

**An evaluation of the outcomes of supported employment in
North Lanarkshire (2007)**

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June 2008

Executive Summary

The search for an equal place in the labour market for people with learning disabilities has been a significant concern for those involved in LD policy in the constituent nations of the UK for a number of years. This reflects general equality policy and the search for greater labour market inclusion for all disabled people. The pressure for progress is mounting with the setting of a PSA target for greater numbers in work. North Lanarkshire have been highlighted in a number of policy documents as an exemplar, particularly in their success in obtaining paid employment for people with learning disabilities for over 16 hours per week. Their experience has not been systematically analysed however, and this study set out to provide an overview of their methods and their outcomes.

The study used data supplied by North Lanarkshire Social Work Services on job, wage, and welfare benefit data for people with a range of disabilities, the great majority people with learning disabilities, for their North Lanarkshire Supported Employment (NLSE) agency since its inception. The study looked at performance up to October 2007. The service was working with 210 people, of which 119 people were being supported in jobs through the work of NLSE, of whom 93 were people with learning disabilities, 21 people with mental health problems and 2 people with brain injury. Senior managers confirmed people with learning disabilities to be people “*who either came from day centres or had an eligibility to attend the same.*” A full data set was available for 104 people, 88 of which were people with learning disabilities. The services budget was £869,338, with a staff complement of 16 job coaches and 2 care and support workers. The services budget was Prices were standardised to 2007. Key results were:

- People in jobs worked 24.2 hours on average (22.1 for learning disability only (LD)), with 91.3% working for 16 hours or more (94.0% for LD)
- People were on average 113.2% financially better off after employment (94.8% for LD)
- There was a shift from Income Support before, to Working Tax Credit in, employment
- Average gross earned wages in employment was £134.29 per week (£129.60 for LD)
- Average gross total income in employment was £256.34 pp per week (£252.25 for LD)
- Earnings represented 51.5% of income in work (50.3% for LD), the rest being made up of Disability Living Allowance and Working Tax Credit.
- 89% of workers received a Working Tax Credit when in work (91% for LD)
- 99% of workers received DLA in some form when in work (99% for LD)
- Overall income from Welfare Benefits or Working Tax Credits fell by 11.3% on entering employment (12.1% for LD).

Cost of NLSE per person was £4303 pp pa based on the LA’s description of “actual capacity” (202 people), compatible with descriptions of the alternative day service in North Lanarkshire, Locality Support Services. The cost per job was £7,216 pp pa based on an average of 122 people in work in 2007. The equivalent cost per person based on “actual capacity” for Locality Support Services was £14,998 pp pa.

A financial cost:benefit analysis, taking into account reduction in Welfare Benefit payments when in work, tax and NI receipts, the costs of sustaining disabled people if NLSE did not exist, and the cost of displaced non-disabled workers estimated that the cost to government for NLSE to be -£6,894 (a saving). Care is needed in interpreting this figure as there were some significant factors that could not be fully costed, but it indicates a likely saving is possible through investment in SE of this type.

NLSE is a mature agency and the results reflect a sustained period of development and investment. Outcomes have been achieved by having a consistent supported employment approach with expectations that all stages will be completed, and with a minimum investment of time. The SE process invests significant time in social and other settings, to get a better understanding of their capacities. Providing expert welfare rights advice as an integral part of the supported employment process has been crucial. They have made people better off through a blend of earned income, non-means tested benefits and Working Tax Credits.

We conclude that:

- North Lanarkshire have been successful in placing people from the general Social Work Services population of people with learning disabilities in employment of 16 hours per week or more This has been with relatively unfavourable unemployment levels locally.
- It is likely that this can only be achieved with this client group if the key approaches used in North Lanarkshire are replicated, particularly the focus on 16+ hours per week.
- Skilled job coaching and investment in a staff group of sufficient size is important, and it is likely that replication would require:
 - investment at a significant level to provide enough job coach and Welfare Rights Advice and management resources effective training in the process
 - Replication of the intensive SE process, and including expert Welfare Rights Advice
 - Monitoring to ensure the process is delivered to an adequate level of intensity

There remain some uncertainties in the cost analysis that would benefit from a more detailed costing of the full package of support for supported employees and day service alternatives for future workers.

Acknowledgements

We are grateful to Duncan Mackay and George McNally of North Lanarkshire Social Work Services for being prepared to share their time and their experiences with others. We are grateful to Maureen Cook, Margaret Gavan, and Margaret Wilson for background to the services, the NLSE team for producing the original updated data, to Ruby Stewart for compiling the data, and Patrick McAviney for providing comparative financial data. We are also grateful to Simon Whitehead of the Valuing People Support Team for his support, and for the financial assistance of VPST and CSIP to produce this paper.

Introduction

Policy makers and professionals have been concerned that people with learning disabilities are under-represented in the workforce (DWP, 2005). Policy makers have also identified Supported Employment as a significant potential contribution to improving the prospects of disabled people in the labour market (The Scottish Government, 2000; DWP, 2006; DoH, 2001).

Day services and supported employment agencies have worked with people with learning disabilities to pursue employment. However, many people have opted to choose Permitted Work as their route and to work only a few hours, retaining the majority of any Welfare Benefits they receive. A survey carried out in 1996 found that 90% of people using SE were people with learning disabilities and 49.9% worked for 15 hours or less, then the maximum hours that could be worked under then Therapeutic Earnings and Income Support disregards of £15 at that time (Beyer, Goodere and Kilsby, 1996). Anxiety by families and people with learning disabilities over the transition from Welfare Benefits to paid employment have been mentioned many times as one of the causes for this choice (Beyer et al. 2004). The issue of people working low numbers of hours, and the failure to assist more people into employment has been mentioned as a problem more recently, and a Public Service Agreement (No. 16) has been developed to help more substantially disabled people, including people with learning disabilities, into paid jobs: *“The Government is committed to ensuring that the most vulnerable adults are offered the chance to get back on a path to a more successful life, by increasing the proportion of socially excluded adults in settled accommodation and in employment.....”*¹

The high levels of small hours employment among people with learning disabilities has also caused problems for the cost:benefit of supported employment from the government’s perspective. Working only a few hours and retaining Welfare Benefits means that people pay little tax, and there are few financial flow-backs to the Treasurer, while costs of support programmes remain significant. The part-time nature of employment has also had implications for the funding of supported employment. A disabled person working for sixteen hours has been seen as key criteria for obtaining funding support through the Access to Work programme and accessing Working Tax Credits. Part-time work for low hours have commonly failed to draw down significant funds from central government to help them into employment.

North Lanarkshire’s supported employment programme has generated significant interest because of reported high levels of employment of people with learning disabilities for 16 hours per week or more, with significant financial benefits to the people concerned. They have also been noted for challenging the view that the 'benefits trap' is the biggest problem restricting movement into employment, supporting the view that with the right knowledge and motivation there are ways to work with the existing system (Ridley et al. 2005). An opportunity arose to examine in detail the North Lanarkshire experience and to analyse their data. This paper is the result of that study.

¹ http://www.hm-treasury.gov.uk/media/3/9/pbr_csr07_psa16.pdf

North Lanarkshire Services

North Lanarkshire Supported Employment

North Lanarkshire Supported Employment operates within a framework of a Supported Employment Partnership, which began work in 1999. This partnership includes North Lanarkshire Social Work Department, its Policy and Economic Development Service, Scottish Enterprise Lanarkshire, Jobcentre Plus and Careers Scotland. By 2007 the service had expanded to an establishment that include one service co-ordinator, two senior support officers, 16 job coach posts, 2 care and support workers, 5 full-time and 3 part-time administrative staff. However, in the period 2005 through 2007 the service was often under strength and rarely met its 16 job coach staffing level. It operates from two bases, one in Motherwell and another in Aidrie. The service began by working with people with learning disabilities registered with Social Work Services, but since 2005 has begun to work with people with mental health issues and more recently, acquired brain injury. This study provides data on the achievements of North Lanarkshire's Supported Employment programme for all its clients, and separates out data for the majority of people with learning disabilities in their client group. NLSE operates a specific model of supported employment provision, the stages being summarised in Table 1.

Table 1: Stages in the North Lanarkshire Supported Employment process

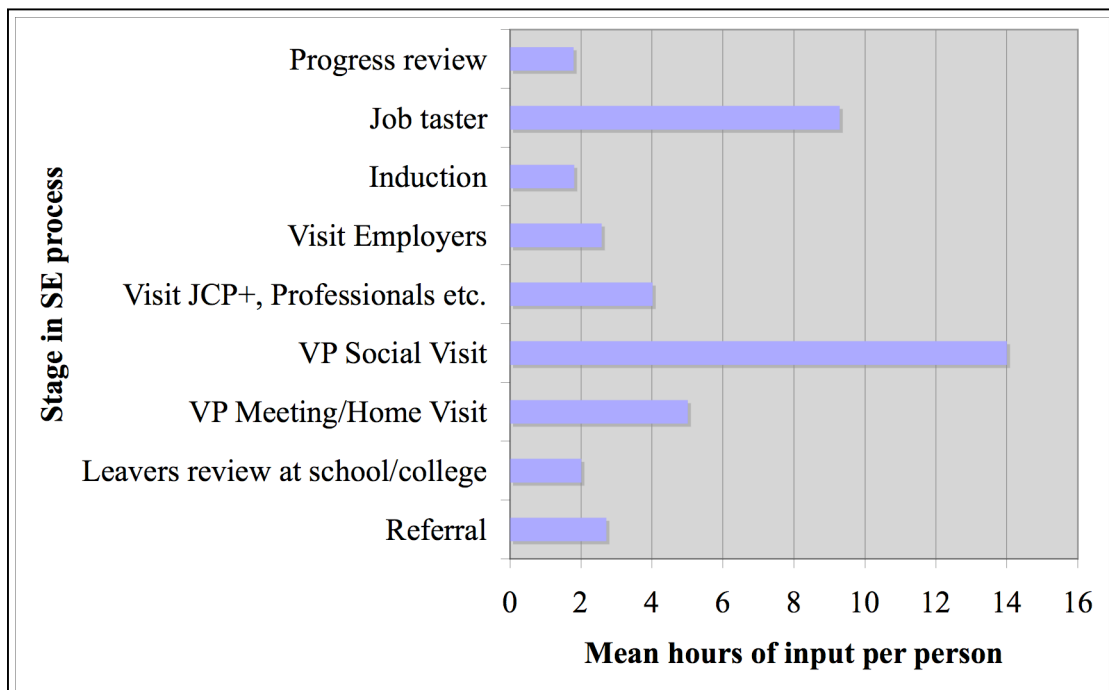
Stage	Description	Expected time per stage
Referral	An assessment to ensure that the agency's criteria are met	Agree acceptance within 7 days of referral
Home visit	Visit to explain the service, and check on Welfare Benefits with Welfare Rights Officer if needed	Within 6 weeks of acceptance of a referral
Vocational Profiling	Meeting 1:1 that take place in a variety of settings, at different times, and involving different activities, including social outings. Information is also sought from family, professionals and relevant others. This period will include 2 short job tasters, supported by a job coach.	Meeting twice per week for 2-3 hours per session normally over 8-12 weeks
Vocational profile meeting	Seeks agreement on the person's preferences and conditions the person wants and jobs and specific employers	Up to two weeks after Vocational Profiling complete
Job Finding	Registering person with Job Centre Plus, pursuing employers, assisting person in job search, interview preparation, and work placements as needed	Meeting once per week for 1-2 hours per session until a job is found
Job coaching	After the job obtained, providing training at work and fading support. Supporting Welfare Benefit changes.	For as long as needed
Monitoring & Evaluation	Agreeing criteria and monitoring success of placement from employer and employee perspectives	As agreed with employer and employee
Career Development	Updating Vocational Profile and taking action to improve current, or change, job	No timescale

A survey of young people transitioning from F.E. college to employment in North Lanarkshire in 2005 and 2006 showed how these stages of SE worked in practice

(Beyer et al., 2008). The survey followed one cohort of young people each year and tracked the type and hours of input by NLSE to these young people, 15 in total. For each young person the process was delivered broadly in the order shown in Table 1. Figure 1 shows the average hours of input of each of the stages to each person for these transition cohorts.

While the data relates to work with young people with learning disabilities in transition from F.E. to employment, the data suggests that the description of the NLSE process is being delivered. We can see that the North Lanarkshire process places significant emphasis on visiting the person and their family at home as part of Vocational Profiling (mean= 5 hours per person), and spending time with the person in social settings (mean= 14 hours per person). This enables the job coaches to build a relationship with the person, and gauge individual characteristics, such as: concentration, social skills, money handling and choice making; understand the person’s strengths and needs. These are then used how these might be matched by a potential job tasks and work environments. Job coaches liaise with potential employers, and where jobs are found, they would assist in company induction programmes for the people concerned, and support people on-the-job where needed. In the transition study data on-the -job support was collected for job tasters only, and the mean input was 9 hour per person.

Figure 1: Average hours provided to a sample of young people with learning disabilities in transition by North Lanarkshire Supported Employment 2005/06



Day Services development in North Lanarkshire

In 2005/06 Day Services in North Lanarkshire composed of 5 Day Centres: three purpose built; one run by Enable; another operated from a former school also used by other community groups having between them an “actual attendance” of 264 people².

² The official registered populations for these 5 day centres was higher at 332 places.

A sixth centre was run from a school, served 50, and was used by other community groups and for evening leisure activities, but this was not included here because it was unclear how costs were distributed between clients groups using the centre. Further there was a sheltered workshop and an Adult Resource Centre that were excluded from the analysis as they were not day centres.

NLSE formed an alternative route for 67 people in day services in 2005/06. Day Centres were themselves under reform, and by 2007/08 a system of 6 community-based locality day services had been developed to replace traditional day centres. We used 5 of these: Airdrie, Bellshill, Coatbridge, Cumbernauld, and Wishaw Locality Support Services which served 340 people. A sixth LSS in Motherwell was only formed during 2007/08 and this was left out of the analysis. By this time NLSE provided support for 202 people (the majority people with learning disabilities, but including people with mental health issues and brain injury).

Study aims

The aims of this study were:

- a. With North Lanarkshire staff, to identify the cost of the NLSE service, over a convenient period where data is available and consistent.
- b. To collect data from the NLSE client database to confirm Welfare Benefit and Working Tax Credit income before, and after employment: job description, wages, hours, and length of time in job.
- c. To analyse the SE data within a financial cost:benefit framework to establish net financial cost:benefit of a job for the person and Social Work Services.
- d. To carry out interviews with key managers and staff to provide a systematic description the key elements of the supported employment, care management and Welfare Benefit processes that underpin the North Lanarkshire approach and that deliver the outcomes identified in b) and c).

Methodology

Worker data

The data for this study were dependent on data provided by North Lanarkshire Social Work Services. It was agreed that data that was readily available could be provided for this study, the limitation being that resources could not be committed on Social Work Services behalf to collect data additional to this. Data was available for all people who had been found a paid job from 1987 up until October 2007. The data made available for each person was as follows:

- Person's age
- Main disability
- Welfare benefits and allowances received (before employment, after advice given, and after job started)
 - DLA (Care and Mobility)
 - Incapacity Benefit or Severe Disability Allowance
 - Income Support
 - Job Seeker's Allowance

- Training allowances
- Housing Benefit
- Council Tax Benefit
- Job Grant
- Specific deductions (before employment, after advice given, and after job started)
 - Contribution to housing cost
 - Tariff costs
- Job start (and if appropriate finish) date
- Reason for job termination (if appropriate)
- Job title
- Hours worked per week
- Total weekly salary before tax
- Working Tax Credit

Wages received by workers, and the Welfare Benefit profiles of the people before employment, after Welfare Benefit advice, and after employment, were updated to new rates at April 2007 by supported employment staff. Where people were on older benefits before 2000, their entitlement profile was updated to current equivalent benefit, and current rates, to determine better off calculations.

Service cost data

Detailed expenditure data was available for Day Centres and NLSE in 2005/6 and 2006/07, and budget data for Locality Support Services and NLSE in 2007/08. Data were provided by North Lanarkshire using consistent cost headings (See Appendix 2 for headings).

Data for the reformed day service Locality Support Service, and NLSE were budget data for 2007/08. Cost data for one comparison between NLSE and Day Centre provision (2005/06) was adjusted for inflation to 2007 prices to maintain consistency, and to provide a relevant basis for readers to assess costs.

Some issues of comparison remained unresolved. While the hours people were employed through supported employment were available, the hours that people attending Day Centres (2005/06) and subsequently the Locality Support Services that have replaced them (2007/08) were not available. While we produce unit costs for people in jobs through supported employment, Social Work Services' own comparisons are across places offered. In supported employment, these figures include people who were not in yet employment but were registered and were actively being found jobs. We have established that there was only one worker placed in employment by NLSE who continued to use a locality Support Service. The employment group is now essentially independent of any use of other day services.

Cost:benefit framework

The reform of day services within North Lanarkshire has clearly provided two contexts for cost comparison with supported employment, whose service spans the change from day centres to a locality service. Supported employment will be compared to both models.

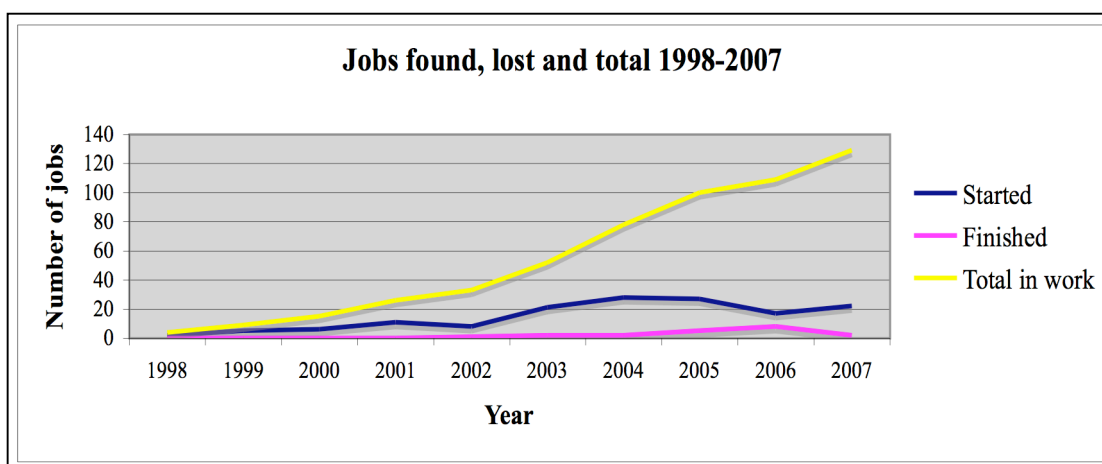
Results

Number of people entering jobs

At the time of this study, NLSE had data on people entering employment from its early small-scale operation in 1987 through to October 2007. There are no statistics held on those people who were worked with by the service, but who did not progress to employment. Some people asked that their financial details not be included in the database (15 in all). Figure 2 shows the incremental growth of the number of people in employment from 1998, the major period of systematic growth, along with the relatively small numbers losing jobs during the period. The rate of growth increased from 2002, and by October 2007 119 people were being supported in jobs through the work of NLSE, of whom 93 were people with learning disabilities, 21 were people with mental health problems and 2 people with brain injury.

When we include the 24 jobs that had been lost during the period, the total number of jobs found in the period was 143 (119 people with learning disabilities; 21 with mental health issues; and 3 with brain injury). Five people had more than one job, leading to a figure of 138 people who had been employed during the period (114 people with learning disabilities; 21 with mental health issues; and 3 with brain injury). All of the people with a learning disability contained on the NLSE database were reported by senior managers to be people “*who either came from day centres or had an eligibility to attend the same.*”

Figure 2: Jobs found, lost and total 1998-2007



Data was not retained on those who had lost their job or refused permission for it to be collected. Fifteen had refused permission, and therefore, of the 119 in employment in October 2004 a full data set containing in Welfare Benefit and employment data existed for 104 people, 88 of which were people with learning disabilities, 15 mental health issues and 1 person with brain injury. Data on 104 people represented 96% of those with a job at October 2007 and 75% of all people identified as employed since 1987, and is therefore representative of the whole. In the rest of this paper, data presented relates to these 104 people for whom we have data. Where appropriate, we present figures separately for the great majority people with learning disabilities. To calculate costs per person, we have used the average number of people in work (122 people) in 2007.

During the last three years of NLSE's growth the unemployment rates in North Lanarkshire were above average for Scotland and the UK as a whole (Table 2), the rate being 6.9% in 2007, compared with 4.7% for Scotland and 5.4% for the UK as a whole. This suggests that the performance of NLSE was not dependent on a particularly advantageous jobs market.

Table 2: ILO unemployment rates for Scotland, UK and North Lanarkshire

	2005	2006	2007
N.Lanarkshire ¹	6.9%	6.2%	6.9%
Scotland ²	5.3	5.2%	4.7%
UK ³	4.9%	5.4%	5.4%

1 North Lanarkshire- Key Facts; 2 The Scottish Government Statistics; 3 National Statistics Online.

Jobs found, hours worked and pay received

For the 104 people for whom we have data, the mean hours worked per week was 24.2 hours per week (the range was 6.5 to 41 hours per week). Table 3 shows the percentage of people who worked various hours. 91.3% worked 16 or more hours per week (89.8% for LD), a much different situation to many local authority funded supported employment agencies. Overall, Supported Employment is effectively providing a total of 2,363 hours of work provision per week at present, with another 15 people with no details which, if working average hours, would give a total 2,726 hours per week of time people would no longer be attending day services.

Table 3 also shows the equivalent figures for people with learning disabilities alone. For these 88 people the mean hours worked was 22.1 hours per week (same range). The equivalent figures for people with learning disabilities only are 1,942 hours and 2,184 hours per week.

Table 3: The hours people worked

Hours	All workers		Workers with LD	
		%		%
6.5-15	9	8.7%	9	10.2%
16-25	65	62.5%	56	63.6%
26-35	12	11.5%	9	10.2%
Above 35	18	17.3%	14	15.9%
Total	104	100.0%	88	100.0%

Table 4 shows the jobs that people found through NLSE. There were a wide range of entry jobs in a range of retail, factory, office, catering, logistics and social care settings. The largest group of jobs were Clerical Assistant jobs (17.3%), followed by Dining Area Assistants and Kitchen Assistant/Porter (each with 5.8%).

Table 4: The jobs people were found

Jobs	Workers	%
Administrative Assistant	2	1.9%
Apprentice Joiner	1	1.0%
Bakery Assistant	1	1.0%
Basket Assembly	3	2.9%
Café/ Catering Assistant	5	4.8%
Care assistant	1	1.0%
Caretaker	1	1.0%
Cashier	1	1.0%
Cleaner	3	2.9%
Clerical Assistant	18	17.3%
Counter colleague	1	1.0%
Customer Service Assistant	2	1.9%
Delivery Van Assistant	2	1.9%
Dining Area Assistant	6	5.8%
Escort/Attendant	1	1.0%
Domestic Assistant	2	1.9%
Fabricator	1	1.0%
Factory Worker	2	1.9%
Food Court Assistant	1	1.0%
General Assistant	4	3.8%
General Factory Worker	1	1.0%
General Handyman/Labourer	3	2.9%
Grocery Assistant	2	1.9%
Guest Service Assistant	1	1.0%
Housekeeper	2	1.9%
Kitchen Assistant/Porter	6	5.8%
Laundry Assistant	2	1.9%
Litter Picker	3	2.9%
Mail Sorter	1	1.0%
Meeter/Greeter	1	1.0%
Packer	2	1.9%
Production Assistant	3	2.9%
Road sweeper	2	1.9%
Sales Assistant	2	1.9%
Shelf Cleaner	2	1.9%
Shelf Filler	1	1.0%
Social Care Worker	1	1.0%
Stage Crew Assistant	1	1.0%
Store colleague	1	1.0%
Table Cleaner	1	1.0%
Trolley Porter	3	2.9%
Usher	1	1.0%
Warehouseman/Assistant	2	1.9%
Warehouse Clerk	1	1.0%
Total	104	100%

Welfare Benefits received before employment

Table 5 shows the benefit profile for the people found jobs in North Lanarkshire before they entered jobs, based on 104 people for whom we have full financial data. Benefit rates were correct at October 2007 rates. As one might expect the group was mainly reliant on a combination of DLA (care and mobility components) in combination with Income Support, Incapacity Benefit or SDA. As is common for a people with levels of learning disability that would make them eligible for social service input, Job seekers Allowance was rarely claimed. No one received Housing

Benefit or Council Tax Benefit. The great majority of the sample would, therefore, have been regarded as economically inactive before were referred to NLSE. The mean total income from Welfare Benefits before people entered employment was £137.60 per person (£139.51 for LD).

An early stage in the NLSE process was an assessment by a skilled Welfare Rights Advisor. Table 5 also shows the Welfare Benefit profile after this income “maximisation” phase. There was a small increase in take-up of DLA at this point from 93% to 98%. Mean total income from Welfare Benefits after “maximisation” was £141.93 per person, an average increase of 3% on the pre-employment income. However, income was actually increased only for 9 people (9%) as a result of advice (7 and 7% for LD). For these 9 people the increases were significant, the average increase in income from Welfare Benefits being 91%, or £50.03 per week (94% and £50.83 for LD), with the range of individual increases being from 6% to 306% (same for LD).

Table 5: Combination of Welfare Benefit/Working Tax Credits received prior to employment

Source of income	Prior to employment (% of all workers)	After “income maximisation” and prior to employment (% of all workers)
DLA(Care)+DLA(Mob)*	0.9%	-
DLA(Care)+DLA(Mob)+ IS	47.1%	69.2%
DLA(Care)+DLA(Mob)+ IB/SDA	27.9%	16.3%
DLA(Care)+DLA(Mob)+ IS+IB/SDA	9.6%	5.8%
IB/SDA only	3.8%	0.9%
DLA(Care only)	1.9%	-
DLA(Care)+IS	1.9%	2.9%
DLA (Care)+ IB/SDA	0.9%	-
DLA(Mob)	-	0.9%
DLA(Mob)+ IB/SDA	1.9%	-
DLA(Mob)+IS	0.9%	2.9%
IS only	-	0.9%
JSA	1.9%	-
Training Allowance	0.9%	-
Total	99.6% ⁺	99.8% ⁺

* One person also received a salary. + Less than 100% due to rounding.

Salary, Welfare Benefits and Tax Credits received after employment

The average salary earned in employment was £134.29 per week (£129.60 for LD). The average hourly rate was £6.11 per hour (£6.09 per hour for LD), 14% above the adult National Minimum Wage of £5.35 in place for 2006/07. Clearly, on its own, salary was slightly lower than both the average pre-employment and the “maximised” Welfare Benefit incomes before employment. However, 40.4% of the workers had a higher gross income from salary alone, than their maximised Welfare Benefit income before employment (34.1% for LD).

Table 6 shows the Welfare Benefit profile after workers had been found a job and started receiving a salary. As we can see there has been a transfer from Income Support to Working Tax Credit as a result of the North Lanarkshire's Welfare Benefits advocacy and supported employment. DLA, as a non-means tested benefit, remained in place after employment was found and was received by 99% of workers. Sixty percent of workers received Income Support before entering employment (57% for LD) and none received it after. Eighty-nine percent of the workers received Tax Credits when in employment (91% for LD). Overall, Welfare Benefits represented 99.4% of income before employment, 100% after maximisation, and 48.5% when in employment (98.7%, 100%, and 49.7% respectively for LD). Eight- percent of workers (2% for LD) also received a one-off Job Grant payment.

Welfare benefit income fell from an average of £137.60 per person before employment (£139.51 for LD), to £60.18 when employed (£62.18 for LD); Working Tax Credit rose from an average of £0 per person before employment to £61.87 when employed (£60.47 for LD); and salary rose from an average of £1.73 per person (only 1 of 104 people) before employment to £134.29 when employed (£129.60 for LD).

Table 6: Combination of Welfare Benefit/Working Tax Credits after work

Source of income	When in employment (% of all workers)
Tax Credit only	0.96%
DLA(Care)+DLA(Mob)+ Tax Credit	74.0%
DLA(Care)+ Tax Credit	5.8%
DLA(Mob)+ Tax Credit	1.9%
DLA(Care)+DLA(Mob)+ Tax Credit	4.8%
DLA(Care)+ Tax Credit	1.9%
DLA(Care)+DLA(Mob)+IB/SDA	8.7%
DLA(Care)+IB/SDA	0.96%
DLA(Mob)+IB/SDA	0.96%
DLA(Care only)	0.96%
Total	100.9%*

* Greater than 100% due to rounding

Overall, there was a reduction in government payments to these workers through Welfare Benefits from a mean of £137.60 per person before employment (£139.51 for LD) to a mean of £122.05 per person through residual Welfare Benefits and Working Tax Credits after employment (£122.65 for LD), a fall of 11.3% (12.1% for LD). Any savings were modest at £15.55 per person per week (£16.86 for LD). This represents a total saving to the taxpayer of per year £84,032 for the total group of clients (£77,168 for LD). Versions of Table 5 and 6 for people with learning disabilities only are reproduced in Appendix 3 (Tables A2 and A3).

Better off calculations for workers

Overall, average total gross income from all sources after employment was £256.34 per week per person (£252.25 for LD). From the perspective of the worker with a learning disability, the difference between the Welfare Benefits they received before

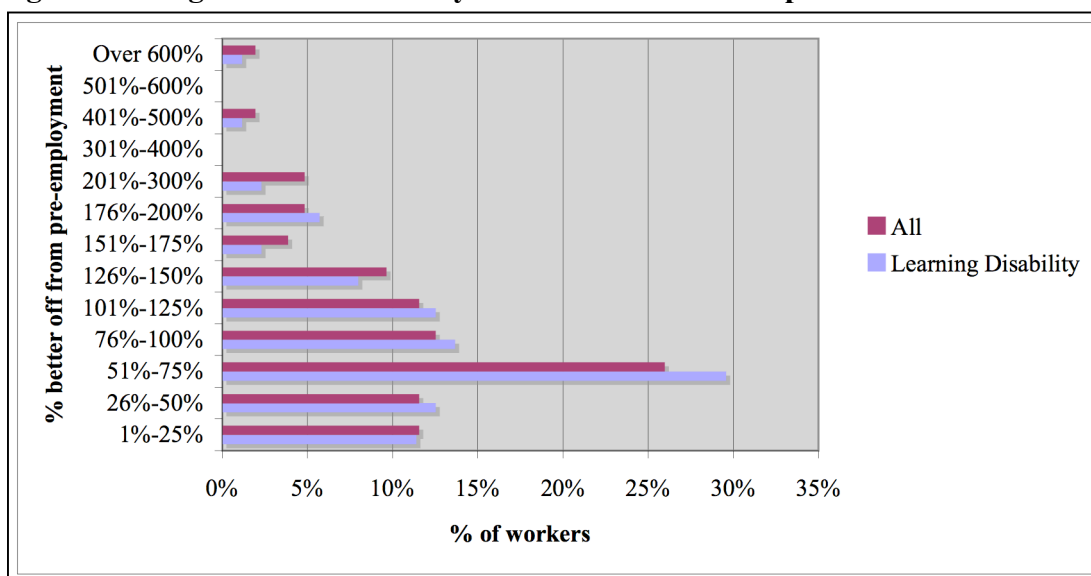
entering work, and the total income after employment (wages + retained Welfare Benefits + new Welfare Benefits + Working Tax Credits - housing charges³) was +113.2%, based on 104 people for who we have all data (+94.8% for 88 people with LD). Figure 3 shows the distribution of how better off people were. For all clients, and for people with learning disabilities, the most common increase in gross income through employment was between 51% and 75%. A slightly greater proportion of people from other client groups (mental health, brain injury etc.) were represented in the 200%+ better off categories than people with learning disabilities. However, people with learning disabilities showed the full range of better off outcomes.

We have no better off figures net of Tax and National Insurance, as North Lanarkshire does not collect this data. However, using Tax Benefit Model Tables for 2007 (DWP 2007) we were able to estimate the tax paid by these workers (assuming single person, over 25 with no children). Based on earned income, we estimate on average people would pay £16.91 tax/NI per week (£9.80 for LD). This would reduce income in employment to an average net figure of £239.43 per week per person (£242.45 for LD). Percentage better off in employment, net of tax/NI, would therefore be reduced only slightly to +102.7%, based on 104 people (+86.8% for 88 people with LD).

Residential care costs

Our better off figures include residential care charges on income. In North Lanarkshire the LA has agreed to modify its policy to ensure the worker remains better off rather than having the majority of their earned income taken in care charges. People in residential care normally receive Income Support, from which they can keep £21.15 per week,⁴ the balance contributing to care costs. North Lanarkshire have agreed that for people in work they will disregard a figure equal to the Income Support Personal Allowance (£60.50) + reasonable travel and lunch costs, and then deduct only 50% of remaining earned income for care charges. The result is a slight increase in LA contribution to care costs, but it maintains a strong incentive for the worker (See Appendix 5 for a worked example).

Figure 3: Range of how financially better off workers are per week



³ Only effects 11 people in total (9 LD), and is a reduction of income due to a residential care charge.

Cost per person of SE and Locality Support Services

We can provide an analysis of the comparative costs of supported employment with North Lanarkshire's reformed day service, based on Locality Support Services (LSS) for 2007/08.

Table 7 shows the budget and numbers of people served by NLSE and the reformed Locality Support Services in 2007/08. The table shows two measures of usage, "Maximum Capacity" and "Actual Capacity" and total budget for 5 Locality Support Services and NLSE.

The annual costs of SE in North Lanarkshire, based on 2007/2008 budget was £4,304 per person per year, based on the notion of the services "actual capacity"- that the service is working with 202 people, some in jobs, others in the process of finding jobs. This can be compared to the Locality Support Service, which catered for 295 people on a full- and part-time basis with an annual cost of £14,998, also based on 2007/2008 budget. We have data that suggests that in October 2007, NLSE was working with 210 people of whom 129 were employed, suggesting that "Actual Capacity" figures for NLSE were sensible.

We were unable to compare SE with LSS on the basis of hourly provision as data was not available in a cost effective way for full- and part-time attendance at the LSS, nor actual hours of involvement at any time with people undergoing Vocational Profiling etc.. No data was available on any usage of both SE and LSS by people with learning disabilities. In terms of comparison of the costs SE with new styles of day service the comparison on the basis of "actual capacity" determined by Social Work Services is probably the best estimate as both SE and Locality services will provide activity for people for a range of hours per week and have some inflow and outflow of clients.

Table 7: Comparison of costs and numbers served by Locality Support Services and Supported Employment

Service	Maximum Capacity	Actual Capacity	Annual Budget	Cost per Maximum Capacity	Cost per Actual Capacity
Airdrie Locality Services	64	54	£665,280	£10,379	£12,320
Belshill Locality Services	48	48	£830,047	£17,293	£17,293
Coatbridge Locality Support Services	66	45	£921,683	£13,965	£20,482
Cumbernauld Locality Support Services	76	68	£850,555	£11,192	£12,508
Wishaw Locality Support Services	80	80	£1,156,752	£14,459	£14,459
Total of Locality Support Services	334	295	£4,424,317	£13,246	£14,998
North Lanarkshire Supported Employment	256	202	£869,338	£ 3,396	£ 4,304

⁴ Rate set in the Statutory Instruments 2008 No.593, National Assistance Services, England.

Cost per job of SE and Locality Support Services

We can however, calculate the cost of SE based on the number of people actually in employment during the year 2007. We have data for the period January to October 2007 that can be matched to the budget figures for the year. Here the average number of people in employment during the year was 122 people⁵ (ranging from 109 in January to 129 in December 2007). Using an average figure of 122 people in employment for the year, the cost per employed person of SE rises to £7,126 per job at 2007/08 budget prices. This still represents 47.5% of the cost of a LSS place.

Cost per person of SE and pre-reform Day Centres (2005/06)

We can also compare actual expenditure the SE with Day Centres in North Lanarkshire before they were reformed into Locality Support Services. We have figures for SE and for 6 day centres in 2005/06. The equivalent costs to those shown in Table 7, would be 405 “registered capacity” at day centres and a cost per place of £12,218 (2005/06 prices), and 140 “attendees” at SE and a cost per place of £4,976 (2005/06 prices). We can again inflate⁶ these to obtain comparative prices of £13,195 for day centres, and £5,374 for SE (2007/08 prices). SE represented 40.7% of the cost of a day centre place based on these data.

We can compare these figures with the latest estimates we have for day service costs produced for England by the Personal Social Services Research Unit (PSSRU, 2007). These show that the average cost of a day centre place in 2006/07 was £36 per session, or £18,000 for a year based on 500 sessions per year. This includes land and capital charges which the North Lanarkshire cost figures do not. If we take land and capital charges out of the PSSRU estimate and inflate to 2007/08 prices⁷, the annual cost of a day centre place would be £15,904 per place per year. Clearly the NLSE costs of £4,304 per place (and even at £7,216 per job) are far lower than we might expect for a current Day Centre place.

Cost savings to Social Work Services?

It is not possible to say whether Social Work Services have reduced their overall budget because of the development of supported employment. The investment pattern in day service reform in general, and the costs of developing new Locality Support Services in particular, combined with growth of client numbers over time, means the figures too complex to be analysed in this exercise. However, if we take the total number of people with learning disabilities supported by day services of all types⁸ during the day, and we use “actual capacity” numbers for each service, SE’s share of clients has risen from 25.7% in 2005/06, to 41.6% in 2007/08. With the difference in cost per place/job between SE and LSS, there is certainly the potential for SE contributing to a more cost effective service overall.

⁵ The average number employed for the full year might be slightly different because of job gains or losses in the last three months.

⁶ Inflated from 2005/06 to 2007 using 1.08 (RPI change) from:
www.statistics.gov.uk/StatBase/tsdatatset.asp?vink=7172&more=N&All=Y

⁷ Inflated from 2006/07 to 2007 using 1.04 (RPI change) from:
www.statistics.gov.uk/StatBase/tsdatatset.asp?vink=7172&more=N&All=Y

⁸ Based on original 5 day centres mentioned on page 7.

Financial Cost:Benefit Analysis- Indicating areas of uncertainty

It was not possible to carry out a full financial cost:benefit for the government of NLSE because of limitation in the data. For example, NLSE supported employment do not keep detailed data on tax and NI payments, which are an important flowback to government to employment. Also, while we have data on Training Grant receipts, but no data are available on Access to Work payments, an important source of government investment to support people in work.

However, it is useful to review the factors that contribute to such an analysis, to identify where there are uncertainties, and how these may impact on cost:benefit from the government perspective. A cost:benefit framework can be carried out by comparing the costs incurred by government with and without the service in question, in this case NLSE. It can be done based on total costs, or in this case, costs per client. We can summarise the relevant items in the situation with, and without NLSE in a cost:benefit model as follows (a more detailed version is given in Appendix 1):

1. *Cost of NLSE to North Lanarkshire Social Work Services-* For SE services, we can either use the cost of all people served (including those who have no jobs but are receiving Vocational Profiling and other inputs for a number of hours per week from the team)- £4,304; or the costs per job, which represents an average placement time of 22.1 hours per week- £7,216 pp pa. Clearly the choice will influence the outcome.

2. *Access to Work and other work-based government subsidies-* Clearly all those working over 16 hours per week will be eligible for Access to Work payments to assist them into work. For people with learning disabilities, this is commonly spent on taxi fares to get to or from work, and provide for the cost of any job coach support. In this case the money would effectively go to a third party. For people with physical or sensory disabilities there may be more call on the funding for workplace aids and adaptations. There are also other forms of government expenditure that can be drawn upon. We know that in the North Lanarkshire data 8 people (8%, people with learning disabilities) received a Job Grant (2 people with learning disabilities- 2%). The Job Grant is a tax-free payment payable to the person (income) if people are taking up full time work of at least 16 hours per week, and is currently a one-off payment of £100 or £250. Other possible government expenditure currently include Work Preparation⁹, which can pay a service for up to 13 weeks to provide confidence-building, identification of suitable types of work and work experience; and Job Introduction Scheme, which can pay a wage subsidy of £75 per week to an employer for up to thirteen weeks when they employ a disabled person.

The expenditure implications can therefore be very individual, depending on the problems being overcome.

3. *In-work benefits/Working Tax Credits to disabled workers-* We know that these remain significant due to the increased take-up of DLA and high rate of claim of Working Tax Credit by workers through NLSE. The average annual figures for all

⁹ Merger of Work Preparation and Job Introduction Scheme into the WORKSTEP programme are under consultation early in 2008.

workers in SE are therefore- Welfare Benefits while in work- £3,130; Working Tax Credits- £3,217 pp pa.

4. *Welfare benefits paid to displaced non-disabled workers when unemployed-* We can assume that disabled people (in this case mainly people with learning disabilities) are as productive as their non-disabled colleagues in the jobs they have been match for by NLSE. We can also assume that if NLSE, a specialist agency, had not found them job, then the job would be being done by a non-disabled person, who would not have needed the help of a SE agency to overcome barriers to employment. The reverse is that, as a disabled person has this job then a non-disabled person is not working who could have had a job, given that there are not more jobs than people in the labour market. These non-disabled people would be receiving some form of Welfare Benefit, most likely JSA. This is a legitimate government cost associated with the NLSE service. If we estimate the likely income (see Appendix 2) it is likely to be around- £3,648 pp pa..

5. and 12. *Financial flowback to government from production (VAT on products)-* Mainly relevant if people are working in goods production or sales. Theoretically, if there is a difference between the productivity of disabled workers and non-disabled workers, it could lead to greater goods or sales output and greater tax revenue to the government based on increased sales. Given the relatively small numbers involved, the impact of any differences would be tiny, and many work in services where sales are not a feature, and so we have made these two factors equal at zero.

6. *Tax NI paid by Disabled workers-* This was available to us in this study. However, we estimated from Tax Benefit Model Tables, using the assumption that all disabled workers would be single. This gave us an estimate on based paid income and Working Tax Credit of on average- £567 pp pa..

7. and 13. *Indirect tax on disabled people's incomes (VAT on goods purchased)-* We assume that all of people's income is spent on VAT whether in employment (7.) or out of employment through Welfare Benefits (13.) is spent on goods that are VATable and that 17.5% of their income comes back to government as VAT. The final calculation represents, therefore, the situation where any additional income obtained through getting a job yields VAT income in employment (£2333) and out of employment (£1252) pp pa..

8. and 15. *Indirect tax on non-disabled people's benefit incomes (VAT on goods purchased)-* Same assumption as in 7. and 13. above except for non-disabled people in employment (£1038) and displaced (£639) pp pa..

9. *Costs of alternative Locality Support Service for disabled people without SE-* If NLSE did not exist it is logical that they would be receiving a day service through a Locality Support Service- We have established that this would be £14,998 pp pa.. We have established that although people worked for some of the week (albeit over 16 hours per week in the majority of cases) only one person attended a Locality Support Service also. The costs of NLSE and LSS are therefore independent budgets and can legitimately be compared.

We also assume here that in a situation without NLSE, the unit cost in LSS would remain the same with an additional 119 people using the service, and that total LSS budget would have to rise. If overall costs and resources stayed the same, but those resources served 119 more people, unit cost would in fact fall, and the cost:benefit analysis would change significantly. However, arguably, the standard of service received by all participants in LSSs would be reduced in these crowded circumstances.

10. *Welfare benefits paid to disabled workers when unemployed-* We assumed that people would receive the same Welfare Benefits as they did before entering employment. These are directly calculated from our database- £7155 pp pa..

11. *Cost of any additional government support to non-disabled people-* This will be mainly the provision of Working Tax Credits to non-disabled people on low wages in work, Housing Benefit and Council Tax Benefit. They would be entitled to different elements of the Working Tax credit (e.g. not the disability or severe disability elements) depending on any children supported. We have estimated from the family profile of the displaced non-disabled workers, the Tax Credits they would be entitled to using Tax Benefit Model Tables for 2007- £720 pp pa.. Housing Benefit and Council Tax Benefit are more difficult to estimate, as they are dependent of tenure type. We estimated these in the simplest way using local authority tenure and low rent assumptions- £1,076.

14. *Tax NI paid by non-disabled workers-* We can assume that non-disabled people in these jobs would earn the same wages. Having estimated the number of displaced people and their earned income, we can estimate the tax and NI yield from Tax Benefit Model Tables- £373.

Table 8 summarises the figures that we do have within this cost:benefit framework.

Table 8: Indicative illustration of costs and flowbacks per person p.a. to government for North Lanarkshire Supported Employment (NLSE) (2007 prices)

	<i>Situation with NLSE</i>		<i>Situation without NLSE</i>	
	Costs (A)	Flowbacks (B)	Costs (C)	Flowbacks (D)
LA-funding	1. NLSE ^{&} - £7,216 2. £? ⁺	5. £0	9. Cost of LSS- £14,998 ⁺	12. £0
Disabled workers in NLSE	3. In-work benefits£3,130/Tax Credits-£3,217	6. Tax NI- £567 ⁺ 7. Indirect tax on income-£2,333	10. Welfare Benefits paid when unemployed= £7,155	13. Indirect tax on income-£1,252
Non-disabled workers displaced by NLSE	4. Out of work welfare benefits-£3,648	8. Indirect tax on income- £638	11. In-work tax credits when people employed-£1,076	14. Tax NI-£373 ⁺ 15. Indirect tax on income-£1,038
Total	£17,211	£3,538	£23,229	£2,663
Net cost ^{*+} to government	-£6,894			
Ratio of flowbacks to costs with NLSE ⁺	0.21			

*Calculated as columns (A-B)-(C-D).

+ Note that the missing elements in 2., tax estimation in 6. and possible multiple usage issue for 9. make this an indicative illustration only.

& Note that no costing was available for the welfare rights advisor input to first home visit.

It shows an indicative illustration (with caveats) of net cost comparing the situation with and without NLSE for government expenditure. This suggests that the figure per job may be nearer a net saving of £6,894. Table 8 also provides a net financial cost:benefit ratio for the situation with NLSE only, which is 0.21. This suggests a potential saving to the government of 21p for every £1 invested in NLSE. We underline that these figures are only indicative as they are heavily reliant on assumptions and there are some key elements that remain not quantified.

Further estimates of the cost:benefit to government under different assumptions are given in Appendix 2 (Table A4). This suggests that the net cost might range markedly from the greatest saving of £9,806 if we use a gross cost figure of £4304 pp pa for NLSE, based on Actual Capacity, rather than average jobs in 2007; to a lowest saving of £6,119 if we estimate an Access to Work cost if taken up by 50% of disabled workers at national average cost per person.

Table 9: Summary of outcomes for North Lanarkshire Supported Employment (NLSE)

Variable	Employees 2007	People with learning disability 2007
Number of people being worked with at Oct. 2007	210 people	189 people
Number of people served using LA's definition of "Actual Capacity" for service	202 people	202 people
Total people found jobs 1998-2007	138 people	110 people
Numbers of people in jobs at Oct 2007	119 people	93 people
Number of workers with all data for 2007	104 people	88 people
Average hours worked per week	24.2 hours	22.1 hours
Percentage of people working 16 hours or more pw	91.3%	89.9%
Percentage of people increasing income through welfare benefit advice alone	9%	9%
Average percentage of these workers better off from pre-employment, after welfare benefit advice	91%	94%
Average gross wage per week in work	£134.29 per week	£129.60 per week
Average gross total income per week in work	£256.34 per week	£252.25 per week
Average percentage workers better off from pre-employment, when in employment	+113.2%	+94.8%
Average percentage worker better off after <u>estimated</u> of Income Tax/NI	+102.7%	+86.8%
Salary as a percentage of income in employment	51.5%	50.3%
Percentage of workers taking-up of DLA before job	93%	95.4%
Percentage of workers taking-up of DLA in job	99%	98.9%
Percentage of workers taking-up of Working Tax Credit in job	89%	91%
Percentage reduction in welfare benefit/tax credit through going into job	-11.3%	-12.1%
Cost of NLSE pp pa based on "Actual Capacity"	£4,304	<-----
Cost of NLSE pp pa based on people in jobs	£7,216	<-----
Cost of alternative day service- North Lanarkshire Locality Support Service (2007)	£14,998	<-----
Cost of alternative day service- North Lanarkshire Day Centre (2005/06 inflated to 2007/08)	£13,195	<-----
Cost of alternative day service- England Day Centres (2006/07 inflated to 2007/08)	£15,904	<-----
Net cost to government of NLSE based on financial cost benefit (must be read with the caveats in text)	-£6,894 (A net saving)	<-----
Benefit:Cost ratio to government for NLSE based on current estimated financial flowbacks and costs	0.21	<-----

Conclusions

Outcomes for people with learning disabilities and others

North Lanarkshire have been successful in working with a general Social Work Services population of people with learning disabilities, extending their work more recently to people with mental health issues and some other disabilities. This has been with relatively unfavourable unemployment levels locally. They have found people with learning disabilities paid employment of 16 hours per week or more, with over 88.9% being found jobs of this type (91.3% of all clients). This has been part of a conscious strategy to target full-time jobs because it makes sense in terms of its impact on income; the quality of experience and outcome jobs of this type offer people with learning disabilities; and because it offers access to Working Tax Credits to support total income.

It has often been said that the greater the amount of Welfare Benefit a potential worker receives, the more difficult it is to find that person a job. The North Lanarkshire data suggests that assessing people's Welfare Benefits and increasing them can contribute to the move into employment. It is reported by the managers of the NLSE service that good welfare rights advice, with employment at National Minimum Wage for 16 hours per week plus and Working Tax Credit firmly part of the modelling, can help families and people with learning disabilities take the decision to enter employment. Ensuring that any entitlements to non-means tested benefits are maximised is also important to maximise total income blended from salary and surviving Welfare Benefits when people enter employment.

The personal outcomes for workers are impressive. The average gross wage income was £134.29 per week (£129.60 for LD), and the average income, including in-work Welfare Benefits and Working Tax Credits was £256.34 per week per person (£252.25 for LD) leading to an average income increase from pre-NLSE involvement of +113.2%, (+94.8% for LD).

Changes in Welfare Benefit and Working Tax Credit take-up

It is important to recognise that this has not been achieved by salary alone. The fact that people with learning disabilities often are restricted to lower paid jobs has not changed. The increases in income have been achieved by maximising pay, non-means tested benefits such as DLA, and Working Tax Credits. From the government's perspective getting people into employment has not taken people off of Welfare Benefits entirely. It has shifted people from use of Income Support to almost all workers taking-up Working Tax Credit. Use of DLA has been slightly increased also. Overall, government contribution through Welfare Benefits and Tax Credits has fallen by 11.3% (12.1% for LD). However, Welfare Benefits/Working Tax Credit fell from being 99.4% (98.7% for LD) of income before, to 48.5% (49.7% for LD) of total income, after employment.

At face value, therefore, savings to the government of an investment in supported employment are modest in terms of reduction in terms of overall Welfare Benefit savings. However, a broader financial cost: benefit analysis does suggest that there are potentially more significant cost savings coming through this investment in SE. Although there are factors that still have to be more accurately factored in, such as Access to Work take-up and extent use of other day services alongside SE, there

appears to a potential saving to government of around £6,894 per person per annum compared to an alternative day service place when all relevant costs and financial flowbacks to the Exchequer are factored in (range- a saving of -£9,806 to -£6,119 depending on assumptions made).

It is not easy to validate whether the introduction of SE has led to cost savings for North Lanarkshire as a local authority. Significant changes have taken place to reform day services generally in North Lanarkshire with additional resources being included here. The pattern of full time and part-time use of Locality Support Services is complex and we have no data to compare on an hourly basis with supported employment. However, there has been a fall in overall number using Locality Support Services from the time when provision was through more traditional day centres in 2005/06, and the provision of so many hours of activity through NLSE (estimated at 2,726 hours per week) must have been a factor in this. There also seems to be a real difference in cost per place in SE's favour, with NLSE costing £4,304 per place per annum, or £7216 per job per annum, compared to £14,998 for a locality Support Service place. This must represent a potential at least for more efficiency in use of LA resources.

How this has been achieved

These achievements are not due to luck, and we must recognise that this situation is the result of a sustained period of development and investment, and represents the benefits of a mature SE agency, rather than a new and inexperienced one. Also, this success has been achieved through a particular approach in North Lanarkshire:

- Having a consistent supported employment approach with expectations that all stages will be completed, and with a minimum investment of time (See Table 1, page 4)
- The SE process invests significant time in being with the prospective worker in a range of settings, some social, to get a better understanding of their capacities.
- Being clear with prospective workers and their families that work at 16 hours or more is the service's goal
- Leadership within the local authority that the 16 hour goal is the correct approach to maximise outcomes for people and for SE to act as an effective mechanism for day service reform
- Providing expert welfare rights advice as an integral part of the supported employment process that provides reassurance that income will increase in employment through a blend of earned income, non-means tested benefits and Working Tax Credits
- Financial investment to provide adequate job coach resources to deliver the SE process

Implications for policy

It would seem that investment in supported employment can help get people with learning disabilities on local authority registers and currently in day services, into paid employment. However, it is likely that this can only be achieved with this client group if the key approaches used in North Lanarkshire, bulleted above, are replicated, particularly the focus on 16+ hours per week. While there is much provision that goes by the name of supported employment in the UK, not all of it has the characteristics

of the North Lanarkshire programme. WORKSTEP, and other government Personal Advisor based programmes do not provide for the intensive approach suggested by the North Lanarkshire experience. The face value cost of £7216 per job is higher than many unit costs within these other programmes and it seems unlikely that they can replicate these outcomes unless investment is at a level to ensure the process can be delivered. However, the savings suggested by the financial net cost:benefit figures, and the growth in overall numbers in jobs over time, suggest that the cumulative effect of using this method will drive down the unit cost over time as more people enter work.

The North Lanarkshire programme is large by some agency standards with a complement of 16 job coaches. The framework of process description, training and management are clearly important to the consistency attained, and the outcomes achieved. It is unlikely that the performance could be replicated with smaller services with 3-4 job coaches. Clearly this is a mature agency. The figures quoted are therefore what one might expect it to cost if investment were being channelled through existing, well-established agencies. If agencies were being established from scratch to deliver a model like this, one would expect much higher per capita costs in the first 3-5 years.

It seems likely that, to replicate results such as these, even in existing agencies, it would require:

- Investment at a significant level to provide enough job coach and Welfare Rights Advice and management resources.
- Effective training in the process
- Replication of the intensive SE process, and including expert Welfare Rights Advice
- Monitoring to ensure the process is delivered to an adequate level of intensity

If it can be delivered more widely, the North Lanarkshire experience would suggest that many more people with learning disabilities registered with Social Work Services could be brought into paid employment than is currently the case.

Reducing uncertainties

To obtain a more accurate costing of the model we do need more detailed work through a prospective method of “total package” costing to quantify factors such as:

- Welfare Rights Advice input
- Hourly pattern of use of alternative day services
- Take-up of Access to Work, Housing Benefit and Council Tax Benefit and any other central government programme funding
- More data on Tax and NI payments on income
- Impact of capital and land costs on alternative day services

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Appendix 1: Description of Government Costs and Flowbacks

The aim of an analysis of this type is to determine the net cost of NLSE taking into account how much it costs, and how much it returns, to the government. To do this, an analysis must calculate financial costs and flowbacks to the government in the situation in 2007 where we had NLSE, and in a situation where it did not exist. Necessarily, calculation of costs and flowbacks in a situation without NLSE involves making assumptions and estimations. We present, therefore, a central set of calculations representing our ‘best estimate’ of net cost, and an additional set of estimates where our central assumptions are changed to reflect other possibilities.

In the situation where NLSE existed in 2007, the relevant **costs** include:

- the cost to the Government of delivering the service, through the Local Authority;
- the cost of additional employment support, particularly Access to Work.
- the cost of providing in-work Welfare Benefits and Working Tax Credits to disabled workers; and
- providing out of work Welfare Benefits paid to displaced non-disabled workers. (We must assume that if disabled people were not helped to work in these jobs then non-disabled people would do them. The reverse is that a disabled person in a job displaces a non-disabled person from work. In terms of cost to government we must take account of this).

In the situation with NLSE, appropriate **flowbacks** are:

- the tax and national insurance paid by disabled workers; and
- VAT receipts from disabled workers from their spending of income from being in employment.

In the situation where NLSE did not exist, there would be **no costs** of delivering the programme, but the following costs would be incurred:

- Welfare Benefits paid to disabled workers now unemployed; and
- the cost of providing alternative day activity for disabled people no longer employed.

In the situation without NLSE, **flowbacks** to the government will occur through:

- income tax and national insurance paid by non-disabled workers now employed; and
- indirect taxes, such as VAT, from the income received by non-disabled workers now employed.

The net cost of NLSE will be the difference between expenditure in the situation with and without NLSE, less the difference between the flowbacks in the situation with and without NLSE. Table A1 summarises the elements that have to be calculated or estimated, in the two situations.

1. Cost of NLSE
2. Access to Work and other work subsidies
3. In-work benefits/Working Tax Credits to disabled workers
4. Welfare benefits paid to displaced non-disabled workers when unemployed
5. Financial flowback to government from production (VAT on products)
6. Tax NI paid by Disabled workers

7. Indirect tax on disabled people's incomes (VAT on goods purchased)
8. Indirect tax on non-disabled people's benefit incomes (VAT on goods purchased)
9. Costs of alternative Locality Support Service for disabled people without SE
10. Welfare benefits paid to disabled workers when unemployed
11. Cost of any additional government service to non-disabled people
12. Financial flowback to government from production (VAT on products)
13. Indirect tax on disabled people's benefit incomes (VAT on goods purchased)
14. Tax NI paid by non-disabled workers
15. Indirect tax on non-disabled people's incomes (VAT on goods purchased)

Table A1 Summary of costs and flowbacks for North Lanarkshire Supported Employment (NLSE)

	<i>Situation with NLSE</i>		<i>Situation without NLSE</i>	
	Costs	Flowbacks	Costs	Flowbacks
LA-funding	1. NLSE	5. VAT on production	9. Cost of Locality Day Service	12. VAT on production sales (Assume equals 6).
	2. Access to Work funding	sales (Assume equals 13).		
Disabled workers in NLSE	3. In-work Welfare Benefits/Tax Credits	6. Income Tax & National Insurance	10. Welfare Benefits paid when unemployed	13. Indirect tax on income
Non-disabled workers displaced by NLSE	4. Out of work Welfare Benefits paid to displaced non-disabled workers	7. Indirect tax on income	11. In-work tax credits when people now employed	14. Income Tax & National Insurance
		8. Indirect tax on income		15. Indirect tax on income

The detailed assumptions and methods of calculation of each of these elements for the year 2007 follow. The calculated costs and flowbacks are given in Table 8 in the main text:

Situation with NLSE- Costs

LA costs- Per capita costs for NLSE is based on the agreed budget for the year divided by the average number of jobs in 2007 (122) to provide a cost pp pa.. There is a brief, but important involvement of Welfare Rights Advisors in the first home visit to ensure an effective maximisation of benefit income and better off calculation for being employed. While this involves only a few hours at the beginning of the process, we have no estimate of a per capita cost for this.

Cost of additional employment support- Per capita costs of Access to Work or other support payments for any worker were unknown. The amounts of one of payments or expenditure over a number of weeks would normally be totalled, turned into an average weekly cost, multiplied by 52 and divided by the average number of jobs in 2007 (122) to provide a cost pp pa..

Cost of in-work benefits and Working Tax Credits- Per capita costs of these were the sum of all in-work benefits and Working Tax Credits claimed per week divided by the average number of people in work in 2007 (122) to provide a cost pp pa..

Cost of non-disabled workers displaced- Costs are dependent on a calculation of number of people who might be displaced by disabled people being helped into employment. The formula used to calculate this takes into account relative productivity of disabled and non-disabled people:

$$N_A = (n_D \times (P_D / P_A)) - n_{PW}$$

Where :

N_A - Number of displaced non-disabled workers

n_D - Number of disabled workers employed through NLSE

n_{PW} - Number of disabled workers employed under Permitted Work rules

P_D - Productivity of disabled workers employed through NLSE

P_A - Productivity (or output) of non-disabled workers in these jobs

Our central assumption is that $P_A = P_D$ in that disabled workers have the same productivity as non-disabled workers. In this situation, displacement is one-to-one. We reduce this by the number of people on Supported Permitted Work, as they are working small numbers of hours and it is likely their job would be absorbed into the work of others by the employer, albeit with a loss of productivity on their part.

Welfare Benefit Entitlements of Displaced Non-disabled Workers- The characteristics of those displaced are important in estimating their entitlement to Welfare Benefit payment if in unemployment. Principal considerations are their married status, gender and number of children. It seems fair to assume that those workers displaced by NLSE in the general workforce would reflect the marital status and gender characteristics of the national workforce as a whole. The proportion of males and females working full-time and part-time in the workforce in 2007 are taken from Labour Market Statistics Table 5.1, Employees, Male and Female (Dec. 2007). The marital status of those in the workforce is determined by applying figures from the General Household Survey, Table 3 (2006) to the Labour Market gender statistics. The average number of dependent children per household is also taken from the Family Expenditure Survey, Table 3 (2006).

The percentage of people with different married status, and with children, are applied to the number of people displaced and then multiplied by the appropriate level of JSA payment, including supplementary payments for numbers with children. The JSA payment levels are set at the average of applicable levels at 1st April 2007. The estimates of Welfare Benefit income are conservative as it is assumed that married women displaced have working partners and are therefore ineligible for Welfare Benefit income. Additional Housing and Council Tax Benefit income are estimated from total household income using the appropriate household composition model from Tax Benefit Model Tables for 2007.

Tax and NI paid by of Displaced Non-disabled Workers when in work- We assume that any non-disabled people displaced, if they were in employment would work the same average hours of work per week as the disabled workers for the same hourly

wage. We then used Tax Benefit Model Tables for 2007 to estimate people's tax and NI contributions and any Working Tax Credits available, excluding those disabled workers working small hours and likely to be using Supported Permitted Work arrangements- 2% (2% for LD). The range of weekly tax and NI yield are then totalled and multiplied by 52 weeks to provide an annual total. This is in turn divided by the average number of people in work in 2007 (122) to provide a flowback to government pp pa..

Situation with NLSE- Flowbacks

The Tax and National Insurance Flowbacks from Disabled Workers- Employee PAYE and contributions to NI were unknown. These were estimated from gross salary figures (excluding tax-free benefits) using Tax Benefit Model tables for 2007, assuming people were single. These were totalled and divided by the average number of people in work in 2007 (122) to provide a cost pp pa..

Indirect Tax Flowbacks from Disabled Workers and from Non-disabled Workers Employed- It is assumed that workers will generally earn more in employment than while receiving Welfare Benefits. The existence of NLSE will lead to an increase in indirect tax (VAT) paid by disabled workers based on the difference between net income when in employment and when unemployed and receiving Welfare Benefits. We assume all of the difference in net income due to being employed is spent on VAT eligible goods and generates a 17.5 per cent yield for the exchequer.

Similarly, it is assumed that non-disabled workers displaced by NLSE will earn more in employment if NLSE did not exist. An indirect tax rate of 17.5 per cent is also applied to their net additional spending based on the difference from being in employment, or displaced, and receiving welfare benefits.

Appendix 2: Headings for cost study

- Staff costs
 - Managerial
 - Care Staff
 - Instructors
 - Superannuation
 - National Insurance
 - Manual Workers
 - Other Staff Costs
 - Superannuation
 - National Insurance
- Property costs
 - Furniture and Fittings
 - Electricity
 - Rates
 - Gas
 - Cleaning Materials
 - Cleaning (DSO)
 - Other Property Costs
- Transport
 - Travel & Subsistence
 - Transport Costs
- Supplies and Services
 - Contract Catering (DSO)
 - Provisions
 - Office Equipment
 - Machine Rentals
 - Tools & Equipment
 - Uniforms
 - Crockery, Cutlery
 - Laundry
 - Clothing for Clients
 - Holidays for Clients
 - Clients Requisites
 - Handcraft Materials
 - Other Supplies & Services

No apportionments have been made to any of the services compared for the following overhead costs:

- Central Repairs
- Capital Charges
- Apportioned Expenses
- Area Team On-cost
- Headquarters On-cost

Appendix 3: Welfare benefit tables for people with learning disabilities only

Table A2: Combination of Welfare Benefit/Working Tax Credits received prior to employment for people with learning disabilities only

Source of income	Prior to employment (% of all workers)	After “income maximisation” and prior to employment (% of all workers)
DLA (Care)+DLA (Mob)*	1.1%	-
DLA (Care)+DLA (Mob)+ IS	47.7%	73.9%
DLA (Care)+DLA (Mob)+ IB/SDA	30.7%	14.8%
DLA (Care)+DLA (Mob)+ IS+IB/SDA	11.4%	5.7%
IB/SDA only	1.1%	-
DLA (Care only)	1.1%	-
DLA (Care)+IS	-	1.1%
DLA (Care)+ IB/SDA	1.1%	-
DLA (Mob)+IS	2.3%	3.4%
IS only	-	1.1%
JSA	2.3%	-
Training Allowance	1.1%	-
Total	99.9%⁺	100.0%

- One person also received a salary.
- DLA= Prior 95.4%; Maximisation 98.9%

Table A3: Combination of Welfare Benefit/Working Tax Credits received after to employment for people with learning disabilities only

Source of income	When in employment (% of all workers)
Tax Credit only	1.1%
DLA (Care)+DLA (Mob)+ Tax Credit	83.5%
DLA (Care)+ Tax Credit	3.4%
DLA (Mob)+ Tax Credit	2.3%
DLA (Care)+DLA (Mob)+IB/SDA	9.1%
Total	99.4%⁺

- + Less than 100% due to rounding
- DLA= After employment 98.9%

Appendix 4: Range estimates for government cost:benefit analysis

Table 8 in the main text is based on a set of core assumptions set out above. If these assumptions are modified, the estimates of costs and flowbacks are changed. Table A4 provides a summary of the changes that take place when our assumptions are changed, and provide the reader with an assessment of how sensitive the estimates are to particular assumptions. The table shows that the net cost estimates are most sensitive to the introduction of a different cost for NLSE based on Actual capacity rather than average jobs in the year. The introduction of this reduces the net cost of the situation without NLSE by an average of £2,912 per person and reduces the net cost of the NLSE by 45%. Decreasing the assumed productivity of disabled workers to 50% of non-disabled person decreases the number of non-disabled people they will displaced significantly, leading to a reduction of 22% in the net cost of NLSE. The only change that reduces the net saving to government under this model is adding an estimation of take-up and cost of Access to Work. Using published data on average cost, the net cost reduces the saving by 11%.

The only factors that would significantly reduce the savings in this model would be if there was a significant reduction of the cost of the alternative (or comparison) Locality Support Service, either because of significant use of LSS with NLSE, or a major reduction of unit cost if Eco SE did not exist through much greater people being served for no extra cost.

Table A4 Range estimates for North Lanarkshire Supported Employment (NLSE) using different assumption in cost:benefit calculations

Assumption	Net cost for NLSE	Benefit:Cost Ratio
Central estimate	-£6,894	0.21
NLSE cost at £4,304	-£9,806 (increased saving of 45%)	0.25
Productivity of disabled workers- 50% of non-disabled	-£8,404 (increased saving of 22%)	0.21
Access to Work received by 50% @ £1550 pp pa. ¹⁰	-£6,119 (decreased saving of 11%)	0.20

¹⁰ House of Commons Hansard Written Answers for 3rd April 2008, column 1149W shows expenditure of £64 million in 2007.08 serving 40,000 people, leaving an average cost pp pa of £1550.

Appendix 5: Arrangements for assessing residential care charges in North Lanarkshire- worked example

North Lanarkshire have agreed that for people in work they will disregard a figure equal to the Income Support Personal Allowance (£60.50) + reasonable travel and lunch costs, and then deduct only 50% of remaining earned income for care charges. The figures, formula and the arrangement are not compelled by law. The formula was originally devised by the former Strathclyde Regional Council and adopted by North Lanarkshire on a voluntary basis. The result is a slight increase in LA contribution to care costs, but it maintains a strong incentive for the worker. We can illustrate the arrangement with a hypothetical situation and figures (provided by George McNally):

“The general situation would be that a person in residential care might normally receive Income Support of £86.35, comprising a Personal Allowance of £60.50 and a Disability Premium of £25.35. From the £85.35 they are allowed to keep £21.15 (pocket money). The balance of £65.20 is the amount they will contribute to their care costs. If, for the purposes of the example, that the cost of residential care is £500 per week, then the service user will pay £65.20 with the authority meeting the balance of £434.80.

We may then look at the example where a person, John, works 18 hours per week. He is not entitled to Income Support. In employment he has an income of £180, which consists of his earnings and Working Tax Credit payments. To work out what would be a reasonable amount for John to contribute towards his care costs, take:

- The Income Support Personal Allowance figure, in this example £60.50
- Establish if John has any travel to work costs, let us assume that they are £8 per week
- Allow an amount for lunch expenses, say £2.50 per day (John goes to work for four days per week)
- This would give a total “basic allowance” figure of £78.50.

If we then:

- Take his income from employment- £180 - and deduct the “basic allowance” of £78.50, it leaves us a balance of £101.50
- Take 50% of this, which is £50.75, as the amount which John would contribute towards his residential care costs.

Using this formula the local authority cost would be £449.25. i.e. John's contribution of £50.75 plus the local authority contribution of £449.25 = £500.”

In the particular example, the LA cost would increase from £434.80 to £449.25, a difference of £14.45. LAs would need to agree to take a larger share of the care costs to provide an incentive for the person to work.

Summary of calculation

Basic Allowance		Income	
Personal allowance=£60.50		Earnings and Tax Credits	£180.00
Travel expenses = £ 8.00		minus (Basic Allowance)	£ 78.50

Lunches 4x £2.50 = £10.00			£101.50
	-----	X 50% =	£ 50.75
Total	£78.50		

John's Contribution to his residential care costs = £ 50.75

Local Authority costs = £449.25

Cost of residential care = £500.00

As a result of the formula John would have an income of £129.25.