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Dr Annette Roberts,  
Editor, *Welsh Economic Review*,  
Welsh Economy Research Unit,  
Cardiff Business School,  
Aberconway Building,  
Colum Drive,  
Cardiff, CF10 3EU.

Tel 029 2087 4173  
Fax 020 2087 4419

e-mail [robertsa1@cardiff.ac.uk](mailto:robertsa1@cardiff.ac.uk)

# An Evaluation Framework for the New Deal for Disabled People's Job Broking Programme

David Pickernell\*, Kevin Fitzpatrick\*, and Adrian Kay\*

\*University of Glamorgan, \*Shaw Trust, \*University of Bristol.

## 1. Background

Economic inactivity is a major contributor to the prosperity gap between Wales and the rest of the UK. Policies to alleviate economic inactivity arising from disability can therefore be seen as a part of regional policy, because of regional differences in disability rates. The UK Government's Neighbourhood Statistics website indicated that in England 5.2% of all 16-74 year olds were economically inactive due to sickness or disability in 2001, compared with 9.2% in Wales. The importance of disability in the inactivity issue within Wales is demonstrated in Table 1.

Part of a programme of government initiatives, the New Deals for Disabled People (NDDP) are aimed at those people with disabilities and long term illness, in particular those receiving benefits on the grounds of incapacity for work (DWP, 2001b). The NDDP's purpose was to examine the perception that a large number of economically inactive people with disabilities are prevented from working in the open labour market by employment barriers (Johnson *et al.*, 2001). The programme operates on a voluntary participation basis, but is actively encouraged and marketed (Hasluck, 2000). The NDDP – Innovative Scheme was established in 1997, funding twenty-four schemes in the UK over a two-year period. The main aim of the scheme was to identify and test different approaches to helping disabled people to move into or remain in work (Blackburn *et al.*, 2000). Alongside the Innovative Scheme, the pilot NDDP Personal Advisor Service (PAS) was implemented in 12 sites, from 1998 to 2001 (Corden and Thornton, 2002).

The NDDP programme was extended nationally from mid 2001 through the Job Broker Service, developed from the experience of the pilot programmes and the NDDP Innovative Schemes (Corden and Thornton, 2002). Clients qualifying for benefit after 2<sup>nd</sup> July 2001 are directed to the Job Broker Service through the NDDP "Gateway", which offers a one-off work focused interview, following which Gateway Advisors provide information about NDDP local Job Brokers and registration information (DWP, 2001a). The Job Broker's role is then to provide help with a client's social and health status, build up skills and potential (through advice on training) and match their abilities to the needs identified by local employers (see [www.newdeal.gov.uk](http://www.newdeal.gov.uk)).

Walker (2000) noted that the differences between political timescales and those required for proper evaluation of a scheme such as the NDDP made it likely that policy decisions would be made without the requisite evidence to

support such decisions. He also pointed out the practical difficulties in undertaking such an evaluation of the Personal Advisor Scheme that was underway at that time. Curtis (2003) more recently posed the question of what effect the NDDP is having on getting the disabled into work, noting that a 5 year time frame is required before such an analysis is possible.

Whilst acknowledging data deficiencies, a two stage evaluation process of the NDDP is undertaken here. The first stage involves adapting a broad cost-benefit analytical framework developed by previous assessments of government grant aid policy, building on work outlined in Munday *et al* (2001). The second stage of the research then involves using the mechanisms developed to examine the costs and benefits of Shaw Trust's job-broking scheme in the Neath-Port-Talbot, Bridgend, and Swansea Local Authorities (the area used to pilot the Job Broking scheme).

**Table 1 Economic activity, people aged 16 – 74 (2001)**

Variables	All people aged 16 - 74 (number)	Percentage of people - Economically active: Employees (Part-time)	Percentage of people - Economically active: Employees (Full-time)	Percentage of people - Economically active: Self-employed	Percentage of people - Economically active: Unemployed	Percentage of people - Economically active: Full-time student	Percentage of people - Economically inactive: Retired	Percentage of people - Economically inactive: Student	Percentage of people - Economically inactive: Looking after home/family	Percentage of people - Economically inactive: Permanently sick/disabled	Percentage of people - Economically inactive: Other
Anglesey	47,971	11.21	33.29	8.82	4.70	1.49	17.02	4.20	7.44	8.37	3.47
Blaenau Gwent	49,471	10.26	35.68	3.73	4.68	1.37	14.71	3.75	7.16	13.79	4.87
Bridgend	92,413	11.07	38.75	5.75	3.46	1.93	14.54	3.36	6.48	10.73	3.94
Caerphilly	121,174	10.07	39.37	4.74	3.59	1.63	13.72	3.73	6.86	12.11	4.17
Cardiff	220,355	10.96	38.33	6.26	3.09	4.10	11.66	9.70	5.87	6.58	3.45
Carmarthenshire	122,863	10.75	32.67	10.02	3.37	1.78	16.12	4.51	6.23	11.07	3.47
Ceredigion	55,456	9.56	26.52	14.07	2.87	3.87	15.22	12.72	5.62	6.94	2.60
Conwy	76,704	12.52	32.05	10.69	3.69	2.04	18.81	3.63	5.81	7.90	2.86
Denbighshire	65,203	11.91	35.37	9.76	3.42	1.92	16.15	3.69	6.15	8.61	3.01
Flintshire	107,933	12.30	43.43	6.83	3.01	2.02	13.85	3.14	6.19	6.51	2.74
Gwynedd	83,690	11.70	30.74	11.50	4.13	2.46	16.17	6.76	6.36	6.95	3.24
Merthyr Tydfil	39,789	10.06	34.31	4.27	4.04	1.65	13.93	4.21	6.83	15.94	4.76
Monmouthshire	60,791	12.82	37.98	10.49	2.63	1.90	15.61	3.74	6.11	5.76	2.95
Neath Port Talbot	96,223	10.99	34.92	4.73	3.92	1.66	15.64	3.56	6.85	13.58	4.16
Newport	95,912	12.40	38.86	5.50	3.94	2.35	14.32	4.16	7.01	7.89	3.56
Pembrokeshire	80,763	12.04	29.60	12.58	3.88	1.67	17.12	3.91	7.69	8.21	3.33
Powys	89,686	11.78	33.46	16.81	2.66	1.58	15.86	3.56	5.61	6.17	2.51
Rhondda, Cynon, Taff	165,822	9.91	36.64	4.94	3.57	2.15	13.73	5.10	6.59	12.96	4.40
Swansea	161,414	11.57	34.70	5.76	3.61	2.97	15.35	6.64	6.10	9.82	3.48
The Vale of Glamorgan	83,905	12.49	39.64	7.92	3.30	2.36	14.72	4.09	6.33	6.43	2.73
Torfaen	64,541	11.33	39.32	4.93	3.42	1.81	15.42	3.51	6.68	10.22	3.36
Wrexham	93,268	12.16	40.05	6.93	3.28	2.42	13.67	4.24	6.04	8.01	3.21
Wales	2,075,347	11.31	36.19	7.69	3.49	2.30	14.81	5.12	6.39	9.22	3.48

Source : <http://tables.neighbourhood.statistics.gov.uk/tables/eng/TableViewer/wdsview/print.asp>

In order to ensure the validity of the values within the framework, government research (from the Department of Works and Pensions) and other research (including Shaw Trust's) into NDDP programmes in general and job broking in the Neath-Port-Talbot, Bridgend, and Swansea area is used for comparative purposes. Using this research, together with the case studies, the costs and benefits of the programme can be identified, together with the policy issues facing government, including the need for collection and collation of additional data.

**2. The Development of a Working Cost-Benefit Framework**

The NDDP in general and job-broking in particular are employment programmes. Therefore it is appropriate to examine the ways in which other employment programmes are evaluated. UK regional policy offers a number of examples of such programmes. Generally evaluations of these programmes have attempted to generate either crude gross costs per job figures or to calculate more sophisticated measures, which take into account additionality (proportion of additional jobs created by assistance which would not have been created without the assistance) or deadweight (amount paid in excess of that necessary for the project to proceed), displacement (proportion of jobs directly created by aid lost in other parts of the economy) and supplier effects (multiplier effects of jobs created by assistance in the supply chain). These methods provide a starting point from which to develop a robust model. Assistance schemes (however defined) can be individually evaluated against their stated aims and against the value they provide in meeting those aims as far as the taxpayer is concerned (for example a fiscal assessment where public expenditures (financed through taxation) of the policy are examined against tax returns from its effects). Then as more people move into employment, income tax revenues will increase and inactivity related benefits may fall. This is an approach previously examined by Swales (1997) and Munday *et al* (2001).

This approach can be further developed for the purpose of evaluating the New Deal for Disabled people. It is assumed

for simplicity that any additional jobs created by the multiplier effect pay the same wages as the initial employment created through the job broking scheme, and are obtained by people with the same pre- and post-benefit levels as those gaining the initial employment. Written to allow individual cases to be examined, the model shown in figure 1 can be created which balances fiscal costs of creating the job through the job-broking scheme against the returns of reduced inactivity benefits paid and increased taxes.

Fiscal expenditures per 'additional' job created take into account the impact of deadweight and displacement effects, which reduce the impact of job broking. The net taxes indicate the increase in direct taxes and income tax generated as a result of taking a job, whilst reduced benefits looks at the difference between the pre- and post- job situation in terms of the government benefits paid. The multiplier effect includes the knock-on effects on extra employment created through the supply chain and increased spending by the person employed as a result of the job broking scheme itself.

**3. Operationalising the Model**

Operationalising the model has some practical problems because of a lack of data for certain variables (itself indicating the need for further research to allow a full evaluation of the policy). As a result, it is necessary to utilise estimates of some of the variables from sources other than those of the study area itself. In addition, it was decided to use 8 case studies of actual individuals in the Neath-Port-Talbot, Bridgend, and Swansea programme, to illustrate the range of results possible with different values for wages and benefits saved, and to create a "dummy composite" to illustrate the potential use of the framework for examining the job broking as a whole. Therefore, it was necessary to apply general values for fiscal cost per job, additionality and displacement, and the multiplier.

From Shaw Trust's database for the case study area during the period July 2001-April 2003, it was possible to derive an average fiscal cost per full time job of £3004.66 (and a part-time job is assumed to cost half of this). Displacement and deadweight, however,

also need to be taken into account to determine a more accurate estimate of the additional jobs created. Redway (2001) estimates that the predecessor to job broking, the PAS scheme, increased the rate of jobs being obtained by disabled people by 12.5% to 13.3%. Given that both Corden and Thornton (2002) and Johnson *et al* (2001) estimate that around 25% of those on the scheme obtained jobs, it is reasonable to conclude that the deadweight effects was around 50% (the deadweight effect is likely to be lower where those on the scheme have been on benefits for longer and have more severe disabilities relative to the jobs they are doing). This estimate is also consistent with Hasluck's (2000) analysis of the New Deal for Young People. Given that he found little evidence of displacement on this study and the Shaw Trust's own study found that those taking jobs under the scheme were lower paid than the average, it is reasonable to apply an assumed additionality rate of 0.5. This is a higher additionality rate than could be calculated from Johnson *et al* (2001), where 78% of PAS clients surveyed felt they would have found work without the scheme, the discrepancy illustrating the need for further research in this area. From this, the fiscal expenditures per 'real job' created can then be estimated as being (£3004.66/0.5= £6,009 for a full time job and £3,005 for a part-time job). From Swales (1997) study a value of the multiplier of 0.3 is taken (i.e. each additional job creates another 0.3 jobs through supply chain and wage spend effects).

Thus the key unknown is the length of time employment lasts. In Johnson *et al*'s (2001) study the average job tenure was 39 weeks. However, in the absence of data for the case study region, or for job broking in general, the number of weeks is used as the unknown factor, to calculate the number of weeks the job would need to last to repay the cost of the job to the UK Treasury i.e. for the programme to be fiscally neutral.

**4. Case Study Results**

Eight case studies were taken from Shaw Trust's own records of clients obtaining jobs in the Neath Port Talbot, Bridgend, and Swansea area. They were chosen to represent a range of possibilities (in terms of pre- and post benefits claimed, wages obtained, hours

**Figure 1 The Economic Costs and Benefits of a Job Creation Programme.**

COSTS	=	BENEFITS
Fiscal Expenditures per "additional" job created	=	(Net Taxes + Reduced Benefits Paid + multiplier effects on tax and benefits) * time job lasts

worked, etc.). In addition to figures calculated for the individual case studies, an average for the 8 case studies was also calculated to illustrate the potential of the framework for evaluating the programme as a whole.

The average cost of the job broking would be repaid within the first 43 weeks of employment. Thus, as long as the average number of weeks employed was at least in this range, then the programme would be self-financing from a fiscal perspective. From the point of view of the individual, then the average increase in income is nearly £100 per week in post-tax income, a 65% increase (columns H and I in Table 2). From the point of view of the community, the advantages can be obtained not only through the increase in expenditure, through the economic multiplier effect, but also by reducing inactivity through a 'psychological' multiplier effect, encouraging other disabled people to seek employment. This is potentially important in the case-study area, where a relatively high

proportion of the population are economically inactive due to illness or disability.

In none of the examples shown is the gross weekly wage particularly high (the *New Earnings Survey* for 2002 gives a gross weekly wage for the case-study area of £327.36). However, in every case, the individual is at least £55 per week better-off (at least 40% better off compared with the on-benefits situation).

## 5. Conclusions

The benefits to the government from the NDDP vary widely from case to case, leading to large variations in the numbers of weeks of employment necessary to achieve fiscal neutrality. This highlights the necessity of data systems (currently not required by government) that can track both individuals and allow more general evaluation of these types of programmes to take place. The longevity of employment is the variable likely to be of most importance in

determining the overall success or failure of the scheme from a fiscal point of view. Perceptions of individuals and communities affected by disability and inactivity, however, are also important from a wider perspective.

There is great potential for an effective job-broking programme to make a real difference in Wales. Broadly, utilising Office for National Statistics (2003) data, inactivity due to sickness and disability (measured by incapacity benefit) is around 4-5 times greater than claimant unemployment. Thus far only around 1,500 of the 40,000 or so of those who are eligible have registered with the job-broking service. Given that Shaw Trust's figures indicated that around a third of all those registered on the scheme had obtained employment, the scheme also has the potential to significantly reduce the inactivity problem, and hence to play a key role in the economic development of the local and national economy.

**Table 2 Case Studies from Neath Port Talbot-Swansea-Bridgend Area Job-Broking Scheme July 2001-April 2003**

Case	Hours Worked per week	Wage per hour (£)	Real Wage Incl. Employers NI contribution (£ per week)	Government Benefit (Taxes and saved benefit per week) (£)	Number of weeks to repay costs of programme *	Pre-Job Income from Benefit (£)	Post-Job Income (net of tax) (£)	Absolute increase in income (£)	% Change in income (from pre-job)
	A	B	C	D	E	F	G	H	I
1	35	6.59	247.49	248.19	24.21	143.86	200.44	56.58	39.33
2	37.5	4.1	161.37	70.91	84.75	179.17	286	106.83	59.62
3	37.5	5.65	226.42	102.63	58.55	139.45	286.93	147.48	105.76
4	16	4.1	65.6	53.27	56.40	56.43	158	101.57	179.99
5	25	5	129.25	98.78	30.42	42.32	117.78	75.46	178.31
6	40	5	213.1	145.55	41.29	228.31	329.45	101.14	44.30
7	37	5	196.33	139.88	42.96	186.95	275.68	88.73	47.46
8	37.5	5.86	235.18	161.90	37.12	224.4	335.05	110.65	49.31
<i>Average</i>	<b>33.19</b>	<b>5.1625</b>	<b>184.34</b>	<b>122.46</b>	<b>42.94</b>	<b>150.11</b>	<b>248.67</b>	<b>98.56</b>	<b>65.65</b>

Note : \*Costs assume that each job lasts at least 6 months, taking into account average additionality of 50% of jobs, with part time employment assumed to have average of half full time equivalent costs. This gives a cost of £6,009 for full time employment and £3,005 for part-time employment created by the programme.

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Cardiff Business School  
Aberconway Building  
Colum Drive  
Cardiff CF10 3EU

Tel: 029 2087 4000

