

Activating Disability Benefits and Reforms to Employment Services

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Context

- Since mid-1990s convergence on need to modernise and activate social protection systems
- Key elements include:
 - Activation of benefit entitlements (priority for the young and long term unemployed).
 - Shift to ‘work first’ strategies (reduction in vocational training, job creation).
 - Redesigned sanction regimes to reinforce activation.
 - Activation of institutions and agencies , including the development of ‘one stop’ services.
- Different models but essential principle is that the government commits to provide employment services and, in return, the individual service user commits to job search and/or other employment activities or faces sanctions in the case of non-compliance.

Implementation Reforms

- Varied bureaucracies and organisations assess eligibility for benefits, pay them out, deliver employment services, etc.
- Key public organisations:
 - Insurance and benefit agencies
 - Public Employment Service
 - Municipalities/local government
- Variations in the role of social partners and of non-profit and for-profit organisations in delivering employment assistance
- Reforms (influenced by New Public Management):
 - performance management and targets
 - better coordination between PES and other service providers ('single gateways')
 - Use of external providers with increased emphasis on 'payment for results'

Some lessons learned

- Evidence complex and findings contested, but design and delivery of benefit systems important - they influence the level and persistence of unemployment and benefit durations
- Activation/welfare to work reforms appear to have helped soften the impact of recent downturns and accelerated response to recovery
- Mixed evidence on impacts of particular instruments but generally positive results for job search assistance and that mandatory activities speed up the pace at which people leave benefits and enter employment
- Recognition that interventions are likely to work better in combination and body of evidence on the benefits of flexibility and 'black box' contracting – giving those directly responsible increased responsibility to design individualised support (case managers)

Next Wave of Reform - Disability Benefits

- In OECD countries pre-recession average proportion of working age people receiving disability benefits was 6%, typically twice as high as the unemployed (up to five times higher in Nordic, English speaking countries and Netherlands)
- Employment rates of people with disability are low and have been falling in many countries (very low for some groups, such as, mental health conditions, esp for young people)
- High poverty risk (unless well educated, have employment)
- “People almost never leave disability benefits for a job”
- Not only health/disability issue – but it low level of attachment to employment that impedes job chances

Transforming Disability Benefits into an Employment Instrument

- Redefining eligibility for and purpose of disability benefits (income security and employment integration)
 - Assessing work capacity, not disability (with periodic reassessments)
 - Aim to ensure it pays for individual to remain in, seek and increase work efforts
 - Conditionality for those with partial work capacity (interviews, employment activities, through to job search and/or work requirements)
 - Wider availability of employment services
- Activation of employers
- Changing roles of medical professionals
- Changing role of service providers – ***“must pay to reintegrate their clients into the regular labour market”***

Results based contracting for employment services

- From grants to payment for performance and, more recently, payments dependent on employment outcomes and sustainment
- Comparative research into countries/states that have introduced results based subcontracting (USA, Australia, Netherlands, UK and others)
- In each of the countries changes have been made in contracting for mainstream services (often involving mechanisms for targeting services at those with greatest employment barriers) alongside changes to more specialist programmes targeted at people with disabilities)
- Hard to disentangle the impacts of contracting reforms from the wider benefit and employment changes they are part of.

Features of subcontracting systems

- Competition through tenders with purchaser selecting best bid dominant method - some emphasis on 'competition within markets' (choice of provider & IROs)
- Extensive use of 'hybrid contracts' that balance financial incentives, provider viability, and delivery of particular services - performance standards include:
 - Outcome measures: job placement, retention, hours, earnings
 - Process ('milestone') measures: enrolments, assessments, accuracy of referrals and, sometimes, participation in work activities
- Generally large numbers of small contracts but move towards a prime contractor model in the UK.
- Varied blends of competition between 'for profit', 'not for profit', and public sector organisations, with complex relationships between PES and contractors ('for profit' contractors now play a significant role in each of the countries).

Findings

- Results based subcontracting appears to have induced some innovation and improved management but counterbalanced by continuous need to manage ‘cream skimming’, ‘parking’, and ‘gaming’.
- Providers follow strategies shaped by contract incentives – payment by results places more risk with contractors who in turn develop strategies to reduce risk (e.g., less use of training and employment subsidies).
- Issues of mission drift for non-profit sector (e.g., service quality, advocacy, sanctions)
- The ‘reform that never ends’ - managing the systems poses new challenges for regulators and policy makers – steering these systems is ‘complex with sharp learning curve – has required frequent re-regulations to solve problems and reshape contract incentives to meet new programme objectives.