



Research Paper 06/07

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Long Term Unemployment and Government Provision for Vulnerable Groups

This briefing has been prepared for members of the Employment and Learning Committee and contains information on:

- Definitions of employment and unemployment
- DETI unemployment figures
- Worklessness
- Pathways to Work policy context and government strategy under the Welfare Reform Act
- Perceived Problems with Pathways to Work
- Pathways to Work in Northern Ireland
- Government programmes for the most disadvantaged
- Best practice models for vulnerable groups
- Welfare systems in other countries

Library Research Papers are compiled for the benefit of Members of The Assembly and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.

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1. INTRODUCTION

This research briefing gives details of current employment and unemployment levels in Northern Ireland and then discusses some of the issues surrounding the problem of long term unemployment and worklessness. The second part of the paper looks at the new Government provisions for persons on incapacity benefit and specifically the Pathways for Work program which were instituted as part of the Welfare Reform Act 2007.

2. DEFINITIONS OF EMPLOYMENT AND UNEMPLOYMENT

The official estimates of employment and unemployment for Northern Ireland are produced by the Department of Enterprise, Trade and Investment and the Office of National Statistics and are based on the International Labour Organisation definitions.

“The number of people with jobs is measured through the Labour Force Survey (LFS). The Labour Force Survey is a survey of households. It uses definitions set out by the International Labour Organisation (ILO). The LFS definition of employment is anyone (aged 16 or over) who does at least one hour’s paid work in the week prior to their LFS interview, or has a job that they are temporarily away from (e.g. on holiday). Also included are people who do unpaid work in a family business and people on government supported employment training schemes, in line with ILO definitions. According to ILO definitions, those who are not in employment are either unemployed or economically inactive depending upon their job search activity and their availability for work.”¹

“Unemployment is a count of jobless people who want to work, are available to work, and are actively seeking employment.”²

3. THE PROBLEM OF DEFINITION OF LONG TERM UNEMPLOYMENT

When assessing the issue of long-term unemployment it is important to consider a broader group of people than those identified by the government’s unemployment figures.

For example, persons on Government supported training schemes like the New Deal program are discounted from the total numbers of unemployed persons. To qualify for New Deal a person will have been claiming job seekers benefits for 18 months or 6 months if below the age of 25 or over the age of 50. In addition if someone who would be classed as long term unemployed undertakes a government training course and subsequently returns to claiming JSA they are no longer classed as long term unemployed under the DETI and ILO classification.

The figures in table 2 below show that 45000 people classed as economically inactive, actually want employment. However these people are not included in unemployment figures as they do not satisfy the ILO job seeker criteria.³ This represents a growth since the previous year of 6000 people who are classed as

¹ Office of national statistics, How exactly is employment measured? October 2006. Page 4.

² [http://www.detini.gov.uk/cgi-](http://www.detini.gov.uk/cgi-bin/get_story?fold=3136&site=4&parent=60&prevpage=3131&stid=404&openbus=4&golive=13-06-2007)

[bin/get_story?fold=3136&site=4&parent=60&prevpage=3131&stid=404&openbus=4&golive=13-06-2007](http://www.detini.gov.uk/cgi-bin/get_story?fold=3136&site=4&parent=60&prevpage=3131&stid=404&openbus=4&golive=13-06-2007)

³ http://www.detini.gov.uk/cgi-bin/get_builder_page?page=3114&site=4&parent=48

economically inactive but who want work and this group is higher than the number of unemployed people.

Table 1.Unemployment by Duration⁴

(Thousands)

	Up to 6 months	Over 12 months	over 24 months	total unemployed*	long term unemployed as % of total
ALL PERSONS					
Apr -Jun 2004	13	17	13	37	45.3%
Apr -Jun 2005	16	17	10	37	45.6%
Apr - Jun 2006	13	11	-	33	32.6%
Jul - Sep 2006	21	13	-	40	32.0%
Oct -Dec 2006	19	12	-	34	35.6%
Jan -Mar 2007	18	12	-	33	36.7%
Apr -Jun 2007	13	12	-	29	43.4%
Change on Year	-1	2	-	-4	10.8

*includes some who did not state duration of unemployment. – sample size too small for a reliable estimate

4. DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT, ECONOMIC RESEARCH FIGURES FEBRUARY - APRIL 2007⁵

Employment

The number of people employed in Northern Ireland during the period April - June 2007 is estimated at 780,000. This figure signifies an increase of 3,000 over the quarter and 11,000 over the previous year.

Unemployment

The unemployment rate for the same time period was 3.7%, down 0.5% points from the previous quarter and the same period in 2006 and is the lowest estimate on record.

Economically Inactive

The seasonally adjusted figure for economically inactive persons April - June 2007 was estimated at 534,000, up 4000 over the quarter and 6,000 over the year.

The economic inactivity rate for those people of working age in Northern Ireland stands at 26.7%. This is higher than the UK average rate of 21.2% and is also higher than the other 12 regions of the United Kingdom.

⁴ http://www.detini.gov.uk/cgi-bin/get_builder_page?page=3288&site=4&parent=60&prevpage=3279

⁵ http://www.detini.gov.uk/cgi-bin/get_builder_page?page=3308&site=4&parent=48

New Deal Statistics

In the year to July 2007 the number of Job seeker's Allowance (JSA) claimants eligible for New Deal has fallen by 18%.

Long-term Unemployed Statistics

12,000 persons, 43.4% of those unemployed in Northern Ireland had been unemployed for 1 year or more - an increase of 10.8% over the year.

Table 2

Economically inactive persons of working age⁶
(Thousands)

	Total Economically inactive persons of working age (16-59/64)	Wants job	Does not want job					
			Total	Long-term sick	Family and home care	Other*	Of which	
							Retired	Student
ALL PERSONS								
Apr -Jun 2004	311	48	262	91	67	104	14	76
Apr -Jun 2005	295	36	259	84	73	102	14	75
Apr - Jun 2006	286	39	247	77	67	104	16	80
Jul - Sep 2006	286	44	241	76	67	98	15	72
Oct -Dec 2006	291	44	247	74	62	111	16	83
Jan -Mar 2007	282	42	240	75	60	104	15	79
Apr -Jun 2007	287	45	242	71	68	102	18	71
Change on Year	1	7	-6	-6	1	-1	3	-8

*Includes students, retired persons, temporary sick or injured, those waiting for reply to job application and those who do not want/need job.

5. WORKLESSNESS

In order to deal with this problem of definition the term worklessness has been used. A research report for the Department for Work and Pensions (DWP) defines worklessness

“as detachment from the formal labour market in particular areas, and among particular groups. Workless individuals include individuals who are unemployed and claiming unemployment benefits, individuals who are economically inactive and eligible for inactive benefits (who may or may not be claiming them), and individuals

⁶ DETI Table 2.4b. Economically inactive who do not want to work [Economically Inactive Who Do Not Want Work](#)

who are working exclusively in the informal economy (who may or may not be also claiming benefits).”⁷

Writing in the Independent in 2002, Rachel Spence illustrates the term in plain language.

“Forget unemployment, the big challenge in deprived neighbourhoods is worklessness. There’s a big difference. Unemployment is a temporary phenomenon: you may lose your job or fail to get one, but you’re still actively part of the labour market...Workless people, however, are out of the labour market completely.”⁸

It may therefore be more appropriate to consider those who are workless rather than simply those defined within the Government’s long term unemployed statistics when considering unemployment issues.

6. WORKLESS PEOPLE

A range of groups that are disadvantaged in the labour market have a higher risk of being workless as do those living in areas of deprivation. Included within this at risk population are:

- People with disabilities
- Lone parents
- People from ethnic minority groups
- Carers
- Older workers
- Ex-offenders
- People with health conditions
- Workers in the informal economy

Simply receiving Jobseeker’s Allowance (JSA) does not automatically mean you would be categorized as workless. A person in receipt of JSA who, in reality, has not been actively seeking work could be classified as workless while another person in receipt of JSA whilst between jobs would not be categorized as workless.

7. UNDERSTANDING WORKLESSNESS⁹

As unemployment has been in decline since the early 1990’s pockets of the population have been left behind this employment growth.

While the disadvantaged should not have their chances of working written off, for some, for example people with disabilities, entry into employment or job-seeking before they are ready may be counter-productive.

There is limited research into the psychology of people who have been out of work for a long period of time. However the DWP research report highlights the fact that for some individuals rejoining the workforce is not a rational choice for a variety of often interrelated reasons. These may include:

- A lack of opportunities or perceived opportunities for meaningful employment.
- A lack of awareness about the financial benefits of formal employment.
- A belief that they are better off financially while in receipt benefits than if working.

⁷ Ritchie, H. Casebourne, J and Rick, J. 2005. Understanding workless people and communities: A literature review. Institute of Employment Studies. Department of Work and Pensions report number 255. Page 2.

⁸ Spence, R. 23rd January 2002. Neighbourhood renewal: assault on worklessness brings hope to disadvantaged; understanding social problems in deprived neighbourhoods helps get workless people back into the labour market. The Independent, features, Page 4.

⁹ Ritchie, H. Casebourne, J and Rick, J. 2005.

- The opportunity for better financial reward in the informal economy or the opportunity to collect benefits and work informally.
- A lack of motivation or other motivations, such as peer group pressure or a desire to remain at home to raise children.
- The perception that they are unable to perform a task, which does not correlate with their actual ability.

8. Community level worklessness or geographically concentrated worklessness¹⁰

It has been proposed that worklessness has developed due to a culture of worklessness in certain communities, where a whole peer group remains unemployed or working informally and joblessness is seen as unproblematic. Rather than a result of cultural occurrences, worklessness can also be viewed as relating to geographical location, with the geography of employment having changed, often leaving behind people living in de-industrialised areas. Often single areas suffer from, a lack of new economic growth, a lack of access to training, childcare and transportation. The structure of social housing often limits individuals' opportunity to move from deprived areas and means their social networks are made up of other economically inactive persons. Finally, their disadvantages can be compounded by the poor reputation of areas discouraging investment in services and new employment opportunities.

9. Conclusions on Worklessness

The DWP report¹⁰ drew three main conclusions. Firstly, the strength of family and peer pressures are often seen to undermine policy interventions involving advice and guidance to individuals. Therefore policy measures should be formulated in ways that target both the individual and the wider social network. Secondly, a persistence of worklessness while the rest of the labour market is in growth suggests that the barriers to work for the remaining unemployed individuals are likely to be multi-faceted and specific. As a consequence support measures for these persons need to be flexible and individually tailored. Finally, intervention schemes are more likely to succeed as part of widespread community regeneration and in deprived areas pre-employment preparation and continued support while in work are necessary to aid people to break the worklessness cycle.

Annexes B and C contain examples of international best practice regarding employment policies for older people and disabled people. Both groups are particularly vulnerable and individuals from each would often fall under the classification of workless. The annexes detail schemes implemented in other countries in order to provide these groups opportunities to enter or rejoin the workforce.

The rest of this paper looks specifically at the Welfare Reform Act and its provision for the Pathways to Work programme which has been recently instituted in the United Kingdom and to be in place throughout Northern Ireland by April 2008. (See Annex D for full commencement details.)

Annex E details the welfare systems in other jurisdictions.

10. The Welfare Reform Act 2007

¹⁰ *ibid*

The Welfare Reform Bill received Royal Assent on 3 May and became the Welfare Reform Act. The Act covers a wide remit and most of the provisions in the Act require further legislation to bring them into effect. The two provisions of most concern to the Employment and Learning committee are Pathways to Work and the related Employment and support allowance which provides for the replacement of incapacity benefit and income support on the basis of incapacity for work.

11. THE EMPLOYMENT AND SUPPORT ALLOWANCE

Under the employment and support allowance all new claimants undertake a 13-week assessment phase, during which they will be paid a basic allowance, at age-related jobseeker's allowance levels. At some point during this assessment phase they will either undergo the new personal capability assessment (PCA), or be allocated, primarily on the basis of paper evidence, into the 'support group' for claimants with more complex medical needs. All those who undergo a PCA will also be given a 'work-related health assessment'. Claimants will not actually go onto what the Department of Work and Pensions refer to as the 'main phase' of the employment and support allowance where they are in receipt of extra financial support for work related activity until the end of the 13 weeks.

12. POLICY CONTEXT FOR PATHWAYS TO WORK

The Pathways to Work programmes were conceived after the success of the Government's welfare to work programmes in reducing both unemployment and the number of lone parents on Income Support was not matched for people with a health condition or disability. Despite the introduction of strategies such as the New Deal for Disabled People, which is aimed at aiding the return to work of those with a health condition or disability and who are currently not active in the labour market, the number of people receiving incapacity benefit was still increasing.

Incapacity Benefit recipients are the largest group of economically inactive people of working age in Great Britain, with 2.7 million people of working age currently receiving the benefit, in comparison to the current level for jobseekers allowance claimants of 877200. This number of incapacity benefit claimants has grown significantly since the 1970s, although there has been a continual fall in claimants since 2003.

The current system still in operation for most of those on incapacity benefit in Northern Ireland involves attending work focused interviews at some point during a claim. The new Employment and Support Allowance will extend the requirement for specific work-related activity to people with health conditions and disabilities.

"Benefit levels have also been specifically targeted at these different groups, creating a system which has become extraordinarily complex. It mixes means-tested, contributory and universal elements, as well as entitlement based on individual circumstances in some cases and household circumstances in others. Many benefits are composed of one low basic rate with additions to provide extra help for certain groups. Some are paid by Jobcentre Plus, others by the Disability and Carers Service and others by local authorities. In addition tax credits, paid to both those out of work and low paid, are administered by Revenue and Customs."¹¹

¹¹ Freud, D. 2007. Reducing dependency, increasing opportunity: options for the future of welfare to work. An independent report to the Department for Work and Pensions Page 12

13. PATHWAYS TO WORK, GOVERNMENT STRATEGY

The Department for Work and Pensions issued a Green Paper entitled “Pathways to Work: Helping people into Employment”, in November 2002. The paper outlined a range of proposals with the aim of assisting the return to work of people on Incapacity Benefit. Consequently Pathways to Work pilot projects were established in 3 pilot areas from October 2003 and a further 4 districts were added to the pilot in April 2004.

The implementation of Pathways had several aims which fell under three broad areas.

BETTER PATHWAYS TO WORK¹²

- The proposed changes will be focused on six pilot areas. The key changes will:
 - create an entirely new framework of work-focused interviews within Jobcentre Plus for new claimants;
 - improve referral routes between these interviews and pre-existing employment support; and
 - establish new work-focused rehabilitation programmes in conjunction with the NHS.
- This will enable us to give people on benefit access to a much wider range of opportunities. It will create a Choices Package for incapacity benefits recipients in pilot areas as we have already done for lone parents.
- Existing benefit recipients will be able to access this provision – on a voluntary basis. In due course some recipients may also be required to attend work-focused interviews as well to ensure as many clients as possible are aware of the opportunities available.

CLEARER INCENTIVES¹³

- Incapacity benefits recipients are concerned about security of income when they are considering making the transition back to work. The key is clear, easily understood incentives.
- We already have a range of incentives to help them move back to work. Many people are not aware of this help or may not be eligible.
- We want to make two further changes for this group in pilot areas:
 - first, more support to enable people moving on to incapacity benefits to compete effectively in the jobs market – allowing advisers to make an award of up to £300 to support return to work activities through the Adviser Discretion Fund; and
 - second, clearer returns from working through a new Return to Work Credit payable at £40 a week for 52 weeks to all those whose personal income would be below £15,000 a year to ensure a firm transition back to employment.

<http://www.dwp.gov.uk/publications/dwp/2007/wr-chapter-1.pdf>

¹² Pathways to work: Helping people into employment Department of Work and Pensions 2002. Page 25

¹³ Ibid, page 35

HELPING THOSE MOVING FROM INCAPACITY BENEFIT TO JOB SEEKER'S ALLOWANCE¹⁴

- To complement changes to support people moving onto incapacity benefits we need to provide more support for people who have to move off incapacity benefits onto Jobseeker's Allowance (JSA) because of the Personal Capability Assessment (PCA).
- Many face residual health problems and other obstacles to work. Significant proportions become long-term unemployed or float back onto incapacity benefits. Few take up or are offered the specialist help available within JSA to move back to work.
- In our pilot areas we want to improve support and avoid the drift into long-term inactivity on JSA by making a number of changes:
 - first, ensuring all those who have to move across to JSA from incapacity benefits see an adviser with specialist skills in drawing up appropriate jobseeking goals;
 - second, ensuring all those who have to move across are automatically referred to the tailored help available through the relevant JSA New Deal without having to wait up to 18 months; and
 - third, removing the anomaly whereby some people end up without work-focused support on reduced rate Income Support rather than getting proper support on full rate JSA whilst awaiting an appeal against a PCA decision. We will also look to ensure presenting officers attend appeal hearings involving PCA issues.

A performance analysis of the 7 initial pilot schemes was undertaken for the Department of Work and Pensions and published in 2006. The report¹⁵ suggested encouraging results:

- There are indications of around an eight percentage point increase in the Incapacity Benefit (IB) six month off-flow rates in the Pilot districts. It is not yet possible to be certain that these additional exits from benefit all relate to entries to employment. However, there is no evidence that the additional off-flows are disproportionately caused by transfers to other benefits.
- There are early indications that this appears to be leading to a reduction in incapacity benefit caseload sizes in the Pilot districts, although further analysis will be needed to establish causal links with Pathways.
- To date, there have now been over 19,500 job entries from Pathways to Work customers. Furthermore, the number of Jobcentre Plus Target job entries for people with health conditions and disabilities in the Pilot districts has increased at a greater rate than in the rest of the country.
- Following the initial Work Focused Interview (WFI), take-up of elements of the Choices package is over 21 per cent. There have now been around 17,700 starts to the various elements of the Choices package, with 7,500 referrals to the Condition Management Programmes (CMP), around 75 per cent of which have had an initial assessment with the CMP provider; and 8,500 New Deal for Disabled People (NDDP) registrations.
 - The comparison for NDDP is quite positive. In Jobcentre Plus integrated offices NDDP take-up following the WFI is approximately four per cent, whereas in Pathways it is substantially higher, with

¹⁴ Ibid, page 39

¹⁵ Billy Blyth (2006) Incapacity Benefit reforms – Pathways to Work Pilots performance and analysis. A report of research carried out by Work, Welfare and Poverty Directorate, Disability and Work Division on behalf of the Department for Work and Pensions

around ten per cent of all people attending the initial WFI going on register with NDDP.

- Since 7 February, over 13,600 WFIs have been conducted as part of the extension to existing customers, with 420 NDDP registrations, 1,180 referrals to other Choices elements and 210 recorded job entries. The Pilots appear to be on schedule to call in all eligible customers by March 2006.

Following this early success of the pilots the December 2004 pre-budget report, included provision for the extension of the Pathways to Work approach to cover one third of the country, a total of 900,000 people on incapacity benefits by October 2006. In February 2005, the Department for Work and Pensions published its 5 Year Strategy which included the announcement that the project was to be further extended to national coverage and to cover those people who had been on Incapacity Benefit for up to three years.

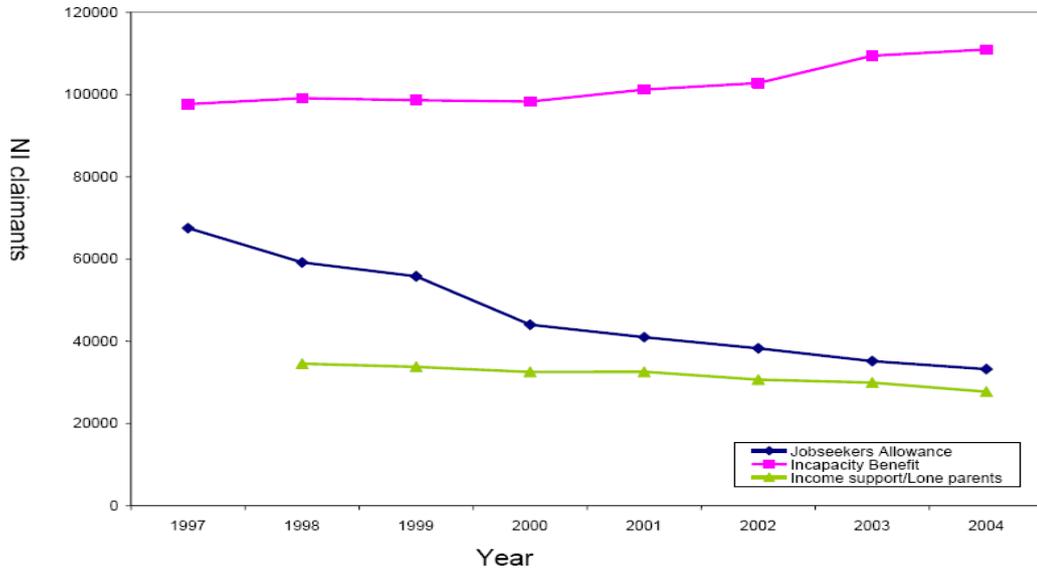
14. PATHWAYS TO WORK IN NORTHERN IRELAND

Since 1977 the number of people of working age in Northern Ireland claiming incapacity benefit had risen more than four times to 112,692 by November 2006. During the same period the life expectancy and morbidity rates for the population have improved and there is no evidence of a drop in the general health of the population. Persons claiming incapacity benefit are more likely to remain on the benefit than those on other forms of benefit, for example once a client has been on incapacity benefit continually for 12 months, the average duration of their claim is 5.9 years.¹⁶

As can be seen in figure one, the client group claiming incapacity benefit has not followed the trend of other welfare claimant groups which have decreased steadily in recent years.

¹⁶ Pathways to Work (incapacity benefit reform) Pilot proposals for Northern Ireland Discussion document May 2005 http://www.delni.gov.uk/pathways2work_discussiondoc_may_05-2.pdf

Figure 1: Trends in Jobseekers Allowance and Incapacity benefit 1997-2004



The new Pathways to Work service was first trialed in Ballymoney, Lurgan and Magherafelt Jobs & Benefits offices beginning in October 2005. In January 2006 the Government announced the extension of the Pathways pilots schemes from 3 areas to a further 7 areas in Northern Ireland.

Following the creation of a new executive at the Northern Ireland Assembly the Department of Employment and Learning in conjunction with the Social Security Agency within the Department for Social Development and the Department of Health, Social Services and Public Safety have continued with the scheme in place and in June 2007 announced the further roll-out of the Pathways programme to cover the whole province by April 2008.

Annexes

ANNEX A.¹⁷

Government programmes for the most disadvantaged

The Government's main programmes for the most disadvantaged have been the New Deals and Pathways to Work. These are:

- New Deal for Young People. Mandatory programme for people aged 18-24 who have been on JSA for six months. It is composed of a "Gateway" period of intensive Personal Adviser support which lasts up to four months. This is followed by mandatory activity on one of four "Options" – subsidised employment, further education/ training, voluntary work or the environment task force.
- New Deal 25 Plus. Mandatory programme for those on JSA who are aged over 25 and have been on the benefit for 18 months. It follows the same structure as New Deal for Young People – with a Gateway of up to four months followed by one of four "Options".
- New Deal 50 Plus. Voluntary programme for people aged over 50 and who have been on a main benefit for more than six months. Based on Personal Adviser support with looking for and preparing for work, including employability measures (training and voluntary work). In-work financial support can be provided through a top-up to Working Tax Credit and access to a Training Grant.
- New Deal for Lone Parents. Voluntary programme of intensive Personal Adviser support, aimed at lone parents on Income Support. The adviser interventions can include confidence building, help with looking for and applying for jobs, help with understanding the financial returns from work, help with finding childcare, and some limited financial support.
- New Deal for Disabled People. Voluntary programme of intensive Job Broker support. Job Brokers are located outside the Jobcentre Plus network and can be in the public, private or voluntary sector. Intensive support covering all aspects of moving towards and taking up work, including in-work support for up to six months.
- Pathways to Work. Mandatory programme for new claimants to incapacity benefits and voluntary for existing claimants. Core of work-focused interviews delivered by Jobcentre Plus or the private and voluntary sector, supported by financial support in work and the New Deal for Disabled People.
- Progress2work/ linkup. a "benefit blind" programme for recovering drug addicts, the homeless and ex-prisoners.

¹⁷ Freud, D. 2007. Reducing dependency, increasing opportunity: options for the future of welfare to work. An independent report to the Department for Work and Pensions Page 13
<http://www.dwp.gov.uk/publications/dwp/2007/wr-chapter-1.pdf>

ANNEX B.

Innovative approaches to improving the employability of older workers

The Organisation for Economic Co-operation and Development highlight a number of innovative approaches for the improvement of opportunity for older workers in their publication *Live Longer, Work Longer*.¹⁸

Norway

An agreement between the Norwegian government and social partners in the late 1990's introduced a Competence Reform, with the principle aim of meeting growing skill demands and secondly to increase the number of older workers in employment. The groups targeted are adults short of formal educational qualifications, older people who did not receive a comprehensive education when they were young and adult immigrants whose qualifications are not recognised in Norway. The key measures of the policy provide a legal right to second-chance education for adults lacking in essential skills, with teaching practices and tailored to the learners needs and accounting for prior knowledge, the implementation of a system for recognising individuals' non-formal competencies at work and in education and the provision of means-tested loans and study leave for adults who have been in employment for three or more years.

France

In September 2003 a national agreement on lifelong learning and training was established. It increased the financial contributions received from employers and implemented some innovative policies, including the provision of a "skills audit" for employees older than 45 or with 20 years work experience. These workers will also be given priority in access to qualifications recognising their work experience. Additionally, people who have worked for a company for two or more years are entitled to a career guidance interview with their employer. Knowledge, skills and occupational aptitude gained through workplace experience or formal qualifications are recorded in training passports if requested by the employee and in each year following an initial year's service an employee can accrue twenty hours of training under a right to training initiative.

Australia

In 2003 Australia introduced an innovative private sector based program, the Active Participation Model, (APM) with around 200 private, community and government organisations involved in the national network. Organizations were granted contracts for the provision of employment services following a tender process. In order to take part, job seekers must enter into an activity agreement. This agreement outlines the appropriate participation level to satisfy the obligations of employee and agency, this

¹⁸ The Organisation for Economic Co-operation and Development. 2006 *Live Longer, Work Longer*. Chapter 6.

normally includes the devotion of at least 150 hours of employment related work, education or training in the first 6 months.

The scheme is further tailored for people over fifty with help from a personal adviser, in order to take into account the individual's skills, abilities and objectives.

Austria

A number of non-profit agencies have opened with the strategic aim of assisting experienced job seekers return to work. The Flexwork program is a good example of a non-profit organisation with the aim of aiding older people's return to work. It's particular success has been in assisting unemployed people move from temporary to permanent work.

Canada

The Older Workers Pilot Projects Initiative was instituted to assist older workers (usually over 55) into employment or to retain existing employment. The project had four main objectives:

- Awareness and promotion policies in order to remove barriers to employment and raise awareness of the advantages offered by employing older workers.
- Support to help prevent job layoffs and provision for early detection of possible redundancies.
- The introduction of measures that allow for the needs of older workers and creating job opportunities that utilize their skills.
- Retraining opportunities to facilitate older workers' move from working life into jobs in the social economy.

ANNEX C.

Best practice examples in the provision of services for people with disabilities

The Irish National Disability Authority in their 2004 report¹⁹ on the issue identified Australia, Canada, Denmark and the United States of America as sites of good practice in provision of education, training and employment services for people with disabilities. The report highlights some specific aspects of training and employment service provision from each country.

Australia

A single government department has overall responsibility for policy development and service co-ordination and specifically the Office of Disability Policy within the department has a liaison and advisory role with responsibility for rationalising administrative arrangements for disability services. While the Commonwealth government has devolved powers to the States for policy-making within their own jurisdictions, information on community services is available from one source. Service providers in receipt of government funding for service provision are required to reach specific performance indicators and funding often increases to reflect the severity of a person's disability and a detailed assessment is made of the individual training and employment requirements for each disabled person.

Canada

A coordinated national approach is achieved through the leadership of the Office of Disability Issues which is responsible for the development and implementation of policy. As is the case in Australia, responsibility for disability provision is shared between the federal government and the provinces/territories. Canada place a strong emphasis on data collection and a wide range of statistical information is available regarding the disability sector, a considerably higher level than that available in the other three countries studied. The Canadian government encourages disadvantaged groups to become involved in the policy-making process through support for the voluntary sector and like the United States, Canada has developed schemes to assist disabled people in the pursuit of self-employment or small business opportunities.

Denmark

The underlying philosophy of social policy in Denmark is that support should be provided on the basis of the individual's needs and not because of a person's disability. Denmark has no anti-discrimination or special disability legislation,

¹⁹ Irish National Disability Authority, 2004. Towards Best Practice in the Provision of Further Education, Employment and Training Services for People with Disabilities in Ireland.

<http://www.nda.ie/cntmgmtnew.nsf/0/D1D9E829E33A5FE980256E630034E03B?OpenDocument>

however there is an acceptance that disabled people with reduced working capacity, where possible, should receive compensation.

Decision-making occurs at both local and regional level with some decentralisation of responsibilities for labour market affairs to the regions to ensure that policy implementation meets the assessed needs of people with disabilities. All service provision for disabled people is integrated into mainstream services and is based on the needs of the individual. This focus on integration means a wide range of wage subsidies are provided with the aim of increasing disabled peoples' participation in the open labour market.

USA

Federal government departments and agencies are aiming for a more holistic approach in an attempt to break down the barriers faced by people with disabilities through the implementation of the New Freedom Initiative which involves cross-departmental approaches to ensure the integration of people with disabilities into American society. There is a single national advisory body, The Office of Disability Employment Policy (ODEP) whose aim is to provide national leadership to increase employment opportunities and reduce the barriers to employment for people with disabilities. The ODEP are responsible for policy development and the management of service provision in the disability sector and a network of one-Stop career centres provide a single source of information on programmes and support services to assist job seekers. Supported employment programmes have enabled people with severe disabilities and on-going support needs to join the open labour market and through the Small Business and Self-Employment Service there is a focus upon encouraging small businesses to employ disabled people and for disabled people to consider self employment.

ANNEX D.

Pathways to work in Northern Ireland

Commencement and Roll out dates²⁰

Location commencement date:

Ballymoney October 2005
Magherafelt October 2005
Lurgan October 2005
Enniskillen April 2006
Newry April 2006
Newtownabbey April 2006
Londonderry:
 Foyle October 2006
 Lisnagelvin October 2006
Belfast:
 Falls October 2006
 Shankill October 2006
 Knockbreda April 2007
 Shaftsbury Sq. April 2007
Lisburn April 2007
Limavady April 2007

Roll out will be in three further phases as below:

29 October 2007

Andersonstown JobCentre
North Belfast JobCentre
Holywood Road Jobs & Benefits office
Armagh Jobs & Benefits office
Dungannon Jobs & Benefits office
Omagh Jobs & Benefits office

28 January 2008

Antrim Jobs & Benefits office
Ballymena JobCentre
Carrick Jobs & Benefits office
Coleraine Jobs & Benefits office
Larne Jobs & Benefits office
Strabane JobCentre
Cookstown JobCentre

²⁰ Source: Department of Employment and Learning news release 21 June 2007 - Helping those with health conditions and disabilities back to work
<http://www.northernireland.gov.uk/news/news-del/news-del-june-2007/news-del-210607-helping-those-with.htm>

28 April 2008

Bangor JobCentre
Newtownards JobCentre
Downpatrick JobCentre
Ballynahinch JobCentre
Newcastle JobCentre
Kilkeel Jobs & Benefits office
Banbridge Jobs & Benefits office
Portadown Jobs & Benefits office

ANNEX E.

Overview of selected countries' welfare systems

Selected from an independent report to the Department for Work and Pensions.

“Reducing dependency, increasing opportunity: options for the future of welfare to work.” David Freud²¹

Denmark

Danish (contributory) unemployment benefit may be payable for up to four years. This is a relatively long period compared to other Scandinavian countries. In Norway unemployment benefit has a maximum duration of 2 years; in Finland, it is 500 days, while in Sweden it is 300 days.

Unemployment benefits recipients are required to seek a job. Adults unemployed for more than 12 months have to participate in “activation programmes”. Under-25s have only six months to find work before activation becomes mandatory.

An activation period lasts for up to three years and may include private or public job training, job search courses or targeted education. If after this period (and at the end of contributory unemployment benefit) the unemployed person still fails to find a job, they will be eligible for means-tested social assistance.

There is no separate benefit for lone parents (therefore lone parents out of work and on benefit would claim unemployment or incapacity benefit). All lone parents are entitled to child care, usually at one third of the cost (free for those with low incomes). The lone parent employment rate is relatively high at 74%.

A reform of the anticipatory pension system (incapacity benefit equivalent) in 1998 and 2003 has reduced entry from around 25,000 in 1996 to 15,000 a year, and more people now undergo work capacity testing as a result of the reform in 2003 (although the 2003 reforms have not yet led to a reduction in in-flows).

The employment rate for ethnic minority groups is very low in Denmark – on average around 50%. However alongside this, young immigrants have among the highest employment rates in the OECD.

²¹ Freud, D. 2007. Reducing dependency, increasing opportunity: options for the future of welfare to work. An independent report to the Department for Work and Pensions Pages 119-132
<http://www.dwp.gov.uk/publications/dwp/2007/wr-appendix-2.pdf>

Recent reforms

The Danish government recently agreed new welfare reform proposals, which include the following initiatives:

- a strengthened role for the unemployment insurance agencies in job matching procedures;
- the activation period for adults will begin after 9 months instead of 12;
- benefit recipients will be obliged to search for jobs through the jobnet.dk website, and there will be increased follow-up on vacancies that remain unfilled;
- systematic available-for-work assessments will take place every three months and new sanction rules will be applied with a gradually toughened regime for those repeatedly failing to appear for interviews;
- new measures for those aged between 55-59, including harmonisation of entitlement and activation rules with other age groups and a special wage subsidy payable for six months.

The Government has in recent years also taken steps to address the low employment rate for ethnic minorities. This has been both through old style apprenticeships to prevent high drop-out rates of ethnic minority students and more on the job training (including language training).

The Government has also reduced cash benefits in recent years in order to improve financial incentives to work. A further reduction in benefits will take place from 1 April 2007, when benefits to spouses in families receiving the highest benefits will be cut completely if the spouse has not had ordinary paid work for 300 hours in the preceding two-year period.

New Zealand

New Zealand's tax-financed welfare system is residence-based, offering flat-rate benefits which are mostly means tested. Unemployment Benefit can be paid for an indefinite period.

"Mutual obligations" begin at the point a person makes an application for unemployment benefit. This includes mandatory attendance at a seminar that sets out their responsibilities (the "Work4U" seminar, which initial evaluations suggest has resulted in a reduction in benefits applications by 10-20%), the drawing up of a Job Seeker Agreement, and introducing the applicant to a work capability and search tool that aims to match people to a national database of vacancies.

The type of support clients receive depends on their level of need:

- Contact Centre Support: for clients who have a job lined up or are confident they can find work quickly. This is self-directed job search.
- 'Search4WRK': for clients with a solid work history and good skills who need help with their job search. Clients attend twice a week to discuss (and show evidence of) their recent job search activity and plan their next activities.
- 'In2WRK': For more disadvantaged clients. An intensive one week module covering goal setting, job search skills, confidence building, CV writing, interviewing skills and employment relations.

Clients are reassessed after 6 weeks and allocated to a new stream if necessary. If employment is not found after the 12 week programme then individuals can be placed into a brokered job (which may not match the job seekers plan), or be entitled to a wage subsidy or training scheme.

Recent reforms

Through Pathways to Opportunity, New Zealand has reformed its employment service and benefits to enable those with weak links to the labour market to enter work. Reforms have focused on tailoring services to individual need and bringing a more active work focus to the system – particularly for lone parents and people with health and disability issues. The main initiatives have been:

- *"Working For Families"* between 2004 and 2007 has substantially improved work incentives for low- and middle-income earners with children – making work pay for as many people as possible.
- The *Sickness and Invalids Benefit Strategy* and *PATHS (Providing Access To Health Solutions)* has looked at ways of activating those with health and disability issues, including personal development planning, specialist case management and targeted health interventions.
- The *New Service Approach* provides a work-focus for all claimants by focusing on finding work before looking at benefit entitlements. Benefits are not even discussed at first contact. This is being introduced alongside expanded employment and training programmes.
- *Working New Zealand: Work-Focused Support (WNZ)* focuses on active case management, extended employment and training options, and making work pay for disabled people.

New Zealand proposes to introduce a Single Core Benefit in 2010. This aims to move away from a benefit structure that focuses on barriers to employment and replace it with a unitary ("core") benefit that streams people in terms of what is expected of them. There will be three work streams: work ready, work development (for whom a gradual transition to work or intermittent work is more appropriate) and work exempt (e.g. the terminally ill). There will therefore be work expectations on most

people, to varying degrees, and benefit recipients will move between the streams depending on their work-readiness.

Lone parents will be in the "work development" category. They will not be expected to move immediately into work, but will be required to actively plan for their eventual entry into the workforce. The emphasis will be on engagement and support through case managers rather than on sanctions.

Australia

Unemployment benefits (Newstart Allowance for people aged 21 and over) are funded by the Government and are means-tested. To qualify a person must be unemployed and satisfy the activity test. Sanctions are imposed if a person fails to meet the activity test. This can be waived for older job seekers. Youth allowance is paid to young people aged 16-20 who undertake approved education, training or job search.

At the start of their claim, jobseekers are referred to a single job Network member in the private or voluntary sector who provides services. If a job seeker has not found work within the first 3 months of job search, they are given Intensive Support services commencing with job search training.

After 12 months (and again after 24) jobseekers are required to engage in Customised Assistance, an intensive 6 month period of sustained assistance (tightly targeted intervention, fortnightly meetings, work preparation activities such as vocational training, counselling, paid work experience, complementary programmes). Eligible job seekers can have two spells of customised assistance.

Recent reforms

In July 2006, the Australian Government introduced significant Welfare to Work reforms. They are designed to encourage participation, reduce reliance on benefit and better target labour market strategies. In particular the reforms have been aimed at disabled people, parents (particularly lone parents), older people and the very long-term unemployed. Many of these have traditionally been outside the labour market.

The Australian Government's objective has been to increase workforce participation rates, and therefore employment rates, and, in doing so, reduce welfare dependency. The key features of the reforms included:

- 1) **A greater linking of payments to work incentives.** Around 700,000 people were on Disability Support Pension (DSP), approximately 5% of the working population. Of these only 9% had earnings. To qualify for DSP a person had to be unable to work 30 hours per week. The reforms have made it more difficult for new claimants to receive DSP. Persons capable of working 15 hours per week are required to look for work and in return receive higher benefits whilst seeking work. A one-off employment entry payment is also available.

- 2) **Work obligations – a compliance regime.** The changes introduce a clear link between receiving income support and actively participating in an employment related service. For recipients with continued non-compliance future payments are contingent on re-engagement. Penalties are not imposed without the recipient being given warning; if they re-engage quickly they avoid them. Persons on unemployment benefit with a partial work capacity are required to seek part-time work.
- 3) **Services.** To aid reintroduction into the workforce for the hardest to help, a suite of new services are available: disability open employment services, vocational rehabilitation, job network, personal support programme.
- 4) **Employer demand.** The reforms have been combined with a workplace modification scheme and a wage subsidy scheme. They focus on encouraging flexible working and try to link priority groups with job growth.
- 5) **New Assessment process.** 2006 saw the introduction of comprehensive work capacity assessments through face-to-face assessing by a range of medical and health professionals. Each applicant was evaluated against the degree of difficulty in finding employment, the employment service receiving greater reward for placing a difficult candidate.

Jobs, Education and Training (JET) Child Care assistance provides extra help with the cost of approved child care for eligible parents on income support who are undertaking activities such as job search, work, study or rehabilitation.

In October 2006, the Australian Government also announced the *Skills for the Future* initiative. This has a primary focus on raising the skills of Australia's adult workforce. The main initiative is the provision of 30,000 Work Skills vouchers each year, valued at up to \$3,000, for people aged 25 years and over who do not have a Year 12 or equivalent qualification (ie have not successfully completed secondary education) to improve their skills.

USA

The Federal-State Unemployment Insurance Program provides unemployment benefits to eligible workers who are unemployed through no fault of their own and meet other eligibility requirements of State law. Each State also administers separate unemployment insurance within guidelines established by Federal law. Eligibility, benefit amounts and duration of benefits are determined by the State. In most cases, benefits can be paid for a maximum of 26 weeks.

In 1996 there was a dramatic overhaul of welfare available for lone parents. Temporary Assistance for Needy Families (TANF) was introduced, to replace the previous entitlement system with one that required work (or work related activity) in exchange for time limited assistance. TANF is funded by a block grant to states, giving them considerable freedom in how to provide employment support, subject to states meeting work participation targets (50% for lone parents).

Less action has been taken on disability benefits, where the story is similar to most industrialised countries' recent past with increasing caseloads. Only once you have proved you can't work (which can take up to three years), are you eligible for 'Ticket to Work' a programme to move people closer to the labour market.

Welfare supports also include Food Stamps and Medicaid (federal and state funded health insurance for the poor). Losing access to the health coverage provided by Medicaid may be a barrier for some groups returning to work (in particular those with health conditions).

Recent reforms

The TANF reforms of 1996 have led to sharp declines in welfare caseloads (4.6 million families in 1996 to 2.1 million families in 2002), increases in participation in work and work related activities (lone parent labour force participation rose from 44% to 66% between 1994 and 2001, before tapering off to 61% in 2004), and reductions in poverty. However strong US economic performance, increases in the minimum wage and the Earned Income Tax also played a part – indeed some research has suggested that work requirements accounted for around three fifths of the fall in welfare but only around one fifth of the increase in labour market participation.⁷²

More recently, poverty has been on an upward trend and participation in work related activity has been falling. The federal government has attributed work participation declines to a lack of state activity, but economic problems in the early 2000s undoubtedly played a part.

Last year the 1996 legislation was 'reauthorised'. The federal government tightened the criteria on states, to restore the requirement that 50% of lone parents participate in work related activity.

States have wide discretion in implementing TANF (and other support with moving from welfare to work). Wisconsin has led the way over the last decade, although with more limited success recently. States that have been performing well recently include some counties in California (where policy is delivered at the county level), Oregon, Vermont and Washington State.

Germany

The German Federal Employment agency (BA) combines benefit payment, referral to labour market programmes and job placement. BA deal mainly with the short-term unemployed whilst the long-term unemployed are the responsibility of ARGE, which is a joint association of the employment office and the local authorities.

The obligations associated with receipt of benefits include independent job search, availability for job placement, take-up of any job that is acceptable, as well as willingness to participate activation measures.

Contributory unemployment benefit is equal to up to 67% of net earnings and is payable for up to 12 months depending on the length of the employment period and the claimant's age. After this, and for people without an adequate contribution record, a subsistence allowance known as Unemployment Benefit II (ALG II) can be paid. ALG II, introduced in January 2005, replaced the former unemployment assistance (UA) and social assistance (SA). ALG II is less generous than the benefits it replaced, although eligibility requirements are also lower. This has meant that more claimants than expected have registered for the new benefit.

Germany also requires lone parents to be available for work once their youngest child reaches 3 years of age, as long as their child care needs can be met. Local authorities must give priority to this group when allocating child care places.

Recent reforms

The Federal Government has taken major steps to strengthen employment performance in the last three years, focusing on reducing work disincentives associated with unemployment-related benefits and better activation strategies for the unemployed. These have been based on the findings of the Peter Hartz Commission. The main welfare reform focus of the first three reforms (Hartz I-III) was on re-organisation of placement activities and implementing contractual arrangements with private providers. These changes broke down into four main elements:

- Employment agencies can contact private providers for client placement or for placement-related tasks. After the client has been unemployed for 6 months they have the right to be referred to private providers if they so wish.
- Employment agencies can create contracts with 'personal service agencies', which place the client in temporary work as a step towards moving them on to permanent work.
- Clients can request 'placement vouchers' to purchase services from private placement agencies who will receive a fee if the client is placed in a job; and
- Clients receive 'training vouchers' that they can use a authorised training providers.

The final reform (Hartz IV) brought together services for unemployment assistance recipients and employable social assistance recipients (the creation of ALG II, described above).

Recent reforms have also included some in unemployment insurance contributions. However total labour costs remains high and, coupled with relatively high benefit levels, this continues to act as a disincentive to take up work.

Interim evaluation of the Hartz I-III reforms has been disappointing, particularly around the performance of 'personal service agencies' and the effectiveness of the 'training voucher' scheme. So far there has not been an official evaluation of the Hartz IV reforms.

The Netherlands

Dutch (contributory) unemployment benefits consist of an earnings-related benefit equivalent to 75% of the last salary (up to a daily maximum amount) payable for the first two months. After this the benefit is lowered to 70% of the last salary and paid out for a maximum of a further 36 months (i.e. 38 months in total) depending on the employment history.

The government has launched several programmes to combat youth and long-term unemployment and to reintegrate people who have lost their eligibility for social assistance or disability payments as a result of social reforms (see below for changes to the disability scheme). Measures to get people into work include job-creation programmes, lump-sum subsidies for the unemployed who are re-integrated into the workforce and income support of up to 24 months for the unemployed who set up a business.

Recent reforms

Dutch reforms have tended to be aimed at improving the labour participation of particular groups, for example ethnic minorities, women and older workers, as well as to contribute to a more even division of paid and unpaid work between men and women.

Most importantly, a new law on work and social assistance was introduced in January 2004 to bring together more effectively the payment of social assistance with instruments to get people back into work. It introduced tighter obligations to accept 'generally suitable employment'. Financial responsibility for both social assistance and reintegration was also devolved completely to municipalities. They now have the freedom to develop reintegration schemes to fit local circumstances and have financial incentives to try and move people off social assistance and back into the labour market.

In addition, the disability benefit system has been recently reformed so that is now only available to those deemed as being completely incapable of working. Those assessed as being partly disabled are required to look for suitable part-time work to make up the difference in income lost due to their disability.

To encourage people to work longer, tax incentives which previously rewarded early retirement have been removed and an alternative "career savings scheme" has been introduced. This allows employees to bank around two years' annual salary tax free. These funds can be accessed when taking extended periods of leave for the purposes of caring (including childcare), education and training, etc.

Childcare will also be made more affordable with an additional investment of €125 million and the introduction of compulsory employers' contribution towards childcare costs.