's trust in Jobcentre Plus staff. Again, our findings are not encouraging for the DWP: the public has extremely low trust in Jobcentre staff. Only 27% of the public would trust Jobcentre staff to help them find work and understand their personal situation. This falls to just 18% amongst disabled people and 22% amongst those who experienced a serious illness within the last ten years.



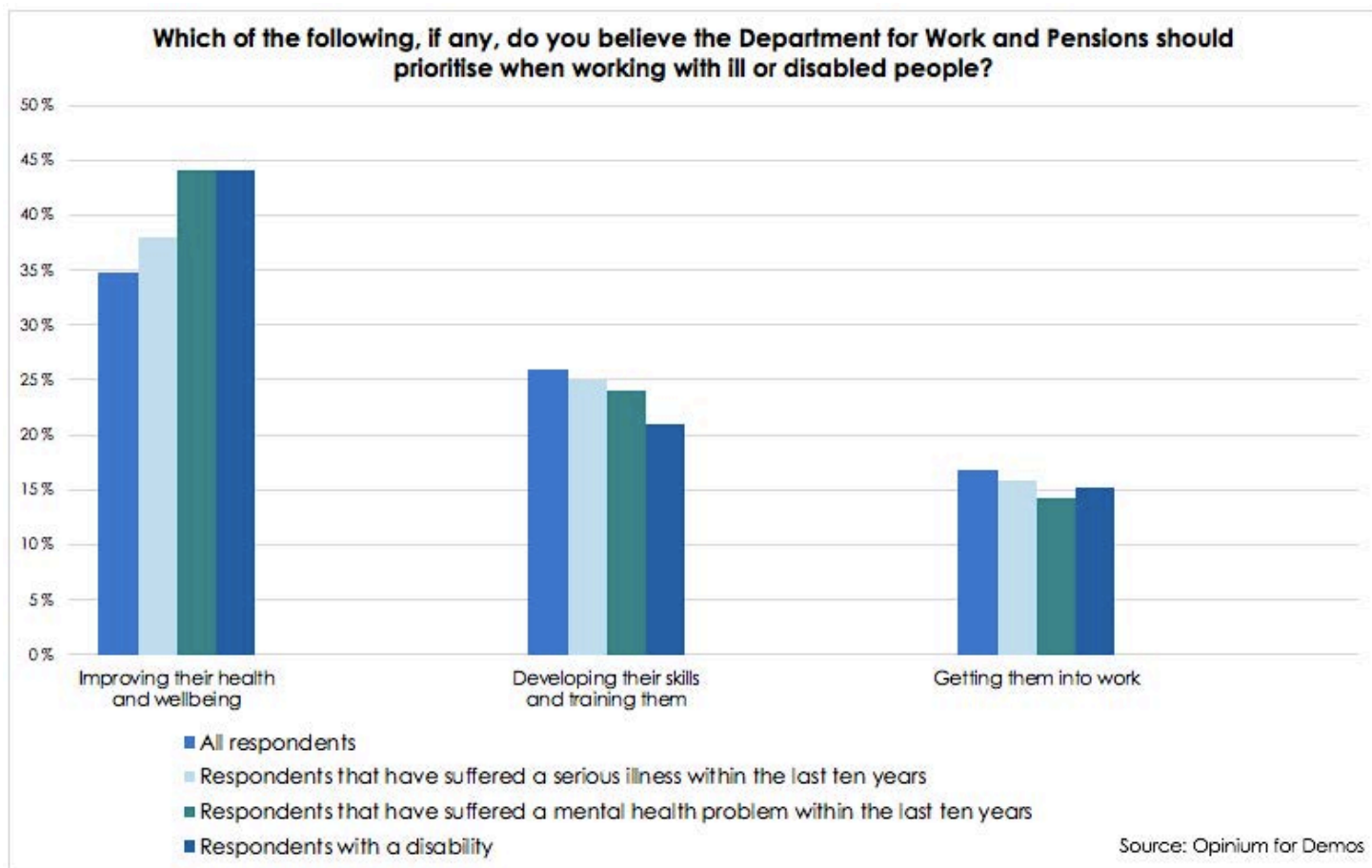
Furthermore, only around a quarter of all respondents (26%) would trust Jobcentre staff to treat them fairly, falling to under a fifth (19%) amongst disabled respondents. Concerningly, trust in Jobcentre staff to treat people fairly is lower amongst those who visited a Jobcentre Plus.



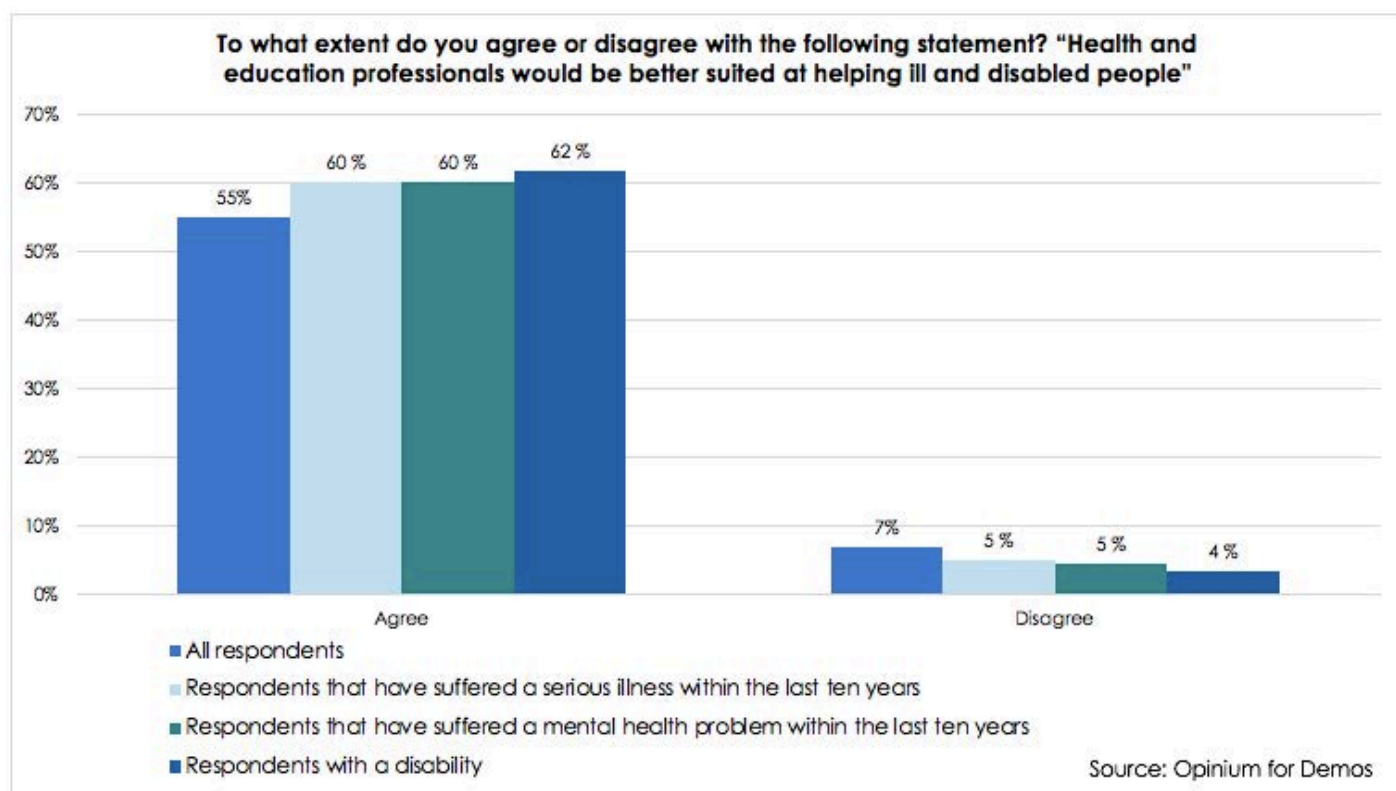
We also tested the public's perception of the DWP's effectiveness across its many roles. We find that the public believe it is doing a bad job across all of the roles examined but that it is doing particularly poorly in relation to ill and disabled people. For example, just 13% think it does a good job helping sick and disabled people find work, a proportion falling to 10% amongst disabled people and those who experienced a mental health condition in the last ten years.

We also examined what the DWP should prioritise in its interactions with ill and disabled people. We found little support for the department prioritising getting these groups into work, with just 17% believing that this should be its priority. Instead, 35% think the DWP should prioritise improving their health and wellbeing and 26% think they should prioritise developing their skills. Importantly, we find disabled people and those who experienced a serious illness or a mental health issue more strongly believe the DWP should focus on improving health and wellbeing.

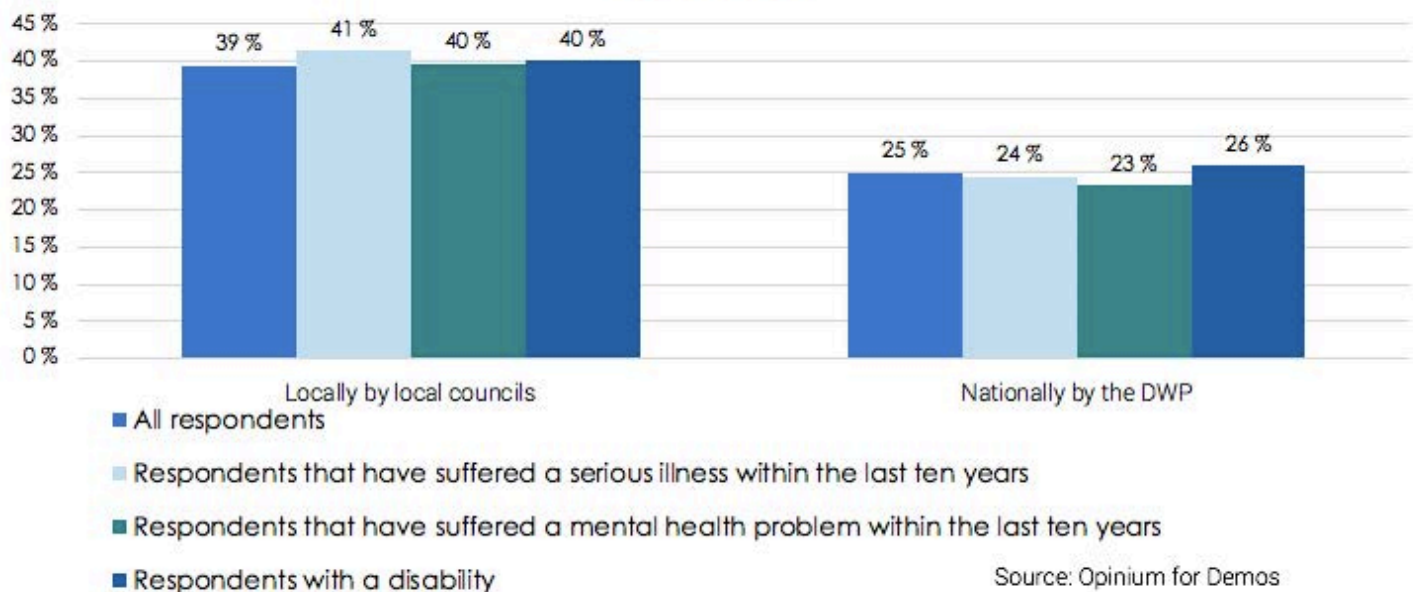




In considering whether other institutions should be responsible for helping ill and disabled people, we found broad agreement that alternatives that would be better fits. We find that more than half of the public (55%) believe health and education professionals would be better suited at helping ill and disabled people, rising to 62% amongst disabled people and 60% amongst those who experienced mental health conditions or serious illness in the last ten years.



**JobCentre Plus is managed at a national level by the DWP. Do you think the JobCentre should be managed locally by local councils, or nationally by the Department for Work and Pensions?**



We also find that more people believed Jobcentres should be managed by local councils than the DWP (39% versus 25%). Again, ill and disabled people were more likely to support Jobcentres being managed by local councils.

### DWP's institutional resistance to radical reform and change

Here, we examine external reviews of the department's culture to assess whether the DWP is institutionally resistant to radical reform and change.

It is important to recognise that we have seen a number of significant reforms in recent years, to the DWP's credit. In 2011 the DWP launched the Flexible Support Fund to give Jobcentre advisors greater discretion to decide how to help individuals to move closer to work.<sup>7</sup> This aims to give Jobcentres more freedom to tailor their back-to-work support to both local conditions and individual needs, with more discretion for advisers on the appropriate use of sanctions.

Furthermore, in 2011 the government launched a cross-government unit jointly based in the Department for Work and Pensions and the Department of Health.<sup>8</sup> Its intention is to work across the whole of government to try to develop solutions that are of help to disabled people. Demos, along with a range of other stakeholder organisations, has been brought in to provide outside challenge and input in the redesign of the Work Capability Assessment.

More recently Amber Rudd, the Secretary of State for Work and Pensions, announced her department would be conducting a small trial in which claimants awaiting a Work Capability Assessment will start from a point of no conditionality before conditionality is scaled up as appropriate.<sup>9</sup>

This is in contrast to the current system, which begins from a position of full conditionality then scales down. Again, we welcome the fact that the DWP is beginning to recognise that full conditionality may be unhelpful for ill and disabled people.

These initiatives suggest that the DWP has made efforts to change its approach. Universal Credit itself is a radical reform which has been adopted by the DWP with the ambition of providing a simpler, more user-friendly experience, with more seamless interaction between in-work and out-of-work benefits. The Department has shown consistent ambition in its efforts to improve the benefits system, even when that ambition has proved too stretching.

The question remains as to why the ambition has not led to the success Ministers and the civil service leadership of the department strive for. Our engagement with frontline staff at the DWP confirmed that the problem is not a lack of goodwill or ambition on behalf of civil servants.

However, it has been widely highlighted that a risk-averse mentality at the DWP exists and that this is unlikely to encourage innovation. A Major Projects Authority review of the department's flagship Universal Credit programme found evidence of a "fortress mentality" amongst the staff involved in the programme. This reduced the scope for "open discussions of risk and stifled challenge", leading to a "good news" reporting culture.<sup>14</sup>

These findings are supported by the Public Accounts Committee, who found a "systemic culture of denial and defensiveness" and a "blinkered approach"<sup>15</sup> of "reporting only good news and of denying that problems existed" in its assessment of Universal Credit.<sup>16</sup> The PAC report also found an unwillingness to listen to external voices.<sup>17</sup>

Our engagement with the senior leadership of the DWP during this project reveals that efforts to improve this culture are a high priority, and ongoing.

## Insights from the frontline

To gain a better understanding of the DWP's work with ill and disabled people, we visited a Jobcentre Plus and spoke to its staff

We found staff at the Jobcentre had a real commitment to ensuring its building and services are suitable and accessible for disabled people. We spoke to a Disability Employment Adviser who was very committed to ensuring that the needs of these groups are met. We also saw a commitment to ensuring Work Coaches are sufficiently trained to help people with these vulnerabilities, including staff completing a mental health training course.

We found the Jobcentre was engaged with a wide range of third sector organisations, with some representatives from these organisations working on site. There was extensive signposting of claimants to these services, in particular towards specialist disability organisations. This would likely mean a more tailored and personalised service for those that are referred, and this is to be welcomed. We were concerned, however, that in areas without such extensive third sector activity and engagement, ill and disabled people may be less able to access this level of support.

There was also a welcome recognition amongst staff that ill and disabled people face many barriers in the workplace and that attitudes amongst employers still have some way to go. As a result, the Jobcentre was involved in a number of initiatives to tackle these barriers, but there was a recognition that this work was at an early stage.

Finally, there was a recognition amongst some staff that the public's reputation of the DWP is often negative and that this may affect the public's engagement with the Jobcentre.

## The distortion of the 'benefit lens'

Because the DWP sees all employment support through the 'lens' of benefits, it is argued, conditionality is seen as the main lever to getting people back into work. The 'benefit lens' distorts the DWP's interaction with 'harder-to-help' groups, it is claimed, because its underpinning assumption - that unwillingness to work is the major barrier to employment - does not hold for ill and disabled people.

We see the 'benefit lens' demonstrated in this recent statement by the Minister for Employment Alok Sharma in a letter to the Work and Pensions Committee:

"For example, the ESA Support Group has no mandatory conditionality and less than 1% move off the benefit and into work every month."<sup>20</sup>

By implying that the low rate of ESA Support Group claimants moving into work is due to a lack of conditionality, Sharma reveals the extent to which his department views benefit conditionality as essential for getting all groups into work. But this rests on the assumption that the barrier for ill and disabled people is an unwillingness to work, when we know evidence suggests otherwise. As described by the Welfare Conditionality project carried out by UK universities:

"Personal impairments, long-term physical and mental health conditions and wider discriminatory attitudes and practices, rather than individual attitudinal barriers, often posed significant obstacles to finding and sustaining paid work."<sup>21</sup>

There is also good reason to believe that the 'benefit lens' may corrupt the relationship between advisor and claimant. Previous Demos research found that frontline welfare-to-work providers believe their relationship with claimants is crucial to achieving meaningful change, "particularly for disabled people who might be quite a long way from work".<sup>22</sup> However, despite best efforts to maintain and build good relationships, the threat of sanctions - a cut to benefits for failing to do something the claimant agreed to - undermines this.<sup>23</sup>

This is supported by the mental health charity Mind who found in a review of the WRAG that sanctions could damage valuable relationships between benefit advisors and claimants. The study found that the threat of sanctions "is unlikely to promote a relationship of confidence and elicit cooperation".<sup>24</sup>

Research with disabled participants in the former welfare programme 'Pathways to Work' found little reason to believe that people on disability benefits "need to be motivated for work by compulsion and incentives".<sup>25</sup> Compelling disabled people to attend certain meetings with the threat of sanctions was seen to be counterproductive; participants "perceived this policy as unfair and became hostile to the programme, and failed to engage with offers of support as a result".<sup>26</sup>

There is also good evidence to suggest that the 'benefits lens' and the threat of sanctions cause stress and anxiety for many ill or disabled people, particularly amongst those with mental health conditions. In an analysis of the health effects of the Work Capability Assessment across 149 local authorities in England, researchers from the universities of Liverpool and Oxford find that each additional 10,000 disabled people reassessed for benefit eligibility in a local area was associated with an additional 6 suicides, 2,700 cases of mental health problems and 7,020 prescribed antidepressants.<sup>27</sup> The authors conclude that assessing the capability of ill and disabled people to work "will further marginalise already excluded groups, reducing, rather than increasing, their independence".<sup>28</sup>

Mind's review of WRAG participants finds the threat of sanctions negatively affected the mental wellbeing of four out of five respondents,<sup>29</sup> with six in ten viewing their placement in the WRAG as worsening their health condition or impairment.<sup>30</sup> This anxiety was recorded mostly by those in the WRAG with pre-existing mental health conditions, but it was also recorded by a large number of people facing difficulties with their physical health.<sup>31</sup> Anxiety faced by claimants as a result of the threat of sanctions was also made worse by the inflexible attitude of Jobcentre Plus advisors and other DWP staff and the department's "bureaucratic failings".<sup>32</sup> The review concludes sanctions for the WRAG group are "having the opposite to its intended effect and is, in fact, moving disabled people further away from work".<sup>33</sup>

There is also good evidence to suggest benefit conditionality may push claimants into destitution, unable to afford bare essentials. An Oxford University study examined the relationship between the level of benefit sanctions in a local area and foodbank usage. It found that as the rate of sanctioning increased by 10 per 100,000 adults, the rate of adults fed by food banks increased by an additional 3.36 per 100,000.<sup>34</sup> Given disabled people often face higher costs as a result of their condition, there is good reason to believe that benefit sanctions may push disabled claimants more quickly towards destitution and food bank usage, and the impact of this financial stress is likely to affect their ability to prepare for or find work. Research by Money and Mental Health has shown that 45% of those in financial stress experience symptoms likely to affect their ability to work; these symptoms, such as sleeplessness and inability to concentrate, are likely to affect work search and work preparation in a similar way.<sup>35</sup>

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## New approaches

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“Bold new approaches should be explored if we are to improve outcomes for ill and disabled people...”

In this chapter we consider a number of new approaches to improve employment support for ill and disabled people across three broad themes:

- Institutional changes
- Loosening conditionality and non-financial sanctions
- Co-design

These ideas were discussed at a high level roundtable with representatives from Parliament, charities representing people with illness or disabilities, and other experts. While no single option found universal support, the participants expressed the strong view that these kind of different approaches should be trialled, to build a better evidence base for what works. As one participant said: 'there is risk in any new approach, but the risks of continuing with the current approach are greater.'

### **Institutional reforms**

Rather than assuming that the DWP is best placed to support ill and disabled people because it is the 'default' option, we believe different institutions may be better placed to offer support for these groups. In this section of the report three options are considered as alternatives to the DWP:

- Devolved assemblies or local government
- Department of Health and Social Care
- Third sector organisations

It is important to remember we are not forced to choose between the above three options: they could be utilised in combination. For example, we can imagine employment services being delivered on the ground by a charity, jointly commissioned by a local council and Clinical Commissioning Group, working within a policy framework set by a devolved assembly.

### **Devolution**

Welfare policy remains highly centralised in Whitehall, with the DWP maintaining almost total control over benefits administration. In contrast to most other OECD countries, "UK ministers and senior civil servants in Whitehall continue to control the main levers of welfare to work policy".<sup>36</sup> However, it is important to note that steps to loosen its grip have been taken, such as devolving control for the Work and Health programme to London and Greater Manchester.<sup>35</sup> These are promising moves in the right direction, though their impact is at this stage too early to assess.

There are a number of powerful arguments in favour of devolution, many of which have particular salience when considering employment support for ill and disabled people.



### *Place-based support*

Local labour markets can have highly specialised demands and needs, with conditions varying considerably across the country. As a result, devolving employment support to a local level may allow for greater tailoring to local conditions and higher quality support.

Furthermore, the causes of poverty between different areas can vary significantly.<sup>37</sup> For example, poverty in London is likely to be driven by the high cost of housing and living whereas poverty in Birmingham is likely to be driven by a lack of high quality and high paid jobs.<sup>38</sup> These differences require a tailoring in the type of employment support on offer from place to place.

### *Innovation*

Devolution can provide the space for policy experimentation and innovation. This is particularly desirable when employment support for ill and disabled people has been held back by a narrow horizon of thinking at the DWP.

Beland and Lecours argue positive innovation by one government can encourage similar innovations in others through a form of competition, leading to a 'race to the top'.<sup>39</sup> This seems to have happened in Canada with respect to childcare, healthcare and pension policy, with initiatives that began in one province being adopted much more widely.<sup>40</sup>

### *Integration with other services*

Finally, devolution of DWP services for ill and disabled people could better integrate employment services with a range of other relevant public services, such as education and healthcare, which have been devolved to national assemblies or local authorities.<sup>41</sup>

Skills policy is entirely devolved to the national assemblies and adult education budgets are being increasingly devolved to sub-national bodies such as a mayoral authorities in England.<sup>42</sup> In addition, health policy is devolved to the national assemblies; it is important to remember that "the United Kingdom has four, not one, health systems".<sup>43</sup>

A lack of integration increases the risks of duplication of efforts and gaps in provision arising from a lack of joined-up planning and commissioning; devolving control over employment support could help address this.<sup>44</sup>

### *Scotland's experience*

In the aftermath of the 2016 referendum on Scottish Independence, the Scottish Government gained control over several areas of welfare policy, including benefits for disability, caring and industrial injuries.<sup>45</sup> This included control over the Work and Health Programme. This gives us a good 'test case' to examine the impact of devolving welfare policy for the ill and disabled.

At the outset the Scottish Government signalled its intention for welfare policy to be guided by a different ethos to the UK Government. 2018's Social Security (Scotland) Act set out how social security is "an investment in the people of Scotland" and that it should have "dignity for individuals at its heart".<sup>46</sup> In an assessment of the impact of devolution across a range of policy areas, Professor Mark Stephens of Heriot-Watt University concludes "Scottish social policy is progressive in motivation and direction".<sup>47</sup>

Since assuming control over the Personal Independence Payment (PIP), a disability benefit, the Scottish Government has made important changes to its operation. The assessment process has been taken in-house, ending the involvement of private sector providers in its delivery. Furthermore, claimants will be given greater flexibility and control over when and where the assessments take place.<sup>48</sup> These changes were widely welcomed by disability groups as a step in the right direction.<sup>49</sup>

This suggests devolving welfare policy could lead to a more effective delivery process and that further areas of support for ill and disabled people should be devolved to Scotland. Progress made in Scotland also suggests Wales, which has seen little to no welfare devolution, should be awarded similar powers.

#### *International evidence*

International experience also provides support for welfare devolution. In a case-study review of four countries (Canada, Germany, the Netherlands and the US), Finn concludes "evaluations of devolved welfare to work arrangements show that it has contributed to reductions in caseloads and increases in employment, although there are contending views on the quality of the outcomes secured".<sup>50</sup> Positive outcomes found in the countries considered include greater innovation, services better tailored to local needs and more powerful incentives for local councils to maintain low unemployment.<sup>51</sup>

#### **Department of Health and Social Care**

It is useful to consider whether other government departments are more suited to providing employment support to ill and disabled people than the DWP. The Department of Health and Social Care, working with the various regional NHS bodies, appears a potentially suitable alternative.

#### *Health as a barrier for ill and disabled people*

As we have already seen in this report, there is good reason to believe that the barriers to work for many ill and disabled people are health related.<sup>52</sup> This conflicts with the DWP's 'benefit lens', which assumes conditionality is the most effective way to get people into work because the claimant's unwillingness to work is the main barrier to employment. In contrast, the Department of Health and Social Care sees people more through a 'health lens' and, as a result, could be a more suitable home for providing employment support to ill and disabled people.

However, we must also recognise that health is a barrier to employment for ill and disabled people because of wider physical barriers and societal attitudes. These include a lack of accessibility in the workplace, an unwillingness to make reasonable adjustments, and prejudice. This requires a holistic approach that helps individuals plan and organise routes into employment that include, rather than exclude, disabled people.

### *A strong financial incentive*

There also appears a strong financial incentive for getting ill and disabled people back into work for the Department of Health and Social Care. This is because the evidence suggests getting people into work can boost health outcomes, reducing pressure on healthcare budgets.

Whilst most research has focused on the general population, a number of studies - predominantly in the US - find work has a positive mental and physical health impact on ill and disabled people.<sup>53</sup> For example, the prevalence of frequent mental distress among adults with disabilities was found to be significantly lower for those in work than out of work in a study of US adults.<sup>54</sup>

However, it is important to remember that the type of work is likely to be crucial,<sup>55</sup> particularly when those with health conditions are likely to be in high-turnover, low-pay work.<sup>56</sup> Furthermore, workplace environments must be inclusive and accessible.

Whilst there is not extensive evidence regarding the impact of employment of ill and disabled people on health expenditure, a number of studies suggest that higher employment rates for this group lead to lower healthcare costs. A study in the US examining the impact of employment support for those with mental health problems found support reduced health care expenditure significantly in the long-term; the average cost of healthcare provision was \$166,350 greater over ten years for those that did not increase their working hours.<sup>57</sup>

Furthermore, there may be certain ill and disabled people that are unable to return to work because they are awaiting NHS treatment. The costs for this delay, however, are borne by the DWP through additional benefit payments, not the NHS. But if employment support and associated benefit payments were transferred to the NHS, it would now 'pay the price' for these delays through a higher welfare bill. This could incentivise the NHS to try as quickly as possible to provide people the health support and treatment that they need to return to work.

Given the above evidence, we have good reason to believe boosting employment would improve health and, in turn, reduce healthcare costs. Because these costs are often ultimately borne by the Department of Health and Social Care in the UK, we should expect there to be strong incentives on that department to help ill and disabled people into work.

### *Better integration with existing NHS services*

Transferring responsibility to the Department of Health and Social Care could also allow for better integration of employment support with existing NHS services that may be of benefit to ill and disabled people interested in returning to work.

Occupational therapists improve people's ability to perform everyday tasks. This is done through working with people that are typically disabled, have mental health problems or are elderly.<sup>58</sup> They aim to look at all aspect of people's lives, from the home to the workplace. This means that the help of an occupational therapist could smooth the path back to work for ill and disabled people, particularly if it is integrated with employment support.

The NHS also funds social care packages for those with complex long-term needs, in particular after an accident. Given that the NHS will have an involvement in an individual's recovery, they are likely to be well-placed to decide whether that individual is ready to return to work. Furthermore, they will also understand what type of work will be suitable for that individual.

### *Proven track record at providing employment support*

Finally, the NHS already has a proven track record of effectively helping ill and disabled people back into work through its Individual Placement and Support Service (IPS), an employment programme that helps people with mental health problems find work.<sup>59</sup> The programme is delivered by dedicated employment specialists often based in mental health or addiction teams.<sup>60</sup>

Employment specialists support service users to find the right job and to stay in that job. This is achieved through building and maintaining extensive relationships with local employers, ensuring the best chance of finding work. Importantly, employment specialists work with clinical teams to help manage the service user's health in the workplace to ensure that a holistic experience is delivered.<sup>61</sup> This also helps to ensure that treatment teams are aware of the importance of helping people to find work.

It is widely recognised internationally as one of the most effective ways of getting those with mental health problems into work; those taking part in the service on average have employment rates of between 30-40% compared to rates for the control group of around 10-12%.<sup>62</sup> In addition, those participating in the programme work significantly more hours per month, stay in jobs longer and receive better pay.<sup>63</sup>

### *Work and Health Unit*

The Government has launched a cross-government unit jointly based in the Department for Work and Pensions and the Department of Health.<sup>64</sup> Its intention is to work across the whole of government to try to develop solutions that are of help to disabled people.

Whilst the establishment of this unit is undoubtedly welcome, we do not believe it goes far enough to disassociate the government's work with ill and disabled people from the DWP to be successful. Indeed, this was a view shared by a range of disability and health charities at a recent Work and Pensions Committee who, whilst welcoming the creation of the unit, called for a much broader departmental strategy to be launched.<sup>65</sup> That is what this report is aiming towards.

### **Third sector organisations**

Successive governments since New Labour have utilised the third sector for the delivery of employment services and support. The third sector was turned to for provision of part of the New Deal for Disabled People, launched in 1998.<sup>66</sup> More recently, both the Work Programme and Work Choice have looked to external providers for the frontline delivery of employment support.

This is driven by an ethos inspired by New Public Management reforms, with a focus on contractualism and creating 'quasi-markets' in the delivery of public services.<sup>67</sup> This provides us with a good opportunity for assessing how these innovations have worked in practice, and what scope there might be for extending the involvement of third sector organisations in welfare services.

#### *Benefits of third sector involvement*

It is argued third sector organisations are likely to have a more open and better relationship with claimants than the state.<sup>68</sup> This may be because charities are seen by claimants as 'on their side' in a way Jobcentre employees are not. Furthermore, charities have an enormous amount of expertise and experience of working with "some of the most challenging jobseekers"; this is likely to be of particular relevance when considering employment support for harder-to-help groups.<sup>69</sup>

'Opening up' the provision of employment services to a wider range of external providers may also increase the diversity of provision, allowing for more tailored support.<sup>70</sup> Tackling a wide range of needs "necessarily means involving a more diverse set of providers than currently exists".<sup>71</sup> This could then lead to direct competition between providers, spurring further improvements in service quality. Individuals would be referred to the most appropriate provider and "if a provider is more effective then it will survive".<sup>72</sup>

Advocates of this approach often point to the experience of Australia, where employment services are delivered by over 100 profit-making and non-profit providers that compete in a 'quasi-market'.<sup>73</sup> According to the OECD, this approach has played a part in reducing the number of people on out-of-work benefits, including incapacity benefits, and has boosted the overall number of people in work.<sup>74</sup>

### *Evidence from our polling exercise*

The polling we conducted for this report also provide evidence that third sector organisations should be looked upon favourably. More than six in ten (62%) of respondents believed that third sector organisations understand the concerns and issues facing ill and disabled people, rising to 66% amongst those that have suffered a serious illness in the last ten years and 63% amongst those that have suffered mental health problems in the last ten years. In comparison, 20% of respondents believed the DWP understands the concerns and issues facing ill and disabled people.

### *Concerns about 'creaming and parking'*

However, there are concerns that the use of external providers, including third sector organisations, may lead to undesirable gaming behaviours. This includes 'creaming and parking', the practice of prioritising those already closest to the labour market whilst 'parking' those deemed too far away from the labour market to be worth the provider's effort. This behaviour is often driven by a 'payment-by-results' model that rewards providers when their client moves into work.

There is strong evidence that such practices significantly affected the Work Programme, the Government's main employment support programme between 2011 and 2017. In a study informed by interviews with a wide range of Work Programme subcontractors, Rees et al find providers believe that gaming behaviour, such as 'creaming and parking', is embedded in the Work Programme and is a rational response to the payment-by-results structure. Providers were uncomfortable with this situation, but "felt that it was the only way they could operate within the programme".<sup>75</sup>

Rees et al go on to note that whilst it is claimed that third sector providers are less likely to game the system because of a greater commitment to those they aim to help and less of a need to deliver to a tight bottom line, there was no evidence to support this claim.<sup>76</sup> These qualitative findings are supported by a number of quantitative studies that have found 'creaming and parking' to be common among all external providers of employment support services.<sup>77</sup>

Importantly for this report, 'creaming and parking' is most likely to affect ill and disabled people. Through studying 40 Work Programme contracts, Rees et al find "an alarming degree of consistency in the finding that disabled people and young lone parents experienced relatively lower job outcomes than their 'non-disadvantaged peers'".<sup>78</sup> They go on to add that "the Work Programme at present seems instead to be reinforcing, exacerbating and making systemic the negative impacts of employment disadvantages".<sup>79</sup>

Mitigating these risks through better design appears challenging. 'Creaming and parking' was widespread in the Work Programme despite the DWP operating a highly sophisticated payment system, with nine different payment groups adjusting for the fact that some groups were much more likely to find work than others. Indeed, these differentiated payment groups were labelled by some welfare-to-work providers as a blunt instrument.<sup>80</sup> This is because accurately describing an individual's distance from the labour market may not neatly align with the benefits they receive, making appropriate categorisation difficult.<sup>81</sup> For example, welfare-to-work providers described how JSA claimants may be more difficult to help find work than ESA claimants.<sup>82</sup>

It is also important to note that 'creaming and parking' in the Work Programme may also have been due to the commercial pressure seen by providers. This was a result of the programme being delivered in a low resource environment as part of a broader agenda of deficit reduction.<sup>83</sup> It is feasible to consider that in a less constrained fiscal environment, there may be less incentive for providers to 'cream and park'.

### Loosening conditionality and non-financial sanctions

There is a good argument to be made that ill and disabled people should not face any benefit conditionality. This is because conditionality is likely to distort the vital relationships between claimants and advisers. It may also harm the health and wellbeing of ill and disabled people, who are already more likely to experience social exclusion and poverty.

But it is also vital to consider the effectiveness of conditionality. Does it achieve its objective: getting people into work? Does it help the DWP become a provider of opportunity for ill and disabled people? If conditionality worked to support more people to engage with support and move into work, it would be an important part of the system. However, in a short review of the evidence, we find little reason to suggest it does for ill and disabled groups.

An examination of 346 British local authorities between 2009 and 2014 finds that when the number of sanctioned disabled claimants rises as a proportion of overall claimants, the number of disabled people who are neither employed nor looking for work increases. This suggests benefit sanctions could be pushing unemployed disabled people further away from the labour market.<sup>84</sup>

This finding is supported by the National Audit Office in a review of the government's approach to benefit sanctions. Whilst sanctions were found to have a significant and large impact on JSA claimants, sanctions reduced the time spent in employment for ESA claimants.<sup>85</sup> The NAO suggests "sanctions may have discouraged some [Employment and Support Allowance] claimants from working".<sup>86</sup> It is important to note, though, that the NAO highlight this finding is based on a preliminary analysis and that further work is needed in this area to better understand the impact of conditionality on ESA claimants.<sup>87</sup>

These quantitative findings are supported by a raft of qualitative studies. Following hundreds of interviews with welfare claimants, the Welfare Conditionality project concludes that “the extension of welfare conditionality to disabled people in receipt of incapacity benefits does little to facilitate their transitions into paid work”.<sup>88</sup> They conclude that “the wider application of welfare conditionality within the benefit system for disabled people...should be paused...”.<sup>89</sup>

In addition, as noted in previous Demos research, the international evidence suggests benefit sanctions are not effective at helping ill and disabled people find work. Of four international studies examining the effectiveness of mandatory meeting attendance for those on disability or sickness-related benefits, one found no effect on employment, two found a negative impact on employment and one found a positive effect.<sup>90</sup> As the author of the study Ben Baumberg-Grainger concludes:

*“the limited but robust existing evidence focusing on disabled people suggests that sanctioning may have zero or even negative impacts on work-related outcomes.”<sup>91</sup>*

Amber Rudd’s recent announcement that some claimants will face a default of ‘no conditionality’ with conditionality introduced later if needed, points the way forward. We argue that the system as a whole should operate in this way. There is more evidence that sanctions cause harm than evidence they are effective for this group. Therefore, pending further evidence about what works, sanctions should be removed for this group. It should be for those who advocate sanctions to prove they are effective, before they are reintroduced.

### **Reduce scope and severity of conditionality**

Steps should be taken to ensure conditionality is not applied to any further groups of ill or disabled people. The Government’s 2016 green paper Improving Lives proposed extended limited conditionality to almost all disabled claimants, including those in the ESA support group.<sup>96</sup> This should be avoided at all cost: the situations where conditionality makes any sense are least likely to pertain to this group.

Furthermore, we must consider whether the number of ill and disabled people facing conditionality should be reduced. As we explore in the next chapter, exempting all those in the ESA WRAG seems to appropriately reflect the lack of evidence for the effectiveness of conditionality.

### *Yellow cards’ and warning letters*

Following recommendations made in a number of government reviews, in 2016 DWP trialled a ‘yellow card’ system for 6,500 Jobseeker’s Allowance claimants.<sup>97</sup>



Participants in the trial received a 'Sanctions Warning Letter', giving them an additional 14 days to appeal the decision through the provision of evidence. During the pilot, 13% of those receiving a sanction used the 14 days to provide further evidence.<sup>98</sup> In around half of cases the appellant did not provide sufficient new evidence for the decision to be overturned and the sanction continued to be applied.<sup>99</sup>

In 2018 the DWP confirmed it would not be proceeding with the trial, arguing that "given the additional burden" placed on the department, "the trial did not appear to be an effective use of the department's resource".<sup>100</sup> Instead, it would be "exploring the feasibility of an alternative process to give claimants written warnings, instead of a sanction, for a first failure to attend a Work-Search Review".<sup>101</sup>

The decision not to proceed with the trial was met with a negative reaction by many. Chair of the Work and Pensions Committee Frank Field MP described how "the government's initial data on the early impact of the yellow card trial look encouraging...Applied to the country as a whole, that layer of protection would have covered many thousands of very vulnerable people".<sup>102</sup>

However, as the charity Gingerbread note, the two-week system trialled by the government "is not a genuine 'yellow card' system". This is because it does not assist in situations in which the basis of the so-called 'offence' being challenged is difficult to defend with additional evidence.<sup>103</sup> Instead, they argue that a formal system of warnings should be put in place as a response to a first 'offence'.

We agree with Gingerbread's assessment and believe that, building on the initial trial, the Government should take steps to introduce a system of formal warnings to soften the impact of conditionality. Sanctions should only kick in as a last resort, particular for ill and disabled people.

### **Non-financial sanctions**

There appears a strong case against financial sanctioning, which can push people into destitution.<sup>104</sup> It is therefore useful to ask whether non-financial sanctions could be utilised instead.

#### *Attending additional meetings*

Matthew Oakley's 2013 review of JSA sanctions outlined the prospect for non-financial sanctioning. This includes requiring the claimant to attend sessions at the Jobcentre more frequently.<sup>105</sup> Whilst acting as a sanction, these additional sessions could also help clarify whether the claimant fully understands the demands put on them and could help boost their overall engagement in the process.

The rate of additional attendance demanded is likely to be critical to such a policy's success. The think tank Policy Exchange have recommended that the government pilot requiring daily Jobcentre sign-in as an additional non-financial sanction.<sup>106</sup> We agree with the University of Glasgow's David Webster, who argues that such a level of commitment could seriously hamper genuine job-seeking efforts, particularly in rural areas with long travel times.<sup>107</sup> "Daily sign-on is simply unrealistic for many claimants", something likely to be even more applicable to ill and disabled claimants.<sup>108</sup>

It appears that mandating additional further meetings could form an effective non-financial sanction, though these meetings would have to be at an appropriate frequency. Daily meetings would likely be counterproductive.

### *Prepaid cards*

Policy Exchange has also explored loading JSA payments onto a 'yellow card' (benefit card) as a first sanction for less serious noncompliance.<sup>109</sup>

Through "social pressure", benefit cards seek to alter the behaviour of the claimant without pushing them into financial hardship.<sup>110</sup> It is argued that because the card would have to be picked up from the Jobcentre, this could foster "renewed contact with the sanctioned individual".<sup>111</sup> If the card were not picked up from the Jobcentre the claimant would be unable to access their payments.

If the desired impact of the card is to effectively shame its users, this should give us cause for concern. Shame is an emotion often internalised by people living in poverty, impacting on their self-esteem and self-confidence, and we should be extremely wary of any policy which seems likely to result in more shame for these people.<sup>112</sup> It may also stigmatise users of the card, something widely reported by asylum seekers that use prepaid cards.<sup>113</sup>

There are also costs associated with cashless payments which may affect both the individual's livelihood and their ability to find work. Payment cards significantly affect the ability of an individual to travel, with a study finding more than half of asylum seekers were unable to travel to access their legal representative as a result of a prepaid card.<sup>114</sup> As Reynolds notes, if such a policy were adopted for employment services, "it might become impossible for some claimants even to get to the Jobcentre".<sup>115</sup> This would disproportionately affect ill and disabled people, who are already likely to face significant mobility restrictions.

Prepaid cards are unlikely to move people closer to work, serving only as a form of punishment. We believe the point of sanctions is not to punish, and therefore do not view prepaid cards as a viable option. The case against prepaid cards is even stronger when considering ill and disabled people.

## Co-production of employment services

Co-production describes the involvement of service users in the design, commissioning and delivery of public services. It seeks to shift power and control from the provider to the user of services. As Spencer et al describe:

*“Co-production encourages participation, mutuality and respect for others, valuing the experience, skills and knowledge that each participant brings and providing opportunities to extend their skills and knowledge. It aims to change ‘traditional relationships of power, control and expertise’ ...this is quite different to other engagement activities.”<sup>116</sup>*

Whilst the idea of co-production originates in the thinking of US legal professor Edgar Cahn during the 1970s, the last decade has seen a renewal of the idea in Britain. Co-production has been described not just as a new way of delivering services but as an entirely distinct philosophy for public services, in contrast to voluntarism, managerialism or paternalism.<sup>117</sup> Demos has long recognised the value of co-production; in 2007 we described how co-production is “a vision for transformation, a recasting of the relationship between individuals and the world in which they live”.<sup>118</sup>

Co-production goes beyond mere consultation and engagement, towards genuine involvement of the service-user in decisions that will affect them. It is argued that for meaningful co-production, involvement must happen at the point of delivery of a service - the interface between a service and people's lives - not just in town halls or meeting rooms.<sup>119</sup>

This approach places particular value on the user's unique knowledge. Whilst recognising that doctors, nurses and social workers do hold expert knowledge, co-production equally recognises that only service users “know what motivates and supports them, the sort of environment in which they thrive and the sort in which they don't”.<sup>120</sup> Co-production could also deliver greater trust of the user in the service.<sup>121</sup> We have already seen that trust is vital for the success of employment services and programmes.

## **Suitability for employment services**

Co-production will not be relevant or suitable for every type of public service. In a discussion paper for the Cabinet Office, Horne and Shirley describe how co-production should be applied to social problems with the following characteristics: contested (no single solution), complex (caused by multiple-factors) and chronic (persist throughout time).<sup>122</sup> In social problems with these characteristics, it is more likely that citizens control the resources to aid a solution and the benefits gained from citizens contributing will outweigh any potential costs.<sup>123</sup> Providing employment support for ill and disabled people looks like a problem that shares many, if not all, of these characteristics; therefore we consider it a good fit for co-production.

There also may be some reason to believe that co-production techniques could reduce the risk of 'creaming and parking', as seen above in the discussion of third sector provision. Because the use of third sector providers in a context of co-production can tend to focus on requiring certain providers to meet minimum service standards, instead of "elaborate 'payment by results' systems" which may provide an incentive for gaming, the risk of creaming and parking could be lowered.<sup>124</sup> However, it is also important to note that an examination of co-produced services did find that there still remained a degree of selection-bias within co-produced services, with participants in co-produced services having generally higher motivation.<sup>125</sup>

### **Existing use of co-production in employment services**

Co-production techniques have been deployed in employment services in Scotland targeted at lone parents. The programme, delivered by third sector organisations and commissioned not by the DWP but through the Big Lottery Fund, showed clear evidence of co-production, according to researchers.<sup>126</sup>

Key workers involved in the scheme and service users were "unanimous in their emphasis on the importance of the latter having ownership over the services they received".<sup>127</sup> Street-level workers provided the researchers with "numerous examples of how users' preferences had shaped the services offered; service users deployed a language of empowerment, voice and choice in describing their own experiences".<sup>128</sup>

The study describes how the approach pioneered in Scotland is distinctly different to the "dirigiste and depersonalised approach offered by work-first models of activation", and that genuine co-production is unlikely to be found in programmes that "impose standardised work-first activation on service users, irrespective of their personal circumstances".<sup>129</sup>

However, the author of the study notes that it is important not to see co-production as a panacea, and a number of specific conditions contributed to the success of the programme.<sup>130</sup> This, importantly, included that it was relatively well-resourced, with key workers able to maintain relatively modest caseloads; far below that of advisers on the Work Programme.<sup>131</sup>

# 03.

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## A Fresh Start

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“The government should take practical steps towards wholesale institutional reform of welfare policy for ill and disabled people...”

In this chapter we set out a number of practical first steps towards a new approach to employment support for ill and disabled people. These recommendations, which range from the modest to transformational, should offer policy makers a wide menu to choose from. It is important to remember that success will require a variety of approaches to be tried; there is no single quick fix here.

### **Institutional changes**

Throughout this report we have seen there is an extremely strong case for moving employment support for ill and disabled people away from the DWP. Our polling found that trust in the DWP is extremely low, particularly amongst ill and disabled people.

The institutional changes we recommend are underpinned by the fact that we believe sanctions should be withdrawn for these groups.

Recommendation 1: Devolved assemblies should gain full responsibility for providing employment support to ill and disabled people.

In comparison to other public services, welfare policy remains highly centralised in the UK. Addressing this would bring employment support in line with other public services. It would also offer the opportunity for a more localised approach and the scope for greater policy innovation.

Building on moves to devolve the Work and Health Programme to Scotland, the devolved assemblies should gain full control over employment support for ill and disabled people. Similar powers should be extended in due course to the other devolved assemblies, including control over the Work and Health Programme which has already been devolved to Scotland.

Recommendation 2: A number of local authorities and NHS trusts should gain full responsibility for delivering welfare-to-work programmes for ill and disabled people for a trial period.

There are strong arguments that local authorities or the NHS are better candidates for providing employment support to ill and disabled people than the DWP.

Recognising that this represents a radical departure from current practice, the efficacy of this approach should be tested through a number of pilots with local authorities and NHS trusts.

Recommendation 3: The DWP should explore new commissioning models which move beyond a 'payment-by-results' approach for third sector organisations.

Third sector organisations have much to offer, but their performance is often tarnished by 'creaming and parking' whereby providers focus on clients that are nearer the job market, neglecting the harder-to-help. This is often driven by a narrow 'payment-by-results' model which incentivises this behaviour.

To avoid this, the DWP should trial new ways of involving third sector providers which do not use narrowly defined 'payment-by-results' reward mechanisms.

### Conditionality

Conditionality is unlikely to be effective in helping ill and disabled people back into work. Because of this, we recommend that the Government considerably softens the current levels of conditionality seen by ill and disabled people.

Recommendation 4: Government should exempt those in the ESA WRAG group from conditionality.

Whilst there is support among the public for benefit conditionality, there is less support for the current levels of stringency. Exempting those in the ESA WRAG group from any form of conditionality would appear to be a good reflection of this sentiment, reducing the burdens of conditionality for a significant number of ill and disabled people. This would only leave those ill and disabled people that are in receipt of Jobseeker's Allowance facing any conditionality.

In August 2018 there were 2.3m people in receipt of Employment and Support Allowance and 360,000 in receipt of Jobseeker's Allowance.<sup>132</sup> Because a fraction of the latter group are ill and disabled, this change would exempt the vast majority of disabled people from any form of conditionality; a good reflection of the fact that we found little evidence to suggest conditionality is helpful for these groups.

Recommendation 5: Government should introduce a 'three strikes' warning system before sanctions are applied for Jobseeker's Allowance claimants.

Whilst an improvement on the current situation, the DWP's trial of a 'yellow card' system for sanctions did not go far enough as it still required the claimant to submit additional evidence; in a sense the claimant was 'guilty until proven innocent'.

To address this, the DWP should introduce a more flexible 'three strikes' warning system which would give JSA claimants three warnings before a sanction is applied. This would help us move to a welfare system in which sanctions are only used as an absolute last resort, particularly for those ill and disabled people that are in receipt of JSA.

### Co-production

Involving ill and disabled people in the design of employment services through co-production techniques offers the prospect of better, more personalised support. However, to date such approaches have been underutilised.

Recommendation 6: The DWP should launch a 'co-production unit' committed to involving these techniques in the delivery of their services.

Recommendation 7: The DWP should trial awarding groups of ill and disabled people shared 'personal' budgets for co-designed employment support.

Personal budgets give individuals choice about how the state spends its money on them. They can offer greater personalisation and autonomy in the provision of public services. Personal budgets are largely confined, at the moment, to health and care provision, but we believe there is scope to extend this personalisation further, to include employment support. For over ten years Demos has been central to the development of thinking on the use personal budgets in the delivery of public services.<sup>133</sup>

Groups of ill and disabled people should be awarded shared 'personal' budgets for employment support. Participants would then work together to shape the employment support they receive, co-producing it with the assistance of relevant local providers. This could be done in partnership with the advice of a governmental body or a third sector organisation appointed to lead this work.

This novel approach would combine the merits of personal budgeting and co-production.



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