

Full Report



Work Matters

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Foreword

For centuries homelessness was viewed and understood as a phenomenon linked to migrant labour. Those who used the common lodging houses and casual wards clung on to the labour market by their fingertips, never more than a step away from destitution. In 1983, when the national unemployment rate reached three million, St Mungo's carried out a survey of its hostel residents, and found that 86% were in some form of paid employment. We have tracked the employment rate in our hostels since then. In 1997 it was 10%.

Since then, there was an economic boom before the recession, and yet the employment rate now stands at an astonishingly paltry 4%. If that were not bad enough, 15% of our residents have never worked; and two thirds have been out of work for five years or more.

I have been around long enough to have heard leading politicians of all hues pledge their undying commitment to "the most vulnerable members of our society". This pledge has been systematically betrayed as far as the employment prospects of our residents are concerned. To honour the pledge requires not words, but action; and effective action in turn requires two things – an end to the quick fix, mass-market approach as the only solution, and a commissioning structure which allows room for those with special expertise for distinct sub-sets of the unemployed to be fully involved.

With all of this in mind, we wished to take a closer look at why the current system isn't working and how the situation could be improved. We asked our clients to help us gather evidence, and commissioned the eminent think tank Demos to write up the report.

Peer researchers helped us devise the questions and then went on to interview 43 other St Mungo's clients. Peer research is something we've tried and tested before, most notably in last year's Action Week report on mental ill health and homelessness. Clients were involved throughout this work, discussing the findings with Demos



as well in relation to their own experiences and the experiences of their peers. We also asked our clients to fill in questionnaires.

What did we find? Sadly, the evidence shows the inability of the current unemployment system to provide support on a human scale. In relying only on massive welfare to work programmes, which cater for the majority, society has lost the flexibility to provide services to the minority – homeless and vulnerable people – who need support so much more. The people most in need are simply being lost within our bewildering welfare system because it has been designed to support the many and not the

individual. It is as if the state had a single approach to childbirth so that maternity wards discharged every mother after two days, and all neo-natal intensive care was closed down.

This report calls for a wholesale change in approach. We want to see an emphasis on supporting the individual and their needs from the moment that they walk through the Job Centre door. We advocate a three part welfare to work programme that begins with a 'basic capability assessment' to ascertain how 'job-ready' individuals are. Where people fall below the level of basic capability, because they cannot read, or because they are coping with multiple health problems, they should be offered a personal package of support to help them to reach this level. The next part addresses employability through a graduated range of work placements; and the final part would see them, at the point where they are 'job-ready', move into mainstream work programmes and sustainable paid employment.

This is an approach which guarantees people the basics that we all need to be able to live and work successfully. The research in this report shows that too many of our clients lack these fundamentals. Over half cannot read and write to a functional level, 50% say their lack of self confidence is holding them back and three quarters have

some form of mental health condition. But 80% say that it is their goal to get back to work. Why can't we help them achieve that?

The report also makes the case for improving the current 'black box' commissioning system for welfare to work programmes. This would make it more likely that small voluntary sector providers will be able to successfully bid for contracts. The final recommendations relate to simplifying the benefits and taxation system so that people really are better off in work.

What's needed, the report says, are systematic changes to the status quo. I hope the Government takes these proposals seriously, despite the wider need for savings at this time as the cost of ignoring them will be far greater than the cost of implementing them. Sanctions won't work – what can you take away from someone who is already homeless? – and they are so far from the labour market that they can't just be frightened back in to it.

The recommendations represent a commitment to tackling long term unemployment in a way which can meet the needs of all vulnerable people, not just those who are homeless. Systematic change takes time. But the Government could do three things today to improve the chances of homeless people getting back into work:

- 1) **Take responsibility for homeless people's poor employment record** and commission a cross-Departmental Government strategy to tackle worklessness among the most vulnerable in society.
- 2) **Re-route money** from large contractors to the voluntary and community sector and other specialist organisations which have the skills and track record in supporting homeless and vulnerable people into work.
- 3) **Target support to address basic skills among long term unemployed people.** Without the first step of basic levels of skills no amount of sanctions or conditionality are going to get people into work.

Keeping our clients unemployed costs a lot more than helping them back to work. We hope the government will have the courage to pursue a more subtle strategy, looking at long-term gain for individuals who otherwise have nothing. The government must also learn to place a value on changing a culture of defeatism to one where people expect to be able to find work. We, and agencies like us, can work with Jobcentre Plus and Department for Work and Pensions to achieve just that. Please help us do it, and thereby honour the pledge to help "the most vulnerable members of our society".

Charles Fraser CBE, Chief Executive, St Mungo's

Introduction

On any given night last year, some 464 people slept rough on Britain's streets.¹ Across the country, hundreds of thousands of individuals can be found living in squats, hostels and bed and breakfasts, or sleeping on the sofas and floors of friends and family.² Marooned on the isolated margins of mainstream society, many have numerous, highly complex and often overlapping needs. Histories of relationship breakdown, trauma and abuse, drugs and alcohol dependency are common, as are physical and mental health issues, depression and disability. Many who are homeless have experience of prison or young offenders' institutes; others may have grown up in care or are former service men and women. These issues, experiences and histories are common among St Mungo's clients: 68% have issues with drugs or alcohol or both; two thirds suffer from physical health conditions; more than two thirds have a history of mental illness, while 43% are ex-offenders.*³ The vast majority face multiple barriers to attaining employment, accessing education and training, and achieving their aspirations and ambitions.

The last thirteen years have witnessed considerable advances in welfare policy.⁴ Following its election in 1997, the Labour government expressed a clear and visible commitment to helping people back to work and created a number of welfare-to-work services like Jobcentre Plus and the New and Flexible New Deal schemes. For the most part, programmes like Jobcentre Plus have proved effective – helping around 90% of people who claim Job Seekers Allowance return to work within twelve months of their claim.⁵ Prior to the recession, claimant unemployment was at its lowest level for thirty years.⁶ Even during the downturn, levels of unemployment remained lower than many Treasury and independent experts had otherwise predicted.⁷

In this progress towards a society that is more skilled, educated and active; homeless people are being left behind and, unless the system changes, will continue to be marginalised.

This research is informed by a range of evidence, including new research by St Mungo's clients of their peers and the experiences and accounts from homeless charities and social enterprises and frontline staff. The evidence suggests that under the current welfare system the service for those with multiple and complex needs is frequently inconsistent, often ineffective and, at times, inappropriate.

Presented in this paper are:

- The barriers facing homeless people looking to work today;
- The key principles believed to underpin good practice in helping those hardest to reach return to the world of work, and;
- An examination of the extent to which the current welfare-to-work system enables voluntary and community sector organisations to provide services.

Ultimately, this report aims to influence and inform policy makers and service providers by outlining the changes needed to improve welfare-to-work provision across sectors for those with multiple, complex needs.

The report shows that supporting homeless people back to work goes beyond 'welfare to work' and is about supporting people through health needs, to skills, employability and finally in work support. It is predicated on the belief that there is both a moral obligation and an economic imperative to support people to achieve a basic minimum in terms of skills provision, health and housing: in other words, to experience a basic platform without which employment is nearly impossible. If such a commitment already exists it is plainly failing homeless people.

For many individuals who are homeless or have experience of sleeping rough, the path to employment constitutes not so much a definitive outcome as an uncertain and often treacherous journey, which is to each individual unique in terms of obstacles, distance and trajectory. Meaningful and sustained employment is most certainly the desired destination; but, for those who do not succeed in achieving this outcome, the distance travelled along the journey itself – and the benefits to health and well being that this may bring – is of enormous value and importance.⁸

* Survey of 1,400 clients (St Mungo's, 2009)

I. Homelessness in Britain

The extent of homelessness

Homelessness and rough sleeping remain persistent and pervasive problems in the UK today. Official figures estimate that last year across the country 464 people could be found sleeping rough on any night – 263 in London.⁹ Such figures are based on the information collected by street counts, which provide 'one night snapshots' of rough sleeping. The Combined Homeless

and Information Network (CHAIN), however, records the number of rough sleepers in London seen by outreach and service workers over various periods.¹⁰ According to CHAIN, some 3,472 people slept rough in the country's capital at some point last year.¹¹ Data provided by CHAIN shows there to have been a "small, steady increase" in the number of people sleeping rough in London – from 2,579 in 2004-05 to more than 3,000 in 2007-08.¹²

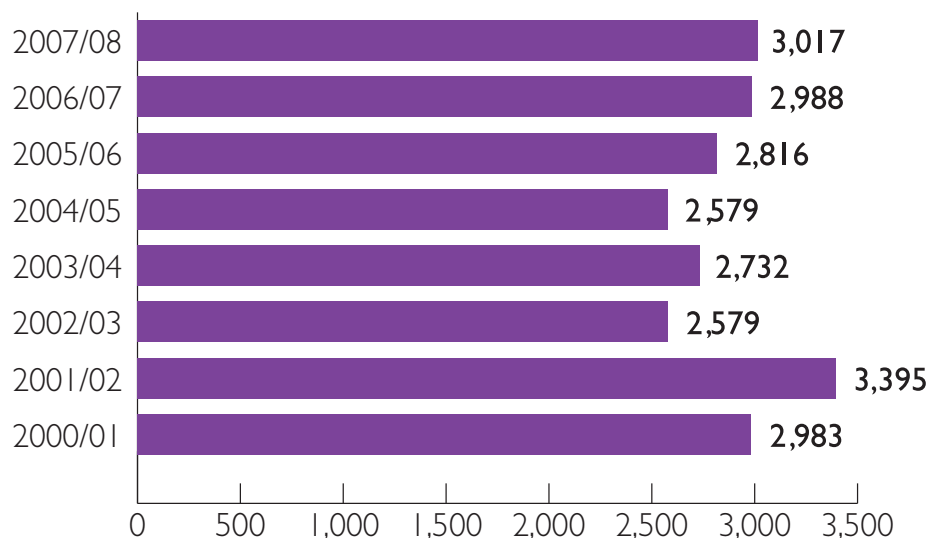


There are then those thousands of others who are referred to as the 'hidden homeless'.¹³ In 2003 there were thought to be some 400,000 people in the UK who at any point could be considered to be hidden homeless.¹⁴

It is difficult to get accurate data on how the homeless population breaks down demographically. However, surveys can give a rough idea of demographic breakdown. In a St Mungo's survey of 1,400 of its clients in 2009:

- 11% had been in care;
- 76% were male (24% female);
- 31% were from BME communities;
- More than half had slept rough (56%);
- 11% had experienced domestic violence that led to homelessness;
- 4% had been in the armed forces.¹⁵

Figure 1: Numbers of people seen sleeping rough (CHAIN figures 2000 to 2008)



Source: CHAIN Street to Home Quarterly Report for London 1st July to 30th September 2009 (Broadway, 2009)

Number of people seen rough sleeping

2. Homelessness and worklessness

Although it is difficult to measure, there is no doubt that levels of worklessness amongst Britain's homeless population are much higher than amongst the general population. A 2009 survey of 1,400 St Mungo's clients revealed 96% to be 'not working'.¹⁶ Elsewhere, a smaller study conducted by Opinion Leader for Crisis, in which 203 single homeless people were interviewed, revealed only 2% to be in full-time work.¹⁷ Data (shown below) from the same study also suggested over half of those individuals interviewed were unemployed, while almost a quarter (24%) were out of work due to being permanently sick or disabled.¹⁸

Furthermore, additional research by St Mungo's suggests that levels of employment among homeless people have significantly decreased during the past twenty years.¹⁹ In striking contrast to more recent figures presented above, a survey of St Mungo's clients carried out in 1984 suggested 86% were in employment at the time.²⁰

These snapshots do not of course reveal the length of time people have been out of work – a factor that is significantly related to people's ability and readiness to work. Data from homelessness agencies suggest many homeless people have been without work for prolonged periods of time, which in turn can further diminish their appeal to employers and limit their chances of returning to work.

A survey conducted last year by St Mungo's showed that out of 1,400 clients 26% had been out of work for between five and ten years; 27% had been unemployed for more than a decade.²¹ The length of time spent out of work is a good proxy – albeit not a definitive indicator – of a person's position on the 'employability spectrum' –

how close they are to being work ready and the level of engagement needed to help narrow the gap between them and the labour market.²²

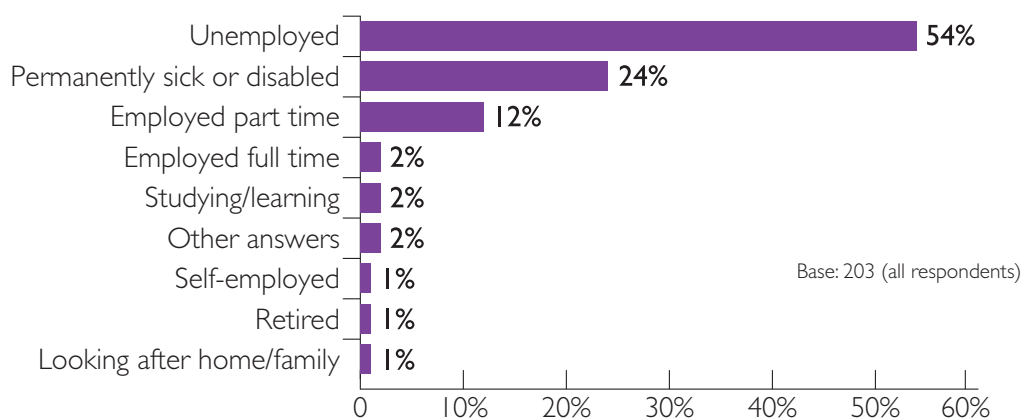
Yet most homeless people and rough sleepers say they want to work. A study by Off the Streets and into Work, in which some 300 homeless individuals were surveyed, showed the majority of people (77%) wanted to work at the time of the research.²³ In a recent survey of St Mungo's clients, 80% agreed with the statement: 'one of my goals is to get back into work'.²⁴

However, there is a big gap between a desire to work and being 'ready' to work – ready in terms of skills, health, experience, confidence and motivation. A small study of St Mungo's clients – not representative but revealing nonetheless – showed more than half lacked the literacy skills and more than a third did not have adequate numeracy skills needed for most jobs.²⁵ This considered, one charity, Business Action on Homelessness, estimates that out of some 125,000 homeless people in the UK, only 20,000 could be considered actually 'ready to work'.²⁶ This figure illustrates the full scale of the issue: people who are homeless have complex needs and are likely to face multiple barriers to work.

The benefits of working are widely understood: working can have profoundly positive effects on a person's wellbeing and capabilities. It provides a vital boost to a person's sense of self-esteem and self-respect.²⁷ Unemployment constitutes a drastic deprivation of capabilities, exacerbating social exclusion, deteriorating self-reliance, and perpetuating physical and mental health problems.²⁸ Moving into work is itself a key route out of homelessness for many, and a path out of social exclusion.²⁹

Figure 2: Homeless and rough sleepers – employment status

How would you describe your current employment status?



Source: Opinion Leader Homeless People and Learning and Skills: participation, barriers and progression (Crisis, 2006)

Moreover, the path into employment through skills, learning and educational development can also produce real rewards. Improving an individual's employability can also have positive 'knock-on' effects on their health and housing situation too.³⁰ Participating in learning and education can give homeless individuals greater opportunity to interact with non-homeless people, create friendships and otherwise strengthen social networks.³¹ Involvement in 'engagement activities' such as those provided in St Mungo's hostels helps homeless people increase their confidence and boost their vocational aspirations.

There are also obviously long-term benefits to society of investing upfront in the skills and capabilities of homeless men and women. Research commissioned by St Mungo's in 2007 by ORC International found that helping 125 homeless people into proper and stable employment each year can save the economy as much as £5.6 million, or £45,000 per client, each year.³²

St Mungo's peer research findings

"I was happier when I was working. I had money in my pocket. My bills were getting paid."

St Mungo's client

"I'm alcoholic, but I'd like to get back to work. I love working myself."

St Mungo's client³³

Homelessness and barriers to employment

A lack of skills

Many homeless people lack the basic skills needed to get into work: basic functional skills like literacy and numeracy, but other life skills needed for work such as self-efficacy, self-confidence and communication skills. Homeless people disproportionately have low levels of education and a lack of skills and qualifications. Many people who are homeless struggle to read or write well enough to fill out a job application.³⁴ A survey of homeless people in cities across the country found 37% had no formal qualifications at all and only 13% had level 3 qualifications or above (more than one A Level). This contrasts with just under half of the average adult population.³⁵

This is reinforced by other studies³⁶: for example, a recent

St Mungo's research findings: skills audit

An in-depth study by St Mungo's, which analysed the language, literacy and numeracy skills of 48 hostel residents and 25 clients who had applied to Future Jobs Fund posts is also revealing. Of the 48 hostel residents

- More than half (52%) needed support with literacy in order to find work and many were unable to complete an application form or understand job advertisements.
- More than a third (36%) appeared to have numeracy levels below those considered requisite for most jobs

However, the results of those who applied for the Future Jobs Fund posts were quite different:

- three quarters (76%) appeared to have adequate literacy skills
- the majority (88%) had a level of numeracy believed to be sufficient for most jobs.³⁷

This study, although not representative, is informative and suggests that those clients with poor essential skills decide not to put themselves forward for employment opportunities. In a much larger study conducted by St Mungo's, more than half of the participants (59%) agreed with the statement: 'I need to get new skills to get back into work'.³⁸

survey by Crisis of 87 homeless individuals found almost half the people in the study had no qualifications (46%) or else had low-level vocational qualifications (9%).³⁹

There are further issues for people who lack previous employment experience. For example, a 2009 St Mungo's survey found more than half had not worked in the past five years, and 15% had never worked at all.⁴⁰ This lack of recent experience means that many of these people are at the very bottom of the employability spectrum⁴¹ and their route back to work may well be the longest and most erratic. Long-term unemployment itself can impact on self-esteem, self-motivation and confidence and the 'softer' skills people need to do well in the workplace. Indeed, issues of low confidence are a serious barrier to employability and are common among

statement: 'lack of confidence stops me from getting training or work'.

St Mungo's peer research findings: Asked if Jobcentre Plus had helped with literacy and numeracy:

One client who was offered assistance commented, *"The job centre got me the English course which is very helpful to me."*

Another client who had not been offered assistance said, *"Yes could benefit from these skills - NO, not offered ever."*⁴²

Poor health

Health issues, alongside housing circumstances, are strongly interconnected to people's employability and indeed all three issues are thought to have knock-on effects on each other.⁴³ Issues of ill health – both poor physical and mental health – are endemic across Britain's homeless and rough sleeping population and are major barriers to gaining and retaining employment.

A 2009 St Mungo's study that looked at wellbeing found that out of 103 homeless interviewees (living on the streets or in hostels), more than three quarters had some form of mental health problem, either self-identified or diagnosed.⁴⁴ Other agencies report higher-than-average

Case Study: Andrew's Story

Andrew is 38 and has been living in a St Mungo's project for the last year. He has been homeless since 2007, six months of which he was sleeping on the streets.

Since moving to St Mungo's, Andrew has stopped drinking. "I was a drinker and that was my main difficulty. Twenty years I have been drinking, but I gave up almost a year ago now."

Andrew's brother was in an accident, he was in Intensive Care Unit for six months with brain damage. "That made me think; life is too short. When I was living in other shelters, I was drinking about eight litres of cider a day. I never wanted to go out and I had arguments with my brother. But now that I'm here, things have improved a lot. I've realised the mistakes I've made in the past and I am trying to rectify them. The relationships with my Dad and brother are much better."

Andrew has been on Incapacity Benefits for a long time as he suffers from anxiety and was dependent on alcohol, but recently he has been put onto Job Seekers Allowance. "I still suffer from anxiety and I would like to speak to the Job Centre about it. I'm scared that they think I've not done enough job searching and take me off benefits."

Andrew thinks the system is frustrating. He attended

an introductory session at Jobcentre Plus, "This just seems to be a waste of time. They are telling me things that I already know. If they just asked about what I needed, then it would be much more helpful."

Andrew feels that the Job Centre doesn't really understand his situation. "They don't know that I live in a hostel; I've tried to explain my situation, but it doesn't seem like an issue to them."

Despite all this, Andrew has organised volunteering with Arsenal Ladies Football Club. "I used to do it a long time ago, but I was drinking and they didn't trust me with money. Now I am rebuilding the trust with them." He also enrolled himself on an IT course; he achieved NVQ 1 and 2 while he was drinking, and plans to go for European Driving Licence.

"I'd like to go for a security or steward's job, where I can work with people. I also have a motor bike licence, I'd quite like to be a courier."

Andrew's outlook is very positive, "I am not thinking about alcohol anymore, I'm making plans. I can tell you what I am doing next week. Like tonight, I'm really looking forward to volunteering. I like keeping busy, if I am doing something then I'm not bored."

St Mungo's research findings: client needs survey

- Two thirds (66%) suffered from a physical health condition;
- More than two thirds (69%) had mental health issues (including suspected, diagnosed, depression or self harming or both).
- Substance use is a significant contributor to poor health – 68% of St Mungo's clients had issues with substance use (drugs or alcohol or both).⁴⁵

health issues amongst their clients: a 2005 survey of 300 clients of Off the Streets and Into Work found more than a quarter (26%) experience physical health problems and a just under a quarter (23%) have mental health issues.⁴⁶

This obviously impacts on work status: the Opinion Leader survey of 203 homeless people commissioned by Crisis showed almost a quarter of this cohort considered themselves to be 'sick or permanently disabled'.⁴⁷ Indeed for some individuals, maintaining health will take precedence over improving their employability.⁴⁸

Substance use is also prevalent among homeless people. A St Mungo's client survey shows that over two thirds had substance use issues.⁴⁹ Drugs and alcohol abuse can seriously inhibit the ability to return to work – of St Mungo's clients, over a third (36%) agreed with the statement: 'My issues around substances/alcohol are making it harder to think about working'. Other studies also point to a large proportion of this population as having dependency issues.⁵⁰ Alcohol use and drug dependency pose serious barriers to undertaking work-related and language training⁵¹ and are certain to constrict access to appropriate employment opportunities.

Criminal convictions

Access to work opportunities can be compromised by having a criminal conviction. St Mungo's estimate almost half their clients to have a history of offending.⁵² According to a recent survey, over a third – 35% – of their clients had been in prison, while 12% were under probation supervision.⁵³

Culture and networks

Although contested, some researchers have suggested

that there is a culture of homelessness that can pose a barrier to moving into work.⁵⁴ Research also suggests that people who sleep rough or are homeless do often congregate together, which can constrain social networks and result in little meaningful contact with people who are not homeless or unemployed. For example, studies by the New Economics Foundation and Crisis suggests that homeless people tend to live in concentrations of worklessness⁵⁵ and it is thought that less than a third of homeless people spend time with non-homeless people.⁵⁶ Consequently, people's social networks can reduce the opportunities for work and training.

Practical barriers

Like other people out of work, homeless people can face practical barriers related to a lack of resources and their housing situation, for example⁵⁷:

- Lack of appropriate, work-related clothing;
- Lack of access to a telephone;
- Insufficient access to computers to search for vacancies and write applications;
- Not having a current mailing address;
- Not having the necessary appropriate information, for example national insurance numbers, readily available.
- Costly public transport.⁵⁸ This was particularly emphasised as an issue for St Mungo's clients, many of whom live in London, and find it difficult to access public transport because of its high cost.

These practical difficulties can create very real and persistent barriers to moving into work even for those clients who are 'job-ready'.

Perceptions and experience

Employers' prejudices: Employers' negative perceptions and prejudices can prove particularly problematic for those vulnerable to homelessness. Clients of homelessness agencies like Crisis suggest that contrary to reality some employers automatically assume that homeless people have never before had a job or career.⁵⁹ Homeless people often point to a stigma and a lack of understanding that can make entering or re-entering the world of work especially problematic.⁶⁰

Of St Mungo's clients, 30% agreed with the statement: 'people are not going to employ anyone who has been homeless'.⁶¹ Indeed, some homeless people have even

reported being fired after their employer discovered that they were homeless.⁶²

Negative past experiences: Past negative experiences can become a considerable deterrent to engaging in work or training again. Once a person has tried and failed to move into employment, they can then become more averse to making a second attempt.⁶³ In some instances previous negative experiences can perpetuate mistrust or low levels of respect for 'authorities', including homelessness agencies.⁶⁴

The benefits trap and financial disincentives to move into work

Many homeless people are dependent on state benefits: multiple surveys show the majority of homeless people are on state benefits, including Job Seekers Allowance, Incapacity Benefit, Employment and Support Allowance and Income Support.

The benefits 'trap'

The current benefits system can act as a real and significant barrier to finding and maintaining work. In some cases, individuals who do move into work find themselves caught in the 'benefits trap' – where their net income leaves them little or no better off financially in work than on out-of-work benefits.⁶⁵ The damaging effects of this 'trap' then deepen once tax is deducted from income.⁶⁶ Taking into account the costs of work (travel or work-related clothing, for example) a JSA claimant over the age of 25 faces a 'participation tax rate'* exceeding 100% for the most of the first 20 hours of work (and just below 100% for the hours after).⁶⁷ As a result, the individual gains only £29.06 after 40 hours of work.⁶⁸

Housing Benefit also plays a role in the benefits trap. It is an income-related benefit designed to help people with the costs of renting accommodation.⁶⁹ Withdrawal of housing benefit contributes to steep withdrawal rates that can confound claimants' attempts to move into employment.⁷⁰

In-work credits and benefits

There is, however, a range of measures designed to ensure people moving from welfare to work are better off in employment. Recent welfare reforms have led to the creation of the Better off in Work Credit (BWC).⁷¹ Under this scheme, people who have been on out-of-work benefits for 26 weeks or more will receive a regular

credit of an amount enough to raise their in-work income to at least £25 a week more than they obtained on benefits.⁷² The credit is available for a maximum of 26 weeks and can be paid either in a lump sum or instalments.⁷³ An 'enhanced' credit – increased to £40 better off a week – is to be piloted in October 2010 and is expected to be available nationally from January 2011, although it remains to be seen whether this is something that will be undertaken by the new Conservative-Liberal Democrat Government.⁷⁴

In some instances, the introduction of BWC does appear to have had a positive effect by enabling jobseekers to expand their job search and accept job offers they have otherwise had to refuse.⁷⁵ However, scrutiny shows the efficacy of BWC to be rather limited – which is related to the low take-up rate:

- Many JSA recipients who do go on to find employment do not report this to their local Jobcentre Plus and so do not learn whether they are eligible for BWC.
- At times, Jobcentre Plus advisers have failed to tell claimants about BWC – often because they did not think it to be relevant at the time.
- Problems with Better Off Calculations can mean that some recipients do end up worse off in work – often because additional costs, such as legal costs, are overlooked.⁷⁶

Worryingly, there is evidence that in some situations, incorrect Better Off Calculations have led some claimants to believe that they would be worse off in work and so deterred them from trying to find employment.⁷⁷ BWC is also only available for 26 weeks. This is particularly problematic for those who do not seek or are not able to increase their in-work earning before the credit runs out.⁷⁸ BWC has also caused difficulties for those wanting to work more than 16 hours each week.⁷⁹

The perceived benefits trap

Some of the problems caused by the benefits system are ones of misperception and misunderstanding. While safety net-type measures are available, many people remain uncertain about the financial benefits of moving into work and fear the departure from out-of-work benefits.⁸⁰

* Participation Tax Rate refers to how much income an individual will lose if they decide to enter employment.

Fear of withdrawal of benefits can result in a homeless person minimising all possible contact with local Job Centres.⁸¹ Many claimants are simply very apprehensive about changes to their situation or fear that they will no longer be eligible for benefits in the event that a job does not work and they have to reclaim.⁸² Furthermore, it seems that very few people know about in-work credits and benefits (although this often the fault of advisers).⁸³ A 2005 census of families in temporary accommodation showed that over two thirds of those seeking employment believed they could not receive Housing Benefit when in work.⁸⁴ In-work Housing Benefit, and Housing Benefit run on options remain 'poorly communicated' to people out of work.⁸⁵

While a system in which benefit claims can be opened, changed and closed more quickly is currently being piloted across the country, the gap or time lag between benefits stopping and wages clearing has in the past been

voiced as a particular deterrent for those people seeking employment, especially homeless people.⁸⁶

In terms of housing, those individuals who do find work often experience difficulties in finding appropriate housing to which to move. As a result, landlords can sometimes inflate rent prices, which leave people fearful of losing their Housing Benefit because rent is so high, and thus avoid seeking work. Much of the issue at hand here centres on a dearth of social housing and an overreliance on the Private Rented Sector – but it is beyond the scope of this paper to explore in detail.

The gap between benefits and a pay packet

Also worrying is evidence to suggest that the gap between the cessation of benefits and the receipt of a person's first pay packet can increase the risk of homelessness. A recent survey of 100 Housing Benefits recipients revealed almost a quarter (24%) of those who

Case Study: Dennis's Story

Dennis, 55, wants to take part in the 2012 Olympics. Formerly homeless, and now successfully tackling a 20 year heroin and cocaine problem, he may well be able to – as one of the thousands of stewards at the event.

Dennis worked as a plasterer and in other casual jobs till he was around 30. Then he began taking drugs, which rapidly became a serious problem until he lost his own place and finally ended up in prison, receiving a 12 month sentence for shop lifting to fund his drug use.

On his release, he was put up in bed and breakfast accommodation briefly before moving into a St Mungo's hostel in Southwark in August 2009. Seven months later, in March this year, he moved out into a shared house and is on a drug programme which is helping him a great deal. "I'd just had enough. I should have stopped ten years ago but didn't. This medication I'm on now might not suit everyone but it's working for me."

While at St Mungo's, staff told him about the Personal Best programme, a programme which St Mungo's runs

with City Lit college and the London Development Agency. This enables homeless and vulnerable people to receive training in health and safety and stewarding at events, and guarantees them an interview for Olympic volunteer steward roles.

Dennis moved from ESA to JSA recently. This means he's been deemed eligible to find work, and has to meet with Jobcentre Plus staff every two weeks to show that he's been actively seeking work. He was receiving £101 every two weeks on ESA. He was switched after an interview with a doctor. "He asked me 'can you walk upstairs, can you bend down?' I told him I could and so I was switched and that means my money's been cut in half to £60 every two weeks. I appealed but was knocked back."

He's given particular help through Ingeus, a company contracted through Jobcentre Plus. He says staff there are helping him with his CV and have advised him to carry on building up his voluntary experience. He's recently been a steward at the London Marathon and for the women's Moon Walk event.

had experienced shortfalls between their benefits and their rent said it had contributed to them becoming homeless.⁸⁷

As well as potentially increasing the risk of homelessness, this gap in time and money between receiving the last benefits payment and the first wage packet can act as a formidable barrier to seeking and sustaining work.⁸⁸ A poorly aligned welfare-to-work transition can result in a four- to five-week period between benefit entitlement ending and the first wage packet arriving – a period for which a household can be left entirely devoid of income.⁸⁹

Similarly, just as the gap between receiving benefits and receiving wages can be fraught with risk and uncertainty, so too can the gap between the last pay packet and going

back on to benefits should that person lose their job. Supported housing is expensive and people who return to work receive a reduced amount of income from Housing Benefit. However, should they be unable to maintain their job, they risk a gap between receiving full Housing Benefit again and having to pay their rent – a gap that can cause homelessness.

When a person loses their job and needs to re-claim JSA, they are required to attend a 'New Job Seeker's' Interview, in which they will be asked why their last job ended.⁹⁰ Benefit sanctions, which can last from 1 to 26 weeks, can be imposed for leaving a job voluntarily without 'just cause' or losing it because of misconduct.



3. What works in supporting homeless people into work?

As outlined in the section above, homelessness men and women often face complex and overlapping barriers to work. It is therefore crucial that back-to-work support adequately helps people in overcoming these barriers in the process of supporting them to employment.

In many ways, the journey back to work can be thought of as a two-step journey: first, supporting people to acquire the basic and generic capabilities they need for work; and second, helping them with job search and the more specific skills they may need for particular jobs. The following are principles of good practice for supporting people with complex and multiple needs back into work:

A system in which the benefits of working are clear and real

As discussed above, the benefits barrier – both real and perceived – is undoubtedly one of the most significant and commonly cited obstacles to entering and sustaining employment. It is therefore crucial that welfare-to-work support takes place within a tax and benefit system in which benefits claimants are better off moving into work. The Better Off in Work Credit is a positive step forwards, but it functions as a patch on a hugely complex tax and benefit system, in which some claimants still face high marginal tax rates in moving into work.

There is a good case for more wholesale reform of the benefits system, including housing benefit, to ensure that people do not face high withdrawal rates. Until this is the case, it is difficult to effectively change perceptions around this, although again the Better Off in Work Credit is a step forward. However, this issue can only be addressed properly with wholesale reform that leaves people better off in work permanently – not just for six months after moving into work. A discussion of wholesale reform of the tax and benefit system to ensure that individuals do not face high marginal tax rates in moving into work is beyond the scope of this paper, but it warrants further attention in relation to this group.

Personalisation: people's needs are appropriately assessed and supported regardless of their distance from the labour market, with enough flexibility in the system to cater to individual needs

Individuals with complex, multiple needs have a much greater distance to travel to return to work than those without. A personalised approach to job-seeking and work-related development that recognises the different

journeys people need to take is therefore fundamental to welfare-to-work support that is successful for everyone.⁹¹

Voluntary and Community Sector (VCS) providers such as St Mungo's and Business Action on Homelessness stress the importance of adopting a personalised approach to help address homeless people's needs and build their confidence, centred around a key worker who has a holistic understanding of the needs of each client.⁹² Indeed, the value of a personalised approach is also recognised by homeless people themselves – many of which, studies show, perceive VCS organisations as being aware of their needs and having supporting and understanding staff.⁹³

Additionally, there needs to be flexibility in the system to support people who may have been long-term unemployed in making the transition back to work. For many people who have been homeless and out of work for a long time, entering employment or employment-related training and skills development can be daunting and disruptive. For helping homeless people back to work, adaptability is particularly important in the initial stages of engagement, which must be flexible and 'light touch'.⁹⁴

A holistic approach

Being homeless has a well-documented impact not just on physical and mental health, but also on a person's sense of self and individual autonomy.⁹⁵ Previous Demos qualitative research with unemployed and homeless people found "years of living on the margins of society had stripped people of an awareness of their ability to have an impact on the outcomes of their own lives."

Assuring someone who has been homeless or slept rough that they can be the author of their own life, building self-esteem and self confidence, and developing soft-skills are all vital components of an effective welfare-to-work strategy. In this respect, agencies emphasise the importance of a holistic and ongoing support framework for people who have complex and multiple needs.⁹⁶ Homeless people face multiple barriers to employment; therefore, such barriers need to be addressed on multiple fronts.

A holistic approach, therefore, would not just tackle a lack of functional skills like literacy and numeracy, and offer the back-to-work support likely to be needed by people fairly close to the labour market. It would aim to address issues of low self-confidence, strengthen self-respect and foster

aspiration and ambition, as well as building life skills and functional skills like literacy and numeracy.⁹⁷

In-work support

Finding a job is a seriously significant step on the route out of homelessness and on the path to a better life. However, entering employment can also be a daunting experience, especially for those who have been homeless and out of work for a prolonged period of time. Consequently, many people who are homeless can then find themselves isolated from old friends and familiar networks.⁹⁸

Entering employment can be a stressful experience and has the potential to perpetuate feelings of loneliness and isolation and can even re-ignite previous mental health problems.⁹⁹ A survey of 285 homeless people showed that 74% considered one-to-one support or mentoring to be a critical success factor for moving into long-term

employment.¹⁰⁰ Elsewhere, research has shown that clients who received support from job coaches tend to be more successful at gaining employment than those who did not.¹⁰¹ Therefore, in-work support – possibly in the form of a mentor, supervisor or coach – is crucial to making work a meaningful and positive experience for people who have been out of work for a long period of time.

St Mungo's research findings: Staff interviews

"My personal view when we work with vulnerable people, some people can work but need support. We resettle or retrain people, but then they get left alone because they are seen as capable. There are plenty of vulnerable people who just haven't got the skills to do the lot."
Manager, Work and Learning Service¹⁰²

St Mungo's research findings: Client survey

St Mungo's survey asked clients to establish what people find useful in their journey back to work. Of the 124 clients surveyed:

- 69% said they could get back to work with more support
- 63% said project activities boosted their confidence
- 69% said support from their key worker around activities, training and work had been useful
- 70% said volunteering and work placements would make the transition into work easier

St Mungo's asked their clients to suggest what additional things could help them get back to work. They offered a range of different responses:

- 23% wanted some form of vocational training or training linked to work:
"A training scheme that offers full support such as train to gain with a positive chance of gaining employment."
- 13% said they needed to tackle health needs first:
"I would like my key worker to liaise more with my doctor so that I can get onto a stabilised detox."

- 19% wanted some form of one to one employment support:
"One-to-one support from hostel staff around training and self employment someone to talk to when confidence is low".
- 12% Work placements and voluntary work
- 9% IT literacy support
- 9% Confidence building and key worker support
- 7% literacy or numeracy support
- 5% Self employment help

Individuals also mentioned:

- Help to obtain a drivers license
- Travel expenses
- A buddy system to support in new employment
- Financial advice on moving off benefits and into work
- Child care
- Wireless broadband connection in hostel
- New clothes¹⁰³

Principles in practice

For voluntary and community sector organisations such as St Mungo's, the principles above are considered crucial in delivering effective support programmes for their clients. Below we set out details of St Mungo's Pathways to Employment Programme. We also look at Business Action on Homelessness's Ready to Work Programme.

Pathways to Employment (St Mungo's)

Overview: St Mungo's Pathways to Employment programme was first established in January 2008.¹⁰⁴ As part of this scheme, St Mungo's provides work and learning services along with activity programmes, which are delivered on-site at their hostels. Within three weeks of arriving at a hostel, a new resident will have an occupational health check, carried out by a key worker, which will also assess their existing skills and abilities as well as their aspirations and the steps they need to be 'work ready'. With the support of a key worker, clients devise their own Pathways to Employment plan and, following the health check, will have an opportunity to participate in an activity programme to help them prepare for employment. Once a client has produced a pathways plan, they will be referred to an on-site vocational guidance and coaching specialist with whom they will work out how best to achieve their aims and ambitions. These plans will then be dissected into achievable stages and the clients seeking employment will receive sustained support from their assigned specialist.

The model of delivery consists of four main stages:

1. Engagement
2. Skills and training
3. Participation in external activities
4. Employment¹⁰⁵

As part of Pathways to Employment, clients are offered support with writing CVs, developing literacy, numeracy and other key skills, and searching and apply for jobs or training. Clients are also provided with appropriate clothes for job interviews.¹⁰⁶

Evaluation: The Pathways programme is designed to help those who are long way from the labour market move closer. Many of the people taking part in the programme have multiple needs. A snap shot of 244 clients in the programme found that:

- 14% had a diagnosed mental health problem
- 21% had depression
- 26% displayed challenging behaviour
- 42% had a substance use problem
- 40% had a physical health issue
- 59% had an offending record
- 72% of clients had more than one complex need
- Only 7% had no needs recorded¹⁰⁷

The programme is designed for long term interventions and, although many outcomes were achieved in the first six months, the real gains are seen among those who are in the programme nine months or longer. Among this group:

- 13% had gone into a full or part-time job (in catering, retail, the care sector etc)
- 6% had gained a work placement
- 6% were doing voluntary work
- 17% were taking a further education course
- 14% were completing a vocational training course

An evaluation of the pilot for this programme, conducted by the Centre for Economic and Social Inclusion, noted that many participants made 'significant progress' towards employment and had been able to build their self-esteem and confidence as a result of participating in the scheme.

At the onset of the initial pilot programmes, St Mungo's put forward several key targets so as to measure the programme's performance. These include:

- Three quarters of referred residents gaining a qualification while at St Mungo's;
- 30% of referred residents engaging in job searching activity;
- 10% of residents in paid employment (full-time or part-time).¹⁰⁸

This early evaluation in 2009 noted variations in the programme in different types of hostels. In those hostels where the population was more stable and where individuals were more likely to have been on the recovery pathway for longer, these outcomes were easily met.

However, at the hostel where the population was much closer to the street with some coming directly from sleeping rough into the hostel, and where individuals were managing more complex personal problems, the planned outcomes were not met.

Yet, far from seeing this as an indication of the programmes weakness the evaluation concludes that:

"While the initial targets may have been ambitious, the range of reported softer outcomes indicates that the programme is

*having a significant impact on participants lives. The journey towards increasing independence and employment has begun for participating clients."*¹⁰⁹

What this programme shows is that progress is realistic and achievable for even those who are very remote from the job market. But that this progress must be measured in terms of the needs of people who are entering the programme and be sensitive to the realistic progress they can make.

Case Study: **George's Story**

George is 38 and has been homeless for most of his life with only short periods of permanent accommodation. The last time he had a private tenancy was in 2003.

George has mental health difficulties; he suffers from depression and psychoses, although not formally diagnosed, and has been on incapacity benefits since 2008. He was addicted to crack-cocaine while he was on the streets, using drugs because he was homeless. He also worked as an escort for much of this time.

George has been with St Mungo's for two years and has not used drugs for three years. George really wants a job.

"They need to give me help to get a job even though I am on incapacity benefits, when I have found a secure job then they can take my benefits away. I don't mind that, it's fair."

George feels that his mental health issues are a big barrier to work. "I feel discriminated against everywhere I go because of my mental health problems. I don't think anyone from the private sector would take anyone with mental health problems like mine; why would they? People with mental health problems should be encouraged to work for the public sector. I would feel secure working for the government, even if it was a low level job."

George has been to the Job Centre many times in the past. "The last time I was at the Job Centre, a few years ago, I explained about my housing needs but

they didn't ask me about my mental health needs. There should be, at the Job Centre, someone who deals with people like me, but every time you go there you see a different person."

Nevertheless, George has participated in literacy and ECDL and woodworks courses with St Mungo's. From April 2009 he became involved with SMART (linked to Chelsea and Westminster Hospital) which provides training and employment support for people with mental health problems.

From May 2009, with the help of a St Mungo's key worker and SMART, George began volunteering four hours every week at Oxfam, Kings Road, Chelsea. Here he mainly helps sort out clothes donations - cleaning, ironing, labelling, organising the shop floor and assisting customers.

George enrolled in September 2009 on a Maths Course and Web Design course at Kensington and Chelsea College. He received financial assistance from Camden Charities to cover course fees and learning materials.

George is determined to work, and the steps taken have all been with the aim of providing him with skills and experience that may help him gain employment. Although his mental health has made it difficult for him to find work, he is valued and appreciated as a volunteer. With the right support he could get back into employment.

St Mungo's research findings:

Staff interviews

"Pathways makes a very significant difference to our clients. It delivers a service directly in the hostels. Very good for general engagement, activities, promotion, literacy, IT and vocational guidance."

Skills and Employment Manager.

"The activities work is great, it gets them [clients] active and they realise what they can do. It is the groundwork which means they move towards work"

Front line worker, complex needs hostel.

"That [the Pathways to Employment programme] is really useful. Clients found it useful when looking for college courses, they can talk about funding. When they are on courses they get encouragement and support with IT and other things to do with their coursework."

Hostel Manager, lower needs hostel.¹¹⁰

However, there was noted room for improvement within the programme. Staff suggested it could be individually designed for the specific hostel in which it was to be conducted and that activities, which are undertaken by those closer to the job market, should be taken out of the hostel environment.¹¹¹ Work to reconfigure services to reflect the need for these changes is already underway.

In conclusion, Pathways to Employment appears to offer a personalised and holistic approach, as well as one-to-one support in the form of key workers and vocational coaches. That such programmes are carried out within the hostels themselves means clients can avoid incurring extra work and training related costs like travel expenses. Early evaluation evidence suggests it is a good approach to providing effective welfare-to-work support for clients prone to homelessness.

Ready for Work (Business Action on Homelessness)

Business Action on Homelessness's Ready for Work works with local homelessness organisations to identify people who are 'ready for work' but may lack the necessary skills or confidence to proceed into the jobs market or have been unemployed for a substantial amount of time. As part of the programme, clients are allocated a two-week work placement with a local firm, from which they are assigned a 'buddy'. BAOH also offers clients support from an employee volunteer job coach – trained by BAOH –

for six months following the placement.¹¹² Since its establishment in 2003, more than 500 firms have been involved in the Ready for Work programme. Out of 5000 participants, almost 2000 have then gone on to gain employment.¹¹³ Of those who start on the Ready to Work programme, around 38% go on to gain employment.¹¹⁴ The employers themselves also report good outcomes and point to the valuable contribution that homeless people can make to the company as a whole.¹¹⁵

In conclusion, what these case studies highlight is examples of good practice within the voluntary and community sector in supporting homeless people and rough sleepers back to work. They are examples of many of the principles in the section above working in practice. However, there are also notes of caution. It is obvious to state, but programmes aimed at helping the hardest-to-reach back to work are less likely to enjoy the same success rates as programmes serving the more generic population, and because of the intensive nature of support needed – for example, one-to-one mentoring as part of in-work support – will be more expensive.

This is not simply true of programmes in the voluntary and community sector. For example, the Government's Pathways to Work programme for disabled people – run in some areas by Jobcentre Plus, and in others by the private sector – also achieved limited success rates with mandatory clients. This raises broader questions about what kind of system can incentivise successful programmes to help the hardest-to-reach, discussed further below.

A recent report by the National Audit Office on the Government's Drug Strategy found that only 8% of those drug users receiving help to get a job were able to get a job and keep it for 13 weeks, and at a cost of £11,600 per person helped.¹¹⁶



Case Study: James's Story

Three years ago James was 25, living with his partner and one year old daughter in his partner's mother's house. The relationship was reaching breaking point and finally he left, with nowhere to go. He ended up homeless and jobless in St Mungo's Mare Street hostel.

Now 28, James has his own one bedroom flat in Shoreditch and he's working - one of the first group of Future Jobs Fund trainees which St Mungo's has employed on six month contracts through Government funding.

He works three days a week in the recording studio in the Endell Street hostel, helping other homeless people, with one day's training a week included as part of the role.

James grew up in South London, did "alright" at school and was always involved in music. Between 17 and 25 he and friends even set up their own record label. At 24 he and his partner had their first child and he realised he had to look for a job. "You can't spend your time making records when you have to pay for nappies."

When things reached a crisis point, he "couldn't think about work at that point. I needed somewhere to live. Then once I had a room, I needed a job."

He talked to St Mungo's staff about setting up his own window cleaning business, getting funds to buy an existing round. While exploring this, he also decided to start the St Mungo's painting and decorating ten-week course to keep himself busy.

"I was asking myself – how am I going to get out of this rut? The only thing that made sense then was the window cleaning. Then the painting and decorating came along at Mare Street. Then I saw a flyer about the Future Jobs Fund trainees and thought I'd give that a go. With some help, I got my CV together quickly and sent it through on the last day possible."

He was one of 20 successful candidates. "I must say I was quite proud of myself, chuffed. Music is second

nature to me. I'm helping people with recordings and working on creating some drum beats they can use as backing."

"I'm so grateful to St Mungo's. This job has saved me. I'd like to apply for the full-time apprenticeships once this finishes, a permanent job. Otherwise, I'm still seeing what's possible with the window cleaning."

James was previously on Job Seekers Allowance but thinks he could have got more help from Jobcentre Plus. "They fob you off. The only way you get help is if someone there cares about your situation. In my case, I would have liked more pressure to work, more people pushing me. But you also have to think about what kind of work. You have to pay your rent and your costs and the pay for certain jobs doesn't add up. You can get into more problems rather than a job helping you."

He is still awaiting a decision about a housing benefit claim that left him short of money as he transferred into his current role.

He is still with his partner, doing their best to make the relationship work, and they now have a second child, aged five months. With his wages now in his new bank account – the first he's had since a teenager - what is he looking forward to spending his money on most?

"My daughter's birthday. It's been a long time since I've been able to put some money towards her."

"Step one was the flat. I didn't like the stigma of being homeless. Step two is the job. You want a job that you can go to every day, not sponging your way through life.

"My parents worked to become middle class. It was tough for them but they stuck at it, and I want to do the same, not give up.

"Work gives me a sense of satisfaction. You're helping people and you're getting paid for it. I'm not sponging, I'm happy now."

4. How effective is our current system?

In this section we consider to what extent current systems and services allow the principles of good support to flourish. First we look at the systems and services needed to support people in acquiring the 'basic capabilities' they need to work - functional skills like literacy and numeracy, improved physical and mental health and support with substance issues – and the extent to which these work.

Second, we look specifically at the current welfare-to-work system, often dubbed 'work first'. A focus on both aspects of the pathway to work is necessary because while a work first approach may be effective for people closer to the labour market, for people who lack skills like literacy or numeracy or who are in poor health, a work first approach is much less likely to be suitable or appropriate.

Support in acquiring the basic capabilities for work

A key question in supporting homeless men and women back to work is the extent to which health, housing and adult education services provide adequate support in achieving the basic capabilities needed to hold down any job. We do not have the space here to include a discussion of all these elements and we focus on skills.

Skills

Not all unemployed people who lack basic functional skills like literacy and numeracy are supported to acquire them either prior to or during contact with welfare-to-work services. For example, in depth peer research by St Mungo's suggests that not all of its clients in need of literacy and numeracy training had the opportunity to access it – even when engaged with Jobcentre Plus services. Some clients had not been offered skills training because of illness.¹¹⁷

This accords with findings about the adult skills system as a whole. Previous research has highlighted the existence of a 'skills paradox'.¹¹⁸ There are significant numbers of adults lacking in basic skills: five million adults in the UK have no formal qualifications, and one in six adults do not have the literacy levels expected of 11 year olds.¹¹⁹ Yet it is these people, with the lowest levels of skills and qualifications that are least likely to take part in formal adult learning.

An important reason for this has been the way in which the Labour government funded skills provision for adults.

It has been very employer-focused, with subsidies for training going directly to employers through schemes such as Train to Gain. This has resulted in a training system that finds it difficult to respond to individual people's needs, and has tended to subsidise the training needs of employers.

An employer-focused system also disadvantages people who are out of work. Support for people who are not in work (or outside of work) to gain skills and qualifications is currently too rigid and inflexible.

Out-of-work support is not adequately coordinated with in work support and there are no effective connections between moving into work from a New Deal programme and in work support schemes like Train to Gain – schemes that help people sustain and succeed in work. Train to Gain offers a public subsidy for training for first, full Level 2 qualifications (the equivalent of 5 A*-C GCSEs) and support for further training beyond this level.¹²⁰ However, training by employers remains disproportionately centred on workers with high-skills – who are five times more likely to receive in work training than low skill workers.¹²¹ This being the case, it seems highly likely that people out of work or those within work but with very low skills, will not receive the level of support they need.

In order to better support unemployed people who lack basic capabilities, skills provision needs to be much more flexible and demand-driven. Demos has previously recommended that current skills funding for individuals should be consolidated into individual learning budgets that offer maximum flexibility and support, that are gate-kept either by personal advisers in Jobcentre Plus or by key support workers, for example in charities such as St Mungo's. These budgets would extend the idea of individual learning accounts, drawing on the lessons from individual budgets in social care.

Individual learning budgets, or funding for basic skills, need to be fully integrated in the system of back-to-work support to ensure that people a long distance from the labour market can access the skills provision they need before taking on work. This is outlined in more detail in our recommendations section.

In addition, there are issues with the quality and nature of skills provision on offer. There is a perception by some homeless people that mainstream skills providers can be insensitive to their particular needs and context.¹²²

There have been particular funding streams available to improve the skills development of homeless people, but too often these are time-limited and unsustainable. For example, the Supporting People stream of funding provides funding for living skills development for homeless people, but is coming to an end.¹²³

In addition to these schemes, the Government has also invested heavily in homeless hostels, as part of its Hostels Capital Improvement Programme, in order to enable hostels to deliver learning and skills programmes for their clients.¹²⁴ However, in the past homelessness agencies have criticised state delivery of learning and skills development initiatives for homeless people as 'ad-hoc' and 'uncoordinated'.¹²⁵ Some have even reported decreasing, not increasing, levels of state funding available for delivering learning and skills activities for homeless people.¹²⁶

The brief examination of skills provision indicates that there are real gaps in the services responsible for helping to support people to a stage where they have the basic capabilities needed to move into work. The result is that people with outstanding multiple and complex needs are not receiving the support they need.

The welfare-to-work system

The welfare-to-work system has undergone significant transformation in the last thirteen years. This era witnessed the creation of a multitude of welfare services including the establishment of Jobcentre Plus and the introduction of the New and Flexible New Deal programmes. Buoyed by a healthy economy, the macro indicators have been positive: prior to the onset of the recession, there were unprecedented levels of employment; claimant unemployment was at its lowest level for three decades, and numbers claiming welfare benefits were falling.¹²⁷ Since the recession, however, unemployment figures have been at their highest in over a decade: the first quarter of 2010 saw levels of unemployment rise by 53,000 to reach 2.51 million – a 15 year high.¹²⁸

However, there has also been significant critique of the New Labour approach to welfare. The overwhelming policy thrust has been in favour of a 'work first' approach, based on the principle that the best way to move people into long-term, sustainable employment is by moving them into work quickly.¹²⁹ However, it is very doubtful

whether this strategy works for people with multiple and complex needs, including people who are homeless. These individuals, especially those who have been out of work for a prolonged period of time, are often at the bottom of the employability spectrum and overlooked by Government programmes that tend to target those at the top who are considered work-ready.¹³⁰

International evidence suggests that the US and the UK are unique in their 'work-first' approach for groups with complex needs, such as homeless people.¹³¹ As a result, these groups are connected to the jobs market as quickly as possible even though they may face difficulties and disadvantages.¹³²

In terms of characterising the welfare-to-work system, there are three main types of out-of-work benefits claimants:

- People on Income Support (IS): income support is extra money paid to people who are on low incomes, but who do not have to sign on as unemployed, such as lone parents and carers.¹³³
- People in receipt of Job Seekers Allowance (JSA): JSA is the main benefit for people of working age who are either out of work or currently work less than 16 hours each week.¹³⁴ An estimated 1.52 million people claimed JSA in April 2010.¹³⁵
- People with an illness or disability who are eligible for Employment and Support Allowance (ESA). ESA replaced Incapacity Benefit (IB) and Income Support for new claimants with an illness or disability from October 2008.¹³⁶ In November 2009, a year after its introduction, there were an estimated 426,000 people claiming ESA, and 2.63 million people claiming ESA or IB.¹³⁷

There are therefore two main pathways to work that we consider here:

1. The back-to-work system for JSA claimants
2. The back-to-work system for ESA claimants (and IB claimants)

A strong critique of the current system, discussed below, is that the system imposes one welfare-to-work pathway for JSA claimants, regardless of the extent to which they are 'job-ready' in terms of the basic platform of capabilities and resources needed for work across skills, health and

housing. Thus people with very complex and multiple needs will be expected to undergo a two-year journey in which more specialised support only kicks in after a full year.

Welfare-to-work for JSA claimants

JSA claimants are supported in their search for work by a Jobcentre Plus adviser during the first 12 months of their claim. Most jobseekers typically return to work very quickly. Around 60% of jobseekers move back into employment within the first three months (stage one) of their claim.

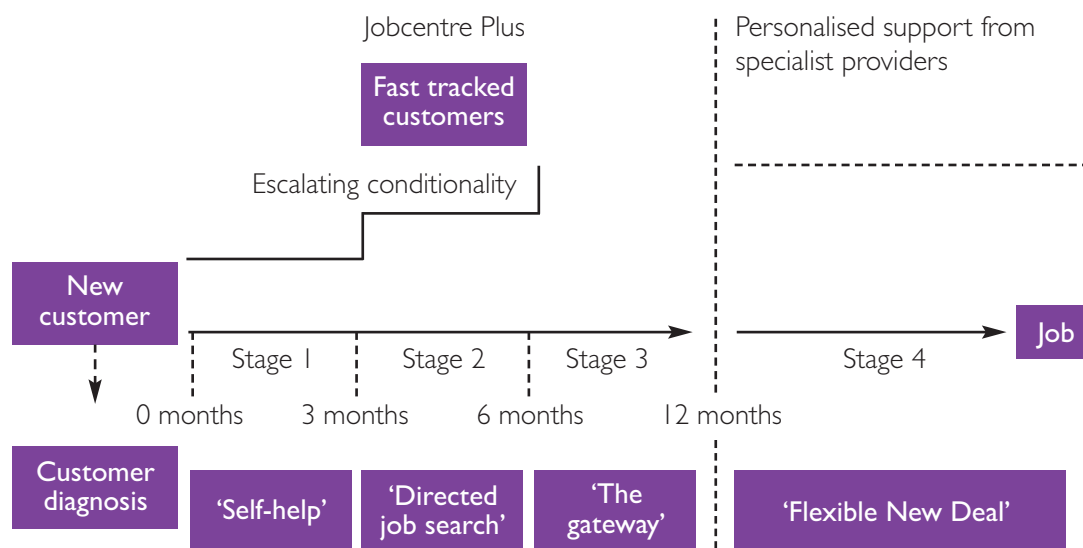
- Stage one – this consists simply of meetings every two weeks between the claimant and a personal adviser at the Job Centre as well as access to information about vacancies.
- Stage two – following this three month period, claimants progress to stage two, where they are required to attend regular interviews with their adviser and expand their job search in terms of commuting time, pay and hours.
- Stage three – for those who have still not found work six months after their initial claim they are required to design with an adviser a back-to-work action plan, which involves various compulsory activities aimed at increasing chances of finding work.¹³⁸

Finally, for those individuals who – 12 months after their initial claim – remain out of work (around one in ten individuals), they will be passed on to private and third sector contractors as part of the Flexible New Deal programme. The overall pathway for jobseekers, including those who go on to the Flexible New Deal programme, is outlined well in the figure presented below. This stage is more intensive and more specialised in terms of the employment support it provides. The private or third sector contractor is referred to as the prime contractor.¹³⁹

Under this model it is possible for some clients, including those who have claimed benefits for 22 of the last 24 months, to be fast tracked from the start of a JSA claim to Stage 3.¹⁴⁰ Those considered to be vulnerable can also be fast tracked, but are then obliged to undergo stage 3 for a six month period before they are able to access personalised support under the Flexible New Deal.¹⁴¹

There is some uncertainty as to the efficacy of this fast track and charities such as Business Action on Homelessness have expressed caution that fast tracking people who are homeless or prone to homelessness will not produce the results the government desires. Instead, some have argued that these client groups should be fast tracked to the Flexible New Deal stage, where they will have access to greater, more personalised, support.¹⁴²

Figure 3: path to Flexible New Deal



Source: The House of Commons Work and Pensions Committee 'DWP's Commissioning Strategy and the Flexible New Deal' Second Report of the Session 2008-09 – Volume 1 (The Stationery Office Ltd., 2009)

St Mungo's research findings: Staff survey

"My clients on JSA are generally on the right benefit for them."

Agree 51% Disagree 28%

"Clients who need to be, are being fast tracked by Jobcentre Plus."

Agree 20% Disagree 6%

"My clients who are on Incapacity Benefits or Employment Support Allowance could in time get back to work with the right support."

Agree 64% Disagree 16%¹⁴³



This system of back-to-work support is based on a number of assumptions:

- The majority of people out-of-work can be helped back to work relatively quickly, with relatively light-touch support from Jobcentre Plus advisers. This does seem to be borne out from the figures, with one in ten clients being supported back to work within the first year of their JSA claim.
- It is difficult to predict how long it will take the majority of clients to get back to work – because factors are difficult to screen for. Thus it is best for people to receive relatively light-touch support at the start of their claim, with this becoming more intensive as their time out of work increases. The validity of this assumption is more questionable. It is true that 'statistical profiling' of individuals based on characteristics is not perfectly accurate in predicting how long it will take an individual to find work. However, it is much easier to spot those who lack the basic capabilities needed for work, such as a basic level of literacy and numeracy.¹⁴⁴
- The 'black box', payment by results system in the Flexible New Deal is the best way to achieve improved back-to-work outcomes for the 10% of clients who do not return to work during their first year of claiming JSA. We discuss this in more detail below.

Below we consider:

1. How well-placed Jobcentre Plus is to respond to the needs of those a long distance away from the labour market.
2. The extent to which the Flexible New Deal responds to their needs.

Jobcentre Plus

Jobcentre Plus was first established in 2002, following the merging of the Employment Service with the Benefits Agency.¹⁴⁵

While it provides an effective service for most claimants, for clients a long distance from the labour market, it is not effectively operating as a first port of call for people out of work who need intensive support in order to become work-ready – like many of the homeless population.

This is illustrated by research with clients from St Mungo's and other homelessness charities.

St Mungo's research findings:**Client survey**

In a 2010 St Mungo's survey of 124 clients, the majority of clients did not rate the support they received from Jobcentre Plus highly. Among those clients receiving JSA:

- less than a fifth (19%) agreed with the statement: 'the Job Centre has offered me work that suits me well';
- less than a third (28%) agreed with the statement: 'the support I received from the Job Centre to get my CV sorted out was helpful'; and,
- less than a quarter (22%) agreed they would recommend support from the Job Centre to a friend.

In comparison, the majority of this cohort (78%) said they had found the support with activities, training and work, offered by a St Mungo's key worker, useful.¹⁴⁶

In addition to these shortcomings with regards to providing work and training opportunities, Jobcentre Plus has also been criticised for failing to encourage JSA claimants to undertake voluntary work.¹⁴⁷ Homelessness agencies like Crisis and Off the Streets have highlighted the importance of volunteer work as providing a path into work and social inclusion.¹⁴⁸ Others such as St Mungo's recognise that volunteer work can constitute a crucial first step on the ladder to employment – especially for those individuals with a poor work record.¹⁴⁹

For JSA claimants, there are no real restrictions on undertaking volunteer work, as long as the conditions of the benefit are still being properly met.¹⁵⁰ However, despite the benefits of volunteering in helping people with complex needs move closer to employment, the flexibility of volunteering while claiming JSA is poorly understood by many Jobcentre Plus advisers as well as claimants.¹⁵¹ Feedback from St Mungo's clients on advice they had received from Jobcentre Plus advisers reinforces this.

**St Mungo's research findings:
Peer Research**

St Mungo's also conducted a small but in-depth peer research study into clients' experiences and perceptions of Jobcentre Plus. Of this sample of 42 residents, nearly all had been unemployed for over a year, while half had been out of work for six years or more.*¹⁵² This research generated the following findings:

Work opportunities

Among this sample, a minority felt that the work offered to them at Jobcentre Plus was appropriate, but were disappointed about the opportunities available. Others had not been offered work or had experienced Jobcentre Plus as 'unhelpful' while looking for work. A few had found that barriers such as language, illness or homelessness meant service providers made little effort to help them, and that those on 'dependency' benefits such as ESA or IB found they were effectively 'written off' despite having concrete aspirations to work.

"The Work Direction, mentoring, stewarding events and driving. Basically that's what I'm doing at the moment. I feel it's appropriate for starters, and see what happens."

"They haven't helped really. They've not offered and the work I am interested in is not available through them."

"Jobcentre Plus have offered me painting and decorating in the past, but nothing ever came out of it – no follow ups. It's disappointing... lost hope on many things."

"It is sort of appropriate at the moment, but it is not helping me find work. The last time I worked was 2 years ago. I was happier when I was working. I had money in my pocket." Client on Employment and Support Allowance, and assessed as unable to work

Training opportunities

Training opportunities offered by Jobcentre Plus were varied, ranging from IT skills to learning a trade to literacy development. The majority of clients

* NB: sample size not representative.

St Mungo's research findings: Peer Research (continued)

who were offered training did consider it useful to gaining employment. However, several respondents were discontented at not having been offered any such opportunities.

"They have not offered any training. I think if they worked hard, they can help me."

"At the moment they are building my CV, increasing my self confidence and hopefully I'll start mentoring on March 15th. It has been useful."

"All the courses that I have to do is [sic] difficult... the pressure, it's too much. It's like breathing under water – it's hard to maintain normality."

(client in the first 12 months on JSA)

"I think that JSA is maybe needed with some sort of training as in work skills. I have done scaffolding and I am going on a brick laying course with Mungo's very soon."

(client in the first 12 months on JSA)

Elsewhere, a small-scale survey conducted for Crisis reveals a mixture of perspectives on training opportunities offered by Jobcentre Plus: the majority of respondents (63%) who had undertaken a course with the centre rated the course as 'good', while 18% rated it 'poor'.¹⁵³

Understanding of clients' needs

In terms of the level of satisfaction clients had of their treatment by Jobcentre Plus staff and the extent to which they perceived staff to be understanding of their needs, experiences were mostly mixed. Some responses included:

"The staff are very polite – they do go out of their way to help you. They are very good, very efficient at all times. I've never had any problems."

"I feel that they are looking after you. They do ask me what I am there for and sometimes ask me various questions regarding my situation."
anonymous respondent

While others' experiences were more negative:

"Instead of helping me they [are] making my life worse. Its [sic] affecting my money and day to day activities."

"I don't think they have the best interest of my needs, they are not talking from the heart of experience. They are just doing their jobs"¹⁵⁴

For the most part, Jobcentre Plus is perceived as showing inadequate understanding of clients' housing circumstances. Among the larger scale clients surveyed:

- less than a third (28%) agreed with the statement: 'the Job Centre understands my housing circumstances';
- 6% said they had not been asked or offered support around their housing circumstances.¹⁵⁵

"Due to being street homeless, had no ID or proof letters, so they took no action to help with my benefit claim."

"Don't care if you are street homeless, still insist you look for work. Housing not taken into account."

One client even felt that Jobcentre Plus was discriminatory because they lived in a hostel:

"Feel that because I'm living in a hostel, they tend to not consider me for the work I can do."

People also did not feel their health issues were taken into account. Clients' responses were largely negative. Either Jobcentre Plus had not asked the client if they had any health issues, or if Jobcentre Plus were aware of such issues, little or no help was available. Only one respondent had a positive experience:

"Did suffer severe depression a year ago, but they've been fine as doctors notes were supplied."

The responses below illustrate the majority negative perceptions of Jobcentre Plus's response to illness:

"No help here, in fact have withheld money due to my being unable to attend, because of medical problems."

St Mungo's research findings: Peer Research (continued)

"No, but they could have referred me on to suitable help medically."

"JCP sent me to the doctor in the past and there were no follow ups at all."

"JCP do not understand. They never offered any support. JCP don't understand my mental health issues - it takes a long time."

"Jobcentre Plus never supported me around these problems. Their only concern is finding work – it's a formality to ask you every fortnight."

Ultimately, the variation in data suggests there is little consistency in the way in which Jobcentre Plus staff dealt with St Mungo's clients and other homeless individuals. Issues of homelessness were sometimes ignored and in some cases, the job opportunities offered were poorly suited to clients' needs, skills or interests. For those clients on benefits, some felt coerced into looking for work or training before they felt ready to undertake such opportunities.¹⁵⁶



St Mungo's research findings:

Staff survey

The opinions, views and perspectives outlined in a study of 69 members of St Mungo's staff are informative in regards to attitudes towards the efficacy of Jobcentre Plus in helping homeless people:

- More than half (56%) did not believe Jobcentre Plus met clients' health needs (as opposed to 17% who did).
- Almost half (48%) did not believe Jobcentre Plus supported clients with literacy and numeracy (26% did).
- 42% did not believe that Jobcentre Plus offered services that supported the needs of their clients (29% did).
- Overall, 43% of staff surveyed did not perceive Jobcentre Plus to support clients on their journey back to work, while only less than a quarter (23%) did.

Staff were also asked to provide further comment on the effectiveness of Jobcentre Plus services:

Question:

What useful support does Jobcentre Plus provide?

- 'Nothing' 30%
- 'Training' 17%
- 'Benefits guidance' 17%
- 'Job search' 15%
- 'Back to work support' 13%
- 'Written information' 4%
- 'Advice on self-employment' 2%
- 'Work experience' 2%

"For those who are ready to return to or seek employment the JCP can be a valuable resource, provided they are realistically employable and receive the correct support, in the correct manner etc. indeed so many vectors can come into play, it is sometimes simply a matter of timing."

"It varies between the centres. But on the whole little support is offered, in particular to clients considered difficult."

"The only good thing I have seen recently, which is working with some of my clients, is the compulsory job workshops that they have to attend. It is a harsh approach, but it is actually encouraging clients to make serious efforts to look for work, just to avoid having to attend them."

Question:

What are the common difficulties clients face at Jobcentre Plus?

- Lack of staff skills to assess, communicate and support those with complex needs 31%
- Delays, bureaucracy and poor record keeping 14%
- Staff displaying rude or discriminatory attitudes 12%
- Benefits stopped/ not getting money on time 8%
- Inappropriate work offers 8%
- Services not sufficiently personalised or relevant 8%
- Poor access to staff 6%
- Literacy/language problems 5%
- Clients don't want to engage with the system 4%
- Having no formal identification 1%
- Can't help clients with a criminal record 1%

"When clients attend Jobcentre Plus in person, they face labelling due to personal hygiene, homelessness and substance use."

"Being given inappropriate back to work placements e.g. a standing up job for someone who has high blood pressure and obese."

"Our client-group have complex needs and often lose patience waiting in the Jobcentre Plus (for instance they may suffer from mental ill health etc), they can be chaotic and struggle to maintain regular contact or even make one-off appointments."

"A lack of understanding of clients' past and how this impacts their ability to return to employment."¹⁵⁷

St Mungo's research findings:

Staff interviews

Additionally, interviews with a small number of St Mungo's staff cast further light.¹⁵⁸ When asked to consider the appropriateness of work opportunities offered, some staff pointed to a fixation within Jobcentre Plus on 'figures' and "getting people out to work rather than thinking about what they can sustain as a job". Others thought clients were "hardly offered anything" in terms of adequate job opportunities. One respondent believed many of the opportunities offered were appropriate, but that Jobcentre Plus staff could "misjudge people's needs and...override people's wishes".

While some staff were unaware of any clients undertaking training, others believed that such opportunities were available but varied in appropriateness and quality. Some respondents believed the opportunities offered began at "too high a level"; language training was perceived to be too intensive for some clients, especially those with substance abuse issues, to organise their life around.

Some staff perceived Jobcentre Plus staff to be ill equipped to meet the needs of homeless clients; others considered this to vary across different centres. According to one respondent:

"They are well equipped to assess and they know what clients need. But they are obliged to emphasise getting

back to work, which is a long way off for our clients. They are very capable of assessing but there is a certain lack of sympathy that they [clients] have fallen down so far and it will take them a long time to get back up."

Front line worker, complex needs hostel

Others observed:

"I don't think they take into account the full situation people are in. They don't offer the right type of work like part time for people who are trying to sort other things in their lives. They are not very client centred."

Pathways to Employment front line worker

One member of staff from St Mungo's noted:

"Front line staff are poorly equipped. Main thing is lack of time – that's the most significant. I would question pay grade – are they attracting the best staff? I think they do as well as they can with the budget they've got."

Skills and Employment Manager

Elsewhere, others in the sector have expressed similar views. Anne Willmot, Director of Business Action on Homelessness, described service provision by Jobcentre Plus as 'patchy' with varying levels of expertise. She pointed out that there was often not enough staff to provide clients with the time and proper levels of support they needed and emphasised the tremendous pressure under which staff were expected to work.¹⁵⁹

Flexible New Deal

As discussed above, those Job Seekers Allowance (JSA) claimants who have gone without work for more than 12 months are then referred onto private and Voluntary and Community Sector (VCS) contractors under the Flexible New Deal (FND). This fits into a Department for Work Pensions commissioning strategy of creating a market in which 80% of departmental business is carried out with external providers led by prime contractors at regional and sub-regional level.¹⁶⁰

The Flexible New Deal represents a radical departure from the previous system of providing more intensive, specialised back-to-work support for the long-term unemployed. The two main features of the Flexible New Deal are:

- Funding back-to-work support for these groups via an outcomes-based, payment by results system. Under this system, private and VCS contractors are paid according to how many clients they successfully support back into work. There are very few stipulations about process: the idea is that contractors are given the freedom to develop effective ways of supporting this group back to work, but they take on the risk of doing so through payment by results, in other words, it is a 'black box system'.¹⁶¹
- Transferring responsibility for this back-to-work support over to a few large, private and VCS contractors (as opposed to Jobcentre Plus commissioning out increasingly intensive and specialised support from smaller providers itself).

In each area of the contractor, either one or two 'prime' contractors are awarded a contract for delivering the FND. These prime contractors are then able to subcontract services from smaller providers for example private and voluntary and community sector organisations providing specialist back-to-work support for clients with complex and multiple needs.¹⁶²

The box alongside sets out the main features of the Flexible New Deal.

As we discuss below, there are a number of key issues with the current structure of the Flexible New Deal that call into question its ability to serve people with multiple and complex needs.

First, there are issues with the structure of the prime contract; a uniform outcome payment does not reward a focus on those with the longest distance to travel. Second, there are issues with the relationships between prime and sub contractors that will make it difficult for specialist voluntary and community sector organisations such as St Mungo's to be part of the Flexible New Deal. We discuss these in more detail below.

The structure of the Flexible New Deal: prime contracts

Parking

There have been strong concerns widely expressed that the flat-rate incentive system will incentivise providers to support those who are most easily supported back into work at the expense of those who may be most in need. This is because providers are likely to calculate that some jobseekers are not worth making an initial investment in because they are unlikely to find a job within the 12 months and are likely to require more expensive, intensive support in order to maximise their chances of doing so. This means it may well not be financially-worthwhile for prime contractors to support these jobseekers. This is particularly the case in a system in which the main criteria on which potential contractors compete in the initial tendering process is price.¹⁶³

The House of Commons Work and Pensions Committee have repeatedly criticised this feature of the FND^{164/165} and have pointed to evidence of 'parking' from Pathways to Work, a back-to-work programme for people on Incapacity Benefit that also relies on flat-fee incentives for private providers. DWP research with provider staff

The Flexible New Deal

- There is a tendering process for each FND area in which prime contractors compete to deliver the FND in each geographical area. In ten of the fourteen first-stage areas in operation since April 2009, a single prime contractor has been awarded a contract. In the remaining four, two contractors have been awarded contracts and will compete for clients. Contractors bid on the basis of outcomes: the number of clients they state they will get into work given the value of the contract, which sets a price-per-effective outcome.
- Contracts run for between five and seven years.
- A substantial proportion of the value of the contract is via payment by results:
 - 20% of the value of the contract is paid regardless of results as a monthly service payment.
 - 50% of the contract is paid according to the number of jobseekers that achieve 13 weeks of sustained employment.
 - The remaining 30% of the contract is according to the number of jobseekers that achieve 26 weeks of sustained employment.
- There are few regulations on prime contractors on what they need to offer jobseekers.
- Prime contractors can subcontract services from smaller, specialist subcontractors from the private, and voluntary and community sectors. The contract between the prime contractor and subcontractor is a matter for the two, although the relationship is governed by a Code of Conduct issued by the Department for Work and Pensions.

suggests that they feel that performance targets influence their behaviour with clients to the extent that they spend less time with people with multiple barriers to work.¹⁶⁶ These concerns have been widely echoed by the voluntary and community sector.^{167/168}

The 12-month time limit

Under the FND, those claimants who are passed on to prime contractors stay with them for 12 months. However, for some clients – and particularly those with complex needs that have not previously been met – this may well not be time enough to enable them to return to work. There are fears therefore that after one year many of those who remain without work will simply be 'pushed off'.¹⁶⁹

Such discontinuity of care can be disruptive and Professor Paul Gregg suggests that people should be allowed to stay with the same provider at the end of this time period.¹⁷⁰ In their response to the government green paper, *No One Written Off, Business Action on Homelessness* echoes Gregg's suggestion and advocates extending the FND period beyond 12 months so that multiple barriers can be properly addressed within a now familiar regime with a now well-known provider.¹⁷¹

Prime contractors and sub contractors: an uneasy partnership

The second set of concerns about FND in relation to its ability to support the hardest-to-reach back to work is about the nature of the relationship between prime contractors and subcontractors. The current FND structure puts prime contractors in a too-powerful position in relation to smaller subcontractors, which threatens its overall success.¹⁷² The current system for contracting bidding appears to be weighted heavily against the interests of subcontractors and VCS providers.

First, because there are only one or two prime contractors buying services from subcontractors in each local area, prime contractors have excess buying power, which means they can offer a 'take it or leave it' price to subcontractors for their services.¹⁷³ This puts subcontractors in a very difficult position – particularly those in the voluntary and community sector, who are not driven by profit maximisation, but rather by providing services to groups with complex needs.

Second, there is asymmetric information in the sense that the prime contractor knows more about the client it is passing onto the subcontractor than the subcontractor – and hence how 'hard-to-help' the client may be. This means that prime contractors may be able to make more profit by presenting clients as more likely to find work than they actually are.¹⁷⁴ The issues with this system are:

- Voluntary and community sector organisations are less well placed to bear the risk, not more so.
- If prime contractors pass on all the risk to subcontractors, there is no incentive for them to commission services from the most effective subcontractors.

There is a 'Code of Conduct' set out by the DWP that states that under the terms of the prime-subcontractor contract, funding should be on a basis that is fair and reflects their relative ability to bear risks. However, this code lacks teeth: it is the DWP that is responsible for enforcing it, but at the same time the Department has made it clear that it is the responsibility of the prime contractor to adhere to the code and manage the relationship with the subcontractor, and that any breach of contract terms and conditions should be resolved between them informally or in the courts.¹⁷⁵ Several VCS organisations have described this Code as 'vague' and are apprehensive that its rules may not be adequately enforced.¹⁷⁶

Perhaps unsurprisingly, there is evidence that this system is putting voluntary and community sector organisations at a distinct disadvantage. Some VCS organisations have argued that the time available for the initial contract bid was too short for subcontractors to become involved in the tendering process and to negotiate favourable contract conditions.¹⁷⁷

For organisations like Crisis and other charities, making a contract bid can be a 'prohibitively' resource-heavy process – one which often requires the hiring of extra contract managers in order to secure small contracts.¹⁷⁸ The Association for Learning Providers has highlighted the ambiguity in the arrangements for subcontracting from prime contractors, and warn of the possibility of subcontractors overstressing their resources in efforts to offer services to competing prime contractors.¹⁷⁹

For those subcontractors that do manage to secure contracts, it can become difficult for smaller providers to negotiate rights with larger contractors as, according to Anne Willmot, under the FND "all power is vested in the prime contractor."¹⁸⁰ A number of voluntary and community sector organisations have expressed apprehension about prime contractors transferring risk down the supply chain to the smaller service providers.¹⁸¹ Organisations like Business Action on Homelessness are alleged to have experienced 'significant operational

challenges' with the subcontracting process through the Flexible New Deal commissioning process.¹⁸²

The welfare-to-work pathway for Employment and Support Allowance claimants

There is a separate system of welfare-to-work for people on Employment Support Allowance (ESA) and Incapacity Benefit (IB), which has elements in common with the system for JSA claimants. ESA was introduced on October 27th 2008, replacing IB and IS (because of a disability).¹⁸³ IB recipients are to be reassessed in order to ascertain what they can or cannot do. As of October 2010, those claimants who are found fit to work will then migrate to JSA.¹⁸⁴ Last year many of those who had previously been receiving IB and IS began the transition to ESA.¹⁸⁵

A typical claims journey begins with the individual making a claim for ESA by telephoning Jobcentre Plus.*¹⁸⁶ After making their initial claim, they then begin an 'assessment phase', in which Jobcentre Plus decides the outcome of the claim, lasting 13 weeks. During this phase, a claimant will receive ESA at the basic rate.¹⁸⁷

Those who are considered capable of working – with the right support – are placed in the work-related activity group. They then undergo a second appointment – called a work-focused health-related assessment – with a healthcare professional who discusses with the claimant their barriers to getting a job and the support they need to move into work.

Claimants in the work-related activity group are then required to go to all of six interviews with a job adviser in order to keep receiving the full amount of ESA. During these interviews, the adviser will try to help the claimant move back into work and are usually employed by a contracted private or VCS organisation. With their adviser, the claimant designs an individual action plan, which outlines some of the activities they could undertake in order to move closer to the labour market.¹⁸⁸

Experiences of ESA claimants of Jobcentre Plus services appear to be more negative than those of JSA claimants: for example, only 6% of St Mungo's clients on ESA agreed with the statement: 'the Job Centre has offered me work that suits me well' (in contrast to 19% of clients on JSA).¹⁸⁹ Feedback from St Mungo's clients also suggests that ESA claimants have had problems in accessing back-to-work support via work-focused interviews.

The future welfare-to-work system

Given the election of a new Conservative-Liberal Democrat coalition government in May 2010, it is likely that the welfare-to-work system will face further changes in the future. However, it is likely that any future reform will accelerate the direction of the reforms of the last few years, rather than take a different path: welfare policy is one area in which there is a considerable overlap between all three of the main parties. On conditionality, the use of private contractors, and the 'black box' payment by results system there is much more that unites than separates the three main parties.

The Conservative-Liberal Democrat coalition agreement accords with the principles of the recent reforms covered in this report, but sets out future directions for reform:

- There is a commitment to realigning contracts with welfare-to-work service providers to better reflect the results achieved.
- There is a commitment to merging various welfare-to-work programmes into a single welfare-to-work programme for all unemployed people.
- There is a commitment that JSA claimants facing the most significant barriers to work will be referred to this welfare programme immediately, rather than after 12 months.

However, the agreement does not address some of the issues presented in this report about whether the Flexible New Deal programme in its current formulation can cater to the needs of people with multiple and complex needs.

*Those who do not wish to phone Job Centre Jobcentre Plus have the option of using a direct line to ask for an ESA50 form.

5. Conclusions and recommendations

As evident from the arguments and evidence presented above, service provision for homeless people appears to be inconsistent and often perceived as inconsiderate and inappropriate. While some people do appear to have had positive experiences of services such as Jobcentre Plus, the accounts provided by both clients and staff of homelessness agencies like St Mungo's highlight a lack of awareness of issues of homelessness; a frequency of offers of work or training unsuited to clients needs and interests; and, at times, an insensitivity to related problems like health issues.¹⁹⁰

Elsewhere, there is a discernible discord between the Government policy and the interests of the VCS working in the homelessness sector. Although there has been greater state recognition of the services provided by this sector in recent years, recent reforms, including the creation of the Flexible New Deal contracting model, have made it more rather than less difficult for VCS organisations to supply back-to-work services.

Moreover, the reliance on the current model of outcome-based payments does not seem to be in the best interests of homeless people, who by being among the hardest to help are then at risk of being 'parked' by service providers.

Added to this the disruption caused for some by the discontinuity of care as a result of only staying with a particular provider for 12 months, and bearing in mind that many of this cohort are already considered to lead 'chaotic' lifestyles (not to mention those with past experience of abuse, trauma and mental health issues¹⁹¹) and it appears that much of the Flexible New Deal programme is ill designed to meet the needs of homeless people and specialist agencies.

The current system requires reform to ensure that it meets the needs of people who are a long distance from the labour market, including people who are homeless or at risk of being homeless, and who are likely to face multiple and complex barriers at moving back into work.

We need a system that conceptualises the back to work journey in two steps, rather than the one step in current policy:

1. Supporting people to achieve the basic capabilities they need to move into work: a 'work-ready' platform of capabilities
2. Once they have these capabilities, supporting the move into work with more-specific skills training, work experience, and support with job-search and transitions



I. Improvements to support in getting people closer to 'job-ready': stage I of the 'back to work' journey for people with multiple and complex needs

The foundation of any system of back-to-work support has to be services that tackle the multiple and complex barriers faced by clients such as homeless people and rough sleepers, including:

- a lack of basic skills
- a lack of self-confidence
- poor physical and mental health
- a lack of access to adequate housing

It is clear from the evidence reviewed in this paper that many groups are not accessing this support, and that there is a lack of joined-up, holistic services for groups such as homeless people that together support people in making the first steps towards employment.

One way to deliver the basic platform of capabilities and resources needed for employment would be via a first-stage support package for people with multiple and complex needs. Under this system Jobcentre Plus would act as a gateway for these people to specialised services. On contact with Jobcentre Plus, JSA and ESA claimants would be given an initial 'basic capability assessment' that would assess whether they are job-ready with respect to basic skills, their mental and physical health, and access to adequate housing.

Clients not meeting this initial test would be referred onto a specialist organisation in the voluntary and community or private sector; that would be responsible for commissioning the support they need. So, rather than

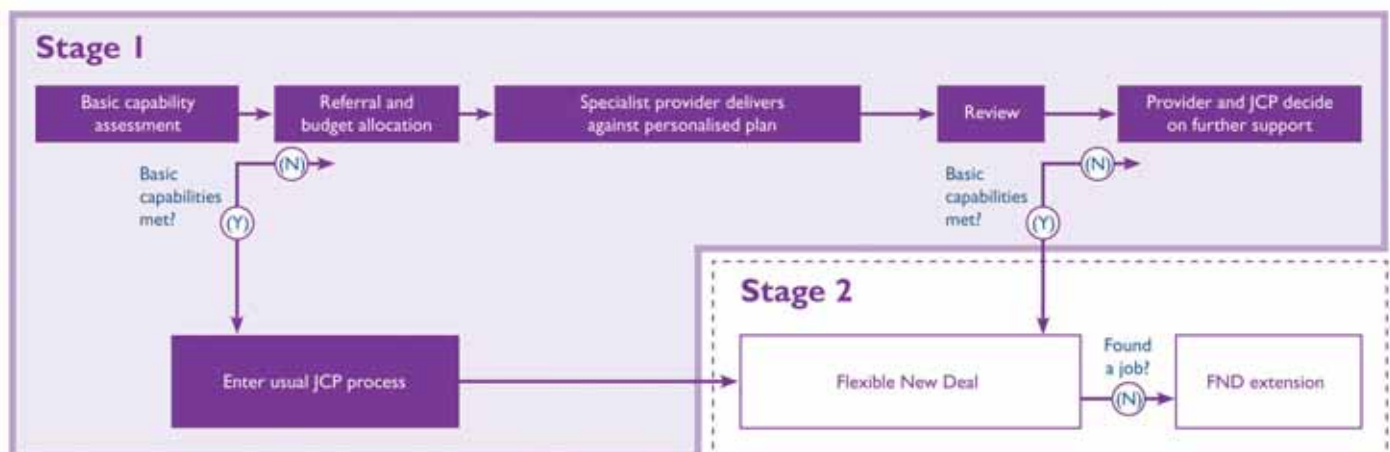
claiming JSA and receiving light-touch support from the Jobcentre Plus for the first 12 months before being moved onto the Flexible New Deal, clients with multiple and complex needs and lacking the basic capabilities for work would instead be referred for intensive support before they go onto the Flexible New Deal.

This system makes much more sense from a client-centred point of view. Imposing a standard back-to-work pathway that results in most claimants with complex needs not being able to access more specialised support for a full 12 months creates a system that disengages and disempowers clients, rather than providing them with the active support they need.

We recommend delivering this through individual budgets. The individual budget would consolidate different funding streams – including adult skills and health – building on lessons from individual budgets in health and social care. The emphasis should be on using the budget to help individuals acquire the skills and capabilities they need for work, rather than, for example, a particular level or qualification as is currently the case under the existing, inflexible system of adult skills provision.

The amount of the budget would be determined by an objective capability assessment undertaken by a Jobcentre Plus adviser; which would establish a client's level of need across skills and health services.

VCS and private sector organisations would be able to tender for contracts from Jobcentre Plus in each area in order to deliver support at this stage through individual budgets. We recommend part of the contract value should be outcomes-based, with the outcome being



defined as the number of clients that meet the objective basic capabilities assessment as a result of the tailored support package.

Once a client has been supported through this stage, they would then be referred to the Flexible New Deal.

This system has the potential to address issues in the current system of funding. For people who are a long way from the labour market there are multiple, short-term and unsustainable funding streams for charitable and other organisations to access – but to do so is too often very costly and time-consuming, and takes up resource that could otherwise be used in delivering services.

This is of course an issue that reoccurs in relation to public services: it is widely acknowledged that across a number of different policy areas and government objectives, funding streams are disparate, unsustainable and unnecessarily complex.

The Conservative party committed to making it easier for VCS organisations to secure funding for the services they provide before the election in May 2010. Consolidation of funding in this area via individual budgets that cut across a number of different areas would be a good way to advance this commitment.

There are obviously implications for the way in which Jobcentre Plus operates. There is considerable work to be done on what a basic capability assessment would look like, and how it would be implemented by Jobcentre Plus advisers – including how much discretion there would need to be for advisers. It would add further impetus to the need to ensure that Jobcentre Plus staff are adequately skilled to assess people's needs to ensure that they are not just on the right benefit, but also to ensure that they are receiving the right kind of support.

One way for Jobcentre Plus to achieve this would be to better ensure that there are expert advisers in each centre who are equipped to deal with particular client groups, for example homeless people.

2. Reforms to the Flexible New Deal: stage 2 of the welfare to work journey

The reforms set out above will help to ensure that clients being referred to the Flexible New Deal come to it with the basic capabilities needed to begin work. Under this system, people should be beginning the FND programme of support better prepared than in the current system.



However, there is still likely to be diversity in the intensity of support and length of time needed for them to return to work, and there are changes that need to be made to the structure of the Flexible New Deal in order to enable it to better serve these clients.

We recommend:

- An escalator model of payment by results, with prime contractors being paid more for each additional client they support back into work. This should eliminate the incentives for 'parking'.
- An extension of the Flexible New Deal 12-month time period: One way of doing this would be to extend the length of the contract to 24 months for all clients. Another would be to have an escalator contract length linked to the escalator payment above, so that for each additional group of clients helped back into work there is a longer time period specified in the contract for the prime contractor to achieve that result, for example the first third of clients would be expected to be supported into work within a year; the second third 18 months; and the remaining third 24 months.
- There needs to be more regulation of the prime-subcontractor relationship and contracts to ensure that a diversity of organisations providing effective services are involved in delivering the Flexible New Deal. This regulation needs to be undertaken by a

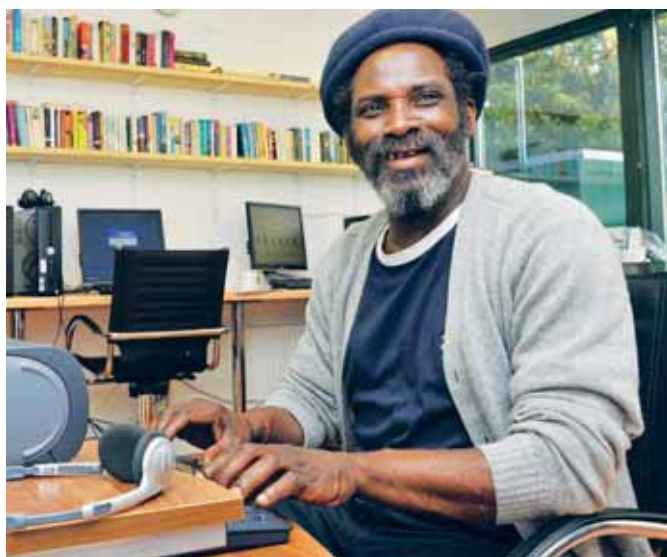
regulator or ombudsman that is independent of DWP, with a more specific Code of Conduct that is informed by the Third Sector Compact.¹⁹²

3. Reforms to the broader system within which welfare-to-work operates: reforming the tax-benefit system to make the benefits of working clear and real

It is beyond the scope of this paper to set out a detailed reform of the tax-benefit system. However, we have outlined here evidence that there are significant financial disincentives to move into work for some groups that the Better off in Work Credit has not effectively and universally addressed.

If welfare-to-work services are to be properly effective, they have to exist in a context within which the financial benefits of moving into work are clearly communicable and real.

Increasing the benefits earning disregard should also be an important part of this strategy. The earnings disregard is the amount of money someone on benefits can earn without losing benefits. It is currently only £5 for a single person – a level that has remained virtually unchanged since 1998.¹⁹³ We recommend earnings disregards are increased to around £60 per week to enable people on benefits to get experience of short-term, part-time



employment as part of the back-to-work journey without risking loss of benefits.

We also recommend reforms to the benefits system so that people moving into work for the first time can do so in the knowledge they can return to work without having to undergo lengthy assessment and claims again for the benefits they were originally on.

One way of ensuring this would be to 'freeze' a claimants benefits package when they move into work for the initial six months, so that they can move into temporary, part-time or full-time work and move back onto benefits should the move into work be unsuccessful for whatever reason. This should encourage people who have not been in work for a long time to make the initial move when they are ready, as it takes away a significant perceived risk of moving into work.

JSA should also be reformed to enable people to volunteer for more than 16 hours a week if they volunteer full-time as part of back-to-work training and support. Volunteering can help people who have been long-term unemployed to develop the skills they need to move back into the workplace, and it is problematic that current JSA rules disincentivise volunteering for more than 16 hours a week. There have been indications from the Conservative party that they are thinking of liberalising JSA in this way.¹⁹⁴

The tax-benefit system is an area in which there is likely to be substantial future reform in the years to come. The new Conservative-Liberal Democrat coalition Government has signalled its intention to raise the personal income tax allowance, which will have the impact of reducing marginal tax rates for people moving off benefits and into low-income work.

It is impossible to model the exact impact on marginal tax rates, however, until the exact detail of the reforms is known, alongside the new Government's plans for reform of tax credits and benefits. Simplifying the currently over-complex and wieldy system and improving incentives to work should be a key concern for the new Government, alongside concerns for fairness and ensuring people on benefits have access to an adequate income while they are undertaking efforts to move back into work.

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St Mungo's opens doors for homeless people. Mainly based in London and the South, we provide over 100 accommodation and support projects day in, day out.

We run emergency services – including street outreach and emergency shelters. We support homeless people in their recovery – opening the door to health care, and getting more homeless people into lasting new homes and training and work than any other charity. And we prevent homelessness through our high support housing and support teams for people at real risk.

By opening our doors, and our support services, we enable thousands of homeless and vulnerable people change their lives for good every year.

Cover image: www.marcuslyon.com

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