

Spending Review 2015: DWP settlement and employment support

Overall, given the circumstances, DWP appears to have done as well as could be expected in its Spending Review settlement. The Spending Review announces:

- 'Resource' funding for DWP will increase over the next two to three years **before falling sharply** towards the end of the Parliament
- The Work Programme and Work Choice will be replaced by a new **Work and Health Programme** – aimed primarily at disabled people and those with health conditions, but also including others who have claimed Jobseeker's Allowance for more than two years
- **More support for disabled people and those with health conditions** through increased investment in Access to Work, an extension of the Fit for Work Service and more funding for the new Work and Health Unit (joint between DWP and Department of Health)
- More intensive services for **new JSA claimants** – with weekly signing-on for the first three months and earlier access to 'Help to Work' intensive adviser support
- A **dramatic reduction in the Department's estate** – with a 30% reduction in estate costs, increased co-location of Jobcentre Plus offices, and increased automation and digitisation of services
- The **previously planned tax credit cuts will now not go ahead**, with the very large part of those planned savings not being made up for elsewhere – which is welcome news for claimants. This will be covered in a separate briefing on welfare changes.
- Cash protection for skills spending will provide colleges and training providers with the stability and certainty they will need to invest in new approaches to adult skills

Inclusion comment

We warmly welcome the renewed focus on supporting disabled people and those with health conditions, which reflects and builds on what we called for in **our 2014 Fit for Purpose report** [link]. Fewer than one in ten disabled people receive employment support and barely one in ten of those go on to find work – so we need to do more and do it better.

The **new Work and Health Programme** is particularly welcome news. As we said in 2014, this needs to be focused on employment and built on effective local partnerships, integration with health services, and specialist and high-quality adviser support.

This increase in support for disabled people has been traded off against reduced support for the long-term unemployed, and tighter conditions for new claimants. While this is understandable, with long-term unemployment falling, it leaves a wide gap in support for those who are not disabled but need more intensive and specialist support. We would want to see commitments to early entry to the new Work and Health Programme for these claimants.

The Spending Review **is silent on the Youth Obligation for 18-21 year olds** which was a Manifesto commitment and was due to commence in April 2017. Presumably there will be more announcements in the coming weeks.

We also **welcome the steps that are now being taken to devolve** more responsibility for employment and skills to the local level. We have stressed for some time the importance of encouraging greater collaboration between central and local government in delivering improved support to claimants. This is now becoming a reality.

The Departmental settlement – it's up and down

The Department will finish the Spending Review period (2019/20) with its 'resource' funding £400 million lower in cash terms than its 2015/16 baseline – a reduction from £5.8 billion to £5.4 billion. This is the funding that is available to the Department to meet all of its operational costs, programme costs (including employment programmes) and other costs including payments to Local Authorities for HB administration and discretionary housing support. In real terms (i.e. accounting for inflation), this is equivalent to a 14% reduction between 2015/16 and 2019/20.

However, the Department will see its resource budget actually increase over the next two years – rising to £6.1 million next year and £6.3 million the year after – before falling sharply in the following two years. **So the cuts to funding will be significantly back-loaded, creating some room for manoeuvre on administration and programme costs in the early years of this Parliament.**

The Department will no doubt be hoping that Universal Credit – much delayed – will arrive just in time to enable them to start to deliver the significant savings in administration and delivery costs that will begin to fall due from 2018.

It is important to note also that the Department's 'baseline' position is far below both its forecast expenditure for this year (£6.5 billion) and its anticipated baseline by this point from the last Spending Review (over £7 billion). In part this reflects one-off costs that are not counted in the baseline. However, it also emphasises the extent to which the Department has shrunk over the last five years, and will continue to shrink.

Employment support – a welcome focus on health and disability

The Review announces that the Work Programme and Work Choice will be combined, into a single **Work and Health Programme**. This will be aimed at delivering specialist employment support to disabled people and those with health conditions, as well as for other Jobseeker's Allowance claimants who have claimed for more than two years continuously.

We estimate that there will be **fewer than 30,000 JSA claimants reaching the 2 year point** by the time of the new programme, and very many of these will be disabled or have health conditions. So this should in effect be a large-scale disability and health employment programme, with additional support for other disadvantaged jobseekers. **We called for this last year [link Fit for Purpose], so this is welcome news.**

However, the Spending Review does not announce what the programme budget will be for this and other employment programmes. Annual spending on employment programmes hovered between £800 million and £1 billion per year over the last Spending Review period, and there are strong indications that funding will be significantly below this over the next few years. At the very least however, we should expect to see increases in spending on support for disabled people and those with health conditions.

Alongside this, the government will also increase funding for Access to Work, which provides support to disabled people to remain in work; will extend the Fit for Work Service to support more people who are on long-term sickness absence, and will **invest £115 million in its new joint Work and Health Unit**. This additional investment will include **£40 million for a new health and work innovation fund**, to test new approaches to support and delivery.

We have long called for an innovation fund in employment services, to address structural and long-standing barriers to innovation and evidence gaps, so this is a particularly welcome first step.

The government is also committing to a White Paper on disability and health. Given the scale of its ambitions – equivalent to increasing employment of disabled people by more than one million over this Parliament – a White Paper is welcome.

We believe it must reiterate the need for specialist, employment-focused, well integrated support, built on effective partnership between central government, local government, employment and health services and those that support and work with disabled people. It must also include far greater expectations on employers.

Tougher conditions for jobseekers – but less support?

The Spending Review announces that new Jobseeker's Allowance claimants will need to **attend Jobcentre Plus weekly** instead of fortnightly for the first three months of their claim, and that the more intensive support under 'Help to Work' will be brought forward for those deemed to be more disadvantaged.

This 'Help to Work' support is known as the 'Mandatory Intervention Regime' – with claimants having even more intensive adviser support, plus referral to local training or other support. At the same time, the 'Community Work Placement' element of Help to Work is being stopped – which provided full-time unpaid work experience for participants. **The deeply unpopular 'Mandatory Work Activity' programme will also be abolished.**

Overall, **new jobseekers will see an increase in their requirements and conditions**, in the short term may see an increase in the one-to-one adviser support that is available through Jobcentre Plus, and some may also see increased access to local training and support.

However, with the abolition of Work Programme entry at 9 or 12 months, and no mention of early entry to the new Work and Health Programme, it looks likely that longer-term claimants will get less than now.

A welcome commitment to devolution

Inclusion welcomes the radical steps that are now being taken to devolve more responsibility for employment and skills to the local level. We have stressed for some time the importance of encouraging greater collaboration between central and local government in delivering improved support to claimants. This is now becoming a reality.

Greater Manchester and London continue to set the template for devolution of employment support. The Government today re-confirms its commitment to joint commissioning of employment programmes.

For the Work & Health Programme the Government will commence detailed discussions on how cities “can shape every element of the commissioning process.” These discussions will be complete by the end of the end of March 2106. Further consideration will also be given to other areas, including Jobcentre Plus, for how devolution can improve labour market outcomes.

Greater Manchester will also become an Intermediate Body for European funding – allowing them to select ERDF and ESF projects “on the basis of strategic fit with Operational Programmes and local conditions.”

The announcement last week of the West Midlands and Liverpool devolution agreements included the requirement for the new Combined Authorities to create an “effective and coherent Employment and Skills Strategy” that will set out the challenges, agree outcomes with Government and influence the commissioning of the new Work & Health programme.

Signals of increased conditions and support for some under Universal Credit

Finally, the Spending Review makes reference to: *“doing more to get people into work and make the system fairer – Universal Credit will extend the same Jobcentre Plus support that people on Jobseeker’s Allowance (JSA) get to 1.3 million additional claimants who currently get little or no support, by 2020.”*

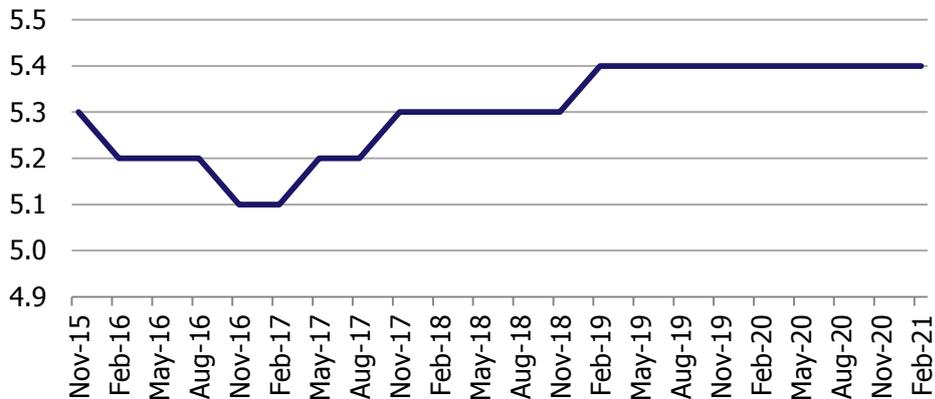
No details have yet been provided on who this refers to. It will either be those currently in work but on low incomes – estimated to number around 1.2 million – or to those claiming Employment and Support Allowance who are having their claims assessed or are in the Work Related Activity Group (numbering currently 950,000).

We would welcome extending intensive employment support to both of these groups, where that is appropriate and specialised – but we will wait to see the details.

OBR labour market forecasts for the Spending Review

The Office for Budget Responsibility labour market forecasts that underlie the Spending Review are basically for an economy continuing as we are. The OBR forecast a small increase in unemployment from 1.7 to 1.8 million and the unemployment rate rising from a low point of 5.1% in winter 2016 to 5.4% from 2019 onwards. The claimant count follows these same trends.

ILO unemployment rate (16+, per cent)



The all-age employment rate is expected to rise slightly in the short-term (to 2017) from 59.9% to 60.3%, followed by reduction to current levels in 2021. The reduction is likely to be due to pension/longevity assumptions rather than anything to do with the economy.

Employment is expected to continue to rise over the forecast period, by 1 million to the first quarter of 2021.

Employment (16+, millions)

