

# **A Financial Cost:Benefit Analysis of Kent Supported Employment**

## **Establishing a Framework for Analysis**

### **An Interim Report**

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## **Executive Summary**

This report summarises the first phase of a three phase study to develop a financial cost:benefit analysis specific to supported employment for people with learning disabilities. It is being conducted in collaboration with Kent Supported Employment Agency (KSE). It aims to develop a cost benefit framework that is robust enough to accurately identify the potential costs and savings to the local authority and taxpayer of delivering the KSE service. Phase 1 ran from January to March 2010 and involved developing the cost benefit framework and collecting the relevant information from KSE.

In Phase 1 information was gathered to define the service context, describe how it operates, the nature of the jobs obtained, and the beneficiary group. Information was also collected to compare the net income of the employees prior to and following work, to see if they were better off as a result of working. Local day service comparators were identified and used in identifying the costs and savings at the local authority level, while the amount paid in welfare benefits and allowances before and after work, and the amount of financial flowbacks (e.g. tax and national insurance contributions of employees) was used for the tax payer level.

The report details the cost benefit calculations developed in Phase 1 and the caveats. Most importantly, Income Tax and NI payments were not available in this round, nor were Housing and Council Tax Benefit before and after employment and we relied on assumptions. The results showed that in the period March 2009 to February 2010 KSE supported 118 people in paid jobs, 57 of whom were employees with learning disabilities. The remainder were mainly people with mental health issues, severe physical disabilities and autism. All had been identified as requiring specialist employment provision. KSE had 37 front line staff, with 3 jobs supported per staff member. The jobs, represented a cross-section of Public (32% of jobs), Private (54%) and Third Sector (14%) employees, which on average pay above the national minimum wage rates. The age range of the employees with learning disabilities was 20 to 59 years old and there was an emphasis on younger adults, with 61% of people under the age of 30.

Just under half of the jobs were for less than 16 hours per week (48%) with the largest proportion of jobs being between 15 and 16 hours (23%). The average total gross income for people with learning disabilities from all sources was £112.84 per person per week before employment and £175.14 after employment. From the perspective of the worker with learning disabilities, the difference between the Welfare Benefits they received before entering work, and the total income after employment (wages + retained welfare benefits + Working Tax Credits) was £62.30 per week (+55%). Welfare benefit income fell from an average of £112.78 per person before employment, to £80.93 when employed (- 28%).

No current figures for day services costs in Kent were available. A comprehensive costing from 2005/06 was updated for inflation, providing an estimate day service costs of £11,200 per person in 2009/10. Using the whole client group (all disabilities- 118 clients) and the total budget of KSE, the cost of KSE was £9,910 per person, 88% of the cost of a day service place or a potential saving of £1,290 to the LA.

From the taxpayer perspective additional costs of jobs, such as Access to Work payments, and flowback to government, such reduced welfare benefit payments, are considered. From the taxpayer perspective KSE has a net saving of £3,564 per person per year compared to a day service alternative. The study identifies KSE as having capacity for growth, suggesting that savings may increase over time as more clients move into work.

Despite some flaws in the data in this first phase, the results concur with previous findings that supported employment can produce savings at the local authority and tax payer levels and that, given capacity for growth, the amount saved would increase over time. However, the difference in net cost between supported employment and day service costs at LA level will only represent a real reduction in cost if one service is replaced by another and the saving is realised. This provides an argument for supported employment to be harnessed to day service reform from a LA perspective.

Better outcomes appear to be related to greater numbers of people working over 16 hours per week, with increased take up of tax credit and tax/NI flowbacks as a result. Likely uptake of 16 hour per week jobs in any supported employment programme will be a driver for cost:benefit outcomes at taxpayer level. The challenge for supported employment managers will be to accommodate the differing support needs of individuals in a way that is cost effective, but includes those requiring significant levels of supported employment provision.

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## Section 1: Introduction

### Evaluation Context

This evaluation was commissioned by Kent County Council (KCC). It aims to build upon the cost-benefit framework developed by Dr Stephen Beyer in North Lanarkshire<sup>1</sup> to produce an evaluation specific to supported employment in Kent. It will do this by taking into account how much the supported employment service costs the local authority and the taxpayer, and how much it returns to the individual, local authority, and the government in savings. The approach is being piloted in collaboration with staff at Kent Supported Employment (KSE).

Policy makers and professionals have been concerned that people with learning disabilities are under-represented in the workforce (DWP, 2005).<sup>2</sup> Supported employment has been seen as having potential for improving the prospects of disabled people in the labour market and for being a financially viable option, compared to traditional in-house day service provision.<sup>3</sup> Research in supported employment has shown favourable outcomes compared to traditional day services in the US and UK in terms of social integration into the community,<sup>4</sup> increased levels of engagement,<sup>5</sup> increased financial independence,<sup>6</sup> and increases in self-esteem and job satisfaction,<sup>7</sup> compared with traditional services.

However, there have been few studies that relate specifically to the costs implications of the approach. There are number of reasons for supposing that supported employment should be a financially viable option, compared to traditional in-house provision. It's focus on the structured fading of support over time, should free-up resource to support new clients and as result, service costs and benefits should improve over time. Also, it provides financial 'flowbacks' such as increases in tax revenue, a reduction in the number of people claiming welfare benefits, and less dependency on locally run services.

David Freud's recent report on behalf of the DWP showed that significant savings accrued to the taxpayer when single parents are supported into work.<sup>8</sup> These savings could be even higher for people with learning disabilities, given their high and long-term unemployment rates (over 85%), and their dependency on welfare benefits and

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<sup>1</sup> Beyer, S. (2007). An evaluation of the Outcomes of Supported Employment in North Lanarkshire. Welsh Centre for Learning Disabilities, Cardiff.

<sup>2</sup> DWP (2006). Improving Work Opportunities for People with a Learning Disability: Report of a Working Group on Learning Disabilities and Employment. Department for Work and Pensions.

<sup>3</sup> British Association for Supported Employment (2008). Improving Specialist Disability Employment Services: A Response from the British Association for Supported Employment. Available at <http://www.base-uk.org/>

<sup>4</sup> Chadsey-Rusch, J., Gonzales, P., Tines, J. & Johnson, J. R. (1989). Social Ecology of the workplace: contextual variables affecting social interactions of employees with and without mental retardation. American Journal on Mental Retardation, 94, 141-151.

<sup>5</sup> Kilsby, M. & Beyer, S. (1996). Engagement and interaction: A comparison between supported employment and day service provision. Journal of Intellectual Disability Research, 40, 348-357.

<sup>6</sup> Wehman, P., Hill, M., Hill, J., Brooke, V., Pendleton, P. & Britt, C. (1985). Competitive employment for persons with mental retardation: a follow-up six years later. American Journal on Mental Deficiency, 23, 274-281

<sup>7</sup> Parent, W. (1993) Quality of Life and Consumer Choice. In P. Wehman (Ed). The ADA mandate for Social Change (pp19-41) Baltimore: Paul H Brooks Publishing Company.

<sup>8</sup> Freud, D. (2007). Reducing dependency, increasing opportunity: options for the future welfare to work. DWP, HMSO, St Clements House, 2-16 Colegate, Norwich NR3 1BQ.

local social services. Much of the early research on the costs and benefits of supported employment was conducted in North America in the late 1980s and early 1990s, specific to people with learning disabilities.

McCaughrin et al (1990) reviewed the costs and benefits of supported employment in Illinois between 1986 and 1989 for 28 agencies serving 658 supported employees.<sup>9</sup> They found that supported employment returned 0.85 USD for every \$1 invested at the society level and 0.83 at the tax payer level. However, they also found substantial increases to individual income and, in line with other studies at the time, that the cost ratio improved over time.<sup>10</sup> Hill and Wehman<sup>11</sup> analysed the costs and benefits accumulated over an eight year period across 214 supported employees and found that by the third year the costs had begun to justify the outcomes, and by the final year (1987), supported employees were 98% better off and returned \$2.93 for every pound invested at the government level.

A national study of supported employment in the UK (1996)<sup>12</sup> of 1,400 supported employees across 201 agencies found that from the worker perspective, financial benefits exceeded costs, creating a benefit:cost ratio of 2.47, meaning that supported workers gained £2.47 for every £1 lost in the transition to employment for people with learning disabilities. From the taxpayer perspective, tax and national insurance yields were lower than might have been expected, returning 43p for every £1 spent. This was largely due to the fact that 50% of supported employees in the study worked part-time, then as now defined as anything under 16 hours per week. This allows the new employees to retain their welfare benefits and often pay no tax. It also reflects the pressures that supported employment agencies were under to obtain jobs with hours that gave them a wage that meant that they didn't lose all their income support and to accommodate those whose residential care costs meant that working full time would be financially unviable.

As with the US studies, the researchers found that benefit cost ratios increased over time, but also that the requirement on staff to maintain relatively low levels of ongoing support beyond fading, eventually led to a slowdown in growth as capacity was used up suggesting that each job coach can support about 8 whole time equivalent job placements, although this is dependent upon the levels of disabilities of those being supported, the effectiveness of support fading strategies, and the proportion of part time jobs obtained, these being generally more labour intensive than full time ones.

The part-time nature of employment also has implications for the funding of supported employment. A disabled person working for sixteen hours has been seen as key criteria for obtaining funding support through the Access to Work programme and accessing Working Tax Credits. Part-time work for low hours has commonly

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<sup>9</sup> McCaughrin, W.B., Rusch, F.R. (1990). Supported Employment in Illinois: A benefit-cost analysis during the first two years. Urbana-Champaign, IL: The Secondary Transition Intervention Effectiveness Institute, University of Illinois.

<sup>10</sup> Conley, R.W. & Noble, J.H. (1990). Benefit –cost analysis of Supported Employment. In F.Rusch (Ed.)Supported Employment: Models, issues and strategies Sycamore Publishing Co.

<sup>11</sup> Hill, M., Banks, P., Handrick, R., Hill, P. & Schafer, M (1987). Benefit Cost Analysis of Supported Employment for persons With Mental Retardation. Research in Developmental Disability, 8, 71-89.

<sup>12</sup> Beyer, S., Goodere, L. and Kilsby, M. (1996). Costs and benefits of supported employment in Britain. London: The Stationery Office, London.

failed to draw down significant funds from central government to help them into employment. The two largest sources of taxpayer flow back were reductions in welfare benefit payments to those who did earn a competitive wage, and savings to other day services as people transferred to employment.

However, the North Lanarkshire study reported more positive outcomes; people with disabilities were 113% financially better off after employment, experienced a shift from Income Support to Working Tax Credit once employed, and had earnings that represented 50.3% of income in work, the rest being made up of Disability Living Allowance and Working Tax Credit. It also found a 47.5% lower cost compared to Social Service Funded Day Service provision, suggesting a potential saving to the government of 25p for every £1 invested in the service.

The key to this success was relatively high numbers of people working over 16 hours (94% of workers), the average being 22.1 hours per week per worker with a learning disability. Working only a few hours and retaining welfare benefits means that people pay little tax, and there are few financial flow-backs to the Treasurer, while costs of support programmes remain significant. NLSE is a mature agency and the results reflected a sustained period of development and investment so that by 2009 the service employed 16 front-line staff and had been in operation for 8 years. Agencies being established from scratch would expect much higher per capita costs in the first few years, with the return on investment increasing over the period at local authority and government levels.

#### Rationale for Evaluation

The North Lanarkshire analysis forms the basis of this evaluation. There were a number of limitations in that study, mainly due to time constraints, that ultimately the Kent study would seek to address:

- 1) The cost per person were calculated for those in employment. It did not take account of costs being spent on activities on clients not yet in jobs, such as job finding, vocational profiling, job matching and calculating welfare benefits;
- 2) The assumption was made that the costs of supporting those with mental health problems was equivalent to the costs of those with learning disabilities. The Kent evaluation will attempt to identify the costs and benefits specific to people with a learning disability and begin to define cost boundaries of those with mental health problems more clearly in Phases 2 and 3 of this evaluation;
- 3) Other factors could have been more fully costed, such as the actual amounts of tax and national insurance contributions paid and Housing and Community Charge Benefit received;
- 4) The comparison with day services could have been costed on a per hour basis to allow for a more accurate comparison with day service costs;
- 5) The North Lanarkshire report does not provide outcome data regarding the level and specific types of disability of those obtaining jobs;

These issues will be addressed in Section 5 and Appendix 1 of this evaluation.



There is a need to develop a more accurate cost/benefit framework specific to supported employment in the UK. First, it will provide a clearer picture of the cost of the programme and the likely returns on investment. This can inform future financial planning, and provides an indication of the value for money delivered through the approach; Second, the development of a replicable approach, allows more accurate comparisons with the newly established benchmarks resulting from a consistent cost benefit framework. Finally, it addresses one of the key issues identified in the Kent Learning Disabilities Day Services Value for Money Review (2007),<sup>13</sup> the need to develop “data robustness” that provides ready access to management information allowing more accurate and extensive data collection and comparisons with other areas of the UK. We will attempt to establish collaboration with DWP economic analysts to ensure these improvements over the course of the project.

#### Evaluation Schedule/Timetable

The evaluation has three phases. In Phase 1 we aimed to deliver a cost comparison taking into account those people with learning disabilities who were in, or had obtained work through, KSE from the 1<sup>st</sup> March 2009 to February 28th 2010 (12 months). This provides a baseline and immediate feedback on the costs and benefits to the agency and KCC. In Phase 2 of the research we will develop data collection alongside KSE staff to improve the accuracy of data and broaden the client base to include other client groups, such as those with mental health problems, and sensitivity issues such as the impact that ‘deadweight’ have on the analysis. In Phase 3 we will re-administer the analysis, draw comparisons with previous findings to identify any increases/decreases in savings, and present a cost benefit approach to supported employment that is replicable over time, both locally and in other UK locations.

### **Section 2: Phase 1 Method**

In Phase 1 we focussed on people with learning disability who had gained work from 1<sup>st</sup> March 2009 to February 28th 2010. Taking the North Lanarkshire report as our starting point we developed a spreadsheet for KSE staff to complete to the best of their knowledge within the limited timescale. This provided the following descriptive and financial variables.

**Table 1: Descriptive Variables**

<b>Client</b>	<b>Service</b>	<b>Job</b>
Date of birth,	Residential status	Job Title
Gender	Known/ to LA	Employer name
Primary disability	Attended Day service prior to work	Employment sector
Secondary disability	Attendance at day service following work	Paid or unpaid
Level of disability	Number of days attended	Job number for person
	Previous day service	Start date
	Estimated day service use	Finish date
	Referral date	Pay per week

<sup>13</sup> PricewaterhouseCoopers LLP (2007) Learning Disability day services Value for Money Review. Canterbury: Kent County Council.

	Contract type	Hourly rate
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**Table 2: Financial Variables for Cost Comparison (from KSE)**

<b>Prior to Employment</b>	<b>Following Employment</b>
DLA care	DLA care
DLA mobility	DLA mobility
Income Benefit	Income Benefit
SDA	SDA
Income Support	Income Support
Employment Support Allowance	Employment Support Allowance
Job seekers Allowance	Job seekers Allowance
Training Allowance	Training Allowance
Housing Benefit	Housing Benefit
Council Tax Benefit	Council Tax Benefit
Paid income prior to job	Pay per week
Other income prior to job	Hourly rate
Residential payments	Tax Credits
	Return to Work Credit
	Job Introduction Scheme
	Access to Work Payments
	Access to Work Capital
	Hours of agency input for period
	Income Tax
	National Insurance

#### Service Cost Data

Service costs were derived from two sources. The Kent Learning Disabilities Day Services Value for Money Review (2007), and the KSE budget for year ending April 2010. The service has 2 main funding streams. Kent County Council (£778,000 =66%) and the DWP (403,000=34%) with total budget of £1,181,000. Of this, £901,647 is dedicated to learning disabilities (76%), the remainder being split between people with mental health problems (£159,786=14%), and those with primarily physical disabilities (£119,490=10%).

#### The Cost-Benefit Calculation

The financial costs and flowbacks to the individual, local authority and the taxpayer over the duration were calculated in a situation where KSE exists and one where it does not exist. Necessarily, calculation of costs and flowbacks in a situation without KSE involved making assumptions and estimations. We developed, therefore, a central set of calculations representing our ‘best estimate’ of net costs, and an additional set of estimates where our central assumptions are changed to reflect other possibilities relating to sensitivity issues.

In order to fulfil the brief we established the boundaries that were relevant to the costs and savings at issue and ensured that the people involved in the analysis are those we expected (people with a learning disability in need of specialist employment

provision); that the comparison service and KSE are costed on a consistent basis; and that differences in the hours of support delivered by both alternatives were taken into account.

In the situation where KSE exists in 2009/10, the relevant **costs** include:

1. the cost to the Taxpayer of delivering the service, through the Local Authority;
2. the cost of additional employment support, particularly Access to Work or WORKSTEP;
3. the cost of providing in-work Welfare Benefits and Working Tax Credits to disabled workers;

In the situation with the Kent service, appropriate **flowbacks** are:

4. the tax and national insurance paid by disabled workers;
5. VAT receipts from disabled workers from their spending of income from paid income;

In the situation where KSE does not exist, there would be **no costs** of delivering the KSE programme, but the following costs would be incurred by the Taxpayer and Local Authorities:

6. the cost of providing alternative local authority day activity for disabled people
7. Welfare Benefits paid to disabled workers now unemployed.

In the situation without Kent Supported Employment, **flowbacks** to the Taxpayer will occur through:

8. indirect taxes, such as VAT, from the income received by disabled workers now unemployed.

The net cost will be the difference between expenditure in the situation with and without KSE, less the difference between the flowbacks in the situation with and without KSE. Table 3 summarises the elements that we will calculate or estimate, in the two situations.

**Table 3: Summary of Costs and Flowbacks for KSE**

	<i>Situation with KSE</i>		<i>Situation without KSE</i>	
	Costs	Flowbacks	Costs	Flowbacks
Funding - LA - Government	1. KSE 2. Access to Work funding		6. Cost of Local Day Service	
Disabled workers in KSE	3. In-work Welfare Benefits/Tax Credits	4. Income Tax & National Insurance 5. Indirect tax on income	7. Welfare Benefits paid when unemployed	8. Indirect tax on income

The detailed assumptions and methods of calculation at the level of cost per person of each of these elements for a full year are:

#### Situation **with** KSE – Costs

1. *LA costs*- Per capita costs for KSE were based on a set of headings consistent with those used by day services and based on actual expenditure for the year divided by the average number of people supported in jobs (LD and Mental Health) to provide a cost per job pa. This included those already in jobs at 1<sup>st</sup> March 2009, and those who gained jobs, taking account of how many months they worked in the period. In addition we have the average per capita costs of WORKSTEP flowing through KSE during the period.

2. *Cost of additional employment support*- Average per capita costs of Access to Work, or other work subsidy payments for any worker in a job during the period. Also, the amounts of one-off payments under Access to Work (e.g., aids and adaptations) or expenditure over a number of weeks were totalled, turned into an average weekly cost, multiplied by 52 and divided by the average number of jobs in the period to provide a cost pp pa..

3. *Cost of in-work benefits and Working Tax Credits*- Average per capita costs of these will be the sum of all in-work benefits and Working Tax Credits claimed per week divided by the average number of people in work in the period to provide a cost pp pa.

#### Situation **with** KSE – Flowbacks

4. *The Tax and National Insurance Flowbacks from Disabled Workers*- Employee PAYE and contributions to NI were collected by KSE. Where these were not available, we estimated from gross salary figures (excluding tax-free benefits) using Tax Benefit Model Tables, assuming people were single, excluding those disabled workers working small hours and likely to be using Supported Permitted Work arrangements. The range of weekly tax and NI yield were then totalled and multiplied by 52 weeks to provide an annual total. This was in turn divided by the average number of people in work in the period to provide a flowback to government pp pa.

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

#### Situation **without** KSE - Costs

6. *Cost of Day Service*- Per capita costs were to be collated by KSE, based on set of headings consistent with those used by KSE, and ideally based on actual expenditure

for the year divided by the average number of people attending day services (LD) 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2010 to provide a cost per job pa. In the event we did not have actual expenditure nor participant figures, we therefore worked from a previous comprehensive day service costing for Kent in 2007, adjusted for inflation.

7. *Welfare Benefits paid to disabled people when unemployed-* The people with learning disabilities who have been in employment for some time may have been on historic welfare benefits. KSE will identify what benefits people were claiming when they started with the service. To establish any current saving, we updated the amount the person would be receiving, given the welfare benefit they would be receiving, to 1<sup>st</sup> April 2009 levels, using published rates.

#### Situation without KSE - Flowbacks

8. *Indirect tax Flowbacks from Disabled Workers when not employed-* See 5 above.

#### KSE Financial Cost:benefit Analysis at Local Authority Level

This was relatively simple given the boundaries we have set. The costs before employment were the average cost of a day service. This is in part dependent on KSE collating the average number of hours attended for this cost of day service. The comparison used the net cost for KSE now, and the net cost for day service now (i.e., not employing the “world with and world without KSE” formulation) based on cost per annum and cost per hour. We recognise, however, that differences in cost per person p.a. between KSE and day services will not reflect a real saving by moving a client from day service to employment unless there is credible evidence that cost savings are being implemented through this move.

#### KSE Financial Cost:benefit Analysis at the Individual Worker Level

For the person with a learning disability income before employment will come from welfare benefits (as calculated above), any paid income (unlikely), any Housing and Council Tax Benefits, Tax Credits and grants. Income after employment will be from paid income, in-work welfare benefits retained (e.g., DLA), any Housing and Council Tax Benefits, Tax Credits and grants, less tax and NI. It will also include any personal payments from Access to Work, as in the case of travel to work via taxis. We did not calculate the difference between personal expenditure prior to, and after, employment as this was virtually impossible with the resources available.

### **Section 3: Descriptive Results**

#### Kent Service Context

As of February 2010 Kent had an unemployment rate 3.5%, this is below the national rate of 7.85% (ranging from 2.1% in Tunbridge Wells to 6% in Thanet).<sup>14</sup> This suggests that the performance of KSE is not too dependent on a particularly disadvantageous jobs market, compared to the UK as a whole. However, the effects of the recession in Kent are in line with national trends. The jobless total for the whole county rose by 1,964 to 37,328, in February 2010, the highest it has been since May 1997 and the number on Jobseekers' Allowance subsequently rose by 1,608 to 29,669 (3.5 %).

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<sup>14</sup> Research & Intelligence Kent County Council. [www.kent.gov.uk/research](http://www.kent.gov.uk/research)

The 2007 review of Kent learning disability services suggested a fairly typical pattern of day services across the county.<sup>15</sup> As of 2006, the proportion of people with learning disabilities were comparable to those of other nearby local authorities: 1,782 people with learning disabilities were identified county wide, with 1,200 people attending in-house local authority provision (70%), across the 21 'in-house' centres identified. These were mainly funded through the County Council, and ranged from the traditional day centre based programmes such as Ashford, Canterbury, Riverside, Swalecliffe, Swanley and Thanet Day Opportunities Services; to Work Experience programmes such as Spectrum Pottery, Table Talk and the Princess Christian Farm.

Almost a quarter of the clients lived in residential homes and nearly half lived with their parents or carers, a smaller proportion than in other localities. This can have negative implications for those entering work, as current procedures for paying for residential costs and reliance on welfare benefits are high, making full time work for many economically non-viable. Thirty percent of services were provided externally, ranging from charitable organisations such as the Canterbury Oast Trust, Mencap and MCCH, and employment focussed programmes such as Skillnet and Pepenbury. The review notes that Kent had below average returns to the council through these activities, and that increasing the proportion of activities delivered externally, is in line with current national and local modernisation practice.

As of March 2010 KSE employed a total of 37 staff. There is a Manager overseeing the service, with regional managers for East (Whitstable, Margate and Folkestone) and West (Maidstone, Gravesend and Tonbridge) Kent, with a provision Manager presiding over each area with 3 Employment Support Officers (ESOs), 6 Employment Advisors (EAs) and 2 Job Coaches (JCs) in the East; and 6 ESOs, 8 EAs and 4 JCs in the West. In total the agency employed 29 front line staff (ESO's EAs and JCs), which works out at 3 jobs supported per staff member. Given that research has shown that mature supported employment agencies have capacity to support 8 full-time equivalent jobs, then the agency still has plenty of room to support greater numbers of people, which over time yields even greater savings. By this calculation, the agency is running at about 50% capacity, although more data is required to determine the extent of other front-line agency activity not directly involving supporting people in work (e.g., pre-placement, follow-on activities, marketing, employer engagement and job taster programmes).

Table 4 shows the operational procedures of KSE and the roles and responsibilities of the Staff.

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<sup>15</sup> Based on above's comparison with from the Institute of Public Finance.

**Table 4: Stages in KSE Supported Employment Process**

Activity	Main Procedure/Aim
1. Initial visit/assessment (ESO/EA)	Meet the job seeker Identify health needs Assessment to determine service eligibility Introduce supported employment to job seeker
2. Vocational profile (ESO/EA)	Identify work preferences and abilities, work out welfare benefits situation and determine any health issues and likely support requirements
3. Action/development planning (ESO/EA)	Determine best methods for taking things forward and set goals and objectives
4. Work preparation and job placement activities	To include some or all of the following dependant on assessment <ul style="list-style-type: none"> <li>a) CV preparation and completion (ESO/EA)</li> <li>b) Application form completion (ESO/EA)</li> <li>c) Interview skills (ESO/EA)</li> <li>d) Mock interviews (ESO/EA)</li> <li>e) Employer interviews (accompanied by ESO/EA/JC when appropriate/required)</li> <li>f) Job Search (ESO/EA/JC)</li> <li>g) Job Matching (ESO/EA/JC)</li> <li>h) Travel training (JC)</li> <li>i) Work Placement/Support (JC)</li> <li>j) Basic skills assessment (external provider)</li> <li>k) Access to work assessment (ESO/EA)</li> <li>l) Health and Safety risk assessment (ESO/EA/JC)</li> </ul>
5. Ongoing support/monitoring for client and employer (ESO/EA/JC)	Maintain contact with employer and employee to identify any additional support required, update vocational profile of employee and develop ongoing development plans
6. All stages Data entry onto ASSET Database (All staff)	To keep up to date information on the employee's progress and feedback on KSE performance

The agency adheres to many of the procedures identified in the 'Place-Train-Maintain' model of supported employment, which outlines best practice implementation.<sup>16</sup> The focus is on structured and creative job matching and searching techniques (Place); the development of an action plan to support the person in work,

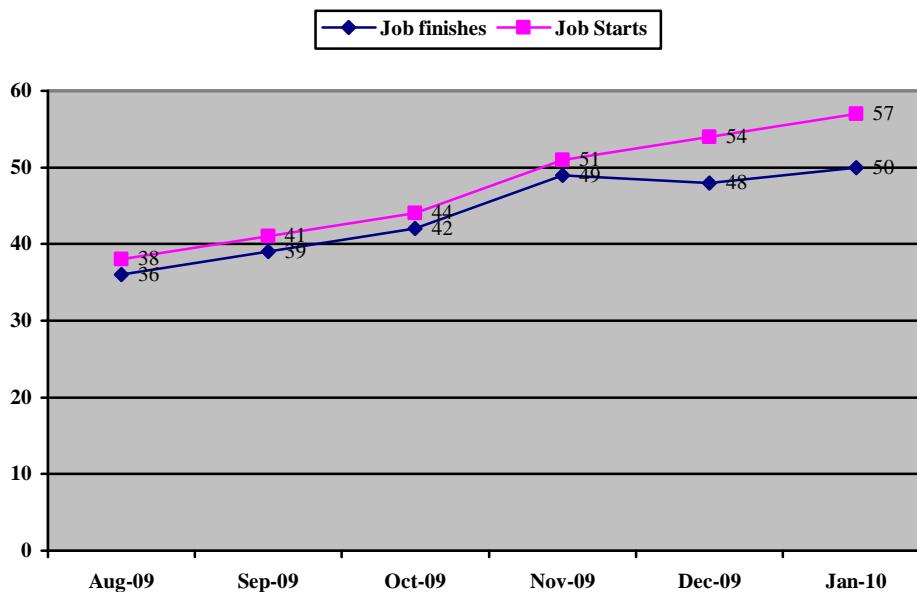
<sup>16</sup> Pozner, A., Hammond, J & Tannan, V. (1993) An Evaluation of Supported Employment Initiatives for disabled People. Research series No. 17. London; Department for Employment.

and a structured strategy for fading of support over time (Train); and ongoing support procedures to maintain links with the client and the employer and to detect any problems or issues that arise (Maintain). It also shows that agency staff shared many of the responsibilities, with the ESO's working alongside the EAs in conducting initial meetings, vocational profiling and developing an action plan. The job coaches are also involved in the job interviews, job search and matching activities, and in conducting in situ health and safety risk assessments, and have sole roles in travel training, work placement and on-the job support.

### Number of Jobs Obtained

Figure 1 shows that 57 people with a learning disability had a job, or had obtained a job, during the 6 months from the 31<sup>st</sup> August to 31<sup>st</sup> January 2010. In Phase 2 of the evaluation we will be able to plot this over a full 12 month duration. It also shows that 7 jobs finished over the duration, meaning that as of 31<sup>st</sup> January 2010, 50 individuals with learning disabilities were in work. Data was not retained on those who had lost their job, indicating the need to extend the spreadsheet in Phase 2. It shows that over the duration the agency obtained 21 new jobs for their clients with learning disabilities.

**Figure 1: Job starts and Job Finishes 1<sup>st</sup> August 09 – 31<sup>st</sup> January 2010**

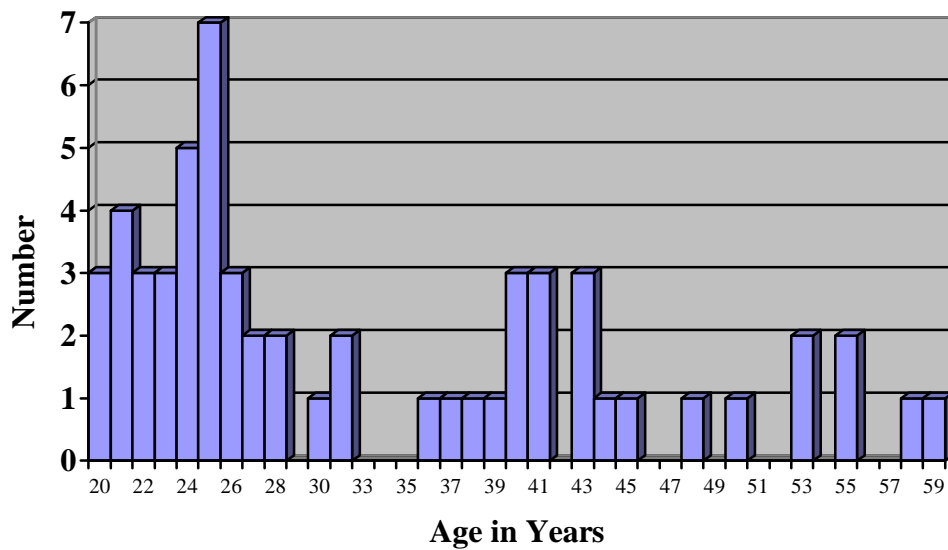


### Age and Gender of Supported Employees

There was a relatively even gender split with 26 (46%) of the employees being women. This is encouraging as many previous studies have shown an unrepresentative bias towards male employees. Figure 2 shows that there was a spread of ages ranging from 20 to 59 years old. People under the age of 30 are well represented (35=61%), while the average age of all employees was 33 years. The high representation of younger adults is in keeping with the focus of local modernisation plans to develop more effective transition into work strategies for younger people leaving full time education.



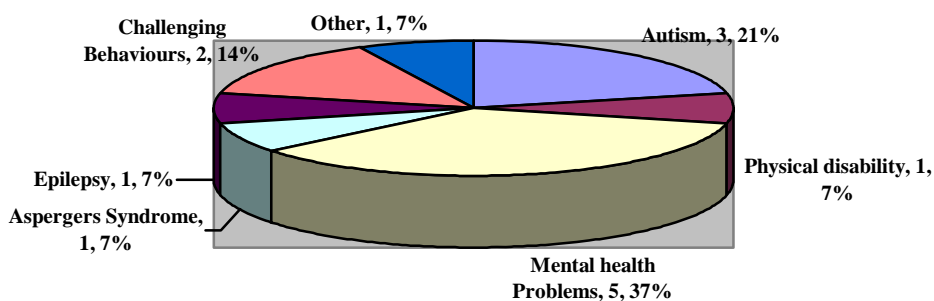
**Figure 2: Age Distribution of Employees**



Additional Disabilities

Fourteen of the 57 adults with learning disabilities, were identified as having an additional disability (25%). This is shown in Figure 3.

**Figure 3: Distribution of Additional Disabilities**



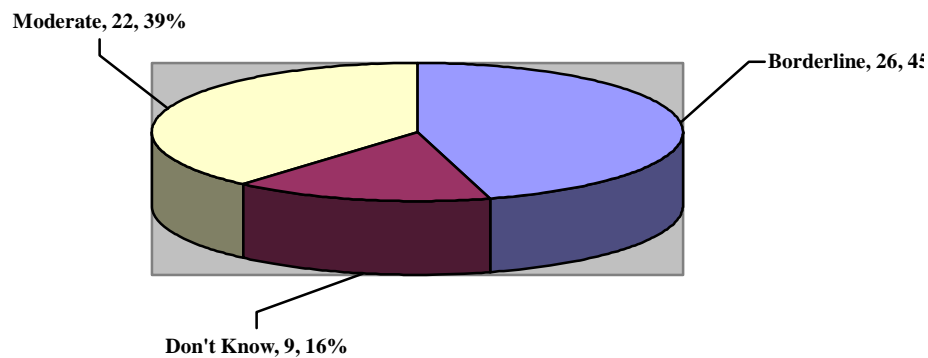
Level of Disabilities

Staff were also asked to provide details about the level of disabilities of those who got jobs. The categories used as guidance by staff were based on the norm-referenced Inventory for Client and Agency Planning (ICAP),<sup>17</sup> which predicts service level inputs required by the workers as follows:

1. =Borderline, requires infrequent assistance in daily living and work;
2. =Moderate, requires moderate assistance in daily living and work;
3. =Severe, requires intensive, ongoing assistance in daily living and work.

<sup>17</sup> Bruininks, B. H., Hill, K., Weatherman, R.F. & Woodcock, W. (1986). Client and Agency Planning. Allen, Texas: DLM Teaching Resources.

**Figure 4: Levels of Disability as Reported by KSE Staff**

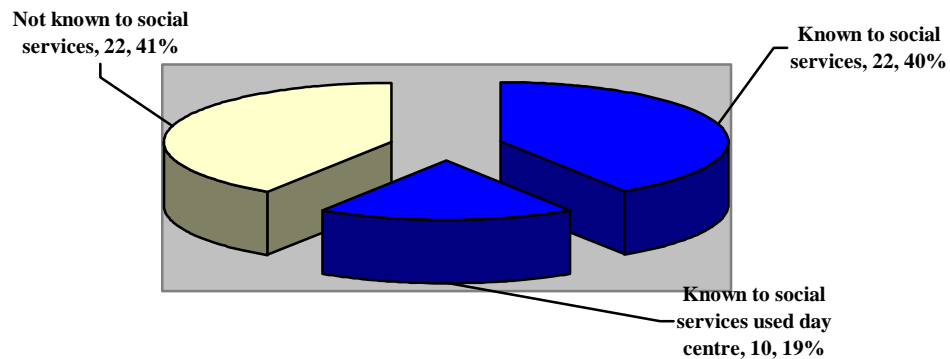


It was unclear how many people could be considered to have severe learning disabilities and staff were uncertain about how to categorise 9 individuals, some of who had challenging behaviours. This reflects a wider definitional issue as local authorities, academics and society as a whole use different definitional boundaries. All of the clients referred to KSE had been identified as requiring specialist employment provision. Figure 5 shows that 59% of those found jobs by KSE were known to social services. Forty one per cent were not known, suggesting that these individuals, were referred through Job Centre Plus, and may not have been deemed eligible via local care assessment procedures. It is also unclear exactly how many of the 57 employees were known to social services on referral to the agency, and have since been made ineligible following work. In Phase 2 we will attempt to increase the accuracy of this information, maybe using local care assessment and plans more directly, and norm referenced indicators of severity, such as the ICAP, to confirm whether or not people adjudged as having ‘severe’ disabilities through local assessments, correlate with the ICAP scores.

Figure 5 also shows that 10 of the 57 people known to social services had used an internal day service provision prior to obtaining a paid job. Staff reported that 7 of these adults had stopped using day services once they had moved into work, suggesting potential savings to the local authority.

Although we were able to ascertain whether or not the employees had stopped using local day services, it was not possible, given time constraints, to determine the ‘extent’ that those obtaining jobs reduced their day service provision as a result of getting a job. Consequently, we could not provide accurate calculations to determine the extent of these savings at the local authority level. In Phase 2, we aim to gather data on hours spent in local authority day services alongside employment, so that we can use a social service derived figure of ‘cost per person per hour’ as a comparator in Phase 3.

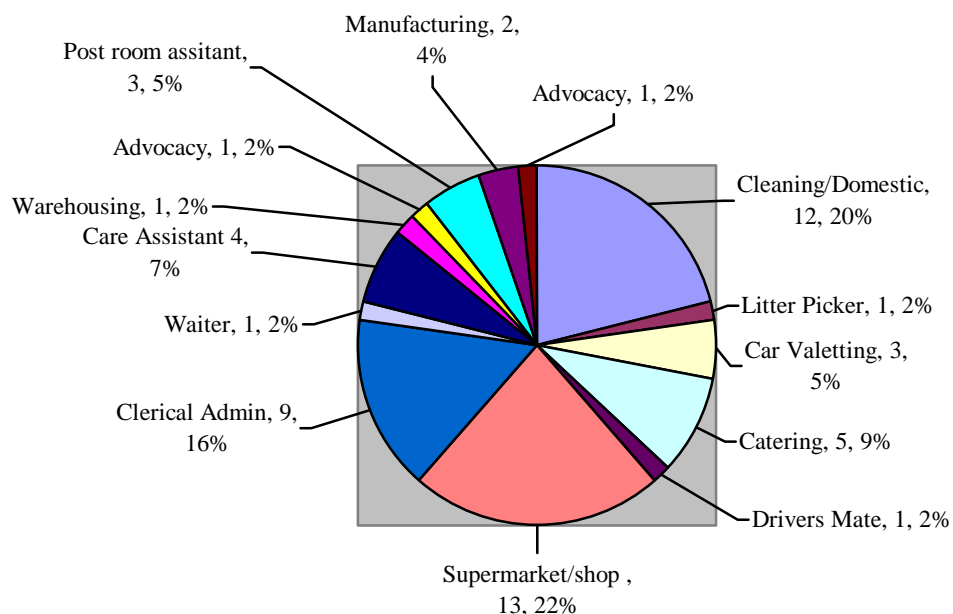
**Figure 5: Numbers Known and Not Known to Social Services and Numbers Using Local Day Service.**



Type of Jobs Obtained

Figure 6 shows that KSE has secured a wide variety of jobs in range of different locations. The largest proportions are in Retail, with nearly a quarter of jobs located in Shops and Supermarkets (13=22%), followed by Cleaning jobs (12=20%), with Clerical and Administration jobs accounting for a further 9 (16%). The remaining 16 (42%) are spread thinly across 9 job types, the highest proportion being in Catering (5=9%), then Care Assistants (4=7%) and Car Cleaning (3=5%). Only 2 manufacturing jobs were obtained, perhaps reflecting the national decline in this sector. One person had a job working as an advocate for people with learning disabilities with the Skillnet group. Job locations included Morrison's, Brewer's Fayre, Wilkinson's and Asda and smaller retailers, such as Hobbycraft and Hornby Hobbies. Other worksites included Elder Care homes, a Post Office depot, a Garage Forecourt and Canterbury College.

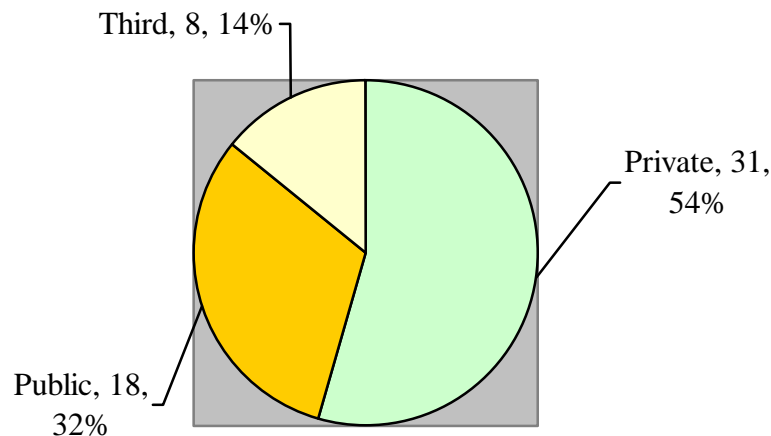
**Figure 6: Type of Jobs Obtained**



### Jobs Obtained by Employment Sector

Figure 7 shows that over half the jobs were in the Private Sector 31=54%, 18 of the jobs (32%) are in the Public Sector, including 2 council jobs and 5 people employed by the Education Sector. Eight of the jobs (14%) were in the third sector. This is encouraging as it reflects the ambitions of the Valuing Employment Now strategy to encourage greater involvement of public sector employers with supported employment.<sup>18</sup>

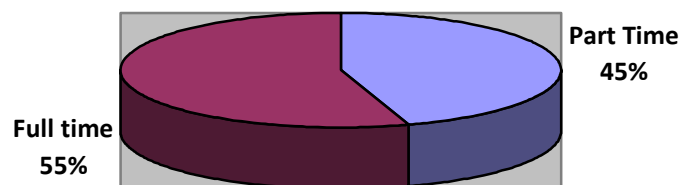
**Figure 7: Breakdown of Jobs by Employment Sector**



### Hours Worked

Figure 8 shows that over half (55%) of jobs were full time, being 16 hours or more, and 45% being part time. The highest proportion of jobs (18=31%) being between 15 and 16 hours. This supports the notion that KSE is restricted to finding jobs of less than 16 hours per week for many, so that workers do not lose their welfare benefit entitlements, and are also finding jobs at 16 hours a week, the point where Working Tax Credits become available.

**Figure 8: Hours Worked Per Week**



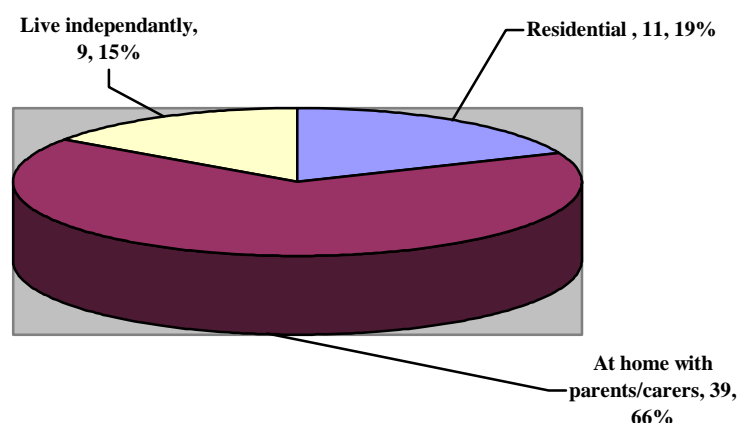
As reported in the Introduction, this will have a negative impact on the net cost:benefit of the service due to continued uptake of benefits following work, reduced tax revenue, and possible continued usage of day services facilities.

<sup>18</sup> Valuing People Now (2009) A new three-year strategy for people with learning disabilities. Department of Health.

### Residential Status of Employees

Figure 9 shows that nearly two thirds (39=66%) of the clients lived at home with their parents, while 9 lived independently (15%). It also shows that 11 people were in receipt of domiciliary care, living in supported housing (19%). Unsurprisingly, the average numbers of hours worked by these people was lower (mean=12.5 hours), compared to the rest of the group (mean=17.9 hours). This again creates a downward pressure on the number of hours that these people could work to make their jobs economically viable.

**Figure 9: Residential Status of Employees**



We were unable to get accurate data on the hourly rates of pay the employees, because KSE currently do not keep these records. Some estimates were made in the cost analysis using the data available and substituting current National Minimum Wages values elsewhere. This may lead to an underestimate of savings. It will be interesting to determine more accurately the impact that the residential status of the clients has on their earning capacity and on the limits it imposes on potential cost savings to the taxpayer.

## **Section 4: Cost/ Benefit Outcomes**

### Welfare Benefits Obtained Prior to Employment

Table 5 shows the welfare benefits that supported employees were receiving prior to entering paid employment. This shows that the majority of people were receiving DLA, most of these also with a DLA Mobility component. Primary source benefits were Job Seeker Allowance, Income Support and Incapacity Benefit. We see the emergence of ESA, with one person currently receiving this benefit. Roughly 16% were in receipt of Housing and Council Tax Benefits. The average income from all benefits prior to employment was £112.84 for the group (£146.18 across those who received a benefit).

**Table 5: Combination of Welfare Benefit/Working Tax Credits received *prior* to Employment.**

Source of income	Prior to employment (Number of all workers)	Prior to employment (% of all workers)
DLA Care	33	57.9%
DLA Mob	25	43.9%

IB	11	19.3%
SDA	5	8.8%
IS	9	15.8%
ESA	1	1.8%
JSA	19	33.3%
HB	9	15.8%
CTB	9	15.8%
Paid income	5	8.8%

### Salary, Welfare Benefits and Tax Credits Received *after* Employment

The average weekly salary earned in employment was £94.20 per person per week. The average hourly rate was £6.11 per hour<sup>19</sup>, 5.3% above the adult National Minimum Wage of £5.80 in place for 2009/10. Clearly, on its own, salary was significantly lower than the average pre-employment welfare benefit incomes. However, 18% of the workers had a higher gross income from salary alone, than their welfare benefit income before employment.

Table 6 shows the welfare benefit profile after workers had been found a job and started receiving a salary. As we can see there has been a transfer from Income Support and JSA to Working Tax Credit as a result of getting a job. DLA, as a non-means tested benefit, remained in place after employment but was found to reduce to 41.9% of workers. Only 19.3% of the workers received Tax Credits when in employment. Overall, Welfare Benefits represented the vast majority of income before employment, and 43.7% on average when in employment.

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

Source of income	Number of employees	When in employment (% of all workers)
DLA Care	28	49.1%
DLA Mob	21	36.8%
IB	7	12.3%
SDA	3	5.3%
IS	4	7.0%
JSA	3	5.3%
HB	11	19.3%
CTB	10	17.5%
Tax credit	11	19.3%

Welfare benefit income fell from an average of £112.78 per person before employment, to £80.93 when employed; Working Tax Credit rose from an average of £0 per person before employment to £15.85 when employed; and salary rose from an average of £9.26 per person (only 5 of 57 people) before employment to an average of £94.06 when employed. The range was from £11.60 (2 hours) to £307.47 (37 hours). Hourly rates ranged from £5.80 (National Minimum Wage) to £8.31 per hour.<sup>19</sup>

<sup>19</sup> Based on 40 of 57 jobs where hourly rates were known.

Overall, there was a reduction in government payments to these workers through Welfare Benefits from a mean of £112.84 per person before employment to a mean of £80.93 per person through welfare benefits and Working Tax Credits after employment - a fall of 28%. Any savings were modest at an average of £31.91 per person per week. This represents a total saving to the taxpayer per year of £ £94,581 for the total group of workers with learning disabilities.

It is interesting to note that DLA take-up was lower after people went into employment than before. In the North Lanarkshire study, 93% of people with learning disabilities received DLA of some form prior to entering employment, and virtually all received DLA after becoming employed. This may indicate that the client group in Kent is less disabled and therefore, that fewer are eligible for DLA, or that DLA is not being pursued in the same way as North Lanarkshire.

#### Better off Calculations for Workers

Overall, average total gross income from all sources after employment was £175.14 per week per person. From the perspective of the worker with a learning disability, the difference between the Welfare Benefits they received before entering work, and the total income after employment (wages + retained Welfare Benefits + new Welfare Benefits + Working Tax Credits) was £62.30 per week (+55%) based on 57 people.

We have no better off figures that are net of Tax and National Insurance, as KSE does not currently collect this data. However, given the range of incomes and the retention of welfare benefits by many, the differences in average income due to reductions in tax and NI would be minor.<sup>20</sup>

#### Cost per job of SE and Locality Day Services

We have no current cost figure for day services in Kent. Using a comprehensive costing from 2005/06, updated for inflation, we can estimate day service costs per person at £11,200 in 2009/10 (See Table 7).

**Table 7: Estimated costs and numbers served by Kent Day Services- 2005/06<sup>21</sup>**

<b>Service</b>	<b>People served</b>	<b>Gross cost</b>	<b>Cost per person served</b>
LA and commissioned day services	<b>1192</b>	<b>£12,028,000</b>	<b>£10,090</b>
Cost per person inflated to 2009/10 <sup>22</sup>	-	-	<b>£11,200</b>

Using a figure of 57 people in employment for the year, the cost per employed person of KSE was £15,818 per job at 2009/10 prices, based on a learning disability only

<sup>20</sup> Estimates of average tax and NI payments are made for overall calculations of cost:benefit from a taxpayer perspective, using published Tax/Benefit Tables.  
[http://research.dwp.gov.uk/tbm/TBMT\\_2009.pdf](http://research.dwp.gov.uk/tbm/TBMT_2009.pdf)

<sup>21</sup> Derived from Tables I.iv, page 61 and reported on page 16, para 3.1.1 of PriceWaterhouseCoopers (2007) Kent County Council Learning Disability day services Value for Money review. Canterbury: Kent CC. Inflation figures derived from Government Statistical Office inflation series and historical data based on O'Donoghue, J., Goulding, L., and Allen, G. (2004) Consumer Price Inflation Since 1750, Economic Trends No. 604, pp 38-46.

<sup>22</sup> An inflation index of 1.11 is used, derived from Government Statistical Office inflation series and historical data based on O'Donoghue, J., Goulding, L., and Allen, G. (2004) Consumer Price Inflation Since 1750, Economic Trends No. 604, pp 38-46.

budget figure of £901,647. This is much greater than the face value of day service cost per person of £11,200. If we use the whole client group and total budget of KSE, we have a cost of £9,910, based on 118 clients and a budget of £1,169,348. These two approaches would show a 41% higher cost, or a 11% lower cost than a day service place. It is likely that the lower cost figure is more realistic as KSE operates as a whole service and does not operationally divide its resources by client group. Economies of scale occur as a result, learning disability funders benefiting from the larger budget, and larger service, over all.

On the basis of these figures, supported employment would represent a potential saving of £1,290, but caution is needed because of the many uncertainties in the data at this point.

#### Cost Savings to Government?

We can calculate the net cost of KSE to the taxpayer, using the methods and frameworks outlined earlier. We use the overall cost for the KSE agency of £9,910. This is summarised in Table 8.

**Table 8: Indicative illustration of Costs and Flowbacks per person. per annum, to Government for KSE (2009 prices).**

	<i>Situation with KSE</i>		<i>Situation without KSE</i>	
	Costs (A)	Flowbacks (B)	Costs (C)	Flowbacks (D)
Funding	1. LA and Workstep funding KSE <sup>&amp;</sup> - £9,910 2. Access to Work- £32	5. £0	9. Cost of Kent Day services- £11,200 <sup>+</sup>	12. £0
Disabled workers in KSE	3. In-work benefits/ Tax Credits- £4,225	6. Tax NI- £0 <sup>+</sup> 7. Indirect tax on total income- £1,692	10. Welfare Benefits paid when unemployed- £5,865	13. Indirect tax on income- £1,026
<b>Total</b>	<b>£14,167</b>	<b>£1,692</b>	<b>£17,065</b>	<b>£1,026</b>
Net cost <sup>*+</sup> to government	-£3,564			
Ratio of flowbacks to costs with KSE <sup>+</sup>	0.12			

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

+ Note that tax missing in 6 and possible issue of multiple usage of SE with day service for 1, make this an indicative illustration only.

It shows an indicative illustration (with caveats) of net costs comparing the situation with and without KSE for government expenditure. This suggests that the figure per job may be nearer a net saving of £5,646. Table 8 also provides a net financial cost:benefit ratio for the situation with KSE only, which is 0.12. This suggests a potential saving to the government of 12p for every £1 invested in KSE.



## **Section 5: Calculation uncertainties**

### Uncertainties in Cost Data

There are a number of uncertainties in the data that mean that the results of this analysis should be treated with caution:

- There is at present no way for the service to allocate actual costs to each individual receiving a service in KSE;
- While day service costs are broken down into salaries, transport, overhead and premises charges, no expenditure breakdown is available to ensure full comparability of costs;
- The current data does not allow us to calculate a cost per “session” due to some uncertainties in the day service data;
- No account is taken of continued attendance at day centre by those with part time jobs through KSE at this stage, as the data on hours (or sessions of attendance) is inadequate. However, we provide an indication of the impact of continued use of day services by those in supported employment in the sensitivity analysis provided in Appendix 1;
- Cost savings to Social Services?- It is not possible to say whether Social Services have reduced or increased their overall budget because of the development of supported employment. This will require more information on the operational relationship between supported employment provision and day services management;
- Cost of alternative services have been limited to day services at present. There are no data on whether use of any other LA or government services change due to a move into supported employment (e.g., Care Manager time, transport costs and Jobcentre Plus involvement).

We hope to address these issues in Phase 2 of the project.

### The Issue of Displacement

Displacement assumes that if the learning disabled person were not helped to work in these jobs then non-disabled people would do them. This would require costing-in any out-of-work benefits and allowances paid to the unemployed non-disabled person.

However, previous evaluations on supported employment and displacement have proved the effects to be less important than was previously believed, and smaller for supported employment than the general labour market.<sup>23</sup> There are 2 main reasons for this. First, if local unemployment rates are factored into the equation, then it is more likely that any displaced non-disabled person will move onto another job where a person with a learning disability will have much less chance. In the North Lanarkshire report even when the full displacement costs were included in the calculation there were still significant savings over local authority operated alternatives. We hope to explore this issue further in Phase 2 in consultation with the DWP, but will include the full costs of displacement in the sensitivity calculations below.

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<sup>23</sup> Tuckerman, P; Smith, R; Borland J (1999). ‘The relative cost of employment for people with a significant intellectual disability: the Australian experience’. Journal of Vocational Rehabilitation, 13-2, 109-116.

### Dead-weight

There is no estimate of dead-weight in the KSE system. Currently, we are using the English national average produced for LAs of people with learning disabilities in employment for 2008, a figure of 7.5% in paid employment, to argue that dead-weight is so small for a LA registered population of people with learning disabilities to be negligible. However, in Phase 2 of the project we will explore the implications of who is being referred, whether they are all Kent SSD registered clients, and whether they are a group of people that might have been successfully placed in employment by another programme.

### Social Cost:benefit Analysis

There is an aspiration to broaden this analysis out to take account of social outcomes. This might be achieved through a social cost:benefit model, but establishing financial allocations for particular social outcomes may be difficult to do in practice. We would prefer to look at cost:effectiveness, and use the current financial cost:benefit framework with quality of life outcomes to explore the notion of a “net cost per unit of outcome” in comparison with alternative service models, taking into account the work currently being undertaken by Kent University on social outcomes for KSE clients.

## **Section 6: Discussion and Conclusions**

KSE has 37 front line staff, supporting 118 paid jobs across the agency, 57 of which are employees with learning disabilities. The agency has done well to obtain a wide variety of jobs, representing a cross-section of Public, Private and Third Sector employers, which on average pay above the national minimum wage rates. Ages of the employees ranging from 20 to 59 years old and there is a healthy focus on younger adults, possibly leaving full time education for the first time.

The central estimates show that there is a notional saving on average for people going into supported employment compared with average day service costs. The headline figure is a net saving to government of -£3,564 per person per year.<sup>24</sup> For the LA, there is a smaller potential saving on these figures of -£1,290 derived from a cost to the LA of £9,910 for a job compared with an estimate of £11,200 for a day service place. This shows some potential in the SE model. However, there are a number of uncertainties in the data and the net cost estimates are clearly sensitive to assumptions on various aspects of costs and flowbacks, not least in the average cost of a day service place. More work will be needed in Phase 2 to obtain more detailed information and to refine the analysis. Individual outcomes were also encouraging, with employees experiencing a 55% increase in their income following work. It would be good to confirm that Individuals who are eligible for DLA are retaining it following work.

The notional saving found is encouraging as the agency appears to currently have the capacity to generate further savings in the future. Clearly, there is a need to take account the support activities provided by KSE in addition to the number of hours clients worked. It will be interesting to see in Phase 2, how much capacity these

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<sup>24</sup> Range of estimates from saving of -£3,846 to a net cost of +£2,344, depending on assumptions related to tax and NI yield, day service cost and displacement of non-disabled people)- See Appendix 1.

additional activities take up, and how cost savings are accrued through KSE over time. The findings suggest that if KSE have continued success with this group in the future, then this would lead to increased savings over time. Recent staff restructuring within KSE to more readily meet DWP contracts may have led to a reorientation of staff roles and activities over the past two years, towards supporting people more directly into paid jobs. However, the analysis also suggests areas that may further enhance these savings, including the following:

- obtaining more full time jobs for those not in receipt of day services and/or are unknown to social services;
- a greater focus on those who are dependant on local day services prior to obtaining a job;
- an increase in resource allocated to support people with mental health problems.

There is clearly a need in Phase 2 to develop and improve upon the cost:benefit framework. We need to identify the extent of the employees' day service usage, ideally in terms of the 'hours spent in attendance' prior to, during and following their employment. This coupled with a clearer picture of KSE's activities outside of paid work support, may allow a 'cost per hour' per person comparison to be made. It also allows a more accurate calculation of the likely savings that would accrue due to reduced service usage, and determine more fully the cost implications of 'crossover', whereby some employees continue to use local services while in supported employment.

It is also clear that we need to be able to differentiate more clearly between the funding sources. At the moment we make the assumption that public funding sources for KSE lay solely with the local authority. It will be interesting in Phase 2 to determine how the Workstep contribution impacts on local authority savings, due to KSE funding coming directly from centralised funding sources. Identifying more clearly the referral pattern may go some way to dealing with this. Many have been referred through a DEA, Workstep and Work Preparation, and the extent of JSA receipt, and lack of information on the status of some clients in relation to social services criteria, means that the relationship between this, and the PSA16 target group needs further examination.

In Phase 1 we have estimated the amount of tax and insurance contributions paid by the employees in the sensitivity analysis. We have not included these within the central cost:benefit estimate. This does mean that the current analysis will underestimate taxpayer savings. However, any continued use of day services in "the world with KSE" by their clients will increase LA costs, and reduce potential LA savings. Methods need to be devised in Phase 2 of the project to collect up to date information on tax and NI, and on day service use while in part-time employment to provide a more comprehensive calculation. Similarly, collecting more accurate records of the employees hourly rates of pay, will rule out the necessity for assuming that missing hourly rate of pay data is at NMW and potentially under-estimating net benefit to workers. Phase 1 clearly highlights the need for continuing data collection if outcomes and net costs are to be assessed.

## Appendix 1: Sensitivity Analysis

Table 8 in the main text is based on a set of core assumptions set out above. If these assumptions are modified, the estimates of costs and flowbacks may change. Table 9 provides a summary of the changes that take place when our assumptions are changed, and provide an assessment of how the estimates may also change in line with particular assumptions. There are a number of different assumptions that we may test to aid interpretation of the overall results.

### Updated day service costs

Estimates of gross costs per person served in Kent day services are based on PricewaterhouseCoopers 2007 study.<sup>25</sup> They identified a number of problems in both the sessions delivered and the total number of people served by day services due to lack of systematic and reliable information. They also identified a trend for gross cost per day service client to reduce over time in Kent. They carried out a spot survey in July 2007 of day service clients and also published 2006/07 gross out-turn figures for the majority of in-house day services. If the cost data for these day services is paired with the survey data on usage, an estimate for in-house day service usage can be derived. For 16 in-house services serving 839 people with learning disabilities, the average annual cost was £8,622 at 2007 prices (£9,484 at 2009 prices). We note that this does not provide an estimate of out-source provision and so it can only be used at present to derive a sensitivity illustration.

### Cost of non-disabled workers displaced

Net costs to government provided in the main report do not take account of any non-disabled people displaced by people with learning disabilities employed through supported employment. Resources invested by government in support can favour one group in society over another. Where disadvantage is clear (as with people with learning disabilities) concepts of social justice and civil rights can make high levels of resource investment legitimate. The right answers are not always the cheapest. However, the economic impact of a policy needs to be fully identified. If people with disabilities are provided with support to enter a job, those without such support may not get those jobs and be “displaced.”

The cost impact of this is first dependent on a calculation of the number of people who might be displaced by disabled people being helped into employment. The formula used to calculate this takes into account relative productivity of people with learning disabilities and non-disabled people:

$$N_A = (N_D \times (P_D / P_A)) - N_{PW}$$

Where :

$N_A$ - Number of displaced non-disabled workers

$N_D$  - Number of disabled workers (LD) employed through KSE

$P_D$ - Productivity of disabled workers employed through KSE

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

$N_{PW}$ - Number of disabled workers employed under Supported Permitted Work rules (these will work less than 16 hours per week and retain benefits)

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<sup>25</sup> Derived from Table 12 and Appendix 6 of PricewaterhouseCoopers LLP (2007) Learning Disability day services Value for Money Review. Canterbury: Kent County Council.

There are some arguments that productivity can be lower for people with learning disabilities than for non-disabled people. We will produce some range estimates for net costs, based on different assumptions for productivity ratio of disabled vs displaced workers. One of our central assumption is that PD = PA in that disabled workers have the same productivity as non-disabled workers. In this situation, displacement is one-to-one. We reduce this by the number of people in Supported Permitted Work, as they are working small numbers of hours and it is likely their job would be absorbed into the work of others by the employer if they were not employed, albeit with a loss of productivity of these others.

Second, the calculation of the cost of displacement is based on estimates of the welfare benefits that such displaced non-disabled people would receive if out of work for the year in question. Third, the benefits of these non-disabled people being employed would be estimated. The impact on the overall cost:benefit calculation will be the difference between being employed and being in receipt of welfare benefit for the two groups. The additional calculations are summarised in Table 9.

**Table 9: Summary of costs and flowbacks for KSE with Displacement**

	<i>Situation with KSE</i>		<i>Situation without KSE</i>	
	Costs	Flowbacks	Costs	Flowbacks
Non-disabled workers displaced by KSE	4. Out of work Welfare Benefits paid to displaced non-disabled workers	7. Indirect tax on income	10. In-work tax credits when people now employed	12. Income Tax & National Insurance 13. Indirect tax on income

We assume that any non-disabled people displaced, if they were in employment, would work the same average hours of work per week as the disabled workers for the same hourly wage. We will then use Tax Benefit Model Tables to estimate people's tax and NI contributions and any Working Tax Credits available. These will be totalled and divided by the average number of displaced people in work in the period to provide a cost pp pa. Similarly, it is assumed that non-disabled workers displaced by KSE will earn more in employment if KSE did not exist. An indirect tax rate of 17.5 per cent is also applied to their net additional spending based on the difference from being in employment, or displaced, and receiving welfare benefits.

The characteristics of those displaced are important in estimating their entitlement to Welfare Benefit payment if in unemployment. Principal considerations are their married status, gender and number of children. It seems fair to assume that those workers displaced by KSE in the general workforce would reflect the marital status and gender characteristics of the national workforce as a whole. The proportion of males and females working full-time and part-time in the workforce in 2009/10 is taken from the latest available Labour Market Statistics (Employees, Male and Female). The marital status of those in the workforce is determined by applying figures from the latest General Household Survey to the Labour Market gender

statistics. The average number of dependent children per household is also taken from the latest Family Expenditure Survey.

The percentage of people with different married status, and with children, is applied to the number of people displaced and then multiplied by the appropriate level of JSA payment, including supplementary payments for numbers with children. The JSA payment levels are set at the average of applicable levels at 1<sup>st</sup> April 2009. The estimates of Welfare Benefit income are conservative as it is assumed that married women displaced have working partners and are therefore ineligible for Welfare Benefit income. Additional Housing and Council Tax Benefit income is estimated from total household income using the appropriate household composition model from the latest available Tax Benefit Model Tables.

Impact of continued use of day centre provision

The central estimates assume that all 57 people in employment receive no other day services. In fact there is some overlap, with 4 of a sample of 22 people being in receipt of some form of day service while in employment. The data on the number of hours of attendance at day centre for this group is not comprehensive. However, the average number of days in day services was 0.34 days per person per week. We may express this as a percentage (7%) of day service usage per week, and therefore as a percentage of average day service cost (£11,200), a proportionate cost of £784 per person per year. We can add this to the cost of the KSE to provide a revised estimate of net costs for government.

**Table 10: Range Estimates for KSE using different assumption in Cost:benefit**

<b>Assumption</b>	<b>Net cost for KSE to government</b>	<b>Benefit:Cost Ratio</b> Cost/flowbacks with KSE
Central estimate	-£3,564	0.12
Include estimate of tax and NI paid by Supported employees	-£3,846 (Increased saving of 8%)	0.14
KSE cost based on 2009/10 LD budget only- £15,818 pp pa	+£2,344 (Net cost)	0.08
KSE day centre cost based on 2006/07 estimate- £9,484 pp pa	-£1,848 (decreased saving of 48%)	0.12
Non-disabled people displaced by supported employees: Productivity of disabled workers- 100% of non-disabled	+£1,996 (Net cost)	0.14
Non-disabled people displaced by supported employees: Productivity of disabled workers- 50% of non-disabled	-£1,525 (decreased saving of 57%)	0.13
Continued day service usage by 18% of SE clients	-£2,780 (decreased saving of 22%)	0.11

## Conclusions

We can see from Table 10 that there are significant fluctuations in net cost as we change assumptions. The largest change is where we use the learning disability budget for KSE only, where the net cost moves from a saving of -£3,564 to a net cost of +£2,344. It is clearly important in Phase 2 to clarify the budget for KSE and how it is used operationally. Breaking the relative cost down by client group (in terms of relative hours of support per job) would enable a clearer idea of the net cost for learning disability within the agency to emerge. The introduction of estimated tax and NI yield has a relatively small effect on net cost to government.

The net cost estimate is also sensitive to the comparative cost used for a day service place, where again the net saving is translated into a net cost of £1,996 where a lower day service cost estimate is used. A more accurate figure for alternative day service will be needed in Phase 2. Also, the impact of full and part-time service receipt will need to be taken into account for both services, and an estimate of average hourly attendance will be needed to compare costs per hour for supported employment and day services.

Finally, the net cost estimate is less sensitive to assumptions about displacement. Clarification is needed on the overarching economic model assumptions needed to decide whether displacement issues should be taken into account. This may be in part dependent on whether the vacancies remains buoyant in Kent, and an assumption of no long-term displacement to welfare benefits by non-disabled people can be sustained.