

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

## **A Framework for Analysis**

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## **Executive Summary**

This report summarises three phases of a study to develop a financial cost:benefit analysis specific to supported employment for people primarily with learning disabilities. It was conducted in collaboration with Kent Supported Employment Agency (KSE) and aimed to develop a cost benefit framework that is robust enough to accurately identify the potential costs and savings to the LA and taxpayer of delivering the KSE service.

Phase 1 ran from January to March 2010 and involved developing the cost benefit framework, collecting the relevant information from KSE and applying an initial cost benefit analysis. Phase 2 ran from March to December 2010 and involved making improvements to the framework, establishing tighter definitional boundaries and increasing the quality and quantity of the data collected. In Phase 3 we re-administered the analysis within this improved cost-benefit framework.

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 LA 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 results showed that by December 2010 KSE had found 116 jobs and were supporting 96 supported employees in paid jobs with 29 staff (22 being front line), representing 4 jobs supported per staff member. They also show that the job outcomes and any accompanying cost savings were due to a wide array of activities undertaken by KSE staff. 19% of employees were receiving supported living support, but the majority (66%) lived at home with their parents. The age range of the disabled employees was 20 to 59 (average 31) years old and there was an emphasis on younger adults, with 61% of people under the age of 30. As of December 2010 62% of employees were male.

All of the clients referred to KSE had been identified as requiring specialist employment provision and all of those found jobs by them were known to Adult Social Care and would have been recognised within the cross-government employment strategy that embedded employment outcomes to the Public Service Agreements (PSA) 16 delivery plans. The highest proportion of employees were referred to KSE via the DWP onto the WORKSTEP or Work Preparation programme (46%), some of who may not have been deemed appropriate for day service provision through local care assessment procedures. Thirty six per cent of employees were referred via Adult Social Care and are more likely to be dependent upon day service provision prior to accessing paid work, and, therefore, are more likely to return financial savings to the LA. Results from Phase 1 estimated that as many as 20% of those obtaining jobs had accessed LA run day service provision prior to obtaining a paid job and that 70% of these adults had stopped using day services once they had moved into work, again suggesting potential savings to the LA.

The jobs obtained represented a cross-section of Public (38% of jobs), Private (50%) and Third Sector (12%) employers, which on average paid above the national minimum wage rates. Over half of the jobs obtained (55%) were full time, being 16 hours or more, with 45% being part time, the highest proportion of jobs (31%) being between 15 and 16 hours (average=15.22 hours) reflecting restrictions so that workers do not lose their welfare benefit entitlements, and the targeting of jobs at 16 hours a week, the point where Working Tax Credits become available.

The average total gross income for the disabled employees from all sources after employment was £151.75 pppw (wages + retained welfare benefits + working tax credits), an average increase on pre-work income of £71.18 pppw.

An estimated cost of local day services (updated for inflation) provided a yearly cost per person of £12,792, for the period April 2010 to March 2011, compared to a cost of £7,811 per year per supported employee when the average numbers of employees are divided by the total KSE budget. This represents a potential saving to the LA of £4,981pppa. A more conservative estimate, based on the months the supported employees actually spent in employment, place the cost of KSE at £10,252 pppa, still a potential saving of £2,540. From the taxpayer perspective KSE provides a net saving of £1,121 pppa to the government, compared to the day service alternative, producing a net financial cost benefit ratio of 0.12, suggesting a saving of 12p for the taxpayer for every pound invested in the KSE service.

These results reinforce previous research findings that supported employment can produce savings at the LA and taxpayer levels and that the amount saved would increase over time given the appropriate investment. 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 are 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) and the Department of Health and 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 did 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 was 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 furthest away from 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 cost implications of the approach. There are a 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 should reduce 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-

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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.

term unemployment rates (over 85%), and their dependency on welfare benefits and 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, specifically with 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. More recently, Cimera (2009) has reviewed data on Vocational Rehabilitation funded supported employment and sheltered workshop jobs from 2002-2007 in the US. He found that supported employment was cost efficient in all states and all years, with an average return (saving) of \$1.21 per for each \$1 spent over the 6 year period.<sup>12</sup>

A national study of supported employment in the UK (1996)<sup>13</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 supported living 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. However, this is clearly dependent upon the levels of disabilities of those being supported, the effectiveness of support fading strategies,

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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> Cimera, R.E. (2009) National Cost Efficiency of Supported Employees With Intellectual Disabilities: 2002 to 2007. American Association on Intellectual & Developmental Disabilities. 115, 1, 19–29.

<sup>13</sup> Beyer, S., Goodere, L. and Kilsby, M. (1996). Costs and benefits of supported employment in Britain. London: The Stationery Office, London.

and the proportion of part-time jobs obtained, part-time jobs being generally as labour intensive to find and support as 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 WORKSTEP and accessing Working Tax Credits. Part-time work for low hours has commonly failed to draw down significant funds from central government to help people into employment. The two largest sources of taxpayer flow-back are reductions in welfare benefit payments to those who did earn a competitive wage, and savings to other day services as people transfer 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. North Lanarkshire Supported Employment 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 formed the basis of this evaluation. Within this there was recognition for the need to develop a more accurate cost/benefit framework specific to supported employment in the UK. With 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. Secondly, 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>14</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 also established collaboration with DWP economic analysts to ensure these improvements over the course of the project.

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<sup>14</sup> PricewaterhouseCoopers LLP (2007) Learning Disability Day Services Value for Money Review. Canterbury: Kent County Council.



### Evaluation Schedule/Timetable

The evaluation was in 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 provided a baseline and immediate feedback on the costs and benefits to the agency and KCC. In Phase 2 of the research we developed 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 (1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011) we re-administered the improved analysis to provide a more robust cost benefit framework for measuring the financial impact of KSE within Kent.

## **Section 2: Method**

We focussed on people with disability who were in work, or who had gained work, from 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011. Taking the North Lanarkshire report as our starting point we developed a spreadsheet for KSE staff to complete. This provided the following descriptive and financial variables for this report:

**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	Previous day service	Job number for person
	Estimated day service use	Start date
	Referral date	Finish date
	Contract type	Pay per week
		Hourly rate

**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

Tax Credits
Return to Work Credit
Job Introduction Scheme
Access to Work
- Payments
- Capital
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 outturn figures for year ending April 2011. The service had two main funding streams during the period: Kent County Council and the DWP with total budget of £1,148,200. It should be noted that the DWP contract relating to WORKSTEP and Work Preparation was discontinued during the year and the KSE team was reduced for the last months of the year and this would certainly had some impact on the outcome figures.

### 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. It is of course possible to test the sensitivity of estimates by changing assumptions and seeing what impact this has on cost:benefit.

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 mainly with a disability in need of specialist employment provision and furthest away from the labour market). Ideally, the comparison service (day services) and KSE should be costed on a consistent basis with KSE; over a similar time period; and that differences in the hours of support delivered by both alternatives were taken into account. These criteria were not met as we did not have access to hours spent in the year in day services or the current cost.

In the situation where KSE existed in 2010/11, 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 through Access to Work;
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.

It is assumed that, in the situation with and without KSE, there are no differences in costs in other forms of services relevant to local authority spending such as social work or social care services. In addition it is assumed that there are no wider government costs, such primary or specialist health care services.

The net cost will, therefore, be restricted to 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 actual expenditure for the financial year April 2010-March 2011, divided by the average number of people supported in jobs (LD and Mental Health) to provide a cost per job p.a.. Numbers of jobs were based on data available for the calendar year January 2010 to December 2010. This included those already in jobs at 1<sup>st</sup> January 2010, and those who gained jobs up until 31<sup>st</sup> December 2011, taking account of how many months they worked

in the period. It was not possible to distinguish the costs for LD and mental health clients separately.

2. *Cost of additional employment support-* In addition, we have the average per capita costs of WORKSTEP flowing through KSE during the period up until October 2010, when the contract with government came to an end. Average per capita costs of Access to Work, or other work subsidy payments for any worker in a job during the period were included. In addition, the amounts of one-off payments Access to Work payments (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 pppa.

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 for 2010. We assumed that people were single and excluded 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 generated a 17.5% yield for the exchequer during the study period.<sup>15</sup>

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

6. *Cost of Local Day Service-* Neither actual expenditure, nor participant figures, were available for 2010/11 and we therefore worked from a previous comprehensive day service for people with learning disabilities costing for Kent in 2007, adjusted for inflation to 2010/11 prices. In addition, we used a figure for average day service costs per annum, based on figures produced for Social Care services by the Personal Social Services Research Unit (PSSRU) at Kent University (PSSRU, 2010)

7. *Welfare Benefits paid to disabled people when unemployed-* The people with disabilities who have been in employment for some time may have been on historic welfare benefits. KSE identified what benefits people were claiming when they

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<sup>15</sup> VAT increased to 20% in January 2011.

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, at 1<sup>st</sup> April 2010 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 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>16</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 %).

The 2007 review of Kent learning disability services suggested a fairly typical pattern of day services across the county.<sup>17</sup> As of 2006, the proportion of people with learning disabilities known to Adult Social Care 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 funded provision (70%) (Department of Health returns for 2008/09 suggest 1300 people with learning disabilities were using day services). These places were mainly funded through the

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<sup>16</sup> Research & Intelligence Kent County Council. [www.kent.gov.uk/research](http://www.kent.gov.uk/research)

<sup>17</sup> Based on above comparison with from the Institute of Public Finance.

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 supported living 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. In 2006/07 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 was 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. KSE lost 1 admin and 7 frontline staff in October 2010 through TUPE with the move from WORKSTEP and Work Preparation to Work Choice. This meant that by 31<sup>st</sup> December 2010 the agency had 29 personnel, 22 being front line.

Table 4 shows the operational procedures of KSE and the roles and responsibilities of the staff at March 2010 for the 37 staff employed at that time. The agency adheres to many of the procedures identified in the 'Place-Train-Maintain' model of supported employment, which outlines best practice implementation.<sup>18</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, 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.

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<sup>18</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.

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

Activity	Main Procedure/Aim
1. Initial visit/assessment (ESO/EA)	Meet the job seeker Identify health and social care 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 needs and 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/Job carving (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

In Phase 1 of this research, there was insufficient data to determine the range of activities undertaken by KSE staff. In January 2011 KSE staff were asked to look back over their diaries for the previous 12 month period (January 2010 to December 2010), estimating the total hours they spent on different activities.

**Figure 1 KSE Staff Activity January 2011**

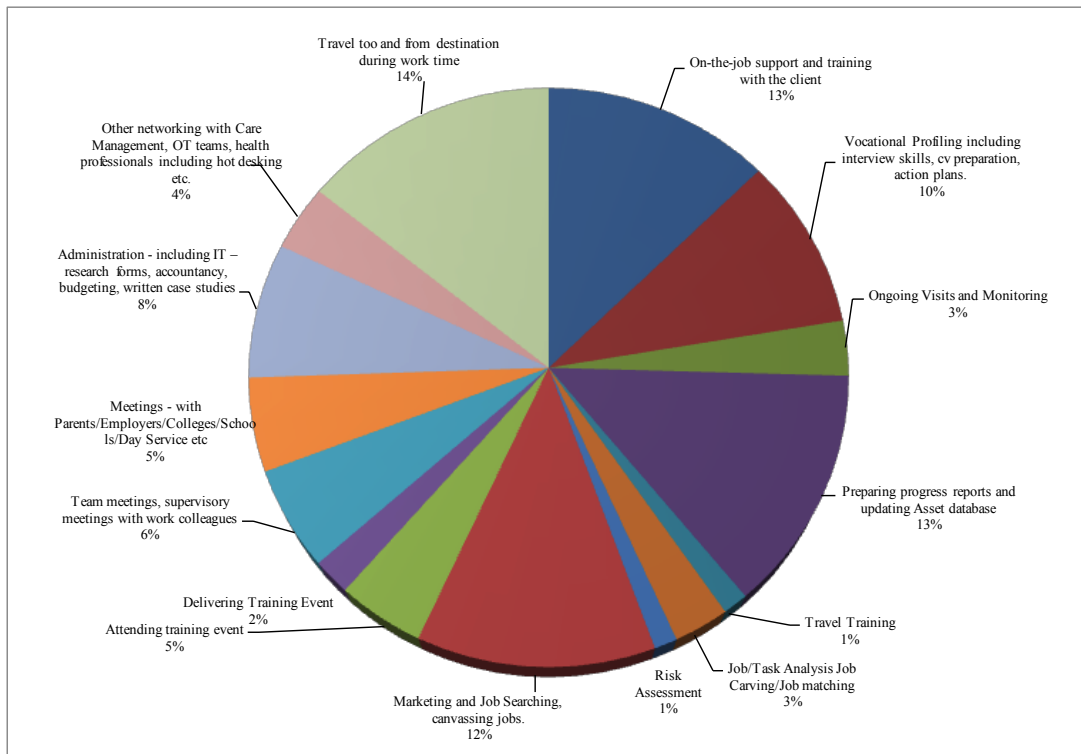


Figure 1 shows the Staff Activities for 23 KSE staff respondents. It shows that the job outcomes and any accompanying cost savings were due to a wide array of activities undertaken by KSE staff. It shows that no one activity had overall dominance, with highest proportion of time (14%) being allocated to ‘Travel to and from destinations during work time’. This was surprising and may reflect the relatively large geographical spread of Kent, the 10<sup>th</sup> largest local authority area of the 90 in England. The second highest proportion of time (13%) was spent working one-to-one with clients in the workplace. This reflects the additional assistance that many people with learning disabilities require to help them learn the skills of their jobs and adapt to the workplace cultures. It also suggests adherence to the ‘place’ and ‘train’ aspects of the supported employment approach, with the focus of support in integrated workplaces, rather than in pre-vocational or segregate work environments. This point is supported by the fact that staff reported that 10% of their time was spent developing client CV’s, helping them with their job interview skills, and developing vocational profiles so that job finders can target jobs that match the job seekers work skills and preferences.

Figure 1 shows that staff spent 13% of their time on the preparation of progress reports and in updating the ASSET database. This suggests that the organisation had mature feedback processes enabling them to monitor progress and develop future strategies. The figure also shows that KSE staff spent a significant amount of their time contacting and marketing the service to local employers (12%). Research suggests a strong positive correlation between the time spent on employer engagement and the numbers of paid jobs obtained by the clients.



All other categories in Figure 1 took up less than 10% of staff time, including 8% on basic administration tasks and work required to provide feedback to this report, a commitment to on-going support to the client and employer once in work (3%), 5% of time in meetings with Parents, Colleges or Schools and 5% of time receiving training, with some staff providing training for other agencies (2%).

### Number of Jobs Obtained

Phase 1 of this research showed 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 2009 to 31<sup>st</sup> January 2010. In Phase 2 of the evaluation we were able to plot this over a full 12 month duration from 1<sup>st</sup> January 2010 until 31<sup>st</sup> December 2010. It showed that over the duration the agency obtained 21 new jobs for their clients with disabilities.

**Figure 2: Job starts and Job Finishes 1<sup>st</sup> August 09 – 31<sup>st</sup> December 2010 (17 Months)**

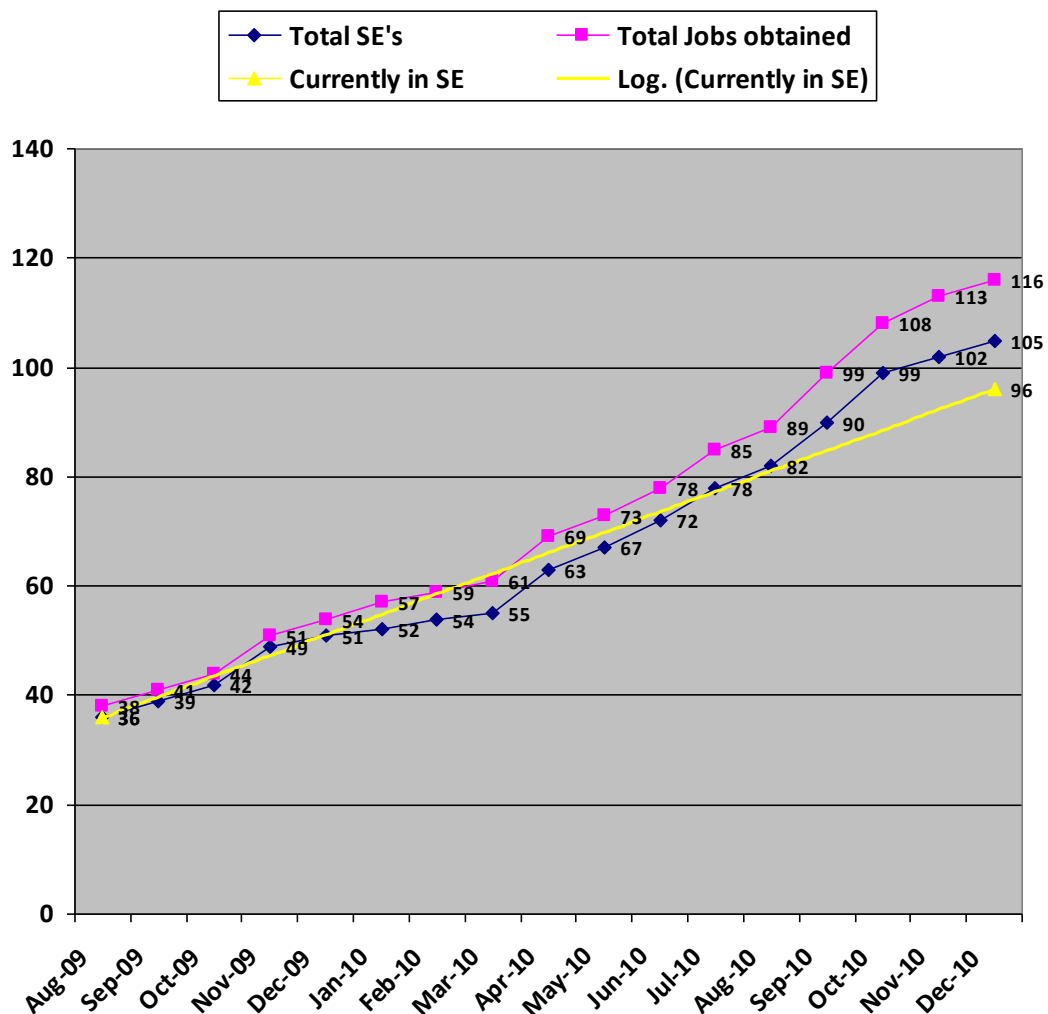


Figure 2 Shows that as of 31<sup>st</sup> December 2010 KSE had found a total of 116 jobs. Eleven people had two jobs, meaning that there were a total of 105 supported employees gaining work during the period an increase of 48 people in since 1<sup>st</sup> January 2010. Given no significant impact on staff ratios within KSE, then one would expect to see the amount of savings to local authority and the tax payer increase as a

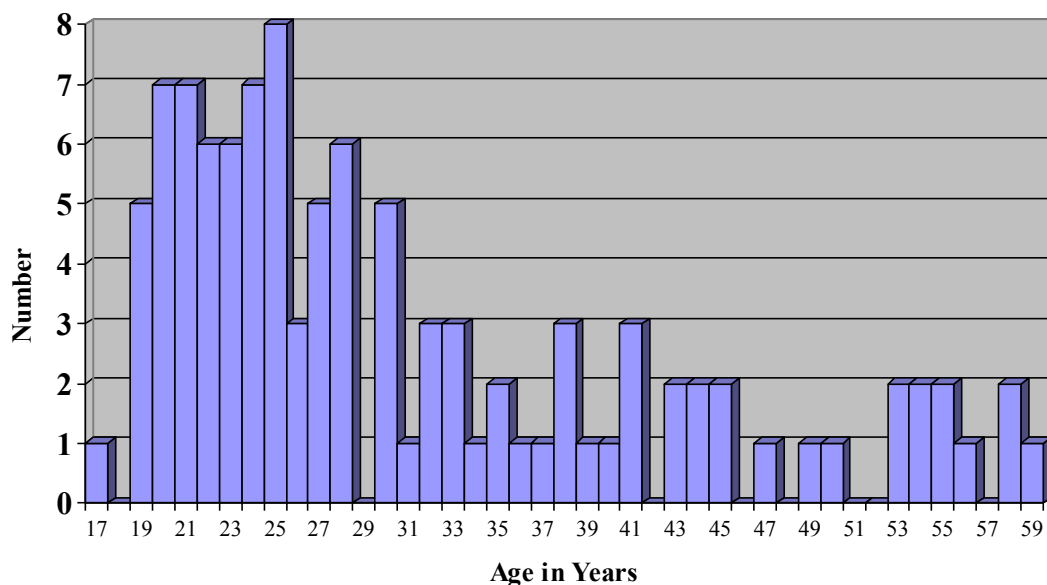
result. Staff reported that of these 9 employees lost their jobs, meaning that as of December 2010 a total of 96 people were still in paid work.

### Age and Gender of Supported Employees

In January 2010, there was a relatively even gender split with 26 (46%) of the employees being women. This was encouraging as many previous studies have shown an unrepresentative bias towards male disabled employees. As of December 2010 the proportion of women accessing paid work through the project had dropped to 38%. This highlights the importance of ensuring that more women are supported into paid work.

Figure 3 shows that there was a spread of ages ranging from 20 to 59 years old. People aged 30 or under are well represented (63%), while the average overall age of all employees was 31 (compared to 33 in January 2010). 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.

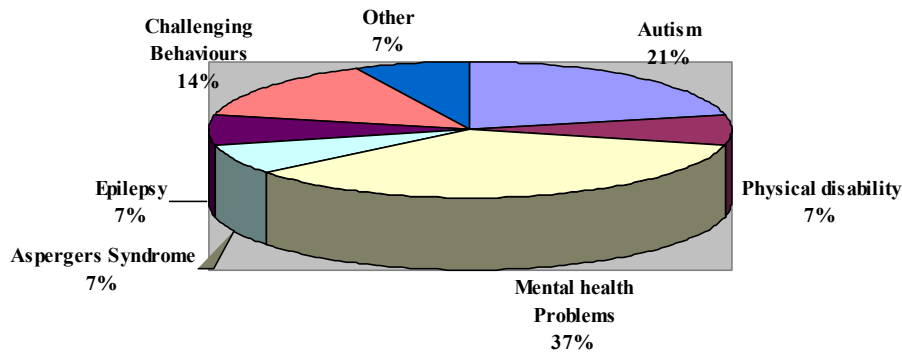
**Figure 3: Age Distribution of Employees December 2010.**



### Additional Disabilities

Twenty-eight of the 105 employees, were identified as having an additional disability meaning that a quarter of all KSE clients with learning disabilities had a dual diagnosis. Figure 4 shows the distribution of the additional disabilities, suggesting that the agency has had to adapt the support provided to cater for people who also had mental health problems, 10 people (36%); 6 people with autism (21%); 2 with Asperger's, Epilepsy and Physical disabilities, (each representing 7% of those with additional disabilities/health issues). The data also shows that 4 of the 105 people with learning disabilities also exhibited challenging behaviours representing 14% of those with additional disabilities.

**Figure 4: Distribution of Additional Disabilities**

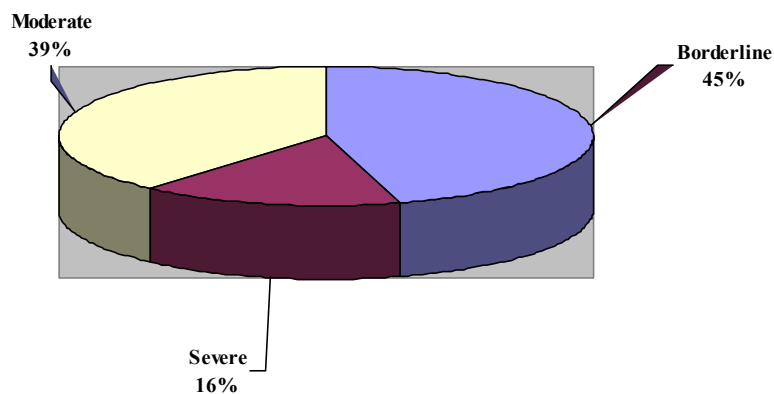


Level of Disabilities and Referral Sources

In Phase 1 of the study, at January 2010, KSE staff were asked to provide details about the level of disabilities of those people who were in jobs. The categories used as guidance by staff were based on the norm-referenced Inventory for Client and Agency Planning (ICAP),<sup>19</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.

**Figure 5: Levels of Disability as Reported by KSE Staff**



All of the clients referred to KSE had been identified as requiring specialist employment provision and all of those found jobs by them were known to Adult Social Care and would have been recognised within the cross-government employment strategy that embedded employment outcomes to the Public Service Agreements (PSA) 16 delivery plans.<sup>20</sup>

<sup>19</sup> Bruininks, B. H., Hill, K., Weatherman, R.F. & Woodcock, W. (1986). Client and Agency Planning, Allen, Texas: DLM Teaching Resources.

<sup>20</sup> PSA 16 is now been discontinued

**Figure 6: Referral Sources**

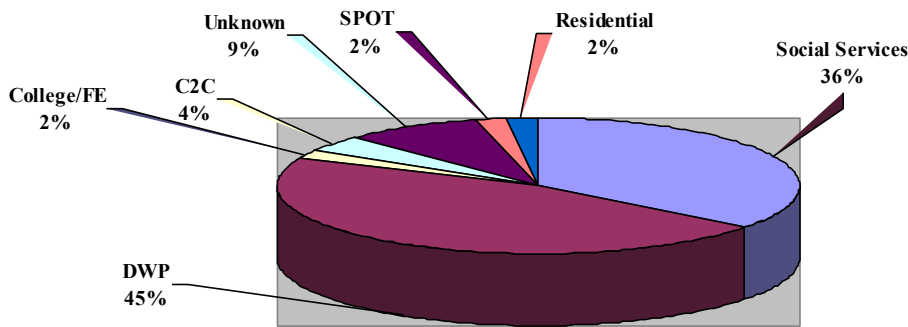
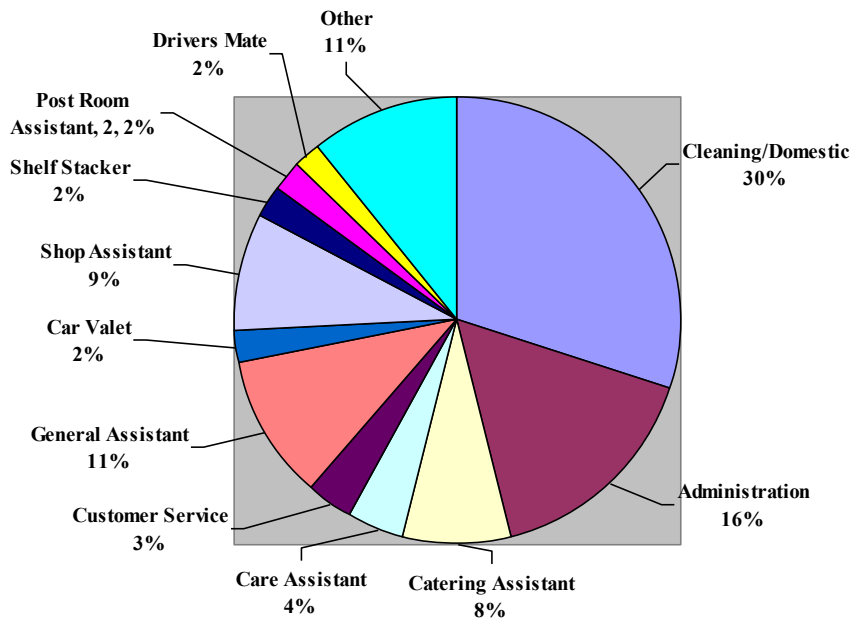


Figure 6 shows the referral sources for those who obtained jobs. The highest proportion (46%) were referred via the DWP onto the WORKSTEP or Work Preparation programmes. This implies that a high percentage of people were referred via Job Centre Plus, some of who may not have been deemed appropriate for day service provision through local care assessment procedures. However, 36% were referred via Social Services (12% from East Kent and 23% from the West). It is this group that are more likely to be dependent upon day service provision prior to accessing paid work, and, therefore, those more likely to return financial savings to the Local Authority. Results from Phase 1 estimated that as many as 20% of those obtaining jobs had accessed local authority run day service provision prior to obtaining a paid job and that 70% of these adults had stopped using day services once they had moved into work, again suggesting potential savings to the local authority.

Type of Jobs Obtained

Figure 7 shows that KSE has secured a wide variety of jobs in range of different locations. The largest proportions are in Cleaning and Domestic jobs (28=30%), with Clerical and Administration jobs accounting for a further 15 jobs (16%).

**Figure 7: Type of Jobs Obtained**

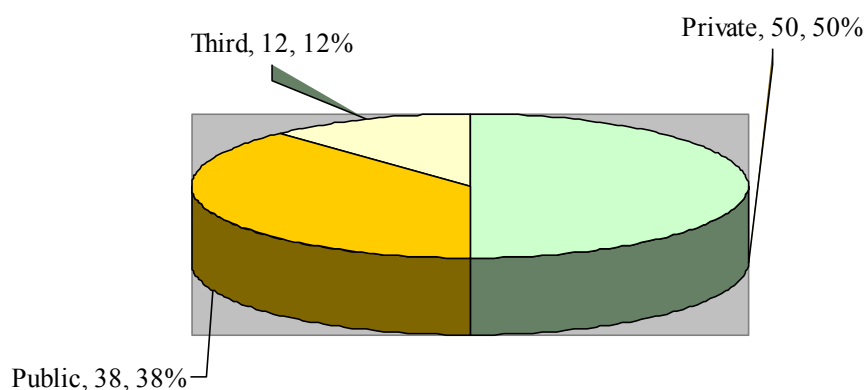


The remaining jobs are spread thinly across 9 categories, the highest proportion being General Assistance (11%), Shop Assistants (9%), Catering (8%), then Care Assistants (4%). Examples of ‘Other’ included one person who had a job working as an advocate for people with learning disabilities with the Skillnet group. Only 2 manufacturing jobs were obtained, perhaps reflecting the national decline in this sector with nearly a quarter of jobs located in Shops and Supermarkets (22%) including Morrison’s, Wilkinson’s, Asda , Brewer’s Fayre, 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.

#### Jobs Obtained by Employment Sector

Figure 8 shows that half the jobs obtained through KSE were in the Private Sector (50%), 18 of the jobs (32%) were in the Public Sector, including 2 jobs within the Council offices and 12 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>21</sup> while tapping into the currently growing Private Sector.

**Figure 8: Breakdown of Jobs by Employment Sector**

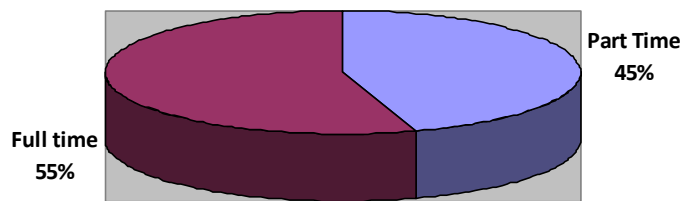


#### Hours Worked

Figure 9 shows that over half (55%) of jobs were full time, being 16 hours or more, with 45% being part time, the highest proportion of jobs (31%) being between 15 and 16 hours (average=15.22 hours). This suggests that KSE is still finding significant numbers of jobs of less than 16 hours per week, so that workers do not lose their welfare benefit entitlements, but are also finding jobs at 16 hours a week for many, the point where Working Tax Credits become available.

<sup>21</sup> Valuing People Now (2009) A new three-year strategy for people with learning disabilities. Department of Health.

**Figure 9: Hours Worked Per Week**

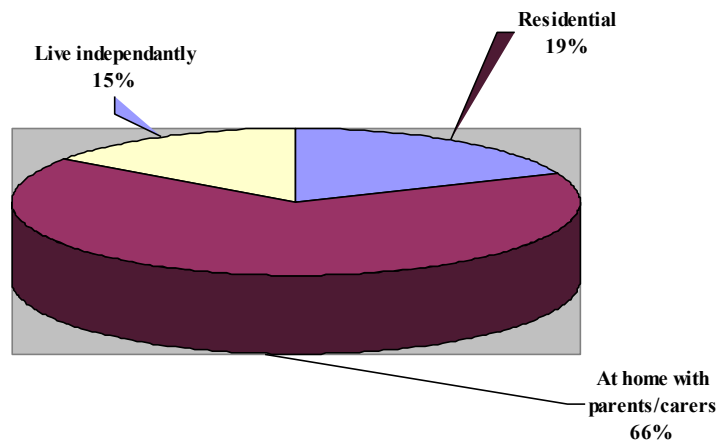


As reported in the Introduction, the significant number of part-time jobs will have a negative impact on the net cost:benefit of the service due to continued uptake of benefits following work, reduced tax revenue, and possible continued usage of LA day service provision.

Residential Status of Employees

Figure 10 shows that nearly two thirds (66%) of the clients obtaining jobs lived at home with their parents, while 15% lived independently. It also shows that 19% were in receipt of domiciliary care, living in supported housing. Unsurprisingly, the average numbers of hours worked by people living in supported accommodation 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 those living in supported accommodation could work to make their jobs economically viable and limits the potential cost savings at the Taxpayer level.

**Figure 10: Residential Status of Employees**



We were unable to get accurate data on the hourly rates of pay for all of the employees, because KSE currently do not keep these records for everyone. Some estimates were made in the cost analysis using data on total wages and hours, or in a few cases substituting current National Minimum Wages values. This may lead to an underestimate of worker benefit and taxpayer savings (due to tax/NI income).

**Section 4: Cost/ Benefit Outcomes**

Welfare Benefits Received Prior to Employment

Table 5 shows the welfare benefits that supported employees were receiving prior to entering paid employment. This shows that a majority of people were receiving DLA Care component, most of these also with a DLA Mobility component. Primary source

benefits were Job Seeker Allowance, Incapacity Benefit and Income Support. We see the emergence of Employment Support Allowance, with 2 people currently receiving this benefit. Roughly 10% of workers were reported to be in receipt of Housing and Council Tax Benefits before entering paid employment. The average income from all benefits prior to employment was £80.57 for the whole group of workers (£121.89 across the 60 people who reportedly 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	46	50.5%
DLA Mob	32	35.2%
IB	17	18.7%
SDA	4	4.4%
IS	10	11.0%
ESA	2	2.2%
JSA	28	30.8%
HB	9	9.9%
CTB	9	9.9%

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

The average weekly salary earned in employment was £90.86 per person per week. The average hourly rate was £6.23 per hour<sup>22</sup>, 7.4% above the adult National Minimum Wage of £5.80 in place for the majority of 2010. Clearly, on its own, average salary was significantly lower than the average pre-employment welfare benefit income. However, 55% 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. We can see that 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 24.2% of workers. Only 9.9% of the workers received Tax Credits when in employment. Overall, Welfare Benefits represented the entirety of income before employment, and 60% on average when in employment.

Welfare benefit income fell from an average of £80.57 per person before employment, to £60.89 when employed, a fall of 24%. Working Tax Credit rose from £0 per person before employment to an average of £71.28 when employed; and salary rose from an average of £0 per person before employment to an average of £90.86 when employed. The weekly salary range remained from £11.60 (2 hours) to £307.47 (37 hours). Hourly rates ranged from £5.80 (National Minimum Wage up until October 2010) to £8.31 per hour.

<sup>22</sup> Based on those workers where hourly wage was recorded and excluding NMW estimations.

**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	22	24.2%
DLA Mob	17	18.7%
IB	6	6.6%
SDA	3	3.2%
IS	2	2.2%
JSA	3	3.2%
HB	8	8.8%
CTB	8	8.8%
Tax credit	9	9.9%

Overall, there was a reduction in government payments to these workers through Welfare Benefits. Any savings were modest at an average of £19.68 per person per week. However, this represents a total saving to the taxpayer per year of £93,126 for the total group of workers with learning disabilities per year.

DLA take-up remains lower after people went into employment than before, a similar result to the interim report for 2009/10. In the North Lanarkshire study, virtually all received DLA after becoming employed and this was a significant factor in improved worker income post-employment.

#### Better off Calculations for Workers

Overall, average total gross income from all sources after employment was £151.75 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 £71.18 per week (+88%) based on an average of 91 people in employment over the duration.

We have no better off figures that are net of Income 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, when averaged over all workers, reductions by Income Tax and NI were £3.34 and £2.30 respectively per week are (range likely to



be between £0 and £36.56 for tax and £21.67 NI).<sup>23</sup> The differences in average income are likely to be low due to Income Tax and National Insurance.

#### 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 £12,007 in 2010/11 (See Table 7). Numbers served in 2006/07 were broadly the same in 2008/09 according to DoH returns on day service usage (1300 compared to 1200). We have also included an estimate from PSSRU for day service costs in England for 2010, which shows that the inflation based estimate for day services in Kent appears to be lower than national estimates and is not therefore disproportionate.

**Table 7: Estimated costs and numbers served by Kent Day Services- 2005/06<sup>24</sup>**

Service	People served	Gross cost	Cost per person served
LA and commissioned day services	1192	£12,028,000	£10,090
Cost per person inflated to 2010/11 <sup>25</sup>	-	-	£12,007
Average Day Service Cost for England 2010/11- PSSRU based on sessional data	-	-	£12,792

We are only able to identify total costs for KSE and these relate to all supported employees, including people with learning disabilities and people with mental health issues. If we use the whole client group and total budget of KSE for the period April 2010 to March 2011, we have a cost of £7,811 per job per year, based on 147 workers (56 with mental health and other disabilities and 91 having learning disabilities) and a budget of £1,148,200 for the period.<sup>26</sup> This approach shows day services having a 54% higher cost than a day service place. There must clearly be caveats to this comparison. The day service costs are not available for recent years and an inflation based costing may be inaccurate. However, on the basis of these figures, supported employment would represent a potential saving of £4,981 per year, but caution is needed because due to uncertainties in the data.

We can also provide a costing based on average numbers of people employed during the year from all sources, based on months in employment. 82 were employed for the whole 12 month period, but 9 were employed for less than this. This provides a figure of 84 people with learning disabilities and 28 people with mental health and other problems employed on average during the year, a total of 112. Applying this to our cost figure of £1,148,200 gives an average cost per job of £10,252 pp pa and a potential saving of £2,540 for the LA.

<sup>23</sup> Estimates of average Income 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\\_2010.pdf](http://research.dwp.gov.uk/tbm/TBMT_2010.pdf)

<sup>24</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.

<sup>25</sup> An inflation index of **1.19** is used, derived from Government Statistical Office inflation series and historical data: <http://www.statistics.gov.uk/statbase/tsdataset.asp?vlnk=229&More=Y>

<sup>26</sup> Personal communication June 2010.

### 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 £7,811 per job. This is summarised in Table 8.

**Table 8: Indicative illustration of Costs and Flowbacks per person, per annum, to Government for KSE (2010/11 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- £7,811 2. Access to Work- £207	5. £0	9. Cost of Kent Day services- £12,007	12. £0
Disabled workers in KSE	3. In-work benefits/ Tax Credits- £7,891	6. Tax NI- £293 7. Indirect tax on total income- £1,578	10. Welfare Benefits paid when unemployed- £4,190	13. Indirect tax on income- £838
<b>Total</b>	<b>£15,909</b>	<b>£1,871</b>	<b>£16,197</b>	<b>£838</b>
Net cost <sup>*+</sup> to government	-£1,321			
Ratio of flowbacks to costs with KSE <sup>+</sup>	0.12			

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

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 £1,121. 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 remain in the data, even after revisions in the approach from the interim report, 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 of continued attendance at day centre by those with part time jobs through KSE was possible, as the data on hours (or sessions of attendance) remained inadequate.
- 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 requires more information on the operational relationship between supported employment provision and day services management;
- Cost of alternative services have been limited to day services. It was not possible to collect 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, health services).

### The Issue of Displacement

Displacement assumes that if the person with learning disabilities 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>27</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 have ignored displacement costs in our estimates.

### 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 2009, a figure of 6.4% in paid employment, to argue that dead-weight is so small for a LA registered population of people with learning disabilities to be negligible. It has not been possible in the second phase of the project to obtain further information on workers that might establish whether they are “known” to Kent SSD and whether they have used other services before (and therefore have exhausted alternatives, and do not represent deadweight).

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

As of December 2010 KSE had a total of 116 jobs for 105 supported employees. 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

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<sup>27</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.

minimum wage rates.<sup>28</sup> Ages of the employees range from 20 to 59 years old and there is a healthy focus on younger adults, possibly leaving full time education for the first time.

Our central estimate shows 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 -£1,321 per person per year. For the LA, there is potential saving of -£4,981 derived from a cost to the LA of £7,811 for a job compared with an estimate of £12,007 for a day service place. When the more conservative estimate is used (based on actual time employers spent in their jobs), the notional amount saved by the LA is £2,540 pppa. 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. Individual outcomes were also encouraging, with employees experiencing a 88% increase in their income following work.

The notional saving found is encouraging and clearly, there is a need to take account the support activities provided by KSE in addition to the number of hours clients worked. Although we were unable to determine how much capacity these additional activities take up, it was clear that KSE staff undertook a variety of activities to produce these outcomes. The findings suggest that if KSE have continued success with this group in the future, then this could lead to increased savings over time. Our 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.

The trend in KSE from 2009/10 to 2010-11 was on an upward trajectory, before the loss of WORKSTEP/Work Preparation funding in October 2010, with significant increase in jobs found from the position outlined in our interim report. The percentage of jobs of over 16 hours per week appear constant. This is important as these are the jobs that yield greater increases in income for people with disabilities and also yield potential benefits in terms of hours saved from day service costs and returns to taxpayers on investment. Increasing hours worked is an important feature of improving job quality. It has yet to be seen whether the change in funding structure will reduce the impact of KSE at a time of strategic challenge and of restructuring. It is our observation that having a strong supported employment sector provides options in relation to restructuring services.

As a non-means tested benefit, DLA remains important in making people with learning disabilities better off in work. DLA is under review by the government and there is a risk that, if the rules governing DLA eligibility change, this may undermine

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<sup>28</sup> Based on the hourly pay rates that were known.

the better off situation for some KSE workers. This will need to be kept under review by KSE.

There are clearly a number of areas that could improve upon the cost:benefit framework. For example, identifying the extent of the employees' day service usage, ideally in terms of the 'hours spent in attendance' prior to, during and following their employment could be coupled with a clearer picture of the hours that agency activities outside of paid work support, may allow a 'cost per hour' per person comparison to be made. It would also allow 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 future data collection should find ways 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 would be interesting to determine how the Workstep/Work Programme contribution impacted on local authority savings, due to KSE funding coming directly from a centralised source.

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 future analysis, 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. This research clearly highlights the need for continuing data collection if outcomes and net costs are to be assessed.

## Appendix 1: Sensitivity analysis relating to day service costs

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 about day service usage changed, and provide an assessment of how the estimates may also change in line with particular assumptions.

### Updated day service costs

Estimates of gross costs per person served in Kent day services are based on PricewaterhouseCoopers 2007 study.<sup>29</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.

### Impact of continued use of day centre provision

The central estimates assume that all 91 people with learning disabilities in employment receive no other day services. In fact there is some overlap. While the data on in work use is very sketchy, in Phase 1 we found 4 of a sample of 22 people (18%) 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 again 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 (£12,007), a proportionate cost of £840 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>Net cost for KSE to LA</b>
Central estimate	-£1,321	-£4,196
Continued day service usage by 18% of SE clients	-£481 (decreased saving of 64%)	-£3,356 (decreased saving of 20%)

<sup>29</sup> Derived from Table 12 and Appendix 6 of PricewaterhouseCoopers LLP (2007) Learning Disability day services Value for Money Review. Canterbury: Kent County Council.