



House of Commons
Committee of Public Accounts

Gaining and retaining a job: the Department for Work and Pensions' support for disabled people

Sixth Report of Session 2006–07

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

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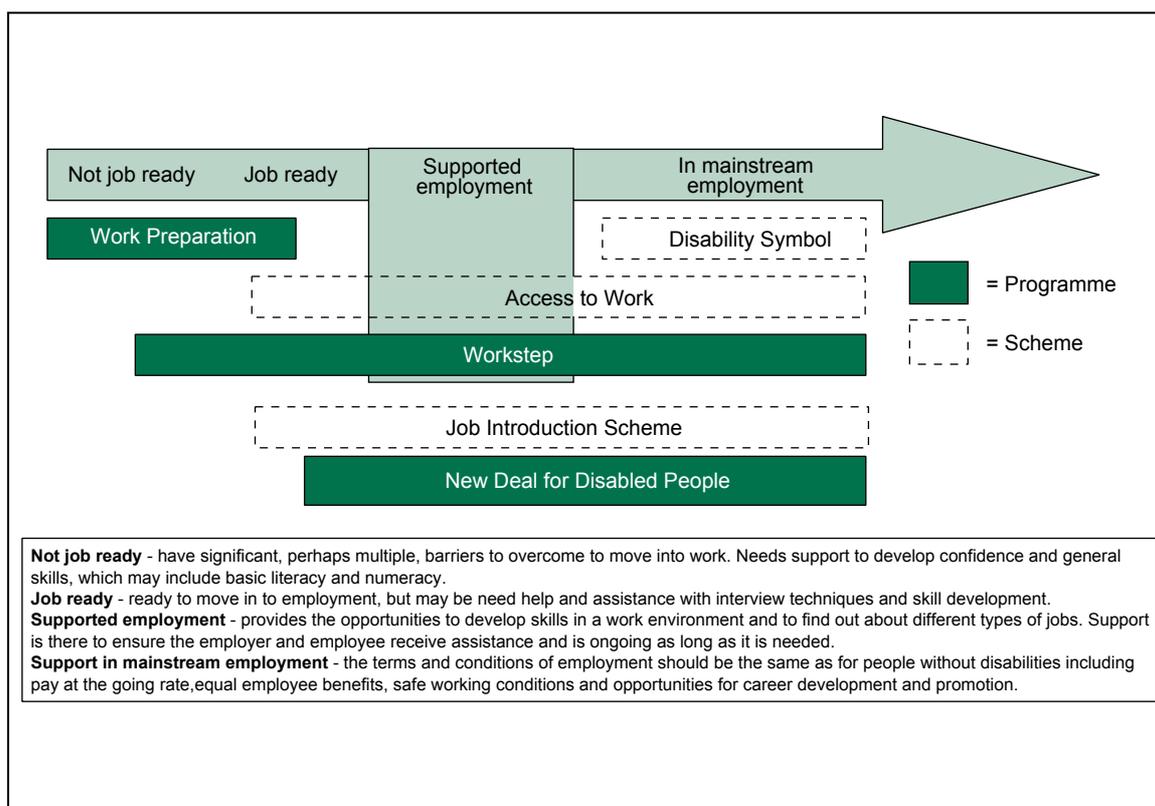
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Summary

More than 1 million of the 2.7 million people on incapacity benefits say they want to work. In 2004–05, the Department for Work and Pensions spent around £320 million funding a number of programmes and schemes to help disabled people find and stay in employment (**Figure 1**). However, these reach only a minority—160,000—of those who could potentially benefit. More needs to be done to increase the numbers assisted into work and to aid job retention if disabled people who want to work are to realise the benefits that work can offer.



Source: National Audit Office analysis

The Department's programmes have arisen over a number of years stretching back to the end of the Second World War. As a result, there is an array of often overlapping provision rather than a streamlined, cohesive suite of services. The Department is undertaking a review of its disability related programmes and wants to introduce more clarity and greater simplification in what is provided. The review is due to report at the end of 2006.

Most people acquire their disabilities during the course of their working life, yet only one programme, Access to Work, focuses on giving people support before they lose their existing jobs. The Department maintains that, although they have a responsibility to promote employment opportunities for disabled people and help them tackle the barriers they face, the main responsibility for ensuring people remain in work lies not with the Department but with the employer. Nevertheless, preventing a person losing a job because

of their disability merits further attention as it seems more efficient than providing assistance and support after this has happened.

There are more than 500 providers contracting with Jobcentre Plus to deliver one or more of the disability programmes. The quality and value for money of provision varies widely and acceptable standards are not always achieved. Between 2002 and 2005, for example, over 50% of the learning offered in Workstep provider placements was judged unsatisfactory by the Adult Learning Inspectorate, although the figure has recently improved.

Despite a contractual requirement to accept all valid self-referrals to the New Deal for Disabled People some providers are discouraging those people who need more help than others. The Department has altered its contract incentives to help alleviate the problem.

Because of the high number of individual providers, Jobcentre Plus has not been able to carry out the required number of quality inspections. A current review of contractor provision may weed out poor performers and result in fewer contractors. The Department is also moving more towards a prime contractor model (where a single provider acts as the directing agent for a number of other sub-contracting providers) in an effort to reduce the administrative burden, while maintaining access to specialist services.

Remploy is funded by a block grant from the Government. It operates a job placement and support service called Remploy Interwork that is highly effective in progressing people into mainstream unsupported employment. Remploy also operates a number of different businesses, including 83 factories. The factories do not progress many people into mainstream, unsupported employment and collectively the businesses make losses. Nevertheless, it is possible that Remploy Interwork's success is due to its close association with Remploy. The Department commissioned a review of Remploy to inform ministerial consideration of its future configuration.

On the basis of a Report by the Comptroller and Auditor General,¹ the Committee examined the Department on the quality of its programmes, management data and the performance of Remploy.

¹ C&AG's Report, *Gaining and retaining a job: the Department for Work and Pensions' support for disabled people* (HC 455, Session 2005–06)

Conclusions and Recommendations

- 1. There are 6.7 million disabled people of working age, of whom around 50% are in employment.** Barriers preventing many disabled people from taking up a job include employer attitudes and misconceptions, lack of awareness of the support that is available, health conditions, local labour market conditions and a lack of adjustments to work premises. In addition, disabled people may need additional support to overcome a lack of confidence and self-belief from having been out of work.
- 2. The Department has a confusing suite of six programmes, which have grown up over the last 60 years.** The distinction between the different programmes and schemes is sometimes artificial and the current review of provision should pinpoint opportunities for simplification and rationalisation. An approach based around a more flexible menu of different types of support and advice would be more suitable. This tailored approach would better reflect the very varied circumstances of disabled people and would ensure a more streamlined suite of services.
- 3. Poor management information makes it difficult to determine whether the programmes deliver value for money.** Except for the New Deal for Disabled People, the Department has patchy and inconsistent cost and outcomes data for its programmes. There is also limited information available about clients, making it hard to establish whether programmes are meeting the needs of different groups. The Department should gather detailed information on what has been spent on each programme and scheme, what has been paid to each provider and what the Department has obtained for the expenditure.
- 4. The quality of service provided to customers varies considerably across the country.** In the Workstep programme for example, between 2001 and 2005, one third of the 200 or so providers with clients in supported employment have not progressed a single person.² The Department should stipulate minimum standards for the services provided, adopt a risk based inspection regime of the organisations providing it and follow up rapidly on poor performance, including withdrawing contracts for continued poor performance.
- 5. The Department's attention has focussed on helping people into work rather than retaining a job.** Most people who become disabled do so as adults and are likely to be in employment when they become disabled. The Department should increase the attention given to helping people stay in work. For example, Disability Employment Advisers could be expected to spend a set proportion of their time on retention activities, which would help to save on disability benefits and reduce demand for more expensive work programmes.
- 6. Some employers have misconceptions about the difficulties of employing disabled people.** Research in 2004³ suggested that one-third of employers considered

² C&AG's Report, paras 4.12–4.13

³ Roberts et al (2004) *Disability in the Workplace*. Research for Department for Work and Pensions

employing a disabled person is a major risk. The Department should work with providers of training to challenge the misconceptions, for example by linking up employers experienced in employing disabled people with those who are not through workshops and awareness raising events, highlighting the support available to employers.

7. **The Department contracts with hundreds of providers of services across the country.** It could improve the quality and price of the services it purchases through improved benchmarking between the numerous providers, more effective competition and better use of its bulk purchasing power to secure better deals. It should also specify a minimum standard for performance across all providers, for example, in terms of availability of training and customers having development plans in place.
8. **The Department's review of Remploy is currently being considered by Ministers and is a good opportunity to assess how to update this vital service in the interests of disabled people.** A highly supportive environment is the only appropriate option for some people and Remploy has provided unique opportunities for thousands over many years. The current review of Remploy should safeguard this achievement when considering whether it is necessary to alter the profile of the business or the markets in which it operates, for example, to move from sectors in decline. It should also consider any unique circumstances facing the business, such as the cost of entering new markets, and the cost and quality of Remploy management. They should also take account of the views of those working within Remploy businesses.
9. **Remploy Interwork has proved successful at placing disabled people with mainstream employers.** Remploy Interwork's long association with Remploy businesses, including factories, has enabled it to develop a unique understanding of the employer's perspective in taking on disabled people. Any reorganisation of Remploy should safeguard this valuable knowledge so that Remploy Interwork's performance is sustained.

1 The need to rationalise the range of schemes and programmes

1. In 2005, 50% of disabled people⁴ of working age were in employment, compared to 75% of the working age population as a whole.⁵ Whilst not all people with disabilities are able to work, many can do so with varying degrees of assistance. As well as earning money, being in work can have many positive benefits, such as developing confidence, meeting people and generally being more integrated into society.⁶ These effects are just as important for people with disabilities as for those without. Disabled people often face a range of barriers to finding and retaining a job however, and may need additional support to overcome a lack of confidence and self-belief from having been out of work.

2. The number of people on incapacity benefits has risen over many years to a current level of almost 2.7 million. The Department reported that recently the first fall in 30 years in the total on incapacity benefits had occurred as the numbers coming off benefit had exceeded the number joining. It is reasonably confident that proposed reforms to incapacity benefit will help more people move into work, although there would be other factors which might increase the level in the future, for example, the rise in the state pension age for women.⁷

3. More than 1 million of the 2.7 million people on incapacity benefits say they want to work⁸ but the Department's specialist employment programmes support only a small number who could potentially benefit (**Figure 2**).⁹ The Department offers a number of complex and partly overlapping programmes to help disabled people find and retain work. The assistance includes help finding appropriate jobs, developing new or existing skills, support and advice for those in work and grants to employers. Together, the schemes and programmes cost the Department around £300 million a year. The Department pays out more than £12 billion a year in benefits for people with disabilities or health related problems.¹⁰

4. Disabled people can gain access to the Department's specialist support in different ways, which adds to the potential for confusion. Some of the programmes are only available through the intervention of a Disability Employment Advisor based in a Jobcentre Plus office, while others operate a self-referral system. For example, the New Deal operates a self-referral system, Access to Work is through direct application, and other programmes are usually available through the intervention of a Disability Employment Adviser. Explaining precisely what is available to individuals in their particular circumstances can be difficult, and the reasoning behind the differences in activities is quite confusing.

⁴ According to the Disability and Discrimination Act (1995) a person has a disability if he/she has a physical or mental impairment which has a substantial and long-term adverse effect on his/her ability to carry out normal day-to-day activities.

⁵ Department for Work and Pensions Departmental Report 2006, pp 70–71

⁶ C&AG's Report, paras 3–4; Q33

⁷ Qq 26, 72; Ev 1

⁸ Qq 32–33

⁹ C&AG's Report, para 23; Qq 9, 32

¹⁰ *ibid*, Figures 3, 6–7; paras 8, 1.11; Qq 27–28

Although the Department has a distinct rationale for each scheme and is clear on the differences between them, the logic is less readily apparent to the potential user.¹¹ The Department is looking to simplify its provision. It is currently undertaking a review of all programmes, but was unwilling to anticipate the findings or commit to introducing a single gateway to its services.¹² The review is due to report by the end of 2006.¹³

Figure 2: The Department's core programmes covered in this Report

Programme	Description	Programme cost and numbers participating (2003-04)¹⁴	Programme cost and numbers participating (2004-05)¹⁵
Remploy	Largest provider of Workstep, providing supported employment in 83 factories across the UK. Also includes Remploy Interwork, Remploy's recruitment arm.	£115m 8,800	£116m 9,400
Workstep (excluding Remploy)	Provides tailored support for disabled people with more complex barriers. Aim is to progress people from a supported environment to open employment.	£74.2m 14,200	£68.7m 14,200
New Deal for Disabled People	Offers access to a network of job brokers who provide support and advice to help disabled people and people with health conditions find work. Often for disabled people who need minimal levels of support to find work.	£37.5m 57,800	£64.8m 97,800
Access to Work	Provides financial assistance towards the extra costs of employing someone with a disability, such as contributing towards the cost of specialist IT equipment, work adaptations to the workplace, some travel costs and the cost of having a support worker.	£55.8m 34,800	£59.6m 32,000
Work Preparation	Helps people with health conditions or a disability prepare to return to work by building their confidence, offering work experience and providing support. Often used as a stepping stone into Workstep.	£10m 7,400	£12.8m 8,100
Job Introduction scheme	Supports disabled people looking for work or about to start a job and provides an initial weekly grant for employers to cover any additional costs.	£0.9m 2,000	£1m 2,300
	Total expenditure Total numbers participating	£293.4m 125,000	£322.9m 163,800

¹¹ Q 28

¹² Q 8

¹³ Qq 27-30

¹⁴ C&AG's Report, Figure 1

¹⁵ Department for Work and Pensions

5. Although the number of people using these core programmes is low, and some providers are operating at less than their contracted capacity,¹⁶ the Department reported that it has no problem spending appropriately the money allocated for the programmes. Recent efforts to raise awareness of the programmes include greater use of the internet, including via the guidance for disabled people on www.direct.gov, and working with partner organisations to provide information and guidance on the services available.¹⁷

6. When Workstep replaced the Supported Employment Programme in 2001, the minimum hours a person was required to work increased from 8 to 16 hours a week. This rule prevents people building their hours up slowly and means those who could potentially benefit from the programme but who are unable immediately to work this many hours a week cannot participate in the programme. The Department is aware of the issue but said it was a deliberate part of the design to reflect a stronger emphasis on progress into full-time unsupported employment.¹⁸

7. Most disabled people are not born disabled but become so during their working life. Access to Work is nevertheless the only programme that offers support to disabled people in retaining their existing job. The Comptroller and Auditor General's Report noted that the personal adviser performance framework gives almost no recognition to personal advisers for helping disabled people retain work. The Department considered its new performance regime—introduced in April 2006—would resolve this problem by removing some of the perverse incentives which had discouraged advisers from focusing on harder-to-help customers.¹⁹

8. The Department accepts that it has a role in helping disabled people retain jobs but stressed that its primary task is to help disabled people tackle the barriers they face in finding employment. It has been working in partnership with employers to help with retention but considered there was a limit to how much it could do. The prime objective of the Disability Discrimination Act is to require employers to act. In particular, they should not discriminate against disabled people and should make reasonable adjustments to enable them to perform their duties.²⁰ Nevertheless, preventing a person losing a job because of their disability merits further attention as potentially more efficient than providing assistance and support once they are out of work.

9. In October 2003, the Department launched Pathways to Work, a pilot programme trailing new ways of helping Incapacity Benefit recipients overcome barriers to returning to work.²¹ The Department said the programme had made good progress, with data showing increased movement off benefits in areas where the pilots were running.²² In particular, it considers a series of “work focused interviews” as the best way of pointing people towards available services. The Department is also seeking to raise awareness that most people will

¹⁶ C&AG's Report, para 1.4

¹⁷ Qq 10, 28

¹⁸ C&AG's Report, para 2.10; Qq 12, 14

¹⁹ C&AG's Report, para 28; Q98

²⁰ Qq 11, 36

²¹ C&AG's Report, para 1.4, 1.13

²² Q 51

be better off financially in work than on benefits or could combine work and benefits, and had evidence that this exercise was working.²³ The Department anticipates that Pathways to Work will be extended to a third of the country by the end of 2006.²⁴ This programme will form a major component of disability related assistance for the future, but as there is already confusion from the existing array of programmes, it is important that Pathways to Work, as yet another initiative, does not lead to additional uncertainty around the rights, obligations and opportunities for disabled people.²⁵

²³ Qq 101–103; Ev 2

²⁴ Qq 26, 44

²⁵ Q 13

2 Tackling the variable quality of provision

10. The programmes to help disabled people find and retain work are managed by Jobcentre Plus and contracted out to approximately 500 providers in the public, private and voluntary sectors.²⁶ Disability Employment Advisors within Jobcentre Plus offices have an important role in finding suitable support that meets the needs of their clients, and they therefore need to be able to rely upon the providers in their area to deliver good quality services. Careful monitoring of providers' activity is essential if the Department is to deliver quality assistance.

11. Workstep is aimed at those disabled people furthest from obtaining work and who need higher levels of support. There are more than 200 providers of Workstep, some of whom have very few clients and have poor records of helping people to get into or remain in employment. Some programmes include a number of clients remaining from the older supported employment programmes and they are unlikely to match the progress achieved by providers who specialise in clients who are less institutionalised. Nevertheless, there remains the need for a careful examination of the service that is being provided and consideration of whether poorer performers are delivering an adequate service.

12. Between 2002 and 2005 the Adult Learning Inspectorate, which has a remit to inspect Workstep providers, reported that the educational and training element of over 50% of Workstep places was 'unsatisfactory'.²⁷ The review is based on an annual self-assessment report that inspectors use to inform their judgement about the effectiveness of the provider. The Department advised that its Workstep contract management and the Adult Learning Inspectorate Provider Development Unit worked with those providers judged unsatisfactory to help them improve. Later inspections showed an improvement in performance, with 93% of those re-inspected shown to be satisfactory or better. The Department said that since Workstep became subject to inspections in 2002, 37 providers (25%) have withdrawn in agreement with Jobcentre Plus. Of the contracts withdrawn, eight related to an impending inspection or were the result of the inspection.²⁸

13. The New Deal for Disabled People is aimed at disabled people who are closer to being able to work and who typically need less assistance and support than those eligible for Workstep. In 2004–05, 97,800 people were participating. Contracts for New Deal for Disabled People are all negotiated with each individual provider and the availability of certain types of assistance varies across the country. Limited numbers of providers in some areas may lead the Department to accept poorer quality than it would in a more competitive market.

14. Providers of the New Deal for Disabled People may be deliberately picking people who are easier to help, at the expense of the more difficult to help.²⁹ The contract for New Deal for Disabled People specifies that providers must accept all self-referred people who are

²⁶ C&AG's Report, para 5

²⁷ *ibid*, para 3.13

²⁸ Qq 17, 104–106; Ev 3

²⁹ C&AG's Report, para 2.13; Qq 18, 31

eligible. However, such a stipulation does not preclude subtle encouragement to the easiest to place and discouragement of those who would require more effort. The Department is aware of the issue and reported that it has altered contract incentives to help alleviate the problem.³⁰

15. Although Jobcentre Plus has quality monitoring arrangements in place, limited resources meant that its inspections of providers were not always undertaken according to plan.³¹ With more than 500 providers there will never be sufficient resources to undertake all the necessary quality and performance monitoring, which is an additional justification for the Department giving consideration to reducing the number of organisations involved. There does however need to be sufficient provision, particularly in areas with limited number of suppliers.

16. Jobcentre Plus is undertaking an overall review of labour market programmes, looking at more efficient models of delivery.³² It has significantly reduced the number of providers already and indicated that it will move toward a prime contracting model, whereby smaller organisations deliver for a main contractor. This model should reduce the cost of administration and improve the Department's ability to monitor quality, while maintaining access to the smaller specialist providers that cater for smaller sub-sets of the disabled population.³³

17. The Comptroller and Auditor General's Report found that the level of service received by disabled people varied across the country.³⁴ The Department is making positive steps to provide a more consistent service. It has professionalised its disability employment advisory service in the new Jobcentre Plus offices and has revised the learning and development opportunities for the Disability Employment Advisers.³⁵

³⁰ Qq 19–21, 97

³¹ C&AG's Report, paras 3.10–3.12

³² Q 16

³³ Q 17

³⁴ C&AG's Report, paras 3.2–3.8

³⁵ Q 60

3 Assessing value for money

18. Defining value for money in the provision of services for disabled people can be problematic. The Department is dealing with people who, in some cases, may need a lot of assistance to become ready for work.³⁶ In addition, some of the wider benefits of gaining and retaining a job, such as health and social benefits, are difficult to capture and measure.

19. The Department has an inadequate understanding of the return it is getting for its expenditure on work programmes. Disabled people have access to specialist provision but can also access mainstream services offered by Jobcentre Plus. The Department does not know how much of the mainstream provision is used in helping disabled people find work, nor how effective it is. In addition, it holds limited or patchy information about Workstep providers and the full nature of the support they offer. For example there is little or no information on how many people are on the programme, what services are being provided, or on the effectiveness of the programme. As a result it cannot easily assess the effectiveness of the programme or profile clients to ensure their needs are being met.³⁷

20. There are large variations between different programmes, both in terms of total expenditure (**Figure 1, page 3**) and unit costs, as well as in costs for similar elements on the same programme.³⁸ Comparisons of simple costs are misleading since they refer to very different activities, and involve people with very different disabilities, barriers and needs.³⁹ Outputs also vary, from advice on getting a job, to the actual provision of a job as with Remploy. The initial cost benefit analysis work included in the Comptroller and Auditor General's Report is a useful starting point and has stimulated a degree of interest in determining the value and impact of the programmes. Such estimates should be a feature of all programmes, wherever possible.⁴⁰

21. The Department cannot adequately manage its programmes if it does not have sufficient, reliable management information. The Department acknowledged the deficiencies in information about older programmes. Recent data cleansing and verification exercises are expected to improve substantially the understanding of the older programmes within the next 12 months. The Department said it saw no point in conducting a full-scale overhaul of data collection and IT systems if the programmes they relate to are no longer in existence following the current review.⁴¹

22. At the time of the Comptroller and Auditor General's Report only the New Deal for Disabled People had been the subject of robust evaluation, although the Department has subsequently published a review of Workstep. Neither of these set out specific criteria for success against which the programmes can be measured. The whole suite of programmes

³⁶ Q 5

³⁷ Qq 41–44, C&AG's Report, para 4.7–4.10

³⁸ C&AG's Report, paras 10–12

³⁹ Qq 74–75, 79

⁴⁰ C&AG's Report, paras 4.21–4.27; Qq 6, 45–49, 51–53

⁴¹ Qq 61, 91–96

suffers from some vagueness about the criteria for success which makes determination of value for money and proper accountability problematic.

23. The Department aspires to get 1 million Incapacity Benefit recipients into work, and the roll-out of Pathways to Work is seen as the main vehicle for delivering results. It considers a reasonable measure of success will be whether people have actually moved from an “inactive benefit” (such as Incapacity Benefit) into the labour market as active participants. The Department also agreed that two years is a reasonable length of time in which to be able to measure the programme’s success but was unwilling to commit to a specific criterion for success or date by when it would be achieved.⁴²

24. Whilst many Remploy businesses are not sustainable in purely commercial terms,⁴³ Remploy may still be doing a good job in a difficult environment. Sales numbers and margins are improving, though Remploy businesses as a whole continue to make increasing losses.⁴⁴ This situation may be a feature of the manufacturing sector generally and may not necessarily reflect badly on Remploy.

25. Remploy is split into two main delivery arms. These are the Remploy businesses, including a number of factories that directly employ disabled people, and Remploy Interwork, which supports disabled people in placements, primarily with mainstream employers. Remploy is funded by a block grant of more than £115 million a year from the Department, which covers the running of all services and any losses made by the businesses.

26. Remploy Interwork, the job placement arm of Remploy, is particularly successful in progressing people to unsupported employment, accounting for around 75% of all such progressions.⁴⁵ In part, Remploy Interwork’s success may arise by virtue of its long association with the factory businesses which enables it to have a better understanding of the issues around employing disabled people directly and to work more effectively with other employers.⁴⁶ Remploy should take care to preserve this vital understanding and disseminate this expertise more widely.

27. In the light of the recommendations in the Comptroller and Auditor General’s Report,⁴⁷ the Department commissioned a review of Remploy from PricewaterhouseCoopers which reported in July 2006.⁴⁸ The outcome of the review will inform advice to Ministers. The Department said that it is looking at the profile of Remploy’s business and assessing how to make the businesses more viable, whilst continuing to cater for those who need help in a supported environment.⁴⁹

⁴² Qq 65–69

⁴³ C&AG’s Report, para 14

⁴⁴ *ibid*, para 4.18

⁴⁵ C&AG’s Report, para 4.15

⁴⁶ Qq 81, 107–108

⁴⁷ C&AG’s Report, Figure 2, para 31

⁴⁸ *Remploy – Review of Future Business Options*, PricewaterhouseCoopers (July 2006)

⁴⁹ Qq 80, 84

28. Some disabled people have been working in Remploy factories for a long time and realistically this type of environment may be the only one in which they could thrive. The Department recognised that work in an unsupported environment was not an option for some people.⁵⁰ Nevertheless, the consideration of Remploy's future options provides the opportunity to take a careful look at the regimes currently in place in order to revitalise valuable provision for an increasing number of disabled people. Any decisions should be take account of all aspects of Remploy's businesses, including any mitigating factors such as entry to a new business area, such as the recycling of used computers, and the associated start up costs.⁵¹ There may also be scope to improve managerial efficiency given that Remploy appears to have a substantial number of managers (220 first line managers/professionals, 187 middle managers and 16 senior managers) relative to the size of the organisation.⁵²

⁵⁰ Qq 82, 110–111

⁵¹ Qq 112, 114–115

⁵² Qq 116–119; Ev 4

Formal minutes

MONDAY 27 NOVEMBER 2006

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr Austin Mitchell

Mr David Curry

Dr John Pugh

Mr Ian Davidson

Mr Don Touhig

Oral evidence

Sir John Bourn KCB, Comptroller and Auditor General, was in attendance and gave oral evidence.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, was in attendance.

The Comptroller and Auditor General's Report on Delivering successful IT-enabled business change (HC 33-I&II) was considered.

Mr Ian Watmore, Permanent Secretary and Head of Group, Delivery and Transformation Group, Cabinet Office, and Mr John Oughton, Chief Executive, Office of Government Commerce, gave oral evidence (HC 113-i).

The witnesses withdrew.

Draft Reports

A draft Report (Improving literacy and numeracy in schools (Northern Ireland)), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 19 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Another draft Report (Collections management in the national museums and galleries of Northern Ireland), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 17 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Another draft Report (Gas distribution networks: Ofgem's role in their sale, restructuring and future regulation), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 39 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Another draft Report (Postcomm and the quality of mail services), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 30 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Another draft Report (Gaining and retaining a job: the Department for Work and Pensions' support for disabled people), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 28 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Spring programme

The Committee considered this matter.

[Adjourned until Wednesday 29 November at 3.30 pm.]

List of Witnesses

Ms Lesley Strathie, **Mr Mathew Nicholas**, Jobcentre Plus and **Mr Adam Sharples**, Department for Work and Pensions.

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Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 3 May 2006

Members present:

Mr Ian Davidson

Helen Goodman
Mr Sadiq Khan

Sarah McCarthy-Fry
Mr Austin Mitchell

In the absence of the Chairman, Mr Ian Davidson was called to the Chair.

Sir John Bourn, Comptroller and Auditor General, National Audit Office, was in attendance.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

DEPARTMENT FOR WORK AND PENSIONS

GAINING AND RETAINING A JOB: THE DEPARTMENT FOR WORK AND PENSIONS' SUPPORT FOR DISABLED PEOPLE (HC 455)

Witnesses: **Ms Lesley Strathie**, Chief Executive and **Mr Matthew Nicholas**, Acting Director, External Relations and Communications, Jobcentre Plus and **Mr Adam Sharples**, Director General, Work, Welfare and Equality Group, Department for Work and Pensions and **Mr Jeremy Lonsdale**, Director, National Audit Office, gave evidence.

Q1 Mr Davidson: Good afternoon. Today we are considering the Comptroller and Auditor General's Report, *Gaining and retaining a job: the Department for Work and Pensions' support for disabled people*. We welcome Lesley Strathie, who is the Chief Executive of Jobcentre Plus, Matthew Nicholas, the Acting Director, External Relations and Communications and Adam Sharples, the Director General for Work, Welfare and Equality Group at the Department for Work and Pensions. May I start by asking whether or not you accept all the recommendations in the Report?

Ms Strathie: Certainly we accept all or part and the NAO have highlighted areas that we are working on.

Q2 Mr Davidson: Did you say you accept all or part?

Ms Strathie: I said that we accept all of the recommendations in full or in part.

Q3 Mr Davidson: Maybe you could tell us the parts you do not accept.

Ms Strathie: The areas are around the degree to which we would accept some of the findings. For example, if I pick management information or some of the issues around costing, the period of the Report was basically 2003–04, although published last October, so there were areas of work that were ongoing and which have moved on significantly.

Q4 Mr Davidson: Leaving aside the fact that you have moved on from some of the things because they were historical, do I take it that you accept all the recommendations of substance in the Report, which is, after all, an agreed Report?

Ms Strathie: Yes.

Q5 Mr Davidson: May start off by asking, arising from the paragraphs 4.4 to 4.11, how you can tell whether your work programmes provide value for money when you seem to know so little about what happens to those who have been through them?

Ms Strathie: Value for money is quite a tricky area to start with in this territory. If we look at the broad offering of the number of programmes and the customers that we are trying to help and the different types of provision over the period of time, if we take value for money in its broadest definition and then apply it to the customers, many of whom have disabilities or serious health issues of different severity, it is very difficult to take a broad-brush approach which says that if you spend that amount of money you get this number of outcomes.

Q6 Mr Davidson: I very much got the impression from the Report that you knew relatively little about what happened to those who had been through these programmes and therefore it was very difficult to assess value for money.

Ms Strathie: The programmes are different and the amount of information we have is different for each of the programmes, depending on whether they are very old programmes, like the supported employment programmes or newer programmes, like New Deal for Disabled People. What we have known about what happened to people at different stages of the process is different. Adam may want to say more about our evaluation of these programmes.

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Mr Sharples: I was going to draw the Committee's attention to the diagram on page 50 of the Report, figure 28, which sets out the analysis which was done jointly by the department and the National Audit Office of the returns both to the economy and to the exchequer from each of the programmes that this Report looks at. As you will see from this diagram, it is possible to do a calculation on both those measures and that calculation shows rather different results for each of the programmes. On both the measures, for example, access to work comes out as being arguably the best value in terms of the returns to the exchequer and the benefits to the economy. What I should say is that in these calculations there are several complications—I am happy to go into them further if the Committee wants to—and assumptions have to be made in order to reach these conclusions and quite a lot rests on these assumptions. For example, one of the critical assumptions is how many of the people you have helped into work would have found jobs anyway of their own accord. So the assumption which is embedded in these calculations, for example for New Deal for Disabled People, is that three out of every four people who go into a job through this programme would have found a job anyway, even if they had not been on the programme. So in calculating the value for money achieved by this activity and this spending, we need to make some informed assumption about that level of what the economists would call "dead-weight cost" in arriving at these calculations. The point I should make is that some very useful work is being done in the department and with the NAO on these calculations but they should be regarded with a certain amount of caution because they are rather heavily dependent on those assumptions.

Q7 Mr Davidson: Some of my colleagues may well want to follow up some of that. May I ask about the array of programmes that you have? The Report indicates that it is a pretty complex array with a degree of overlap. Can you clarify whether or not you have considered simplifying these and if not, why not?

Ms Strathie: We have a review of all of our disability programmes in play at the moment which we hope to publish later in the year and that was a review of all of our disability programmes. Alongside that, we have been looking at our entire welfare reform in relation to the customers who are not on the active benefit Jobseekers' Allowance, customers who are on Incapacity Benefit and income-related benefits. The welfare reform Green Paper lays out our approach to all of that and we are trying to balance both of these as we develop. As we go through the consultation phase for the Green Paper, then we shall play in the findings from our complete review of disability services.

Q8 Mr Davidson: Do you anticipate simplification of the range of programmes that you have or is there going to be a wider range, more tailored?

Mr Sharples: It is difficult to say because ministers have not yet taken decisions on this, but there is a strong desire to get simplification and clarity into these programmes. It should be said that each of the programmes that we are looking at in this Report does have a clear rationale. Inevitably there is a bit of overlap between them, particularly between the services offered by Workstep providers, who are providing job-broking services, and the New Deal for Disabled People job brokers. However, the client group that each one is aiming at is rather different. Broadly, Workstep is aiming at those who have the most severe difficulties in getting back into work: New Deal for Disabled People is aimed at those with less severe difficulties who are on incapacity benefit. So there is a little bit of overlap, but each programme does have a clear rationale. We are trying to achieve greater simplification through the review of disability employment services, which is going on at the moment, but we obviously cannot anticipate what decisions ministers will take at the end of that review.

Q9 Mr Davidson: May I pick up the point about participation levels in the programme? From the Report it would appear that participation levels are fairly low in terms of the size of the target group. Can you just clarify for us what efforts are being made to make disabled people more aware of the offering that you provide?

Ms Strathie: When you say participation levels, I assume you are looking at that in relation to the workforce rather than occupancy on any of our programmes.

Q10 Mr Davidson: Yes.

Ms Strathie: We spend the money that we have allocated for these programmes; we have done an enormous amount to put information about our programmes on the internet and, working alongside our partner organisations, to advertise what we have on offer. We have professionalised, to a great extent, our disability employment advisory service in our new Jobcentre Plus outlets as they are the main source of referral to the programmes, other than New Deal for Disabled People which is self-referring. We have worked with a number of strands in partnership with others and using technology to provide that information better and we certainly have no difficulty in filling the programmes and using the money which is allocated for that purpose.

Q11 Mr Davidson: May I ask why the emphasis seems to be on obtaining rather than retaining jobs?

Ms Strathie: We have a duty in both. Our primary role is to work with our customers on their individual needs to identify their barriers to employment and the extent to which their barriers are related to their disability or health issues and then to find the right pathway for them, the right type of help and support and to get them into employment, either part-time or full-time employment. We then do want to work very much towards helping people stay in work, but that is when it becomes very much a partnership with the

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employer and that means we have had to do a huge amount of work to try to help employers, particularly small employers, particularly small employers who do not have a record of working with people with disabilities or employing people with disability. It is a partnership to help the employer to retain; there is a limit to how much we can do to keep people in work. The Access to Work programme does that; much on offer in Access to Work is about staying in employment and gaining employment. Across the other programmes the evaluations will show us where we can focus our effort most.

Q12 Sarah McCarthy-Fry: May I turn your attention to part two of the Report, in particular page 29, paragraph 2.10? I have a particular concern because under Workstep, which replaced the supported employment programme, clients are able to work a minimum of 16 hours a week, but you have taken away the capacity that you used to have under supported employment to work for eight hours. Many disabled people I have spoken to would like to have the ability to build up and there is an awful lot of concern among people on incapacity benefit (IB) who would like to work but do not feel able to go straight in to do 16 hours. Why did you decide that it would go from eight hours to 16 hours?

Ms Strathie: Can I be clear that we are just talking about Workstep, rather than incapacity benefit customers being able to take up therapeutic return to employment, because they are quite separate programmes? The incapacity benefit customers are largely covered by New Deal for Disabled People which forms part of the package that we offer in Pathways to Work, which provides different routes.

Q13 Sarah McCarthy-Fry: I have a constituent who was on incapacity benefit who has been summarily told, having had his capability assessment, that he is now being pushed straight into a Jobcentre and he is very confused.

Ms Strathie: That is not new. The personal capability assessment has been around for some time and if someone is deemed to be fit to take up employment rather than being deemed to be incapacitated, then the appropriate benefit would be Jobseekers' Allowance which is why he would be routed to Jobcentre Plus. Our work on Pathways to Work is very much around providing support for people in that situation. Rather than being on an inactive benefit where nothing happens and we continue to pay the benefit, this is about how we can help you now make that return to work. There is room for a therapeutic return to work and then there is part-time work and there is full-time work. There is a whole package of choices which will come in the pathways model. I do not know whether your constituency covers that or not?

Q14 Sarah McCarthy-Fry: If we look particularly at the Workstep one, you have not answered my question.

Mr Sharples: I wonder whether I might perhaps help on this one with a little bit of the history. Up to 2001 there was the supported employment programme

and there was a strong feeling that the supported employment programme was providing protected employment for disabled people but not progressing people into unsupported employment. The philosophy was that we wanted to redesign the programmes to put a stronger emphasis on that progression into unsupported employment. That is the direction that Workstep has been taking since 2001 and the shift from the eight hours a week threshold to 16 hours a week as a threshold was part of that redesign of the programme to put more emphasis on moving into full-time unsupported employment. There has been tremendous success since 2001 in raising the rate of progression from what used to be the supported employment programmes, into unsupported employment. Remploy's record, in particular under their Interwork programme, has been really fantastic, getting up to about 40% of people through the programme and into unsupported employment. It was really part of that shift which was the philosophy of not being here just to provide protected employment, but trying to help people move into free-standing jobs.

Q15 Sarah McCarthy-Fry: You say that you have had a fantastic success, but if you look at paragraph 4.13 on page 45, it says "Since April 2001, one third of the providers . . . with clients in supported employment have not progressed a single person and 25 Workstep providers have had no new clients during the same period". What are you doing to push that forward?

Ms Strathie: It is important to go back to the policy change in 2001 which was to try to move from supported employment into unsupported employment. We had existing supported employment provision and all of the people in it, an absolutely static workforce, and all of those people transferred at that point into the programme. There are some very, very small providers of Workstep who have worked for us and do not have an increasing workforce because the policy decision is moving in the other way. We do have to accept that a lot of people there have had to transfer from one programme to the other.

Q16 Sarah McCarthy-Fry: Do you think that you have too many providers?

Ms Strathie: Across the piece, we have been trying to work through—and this is part of Mr Nicholas's work—trying to draw together in Jobcentre Plus all of our labour market programmes, the procurement of them and the partnership relationships with strategic and delivery, to look at a much more efficient model, using prime contractors and then allowing for smaller providers delivering for those prime contractors.

Q17 Sarah McCarthy-Fry: My concern is, if we go to page 36, paragraphs 3.10 and 3.12, that there was evidence from the NAO Report ". . . these teams are struggling to deal with the large number of providers". This is why I asked you whether you thought you had too many. I am concerned to read

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“... only half of the Work Preparation providers have been assessed ... none had undergone a contract review. In another area, provider reviews were being carried out almost a year after the contracts had been awarded. Are you happy, if you are not reviewing, that your clients are getting a decent service?”

Ms Strathie: No. As I said, we are trying to look at all of our contractor provision. We have significantly reduced the number of contractors in this area, but even in some of the programmes where we only have three contracts across the country, we have a number of small providers delivering for that main contractor. If I may, I might ask Matthew to elaborate on that.

Mr Nicholas: With Workstep, we would not necessarily start from here if we were starting afresh and the review that Adam Sharples referred to will give us a new focus on what we want Workstep to do. What we have done in the last six months or more, really after the period in which the analysis that lies behind this Report was done, is a major look at quality on Workstep because of those small providers. On the work that the Report refers to with the Adult Learning Inspectorate, which on a first review produced some very disappointing results about the quality of provision, through their provider, development unit and re-inspection we have really seen an increase in the quality of the providers. Of those re-inspected 93% were shown to be more than adequate. As a result, we have seen outside Remploy, in the other Workstep providers, some increase in the number of people flowing into work. It has been a slow process, but we are seeing better quality and as a result, when you see the final figures for 2005–06, we shall see quite a significant increase in the non-Remploy provision of people moving into jobs. We do still have that legacy of a lot of people who moved into the programme in relatively unchanged activities when we launched it.

Q18 Sarah McCarthy-Fry: The thing that concerned me was in paragraph 2.13 on page 30. The NAO “... found anecdotal evidence that some providers select customers who will progress most quickly into employment in order to meet performance targets ... Some Disability Employment Advisers reported that their local job brokers would only take on clients who had less severe health conditions and were closest to the labour market. Surely that is missing out a whole section that we should be helping?”

Ms Strathie: We are we talking about New Deal for Disabled People now. Paragraph 2.13 on page 30 is referring to one of the issues around New Deal for Disabled People job brokers who need to provide support for all customers and this is a self-referral programme rather than via the disability employment adviser in Jobcentre Plus. Of course that is always a concern when we are trying to provide for all. It is very much why we have a variety of very niche providers. Our customers are individuals and particularly those with disability issues have very different needs and we need to ensure that those people can be provided for in that

way. The contract requirements are the concerns that we are flagging up there and the contract does ask them to provide for all.

Q19 Sarah McCarthy-Fry: How are you monitoring whether they are doing that?

Ms Strathie: Again, we have the evaluation of that. I should say that New Deal for Disabled People is a very successful programme.

Q20 Sarah McCarthy-Fry: It is successful because they are getting the ones that are easiest to get back into work. What are you doing to make sure they are not only just getting the ones that are easy to get back in, but actually helping people with more complex problems?

Mr Sharples: This is a really important issue and it is one which is going to get more and more important as we expand the range of programmes which are provided by the private and voluntary sector. There is always a risk with any contracts that, if you try to incentivise people by paying for outcomes, getting people into work, you incentivise people to help the easiest to help and park the more difficult to help and spend less time on them. It is really important that we look for any signs of that happening in the contract review mechanism and in the evaluation of the programmes. The New Deal for Disabled People, which is one of the newer programmes, has been subject to very thorough evaluation. We have published a number of evaluation reports and a synthesis report will be published later this year. That is one of the things we shall be looking out for but our impression is that New Deal for Disabled People has been pretty successful in getting people into work; and that is not just people who are easy to help, because anyone can put themselves forward to go onto one of these programmes if they are on IB. The providers have to deal with a mix of customers.

Q21 Sarah McCarthy-Fry: Are you happy that the contract you have with these providers means that they have to look at all of it and you have the monitoring mechanisms in place to ensure that they do that?

Ms Strathie: An example of what we have done from this programme was to develop open procurement back in 2001, bearing in mind we were starting at that point to try to create a market, to try to build a market where we had suppliers of quality. It became very clear in the first year or so of the programme that it was not delivering and one of the things we established through our monitoring was that the funding mechanism within the contract was creating perverse behaviour. People were being registered on the programme because that triggered the cash flow for our suppliers and not being progressed and supported in the way we wanted. We had a review, we changed that, we balanced out the more expensive providers with the lower paid providers and we found a much better way of doing it and we created very, very quickly the right sort of incentives to deliver the outcomes which were required. If you look at the period over that time to 2005, the unit

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costs have been driven down and the performance significantly up. We have again adjusted, as we look at the money available to deliver the programme and the outcomes we want. Over that five-year period, New Deal for Disabled People would demonstrate the things that we do through contracting and monitoring and working in alliance with providers to deliver finally both a dynamic market and the outcomes required.

Q22 Mr Mitchell: I am baffled about this because we just do not know the realities. The Prime Minister comes on every so often in one of his moralistic fits—of which he has quite a lot—and gives the impression that we are being exploited by scroungers living the life of Riley on disability benefits, we are going to cut it down. Then along comes the minister and says no, no that is not what we are going to do at all, no coercion, we are going to open up opportunities, which I sympathise with, and it gets lost in a lot of newspaper and political rhetoric about people running the marathon whilst claiming disability benefit and all that kind of rubbish. May I take you back to why the numbers are so big and how it got to be like this in the first place? What did the disabled do in the period of full employment, say up to the 1970s? I know that when the Dutch state mines closed down in the 1970s, bad backs became the Dutch national problem and we all made jokes about it. Then the Tories came in and started shoving people onto disability benefits so as not to have them on the unemployment register which was so huge that it was getting horrifying and that left us in the present situation with a huge number. What did they do before?

Ms Strathie: May I start first of all by drawing the difference between those on incapacity benefit—and the predecessor to that was invalidity benefit—and people on these disability programmes and on a range of disability benefits? There is, of course, an overlap between them. Just so we are clear that we are talking about the rise in the numbers on inactive benefits, particularly on incapacity benefit? Nobody went on incapacity benefit without a medical certificate to say that they were not fit for work and nobody goes on incapacity benefit without already having had six months' statutory sick pay if they are in employment. Beyond that, it is a policy issue that we are talking about here.

Q23 Mr Mitchell: Yes, but why are the numbers so big? I see here that Work Preparation and Workstep have evolved over the past 60 years, so there must have been schemes—and I am talking now about the 1960s and the period of full employment—at that stage. Why have the numbers of disabled people risen so rapidly and what was done for the disabled before that happened?

Ms Strathie: Again I would draw the difference to the number of people on incapacity benefit as opposed to the number of disabled people as defined as “disabled”. What I do know from all of the work that we have done with people on active benefits, Jobseekers' Allowance and unemployment benefit

before it, is that the more help and support you give someone, the more chance you have of getting them into employment.

Q24 Mr Mitchell: That is a platitude. Why are the numbers so big? Are we saying that these people are not really disabled, that they are being shunted into the incapacity cupboard so as to keep the unemployment figures down or has disability increased and on such a substantial scale?

Mr Sharples: You are absolutely right that the numbers on incapacity benefit have gone up, broadly defined, have gone up hugely, roughly tripled in the 30 years or so up to 2000. The big increase was in the 1980s. Why did that increase take place? There are different possible analyses, but one factor was probably that in some communities where unemployment was rising, there were also quite serious problems of industrial disease, accidents and injuries which led to disability. There was a definite trend and there was a strong regional pattern to the growth in the numbers of people on disability benefits.

Q25 Mr Mitchell: But there was also a political decision to put them on disability benefit, rather than have them unemployed.

Mr Sharples: I cannot possibly comment on the politics of this.

Q26 Mr Mitchell: Not from a background in Unison?

Mr Sharples: I am just describing a little bit of the economics. The result was that, in the early to mid 1990s, getting on for 2.7 million people were on incapacity benefit. What we have been trying to do, what this Government have been trying to do, in the last few years is to try to bring those numbers down. The really striking thing is that over the last 12 months we have seen a fall in the number of people on incapacity benefit of over 60,000 and that is the first time in 30 years that there has been a fall. So something is working and these disability programmes may be making some contribution to that. I would not want to overstate that claim. Taken together with the other things that Jobcentre Plus are doing, rolling out Jobcentre Plus to the whole country with its combination of better support and work focused interviews for every claimant who comes in, that is something which is really helping. The Pathways to Work programme, which is not covered by this report, which by the end of this year will have been extended to a third of the country, has already shown tremendous results in helping people off incapacity benefit and into work. I am agreeing with you in terms of the long-term trend, looking back over the last 30 years, but if we look at the last four or five years, a tremendous amount has been done to try to turn things around and that is already starting to show good results.

Q27 Mr Mitchell: I cannot tell you how delighted I am to hear that because that is the way we have to go, but does it mean, in terms of eight or nine years, that we are only just beginning to get to grips with

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the problem? The number of schemes, and there is a worrying multiplicity of schemes, must be confusing for somebody on incapacity benefit, somebody who is disabled to come along and wonder what on earth they should pick of this lot. Is that a result of trial and error experimentation?

Mr Sharples: The range of schemes?

Q28 Mr Mitchell: Schemes; the number of schemes.

Mr Sharples: Each scheme has its own history. Some of the schemes date back to the World War II when there was a decision to try to provide supported employment for ex servicemen who had been injured. So the Remploi programme and the original supported employment programme both date back to the 1940s. Decisions have been taken more recently to set up new schemes; New Deal for Disabled People was the scheme launched about five years ago and that was set up precisely to address this problem of the rising numbers of people on incapacity benefit, because the original schemes, the supported employment schemes, were only helping a very, very small number of people. Each of the schemes has a clear rationale, has a bit of a history, but you are quite right, as we were saying earlier, everybody recognises that the offer to disabled people at the moment looks a bit more confusing than we would like it to be. Obviously Jobcentre Plus is doing its best to give clear communication and explanation to people of what is on offer and there are the personal advisers in Jobcentre Plus to help people, the incapacity benefit personal advisers and the disability employment advisers, who are the specialist advisers who give help to the more severely disabled people; those advisers can help guide people through the range of schemes available. This is a really excellent Report from the National Audit Office, but it is a little bit backward looking now; it is looking mainly at 2003–04 with a bit of an update since then and there have been some really tremendous developments since then, such as the development of the disability information on direct.gov, the website which, and I am sure anyone who has looked at it would agree, provides a really clear guide for disabled people to the range of services and support available. This is not a finished story; we do not pretend this is a perfect set of programmes which are not going to change. We are reviewing them.

Q29 Mr Mitchell: Are you going to simplify them? Why can you not have one scheme with branches? Somebody said that each programme has its rationale, which must be true because they have developed separately historically, but a comprehensive one programme would surely be more effective, which embraces the best of the six or seven programmes you have at present?

Mr Sharples: I am sure ministers will be very interested to hear that view and will consider it when they take the decisions they will take once we complete our review.

Q30 Mr Mitchell: Would it be the aim to simplify?

Mr Sharples: It is certainly our aim to make this as simple as possible.

Q31 Mr Mitchell: You talked about only getting jobs for the ones who are easiest or most motivated, and yet you did say in looking at the statistics on the success of the programmes that the calculation was that three out of four would have found jobs anyway. I read that to mean that you are only really helping and catering for the elite, in other words the most motivated, the best able and the ones with more marketable skills. There must therefore be a great unvariegated lump which the schemes are not reaching at all.

Ms Strathie: That goes back to each of the schemes having their own objectives. New Deal for Disabled People is the more modern scheme, is the scheme to which people can self-refer and once they are self-referred, the job brokers have a job there to decide whether this is absolutely the most appropriate place for them to be or whether indeed they need more help and perhaps need to take another route to one of the other programmes. Going back to what Mr Sharples said, we are looking for the most simplified way of catering for the vast range of needs of customers and we have to get, if not balance, the right combination of elements of programmes to make sure that those needs are addressed. It is very difficult to have a single provider who can do that for you; it usually takes a range. People do not come in neat packages which take the same amount of time to move from not being job-ready to being job-ready. We have to carry on in this journey, looking at all of the evaluations, taking the review of all our programmes for people with disabilities and putting that alongside our welfare reform and try to find the best way through. We do not know the degree to which we are not reaching people, but what we do know is that everyone now who tries to access incapacity benefit or comes through Jobcentre Plus to a disability employment adviser is going to have a work-focused interview. It is going to start with a conversation about work, aspirations, barriers to work and finding the route. That is a big step forward.

Q32 Mr Mitchell: Again I concede that is important. Have you come to any assessments of the benefits of that? The interesting thing is that when you say three out of four would have found jobs anyway, it must mean that there is a substantial proportion who do not particularly want to go back to work or just do not feel capable, whose confidence has collapsed. That is what I meant when I referred to the great unvariegated lump. What impression are you formulating from this scheme of interviewing about the proportion that really wants to work and the proportion that has just given up?

Ms Strathie: We have based our programmes and our pathways on an assumption from research we have done that of that 2.7 million we have one million people who have told us that they very much want to work and we believe that we could help through our programme.

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Q33 Mr Mitchell: You think the majority want to work?

Ms Strathie: The majority of people would like to work if they could; people recognise the benefits of work. We do recognise that there will be some people for whom it would be very, very difficult. As with any programmes that we have operated, labour market programmes to help the active group, we work on the basis of tackling the first third and we shall work our way incrementally and will learn and will change our programmes as we go. We know from the interviews we have been doing since we started the roll-out of Jobcentre Plus in 2002–03, from our interviews with people when they access and the new services, that people do want to work; there is just a lack of self-belief, there is a lack of self-confidence when people have been away from the labour market. A lot of people do not understand from those days that you talked of in the peak of incapacity benefit customers, do not realise how much the world of work has changed and the type of work that is no longer available with the disability they have, but the type of work they could now move to.

Q34 Mr Mitchell: Exactly right; everything has got more pressured. That is really not about the kind of pressures, but whether and to what degree you can subsidise employers. Would it not be easier to approach that end of the business? You do give them grants and support for improving the environment, for different machinery, for facilitating the return to the employment. What are the inhibitions on a flat rate subsidy? The disabled carry their money with them like the patients are supposed to do in the Health Service.

Mr Sharples: There is one other rather obvious and simple inhibition which is cost, but, setting that aside, two of these schemes do precisely what you are looking for, which is provide a subsidy for the employer to meet extra costs associated with employing someone who is disabled.

Q35 Mr Mitchell: Would it be subject to any restriction from the EU that you are subsidising employment?

Mr Sharples: There is no restriction in the sense that the access to work scheme, for example, is a subsidy for employers to make adjustments which are necessary in the employment of someone who is disabled.

Q36 Mr Mitchell: Just adjustments, not a direct subsidy for employing people.

Mr Sharples: There is no principled objection to providing a subsidy to meet a proportion of those costs. The point I was making was that there has to be a budgetary limit on the amount of subsidy which is available to employers for this purpose. Obviously the prime objective is to get employers to take their responsibility. The prime objective of the Disability Discrimination Act, which was extended further in 2004, is that employers should not discriminate and should make reasonable adjustments to take on someone who has a disability. That is the prime

objective: to get employers to take their responsibility. Government provide a degree of financial support through the two particular schemes, Access to Work and the Job Introduction Scheme.

Mr Mitchell: I shall conclude with a reflection that you do not have to answer. If we really mean the rhetoric, we are going to have to spend a lot more money to fulfil it.

Q37 Mr Khan: I understand that in 1979 700,000 people were receiving incapacity benefit. I also understand that by 1997, it had increased to 2.5 million. I also understand that in the last nine years there has been a plateau, so the curve is not as steep as it was and it has been stabilised. Bearing in mind that there is a definition of what it is to be disabled, how do you explain that there are 9.8 million people in the UK classified as disabled with 6.7 million of the working population disabled? It is the point made by Mr Mitchell but he referred to incapacity benefit.

Mr Nicholas: There are many recognised things which are classed as a disability, blindness being one, where many people are able to work. The crucial difference is that with the work assessment done for access now to incapacity benefit, the focus is on whether somebody's disability is such as to stop them working. There are very many people who have forms of physical impairment who are perfectly capable of working and do work, which is why there are many millions of people in Britain who have a disability but who are in work.

Q38 Mr Khan: If I were to ask you to compare and contrast 2006 and 50 years ago, you would probably say statistics were not available then. How do we compare with other countries, with comparisons internationally, *vis-à-vis* numbers of people who are disabled?

Ms Strathie: If we look at the OECD countries and look at the employment rate for people with disabilities, we are average.

Q39 Mr Khan: And incapacity benefit?

Ms Strathie: We do not have like for like because not every country has an equivalent of incapacity benefit.

Q40 Mr Khan: How are their curves going, upwards, downwards, plateau?

Ms Strathie: I do not think I can answer that.

Mr Sharples: There has been a tendency internationally for an increase in the number of people on the equivalent of our incapacity benefit. As Lesley says, we are about the OECD average in terms of the proportion of the working age population who are receiving incapacity benefit as compared with other countries with an equivalent benefit.

Q41 Mr Khan: The Report tells us that £12 billion is spent on incapacity benefit and if you include the other benefits, including those not of working age, it comes to £20 billion. The Report tells us that the

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amount of money spent on getting people into work and retaining work is £300 million. Is that sum adequate?

Mr Sharples: May I comment on the figures? It is not a complete picture of the money that is spent helping people into work because of course there are the mainstream services of Jobcentre Plus that are helping people.

Q42 Mr Khan: What is the total figure then?

Mr Sharples: There are the Pathways to Work programmes.

Q43 Mr Khan: What is the total figure then?

Mr Sharples: I could not give you an accurate total figure and it would partly depend on definitions. One would have to start slicing up Jobcentre Plus total spending and allocating it to particular client groups.

Q44 Mr Khan: How can we assess whether you are doing enough to get people back into work who are disabled if you cannot tell us how much money you have spent doing that?

Mr Sharples: What we can tell you is that of the money which is spent on the particular programmes, and this Report covers five of those programmes, because it is looking primarily at the 2003–04 financial year it has not picked up on the rapid expansion of the Pathways to Work programme—

Q45 Mr Khan: Mr Sharples, on the five programmes they looked at, they concluded that your ability to evaluate cost effectiveness is completely inadequate and frankly hopeless.

Mr Sharples: That is not true at all.

Q46 Mr Khan: Oh, you do not think it is true.

Mr Sharples: What the Report shows in its last section is a pretty detailed analysis of cost effectiveness.

Q47 Mr Khan: Page 43, paragraph 4.5 “The department also does not know if they are getting value for money for the products and services purchased under the Access to Work scheme”. I will give you another one, page 35, “There are currently around 700 Disability Employment Advisers across the country . . . Jobcentre Plus does not know exactly how many Advisers there are, and whilst there is a job description, there is no consistency in what their role actually entails”. I could give you some more examples if you want.

Mr Sharples: Indeed, and I am not for a moment going to say that we are running a perfect system that we want to defend in every respect. I just wanted to make a point that on page 50 of the Report there is a pretty detailed analysis of the cost effectiveness of each of the schemes. I am simply making the point that it is unfair to say there is no evaluation of cost effectiveness.

Q48 Mr Khan: I have seen that. Did you not read this Report and take it as a criticism of your ability to assess how effective you are? The impression I get

from you is that you did not see the Report as a criticism of your ability to assess how effective you are at getting people into work and staying in work. You thought it was not a criticism.

Mr Sharples: What I take the Report as is a serious piece of analysis, which we welcome strongly, which will help us in improving and redesigning these schemes, something which we had embarked on—

Q49 Mr Khan: Mr Sharples, did you take it as a criticism?

Mr Sharples: May I just finish the answer?

Mr Davidson: May I just clarify that you answer the questions which are asked and if the Member wants to ask an additional question, you stop your reply and then carry on responding to the new question. It is not you speaking to us actually: we are asking questions of you.

Q50 Mr Khan: I have to say that the answers you gave to the last two questions have been incredibly long and time is precious. The next question I have is in relation to the Holy Grail, Pathways to Work. Do you accept that is the Holy Grail? Do you accept it will solve some of the problems we see in this area?

Mr Sharples: No. May I clarify that answer? I do not see it as the Holy Grail; I do not think anyone sees it as the Holy Grail. We would see it as a very important step forward which is already showing very good results.

Q51 Mr Khan: By the end of this year one third of the country will be covered by Pathways to Work and the pilots began a number of years ago. Yes? How have you assessed how effective it is?

Mr Sharples: We are doing continuing evaluation of Pathways to Work. There is published data and what that data shows is that the rate of off-flow from benefits at the sixth-month point, that is after six months on benefit, on average has gone up from 32% as the national figure to 40% in the Pathways areas.

Q52 Mr Khan: How much money has that cost?

Mr Sharples: The Pathways programmes cost between £5 million and £10 million in each of the districts in which they are operating.

Q53 Mr Khan: So it is value for money.

Mr Sharples: You could not conclude from the figure I have just given you that it is value for money, but the early results do suggest that that eight percentage point increase in the off-flow rate at six months is producing a good return.

Q54 Mr Khan: Firstly, do you accept paragraph 3.2 on page 35? Is it accurate? I am sure you have read this recently.

Ms Strathie: I have indeed.

Q55 Mr Khan: Is it accurate?

Ms Strathie: Yes. I do know how many disability employment advisers we have across the country. We have 570.

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Q56 Mr Khan: So this is wrong; it is not correct.

Ms Strathie: This relates basically to 2003–04 data. We have 570, which is a pure number.

Q57 Mr Khan: So the criticism made of you in this paragraph is unfair, because you do know what they claim you do not know.

Ms Strathie: Yes.

Q58 Mr Khan: Fine. Are there any other paragraphs in this Report that are unfair?

Ms Strathie: I do not think so.

Q59 Mr Khan: One of the things I want to ask you, bearing in mind there is another criticism made in the Report—you may or may not have seen this—is about the inconsistency of the service received by disabled citizens around the country. Do you understand what I am talking about?

Ms Strathie: Yes.

Q60 Mr Khan: How are you securing greater consistency, bearing in mind that criticism which you are aware of?

Ms Strathie: We are doing a considerable amount of work to try to ensure that we have standard processes, that we have better procurement, that we have better monitoring and that we have professionalised and revisited all of the learning and development of our disability employment advisers as well as having learned all that we learned in the recruitment and training of our incapacity benefit advisers. We have a much more standardised approach.

Q61 Mr Khan: The one thing you missed out was the information, getting better information. May I take you to paragraph 4.3? The section is headed “The Department has evaluated New Deal for Disabled People but needs to improve its evaluation of other programmes”. How can you manage a programme when the management information for so many is so poor?

Ms Strathie: With difficulty, I absolutely accept. When we develop policy and then we develop the products that will deliver the policy intent, and they are very much developed inside my business, a huge amount of effort goes in to trying to make sure we can evaluate those programmes over a period of time and we need to be much better at ensuring we have the management information that allows us to manage the products as we deliver them. We have a new IT system, DISC 3, coming on stream later this year which will enable us to do that to much greater effect in the Access to Work programme, but I hope you will appreciate that we are not going to vest large amounts of time and money on very old programmes that we may not be continuing in their format.

Q62 Mr Khan: Yes, that is a fair point. On page four, figure two lists four things which can be done to drive down costs and increase efficiency. Do you accept all those?

Ms Strathie: Yes.

Q63 Mr Khan: Over the page on page six, there are eight headings about where more progress is needed. Do you accept those?

Ms Strathie: Yes.

Q64 Mr Khan: If you were to come back here in two years’ time and we were looking at numbers of people receiving incapacity benefits, what figure do you think would be a success bearing in mind that you have had a plateau roughly for the last nine years and Pathways to Work is almost a Holy Grail?

Ms Strathie: I know you would like me to give you a fixed number, but there are far too many policy decisions that have yet to be made for me to be able to answer that.

Q65 Mr Khan: Will the graph go down?

Ms Strathie: The rate at which we will roll-out Pathways, the shape of Pathways, the money which is attached to it and the output requirements from that programme are all things before I could give you a number. I said our aspiration is for a million of those IB customers over the period of time to move from inactive into the labour market as active participants. Where we would be at two years on that journey very much depends on decisions yet to be taken.

Q66 Mr Khan: How are you going to assess whether Pathways to Work is cost effective? What criteria are you using? We know the aspiration and I am sure we all agree with the aspiration. Our job is to assess value for money and cost effectiveness. What criteria would you suggest we use in two years’ time, for argument’s sake, to assess how successful that new policy is?

Ms Strathie: Did it deliver its policy objective, have people actually moved from the inactive benefit into work.

Q67 Mr Khan: How many people would you like us to deem to be a success? Is that an unfair question? Do you think it is an unfair question?

Ms Strathie: I do think it is an unfair question for the reasons which I outlined.

Q68 Mr Khan: Is it an unfair question for me to ask you how we judge success?

Ms Strathie: No. There are various measures of success and according to this they are: a successful economy by moving people into active employment and contributing as stakeholders in society; there are measures of success for the Treasury in terms of people moving off the programmes and the benefits they were dependent on.

Q69 Mr Khan: Mr Sharples, do you have an idea how you would like us to measure success in two years’ time? Is a two-year period too short, for example, as a period of time to assess how Pathways to Work is working?

Mr Sharples: No, it is not too short. We need to monitor the performance of this programme as we go along, so that we are learning from it and then adapting the programme, learning from the lessons.

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We were saying earlier that there are some very good early results, but let us see how the monitoring goes over the next two years.

Q70 Mr Khan: I know you work closely with the DRC, the Disability Rights Commission. How are the work with the new commission and the transition arrangements working? Has that started yet? Will you work with personnel there to make sure there is a smooth handover?

Mr Sharples: As soon as the new commission is set up we shall obviously be working closely with them. We are responsible for sponsoring the Disability Rights Commission and therefore for working with the other equality bodies to plan for the new Commission for Equality and Human Rights and for the transition from the Disability Rights Commission into the new commission.

Q71 Helen Goodman: I should just like to begin by following up a point Mr Khan made. Do you know, if there were no policy change whatsoever, how the population of people on IB would change over the next decade?

Ms Strathie: Do you mean the numbers? If we had no intervention, what would be the trend?

Q72 Helen Goodman: Yes. How many people will go off IB because they go onto the state retirement pension, for example, so that we get some kind of baseline against which we are measuring the policy, even if you cannot answer the exact question that Mr Khan was asking?

Mr Sharples: Perhaps I can have a go at this. I cannot give you a full answer, but let me try a partial answer. The trend is for the total numbers of people coming onto incapacity benefit to go down. It has come down from about a million a year in 1997 down to around 600,000 now, so there has been quite a strong downward trend. That has been matched by an equivalent fall in the off-flows. Just in the last year we have seen the off-flows rise above the in-flows, which is why the total number has fallen. If you project that forwards, we should expect to see a continuing fall but it is quite difficult here to separate out the impact of the different policy initiatives that are being taken. The last point I should make is that there is an important demographic change which we need to look forward to, which is the rise in the state pension age for women. As you will know, from 2010 it will start rising by five years over the following ten years and one consequence of that is that women over the age of 60 will start to become eligible to go on receiving incapacity benefit. That will tend to push the numbers up a little bit.

Q73 Helen Goodman: It would be very helpful, if you do not have the numbers here, if we could have a note in which you make some kind of estimate looking out of the outflow, disaggregated between people going onto other benefits and people going into work.

Mr Sharples: Yes.¹

Q74 Helen Goodman: Thank you. I should like to ask you about the relative cost of the different programmes. If you look on page three at figure one, it seems to give the impression that Workstep is 16 times more costly than the other programmes. However, if you look at footnote three you can see it says "Please note that the unit cost for an Access to Work beneficiary does not reflect the wide variation in the level of support a beneficiary may receive, which ranges from one off support for a piece of equipment to continuous support in employing a support worker". So the £8,200 cost of a person working in Remploy is the total cost of the subsidy for that person for a whole year, whereas the Job Introduction Scheme is perhaps a couple of days' work. Given that that is the case, do you think that these cost comparisons are meaningful?

Ms Strathie: That is a very good question and goes back to what the programmes are there to do and what their legacy is, which is most important when you think Remploy's legacy goes back to 1945 and we now have a review to consider the profile of Remploy's business. Access to Work is designed to be flexible for individual needs. If I take the ongoing cost of support workers, for example, we could be paying roughly £30 to £40 an hour, but in some areas of the country that could be £70 for something like a BSL interpreter in some rural areas where it is a skill shortage. If a member of the family was providing that, it could be £20.

Q75 Helen Goodman: I understand that the costs vary, but my question is: is it reasonable to make unit cost comparisons between things which are so very different? Is it not like comparing an apple with a fillet steak?

Ms Strathie: Yes; absolutely.

Q76 Helen Goodman: If we look at page 43, paragraph 4.4, do we not see a similar issue coming out? "Our own analysis of Workstep data found that just over 50% of the clients who progressed to open employment remained there for more than six months". So about half of the people, when they are put into open employment, stay there for six months or fewer.

Ms Strathie: Yes.

Q77 Helen Goodman: Somewhere else in the Report, and I cannot actually remember where, it says that one of the most important things is that people gain confidence and this is one of the barriers to employment for people with disabilities. Do you think, if people are in employment for only six months at a time, that is likely to encourage them to be more confident of their capacities in the labour market?

Ms Strathie: Answering it broadly from the perspective of helping people into work, the confidence issue is usually associated with being away from the labour market. It is the self-confidence to get back into job search and believing that somebody is going to give you a job. Once people are in employment a lot of the incentives around these programmes are around ensuring that

¹ Ev 19–20

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the job they go into is expected to last at least 26 weeks and our evaluation looks at people who have stayed beyond 26 weeks, but that is not to say that we tag people forever. Six months for some people can be as long as that particular job suited them; this is not just for people with disabilities although that is what this Report does. Some people will go into one type of employment and then leave to move onto another type of employment.

Q78 Helen Goodman: There is a difference between choosing to move jobs yourself and being moved out, is there not? This issue arises again in the executive summary on page nine, “What Does Not Work”. Under “New Deal for Disabled People”, “Short-term support: New Deal for Disabled People does not provide support beyond 6 months. It is not therefore appropriate for people with learning disabilities and mental health issues who may require longer term support”. Are these not precisely the people who are most difficult to place in the labour market at the moment?

Ms Strathie: That is why it is vital that we have a process at the start of all of this that identifies the right programme. If someone is going to need very long-term help with learning difficulties, then those are very much the people who get continuous help in sheltered employment. In all of our sheltered employment providers, people will spend at least 5% of their time on learning, mainly coping with literacy and numeracy.

Q79 Helen Goodman: So in making an assessment of the different programmes, it is not just the unit cost as set out in table one; we also would need in order to get a realistic picture to set against that the different populations of different people with different disabilities and their particular needs. Is that what you are saying?

Ms Strathie: Yes, that is absolutely right.

Q80 Helen Goodman: Thank you very much; that is very helpful. May I now ask you to look at page four and figure two? One of the things it says here—this is this box about the actions to be taken—the final point “Review the nature of provision by Remploy to reduce the emphasis on the less cost effective factory based businesses and concentrate more on the commercially viable businesses and Remploy Interwork”. If it is the case that for some people the factory-based solutions are really the only solutions, do you think it would be a good idea for the DWP to revisit this recommendation before providing advice to ministers?

Ms Strathie: Ministers have announced a major review of Remploy in terms of taking on board the recommendation to re-engineer the profile of Remploy’s business whilst continuing to cater for those who continue to need most help in this environment. We expect to Report within the next month or so against that, so the outcomes of that review will inform advice to ministers.

Q81 Helen Goodman: I am well aware of that review. One of the things which comes out of this is that Interwork is a more effective way of placing people in work than your other schemes. Do you think it is possibly the case that that is because within Remploy the people have experience of employing people with disabilities and that may enable them to have more intelligent dialogue with other potential employers, in other words that there is a synergy between the two activities in Remploy?

Mr Nicholas: That is obviously a possibility, not because people move from factory employment through into Interwork; there is not a great deal of movement there. Obviously Remploy’s own experience of employing people with disabilities is a factor when advising other outside employers about recruiting people.

Ms Strathie: What we have tried to do since the 2001 policy change is create a different expectation, both for our customers and for the providers, about progressing those people who can, because the labour market has changed and there are things that people can do. Remploy, for example in its Interwork programme, have focused very much on sustainable sectors for their customer group, where they can continue to build that job brokerage for people with disabilities into work, whilst at the same time they have to tackle the fact that they have people who have been there for many, many years in the factory environment who do not actually believe themselves that they can work anywhere else.

Q82 Helen Goodman: Do you think it is possible that they do not believe that because for them it is true? Do you think it is different being a 21-year-old with a disability from being somebody who is, like me, 48 and who has been doing something for a very long time and got used to it? Obviously the possibilities are different, are they not?

Ms Strathie: They are. People are individuals, but with all of our labour market policies it is about finding out what the barriers are for people. Whether they see us directly in our core advisory services or through any of our providers, it is about identifying the barriers and trying to break them down, trying to give that confidence and trying not to blunt the ambitions of people. We do have to recognise that there are people where that is not really an option for them.

Q83 Helen Goodman: Could you look at page 48, figure 25? The average cost per person in a Remploy business is £18,000. Could you just explain that to me? There are two kinds of business that seem to be much more expensive than the others: the e-cycle and the Officescope. Could you explain what those two things are?

Ms Strathie: I do not think I can actually.

Mr Sharples: The e-cycle business is the electrical recycling business, recycling of electrical goods. I am afraid I do not have the details of Officescope.

Q84 Helen Goodman: So when you get the report on Remploy and you are looking to reconfigure Remploy in a more economic way, rather than

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looking across the board will you be looking in particular at the things which seem to be particularly expensive?

Ms Strathie: We need to look at all of the business and Remploy themselves have done a huge amount to try to move work around the country, they have 82 factories, and to try to make their businesses more viable.

Q85 Helen Goodman: In terms of making the business more viable, what are going to look for in terms of improved management and improved use of space? There is risk here that if you do not look at improved management, you are going to throw the baby out with the bath water.

Ms Strathie: I suppose to some extent that will pre-empt the report. I cannot profess to have been in every Remploy factory, but I have seen some shining examples of good management in Remploy of what they have to manage in the environment that they are in. The report is about its business and the profile of its business and we have to wait for that to report.

Q86 Mr Davidson: May I just follow up one or two of the points which have been touched on already? May I ask you just to look at figure 19 on page 38 about the Workstep providers? There does seem to be quite a considerable variation and in particular the North East of England has over 100,000 people on incapacity benefit. Why are only 60% of the Workstep spaces being utilised?

Mr Nicholas: This takes us back to the question earlier on about trying to guide people towards programmes which are likely to get them the outcomes that work for them. So there is provision in Workstep which we should not necessarily try to fill, we should not be paying for it because we can provide other support for people. We also have the three national contracts.

Q87 Mr Davidson: Let us be clear then. You are not paying for the 40% that is unused?

Mr Nicholas: No, we do not pay for places that do not have somebody in them.

Q88 Mr Davidson: So you are saying to me that there is nobody in the stock of disabled who could meaningfully utilise the 40% of places which are presently unused.

Mr Nicholas: No, that was not what I was saying. I was saying that there may be other provision which is suitable for some of those people.

Q89 Mr Davidson: Let me be clear. Are saying to me that nobody amongst the disabled could usefully utilise the 40% of places in the North East and the percentage elsewhere?

Mr Nicholas: No, I am not saying that.

Q90 Mr Davidson: Why, in those circumstances, are they not then utilised?

Mr Nicholas: Because, to make best use of the total funding we have across all of the disability programmes, we can use some money that would have been used to fill those places to put people onto New Deal for Disabled People.

Q91 Mr Davidson: So it is more cost effective to use the amount of money that you have already. That brings us back to the question of whether or not you do actually know that because of the lack of management information. We did pick that up earlier on and we were told that there were improvements. May I just be clear? By what date do you expect to have management information systems in place that will adequately address the issues raised by the NAO Report?

Mr Nicholas: There is the review—

Q92 Mr Davidson: Just give me a date?

Mr Nicholas: For those programmes which are still in existence in their current form I am confident we would have significantly improved data in 12 months' time.

Q93 Mr Davidson: Within 12 months, okay.

Mr Nicholas: Some of them we will have much earlier than that.

Q94 Mr Davidson: Would you have been pursuing that had it not been for the National Audit Office coming along and telling you that your management information systems were faulty?

Mr Nicholas: We would clearly have been trying to make improvements. This Report helped focus attention on that, but we were not unaware of the need to improve.

Q95 Mr Davidson: You were not unaware of the need to improve. I must confess that is not quite the strongest statement I have ever heard.

Mr Sharples: May I say on this that my answer would be clearly yes. We were starting work on improving the management information well back in 2004, as I recall. We have a long way to go on this, but we do need to understand the difficulty of investing in systems which will provide management information for old programmes if those programmes are going to be revised, conceivably replaced, as a result of decisions following from this review.

Q96 Mr Davidson: So once the review takes place and new systems are introduced, and new patterns are introduced, we will not have any future reports indicating that management information systems are deficient. Is that correct?

Mr Sharples: I hope that any future report will be able to document the improvements in management information systems which are taking place.

Q97 Mr Davidson: May I just come back to the point in paragraph 2.13, the point which one of my colleagues raised about picking people who are the easiest to help, creaming people off the top? Given

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that this is dated, are the systems that you have in place now and the systems you intend to introduce under any new regime going to overcome that difficulty?

Ms Strathie: We need to look at performance variation in all of the programmes and across the country, because we deliver nationally. One of the things we have done through the contract in here is to target where we want the customers to come from, because we have areas of the country where there are lots of starts. Bearing in mind that New Deal for Disabled People is a self-referral programme and some of our providers market their programmes themselves, we have varied the contracts to where we want to make much more of an impact. That is quite difficult for some of the people who won the contracts who are delivering for us because they are into more difficult areas of the country and we need them to get the starts on the programmes in that area, rather than where they perhaps traditionally got them from. That is one of the things that we are doing.

Q98 Mr Davidson: At the top of page 32, paragraph 2.22 at the top it does actually say that your staff "... receive little, if any, recognition or incentive for their job retention activities, which can be very time consuming". Is that problem now overcome? A simple yes or no actually.

Ms Strathie: Yes.

Q99 Mr Davidson: So that is no problem. Thank you. The sustainment element is also mentioned at the bottom of paragraph 2.23. Is that similarly now overcome?

Ms Strathie: We have two different concepts for sustainability between the New Deal for Disabled People and Workstep, but it is still work that we have to tackle more robustly as part of our review of disability services.

Q100 Mr Davidson: So when we have you back here in due course on something else, we will be able to get clarification that this is no longer a problem.

Ms Strathie: Yes.

Q101 Mr Davidson: The disabled people, certainly in my constituency and elsewhere, find it difficult to believe that they are going to be better off in work than on benefits, despite your best endeavours. Are you proposing to do anything new to make sure that they are aware of this in future? Mention was made of disability.gov. Very few people in a constituency like mine have access to the internet, particularly amongst the disabled, who tend to be poorer. Your communication does seem to be deficient. What steps are being taken to address that?

Ms Strathie: A work-focused interview regime, incapacity benefit advisers in addition to disability employment advisers are the best route to that information.

Q102 Mr Davidson: Is there any evidence that that route is working?

Ms Strathie: Yes; absolutely. Bearing in mind we have been rolling out Jobcentre Plus now since 2002–03 and we are nearly at the end of the programme, more and more customers are coming into that work-focused interview regime alongside the Pathways pilot and we know that that is the best route to signposting people to what is available for them.

Q103 Mr Davidson: Can you provide the National Audit Office with the evidence that the people coming through that mechanism are then more aware that they will be better off in work than on benefits?²

Ms Strathie: As part of our advisory service, we should absolutely be able to do that because making people better off in work is part of the job.

Q104 Mr Davidson: If you could just do that then; thank you. May I pick up paragraph 3.13 which is indicating "The Adult Learning Inspectorate (ALI) has confirmed that 53% of Workstep providers are currently unsatisfactory"? May I ask whether or not all these people have had their contracts renewed or anyone has been fired?

Ms Strathie: We did terminate contracts but ALI inspection results show that Workstep's performance has undergone significant improvement.

Q105 Mr Davidson: I read that as well. I am presuming that some of them would improve, but what I was asking was whether or not any of them had been fired and you are saying that some of them have.

Ms Strathie: Yes.

Q106 Mr Davidson: Can you just provide figures to the National Audit Office then about how many providers were sacked and what percentage of the provision was fired.

Ms Strathie: We shall do that.³

Q107 Mr Mitchell: I am just a bit worried about the generally hostile tone, both in Government and in the Report itself, towards Remploy. Are Remploy more successful with their Interwork programme because they have experience and run factories or is it an entirely different arm? Why is Remploy Interwork successful whereas there is a generally critical attitude towards the factories?

Ms Strathie: I did not think that the tone was hostile. The National Audit Office paid tribute to the valiant efforts of Remploy management in what they were trying to do.

Q108 Mr Mitchell: They do have more experience, do they not, and they have worked in the field for a longer period and that might well make them better than other providers in the Interwork scheme?

Ms Strathie: I would imagine that they have a lot of employer relationships as well in terms of how they build. At the end of the day, no matter how much we

² Ev 20

³ Ev 20–21

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do, it is the employer that provides the opportunity for people with disabilities or any other people to go into work.

Q109 Mr Mitchell: Mr Nicholas was nodding an assent to my question.

Mr Nicholas: I think there is very much something in what you say.

Q110 Mr Mitchell: What is the main criticism of the rest of Remploy? I cannot make out whether it is being criticised or it is being undermined because its costs are higher per person or because once they are in the factories they stay there. It says that conditions are stable and they quite like it and they do not move on. What is the main problem of these two higher costs or stability with Remploy?

Mr Sharples: The issue is that within the Remploy business there are really two very different kinds of business. There is the supported employment where progression into unsupported employment is really very, very low and costs per person are very, very high. The second kind of business is the Interwork business, which is part of Workstep, where progression has been doing really well; I said earlier over 40% and costs per person of progression into unsupported employment are really quite reasonable compared with other programmes.

Q111 Mr Mitchell: Is that statement a prelude to an attempt to get rid of Remploy?

Mr Sharples: No; no. As the National Audit Office Report has very helpfully done, it has helped us to understand the nature of the activities within Remploy and the costs associated with those activities. Clearly, it is for ministers to then decide the appropriate use of public funds.

Q112 Mr Mitchell: I hope there are also some benefits to employment and the people in Remploy seem to me to like it very much and to swear by it in a sense. Just one final question, the Report says that most Remploy businesses are not currently sustainable in economic terms. Here we have, presumably, a feature of the decline of manufacturing in this country which is traditionally what many of the Remploy plants did and manufacturing generally is going down the nick thanks to the high pound and the Monetary Policy Committee. However, the Report also says Remploy struggles to be competitive despite improving the volume of sales and gross margins. Those things are contradictory. What is Remploy doing? Is it improving its sales and gross margins, or is it going down the drain?

Mr Sharples: It is precisely to answer that kind of question that we have commissioned this study to help us understand the commercial environment that Remploy is operating within and the choices it therefore faces.

Q113 Mr Mitchell: If there is a decline in manufacturing, the solution for all manufacturing, and Remploy as well, is to upgrade, multi-skill and go upmarket. Yes?

Mr Sharples: I hear your view, yes. I am not sure it is for me to comment on that.

Q114 Sarah McCarthy-Fry: I also want to return to Remploy. You said you found the NAO Report extremely helpful. I am a bit concerned that one of the figures in here may be a bit misleading when it says the average cost per person in a Remploy business is £18,000. I should hate to see that statistic being bandied around in any review of Remploy when we see e-cycle down there at nearly £34,000, yet paragraph 4.19 says that it is a new business and it is including start-up costs. I shall ask the National Audit Office if they actually did any work on what the start-up costs were, but may I ask the question of you first? Do you think it is fair to have included the start-up costs in the cost per person which has then skewed the average?

Mr Sharples: Like any figure, it has to be treated with caution and understood. It seems to me an accurate figure as far as it goes. It is simply taking the total number of people and the total cost and dividing one by the other. You are quite right that within that, there are lots of quite complex things going on that we need to try to understand.

Q115 Sarah McCarthy-Fry: May I ask Sir John whether you did any work on what those start-up costs were?

Mr Lonsdale: I do not think we have the breakdown particularly, but, for the reason you gave, we have elaborated that it is early days and it is likely to drop over time simply to avoid giving the wrong impression. That is an average as at that particular time and clearly it will fluctuate as the businesses develop.

Sarah McCarthy-Fry: I should like to put it on record that in any review of Remploy that should be made clear, because I know what happens with these Reports: these statistics get taken as gospel without the qualifications which are in the small print.

Q116 Helen Goodman: You said earlier that you had seen some good management within Remploy, but I have to tell you I have had a briefing from the GMB national office which is not wholly complimentary of Remploy management. I should like you either to confirm these numbers or give me the correct numbers in a note afterwards. Is it true that there are 75 factory managers for the 83 factories, but above the factory manager grade there are another 219 people on something called M1 grade and above that a further 100-plus people earning up to £60,000 a year?

Ms Strathie: I shall have to let you have a note. I cannot answer that; I am sorry.⁴

Q117 Helen Goodman: Are you aware that the Chief Operating Officer is paid over £100,000? That is not exceptional for an organisation this size, but are you aware that in addition to that, the chief operating officer has agreed to join the Competition

⁴ Ev 21

 Department for Work and Pensions and Jobcentre Plus

Commission's Reporting panel for an eight-year term where she has committed herself to working at least one to two days a week?

Ms Strathie: No, I am not.

Q118 Helen Goodman: Are you also aware that the COO took part in the Foster review on the future role of further education colleges during 2005?

Ms Strathie: No.

Q119 Helen Goodman: Could I ask you to look into these and see whether they are accurate and, in the light of what you find, reconsider your views on the management quality?

Ms Strathie: I shall certainly take it away.

Mr Davidson: Thank you very much for providing us with evidence. I hope you enjoyed yourselves and, as you know, it is all for your own good. Thank you very much.

 Memorandum submitted by the National Audit Office

1. This memorandum provides a summary update to the NAO Report, *Gaining and retaining a job: the Department for Work and Pensions' support for disabled people*, published in October 2005. There have been no significant changes to the specialist employment programmes and schemes to help disabled people find and retain work since the Report was published, although the Department has made some key announcements in the last seven months. The Report focused on the 2003–04 financial year therefore where appropriate 2004–05 updates have been provided. The Department for Work and Pensions has not been able to provide complete figures for the 2005–06 financial year.

2. To prepare this update we have used the final published figures from the annual accounts for 2004–05 supplemented by interim data and supporting information requested directly from the Department. We have not had the opportunity to fully audit the latter but they do not appear unreasonable.

KEY POINTS

- Total programme expenditure has gone from £284 million in 2003–04 (excludes £9 million for in-house job brokers) to £323 million in 2004–05 and an estimated £331 million in 2005–06.
- Total number of participants in these programmes and schemes has risen from 125,000 in 2003–04 to almost 164,000 in 2004–05 (final participant numbers for 2005–06 are not available but are likely to exceed 180,000). This increase is primarily attributable to expansion of the New Deal for Disabled People programme.
- Remploy block grant funding has risen from £115 million in 2003–04 to almost 116 million in 2004–05 and an estimated £119 million in 2005–06.
- A single provider, Remploy Interwork, accounts for 74% of the total number of progressions from the Workstep programme although it has only 40% of the total number of participants.

RECENT ANNOUNCEMENTS

3. The *Welfare Reform* Green Paper: On 24 January 2006 the Department for Work and Pensions announced a reform of the benefit system with the publication of a green paper "A new deal for welfare: Empowering people to work". The formal consultation period recently ended on 21 April 2006. The Green Paper sets out proposals for achieving an 80% employment rate for people of working age. Reducing the number of people on incapacity benefits by one million is one part of the Department's overall aim. Proposals for incapacity benefits include:

- introducing a new gateway to benefits for people with illness and disabilities;
- revising the medical assessment (Personal Capability Assessment) process to focus on ability and support needs rather than incapacity;
- introducing mandatory work focused interviews for new claimants and existing claimants—except the most severely disabled or those in the poorest health—supported by a mandatory action plan of return to work activity;
- providing in work support to ensure people continue working—with a return to Work Credit to ensure people really are better off in work;

- taking steps to increase awareness of the opportunities offered, for example through providing information at medical examination centres when claimants attend a review; and
- GPs to take “active steps to support” patients who want to return to work.
- Extending Pathways to Work provision across the country.

4. **Remploy:** On 16 March 2006, Anne McGuire, the Minister for Disabled People launched a review of Remploy Ltd. The review will look at how Remploy operates and provide independent expert advice on the options for a strategy to enable Remploy to help more disabled people into work at unit costs comparable with other providers of supported employment, without compromising services for people with more substantial barriers to work. The review team will Report to ministers at the end of May 2006.

5. The review follows the NAO Report which recommended the Department re-engineer the profile of Remploy businesses to improve overall value for money and ensure support is available to help individuals find alternative employment if necessary. The NAO Report recommended reducing the emphasis on the less cost effective factory based businesses and concentrate more on the commercially viable businesses and on the successful Remploy Interwork (Figure 2, page 4 and para 4.19 and 4.20, page 47).

6. **Other Announcement:** On 1 December 2005 the Office for Disability Issues (ODI) was launched. The ODI will have a central role in ensuring that all government departments work together more effectively on issues relevant to disabled people. It will ensure there is a focus across government on improving outcomes and securing equal opportunities for disabled individuals and families, for example, in employment.

DATA UPDATE

7. The Department Reports it is still on course to meet the PSA target for increasing the employment rate of disabled people. In its 2005 Autumn Performance Report, the rate rose from 48.9% (baseline: spring 2003) to 50.1% in spring 2005 (2004: 50.1%), an increase of 1.2 percentage points. In the same period the gap between the rate for disabled people and the overall rate fell by 1.1 percentage point from 25.6% to 24.5% (2004: 24.6%).

8. The total expenditure for the specialist programme and schemes in 2004–05 was £322.9 million (2003–04: £284.4 million), an increase of 13.5% on the previous year. The most significant change was a 128% increase in expenditure for New Deal for Disabled People.

PROGRAMME EXPENDITURE £'000 (ACTUAL IN YEAR EXPENDITURE—CASH TERMS)

	2000–01	2001–02	2002–03	2003–04	2004–05	% increase on 2003–04
JIS	—	1,010	1,005	895	1,049	17%
Work Preparation	10,789	7,466	7,821	10,049	12,791	27%
NDDP	1,651	4,071	14,563	28,452*	64,764	128%
ATW	32,258	42,492	51,203	55,845	59,587	7%
Workstep (non Remploy)	62,668	60,056	59,339	74,175	68,709	–7%**
Remploy	100,661	98,561	119,162	115,000	116,000	1%
Total	208,027	213,656	253,093	284,416	322,900	13.5%

* 2003–04 NDDP costs in published Report included approximately £9 million for in-house job brokers.

** 2003–04 Workstep included £7 million Modernisation funding payments. Excluding this 2004–05 saw a 2% increase in expenditure.

9. An estimate of the average unit costs of providing the various programmes and schemes in 2004–05 is provided below. This is a replication (updated) of Figure 1, page 3 of the Report.

Figure 1, page 3 updated

THE DEPARTMENT'S SPECIALIST EMPLOYMENT PROGRAMMES
AND SCHEMES FOR DISABLED PEOPLE

<i>Programme/scheme name</i>	<i>Number participating (1)</i>	<i>2004-05 Programme cost (£m) (2)</i>	<i>Average Unit Cost (£) (3)</i>
Work Preparation	8,100	12.8	1,600
Workstep (including Remploy)	23,600	184.7	7,800
New Deal for Disabled People	97,800	64.8	1,000
Access to Work	32,000	59.6	1,900
Job introduction Scheme	2,300	1	435
Disability Symbol	not known	—	—

Notes:

Complied using same basis as per 2003-04 figures in published report.

- (1) Figures rounded to the nearest 100. Number participating for Work Preparation and Job Introduction Scheme refer to those who have been on the programme or scheme during the year. Figures given for Workstep and New Deal for Disabled People refer to the number of current participants as at 31 March 2005.
- (2) Figures exclude administration costs. NDDP excludes costs for in-hour job brokers (approximately £9 million in 2003-04). Programme costs for the Disability Symbol are not available.
- (3) Unit costs are based on programme costs divided by participant numbers, as provided in the table above, except for New Deal for Disabled People. The unit cost for New Deal for Disabled People is based on the number of new registrations (62,200) in 2004-05.

Source: DWP and published annual accounts.

2005-06 INTERIM ESTIMATES

<i>Programme/scheme name</i>	<i>Number participating (1)</i>	<i>2005-06 notes on number participating (2)</i>	<i>Estimated programme cost (£m) (2)</i>
Work Preparation	7,700	to Feb 2006 only	12
Workstep (including Remploy)	22,400		192
New Deal for Disabled People	121,300	to Nov 2005 only	66
Access to Work	—	not yet available	60
Job introduction Scheme	—	not yet available	1

Notes:

Latest available information provided. Estimated programme costs are for full financial year.

Source: DWP.

10. Job outcomes for 2004-05 are provided in the table below. This is a replication (with updating) of Figure 7, page 18-19 of the C&AG's Report. The most noticeable change is for New Deal for Disabled People, with 97,800 current participants as at 31 March 2005, compared with 57,800 as at 31 March 2004. The number of job outcomes for New Deal for Disabled People has also increased from 24,800 to 37,900.

Figure 7, pages 18–19

<i>Programme or scheme</i>	<i>How much does it cost (£m)? (1)</i>	<i>2004–05 How many participants? (2)</i>	<i>How many job outcomes? (3)</i>
Work Preparation	£12.8	8,100	1,600
Workstep (including Remploy)	£184.7 (£116)	23,600 (9,400)	2,300 (1,700)
New Deal for Disabled People	£64.8	97,800	37,900
Job Introduction Scheme	£1.0	2,300	n/a
Access to Work	£59.6	32,000	n/a
Total	£322.9	163,800	41,800

Notes:

Compiled using same basis as per 2003–04 figures in published report.

- (1) Figures exclude administration costs. NDDP excludes costs for in-house job brokers (approximately £9 million in 2003–04). Programme costs for the Disability Symbol are not available.
- (2) Figures rounded to the nearest 100. Number participating for Work Preparation and Job Introduction Scheme refer to those who have been on the programme or scheme during the year. Figures given for Workstep and New Deal for Disabled People refer to the num.
- (3) Figures refer to the number of job entries or in the case of Workstep, progressions to open employment, during 2004–05.

Source: DWP and published annual accounts.

11. In 2004–05 Remploy Interwork still accounted for the vast majority of Workstep progressions to unsupported employment. The table below is a replication (updated) of Figure 24, page 47 of the Report. The average rate of progression for Workstep is 10% (2003–04: 8%); Workstep (non Remploy)—4% (2003–04: 3%); Remploy Businesses—0.2% (2003–04: 0.35%); and Remploy Interwork—46% (2003–04: 43%).

Figure 24, page 47

REMPLOY AND PROGRESSIONS TO OPEN EMPLOYMENT, 2004–05

24A. Three-fifths of all Workstep clients are non Remploy, yet Remploy account for three-quarters of the progressions from supported to open employment, 2004–05.

	<i>Workstep clients</i>		<i>Workstep Progressions</i>	
	<i>number</i>	<i>%</i>	<i>number</i>	<i>%</i>
Workstep (non Remploy)	14,172	62	606	26
Remploy	8,836	38	1,683	74
	23,008	100	2,289	100

24B. The vast majority of Remploy progressions are from Remploy Interwork, rather than Remploy businesses, 2004–05.

	<i>Remploy clients and employees</i>		<i>Remploy progressions to unsupported employment</i>	
	<i>number</i>	<i>%</i>	<i>number</i>	<i>%</i>
Remploy businesses	5,581	63	10	1
Remploy Interwork	3,255	37	1,673	99
	8,836	100	1,683	100

Source: DWP.

12. Part 4 of the NAO Report noted that the Department had undertaken some initial cost benefit analysis of the specialist employment programmes and that it planned to undertake more detailed cost benefit analysis of New Deal for Disabled People later in 2005 (para 4.22, page 48). This work is ongoing but not yet complete. The Department intends to will be published later this year. The Department has not carried out any further cost benefit analysis for the other specialist employment programmes for disabled people. Figure 28 and Figure 29 (page 50 and 51) have not been updated as there has been no significant changes to the cost benefit analysis assumptions.

Supplementary memorandum submitted by the Department for Work and Pensions

Questions 71–73 (Helen Goodman): A forecast of how the number of people claiming Incapacity Benefit would change if there were no changes to Government policy

The Department is currently reviewing its incapacity benefits¹ caseload forecasts, including basing them on 100% data instead of the less reliable 5% sample used previously.

The table below shows future forecasts of the Incapacity Benefit caseload. These forecasts do not take into account any of the proposed policy changes in the recent papers, *A new deal for welfare: Empowering people to work* or *Security in retirement: towards a new pensions system*.

ESTIMATED NUMBER OF WORKING-AGE CLAIMANTS OF INCAPACITY BENEFIT OR SEVERE DISABLEMENT ALLOWANCE, 2005–06—2019–20, (THOUSANDS)

2005–06	2,710
2006–07	2,650
2007–08	2,570
2008–09	2,490
2009–10	2,430
2010–11	2,400
2011–12	2,390
2012–13	2,370
2013–14	2,360
2014–15	2,350
2015–16	2,360
2016–17	2,380
2017–18	2,410
2018–19	2,440
2019–20	2,470

Notes:

1. Figures are rounded to the nearest 10,000.
2. Figures are forecasts, therefore subject to future revisions.
3. Figures include the impact of the one-third rollout of Pathways to Work and estimates of the impact of equalisation of state pension age on the IB caseload.

The department does not forecast outflows from Incapacity Benefit (IB) into work and we cannot predict in advance what outflows into work are likely to be over the next 10 years. However we can be reasonably confident that the national rollout of Pathways to Work, in tandem with wider IB reform, has the potential to transform the prospects for incapacity benefit customers and help make them make the transition from welfare to work. We plan to put in place a comprehensive monitoring and evaluation strategy to assess the impact of these reforms on an ongoing basis. This will help us distinguish between falls in the caseload that are due to demographic and wider effects, and those that result from successful policies. This will build on the thorough and wide ranging evaluation of the Pathways to Work pilots that is already being carried out.

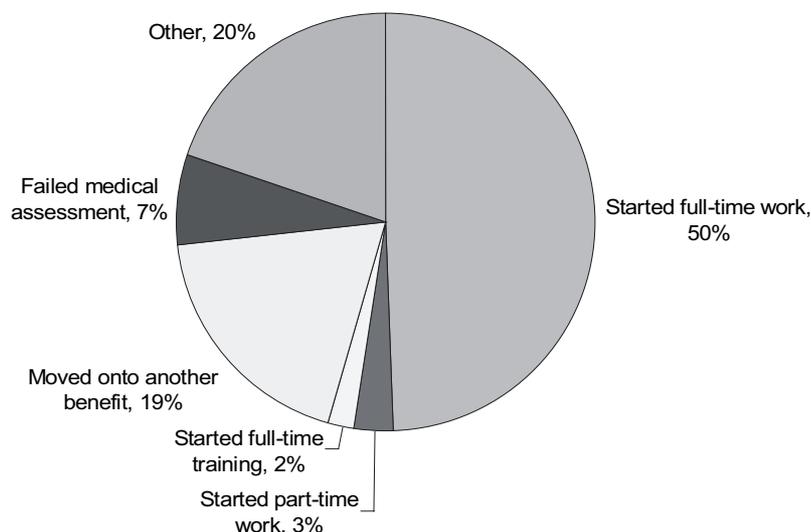
The department has a strong track record in monitoring and evaluating new labour market programmes and the impact of benefit changes. The department publishes a comprehensive range of monitoring information and statistics on a range of activities. Evaluation is carried out by independent contractors and placed in the public domain.

The department does not forecast the number of people flowing from benefit into work, and we cannot, at present, report on current activity from administrative data on flows from benefits to employment. However the “Destination of Benefit Leavers Survey 2004” does contain analysis on flows between incapacity benefits and employment.

50% of those leaving incapacity benefits entered/returned to full-time work (16 hours or more), with another 3% entering part-time work. This is slightly higher than the proportion in the 2003 survey (47%).

¹ “Incapacity benefits” refers to Incapacity Benefit and Income Support Disability Premium claimants, it excludes Severe Disablement Allowance claimants.

ESTIMATED DESTINATIONS OF INCAPACITY BENEFITS CLAIMANTS



Source: Destination of Benefit Leavers 2004, published in July 2005.

Of claimants entering work, those who left benefit after a year were less likely to enter/return to full-time work than those who left within 13 weeks of starting to claim an incapacity benefit (40% and 67% respectively).

Men were more likely to enter full-time work than women (53% compared to 43%), and there are also large regional differences: The South East had the highest proportion of sick/disabled leavers entering/returning to full-time work (63%), and London the lowest (35%).

Question 103 (Mr Ian Davidson): Evidence that people coming through the work-focused interview regime were more aware of being better off in work

Our evidence has shown that for Pathways to Work customers the series of Work Focused Interviews are very effective. The latest research with customers found considerable interest in financial support, which people received at an early stage in the work-focused interviews, and that there was a general retention of basic knowledge that it was possible to combine work and benefits, or have financial support for low earnings.

This evidence can be found in *Incapacity Benefit Reforms Pilot: Findings from the second cohort in a longitudinal panel of clients* (Social Policy Research Unit, DWP report no 345, 11 April 2006).

Questions 104–106 (Mr Ian Davidson): Numbers and percentage of Workstep providers withdrawn due to poor reports from the Adult Learning Inspectorate

Providers are contractually required to self assess to support their own work on quality improvement and complete an annual self-assessment report that evaluates all aspects of their provision. The Adult Learning Inspectorate (ALI) uses this report to inform their judgements about the effectiveness of the provider.

The Jobcentre Plus Workstep contract management approach ensures that providers undertake a rigorous approach to inspection and supports them in the self-assessment process by undertaking provider performance reviews. This is a risk-based approach that identifies areas for improvement and recommends action to be taken.

The Workstep contract management and ALI's Provider Development Unit worked closely with any Workstep Providers judged by the ALI to be unsatisfactory and most showed significant improvements with 93% judged to be satisfactory or better on re-inspection.

Since Workstep became subject to ALI inspections in England from 2002, 37 (25%)² providers have withdrawn from the provision in agreement with Jobcentre Plus. Of the contracts withdrawn, 8 (22%) related to an impending ALI inspection or the result of an inspection.

² The NAO report identified around 150 providers as being subject to ALI inspection in England and this figure has been used in expressing percentages of providers no longer delivering Workstep contracts.

Questions 116–119 (Helen Goodman): Details of the numbers, salaries and activities of Remploy Managers

The following, not including the Board, sets out the numbers of managers at each level within Remploy.

FIRST LINE MANAGERS/PROFESSIONALS

There are 220 First Line Managers/Professionals. Of these, 65 work within Interwork, Remploy's employment agency business. The remaining 155 are in corporate or business roles. Included in this total are nine Factory Managers of small sites. Other roles include—Sales, Accountants, IT Engineers, Engineers and Health/Safety Officers. The average salary is £31,000 (including bonuses, where paid).

MIDDLE MANAGERS

There are 187 Middle Managers. Of these, seven work within Interwork, Remploy's employment agency business. The remaining 180 are in corporate or business roles. Included in this total are 62 Factory Managers (with the nine above this totals 71 Factory Managers), as well as other middle management roles such as Senior Sales people and Operations Managers. The average salary is £41,000 (including bonuses, where paid).

SENIOR MANAGERS

There are 16 Senior Managers, four of whom are in Interwork. The average salary is £63,000 (including bonuses, where paid).

THE CHIEF OPERATING OFFICER

The Chief Operating Officer's (COO's) salary is £95,500 per annum (the COO role does not attract bonuses).

The Department is aware that the COO has joined the Competition Commission's reporting panel and the one to two days per week quoted only applies when the COO is actually sitting on an Enquiry. Since joining the Commission in April 2005 the COO has made up all time spent on Competition Commission business by working at weekends on Remploy business. The COO keeps a detailed record of hours spent on Commission business and has given more time to Remploy business at weekends than has been given up to the Commission.

The COO did participate in the Foster Review. This took up approximately four days over a period of eight months.

Having looked at the areas highlighted in these questions (116 to 118), the Department's views regarding Remploy's management remain unchanged as it waits for the results of the current review.
