


Business in the

Community

Business Action on Homelessness

MAKING WORK, WORK

A photograph of a man in a warehouse setting. He is wearing a dark blue shirt with a red collar and is holding a clipboard with a red cover. He is looking upwards and to the right with a slight smile. The background shows the industrial structure of a warehouse with metal beams and lights.

Recommendations for supporting homeless
people to gain and sustain employment

About Business in the Community and Business Action on Homelessness

Business in the Community mobilises business for good. We inspire, engage, support and challenge companies on responsible business, focussing on four areas: Community, Environment, Marketplace and Workplace. With more than 850 companies in membership, we represent one in five of the UK private sector workforce and convene a network of global partners. Our members are committed to integrating responsible business, sharing experience and taking collaborative action. Our vision for Community is that, with support, our members lead by example in delivering effective engagement on key social issues in local communities. Homelessness is a critical issue for members and an important campaigning area for Business in the Community.

In 1998, Business in the Community launched the **Business Action on Homelessness** campaign (BAOH). It is a unique partnership between business, homeless agencies and the Government. BAOH aims to break the vicious cycle of 'no job, no home, no job' by helping homeless people to gain and sustain employment. BAOH is steered by a board of business leaders from Bain & Company, Barclays, Carillion, Freshfields Bruckhaus Deringer, KPMG, Marks & Spencer, Royal Mail and Taylor Wimpey. The board is chaired by John Varley, Chief Executive of Barclays. The programme receives funding from businesses and the Department for Communities and Local Government.

Through its key programme, Ready for Work, BAOH works closely with local homelessness organisations to identify people who are 'ready for work' but who lack confidence or skills and/or have been out of the workplace for a long time. Those people are then matched to a 2-week work placement with a local business, supported by a 'buddy' from that company. To support them and ensure they stay on the right path on completion of their Ready for Work placement, BAOH offers the support of a business job coach for six months.

More than 500 companies have been involved in Ready for Work since it started in 2003, with over 3,300 people participating in the programme, of which over 1,200 have gained employment. These results for clients gaining and sustaining employment compare very favourably with other programmes working with our client group.

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As employers, we are interested in talent. Finding it, nurturing it and watching people thrive as a result. We recognise that talent comes in many wrappings and that we must cast our nets wide to find the right people to make our businesses successful.

When Business Action on Homelessness (BAOH) was launched, the focus of much Government and sector attention was, rightly, on reducing the large number of rough sleepers. But there didn't seem to be much expectation or effort directed at supporting people back to work. Thankfully, things have moved on and we are delighted

that Government, in committing to end rough sleeping by 2012, is promoting and enabling opportunities for homeless people to break out of worklessness.

The value of work as the best route out of homelessness is now well established, with funding and services targeted specifically at this goal. Through the Ready for Work programme, BAOH has demonstrated that business has a role to play in helping people develop the skills and confidence they need to get back into the workplace. But it is only by working in partnership - business, government and the homeless sector - that we have been so successful.

In 2006, BAOH Board member Bain & Company conducted research¹ for BAOH, which showed that one of the biggest barriers to employment was a benefits system that trapped people rather than enabled them to take up work. In that same year, I raised the issue of the benefits trap with the then Chancellor of the Exchequer, Gordon Brown. The Chancellor challenged me to make specific recommendations about changes to the current welfare system to help facilitate a return to work for homeless people.

This report is in response to that challenge. Based on extensive research by the New Economics Foundation (NEF), BAOH is proposing key actions for Government, companies and the homelessness sector, which together will significantly break the vicious cycle of 'no job, no home, no job'. But to deliver sustainable change, which is never more important than in today's challenging economic climate, will take real commitment from all parties to collaborate, and together take concrete steps towards making work work for homeless people.

For our part, BAOH will review its own Ready for Work programme and make improvements to service delivery for the ultimate benefit of our clients. We also pledge to investigate with our partner companies what in-work factors make sustaining work more likely and then use our influence in the business sector to encourage others to make the changes that have impact. But these actions alone are not enough - Government must make sure work pays and ensure that the right support is given at the right time to make the transition into work manageable for homeless clients. Hostel providers need to make sure that they establish the right conditions to support this transition.

I conclude this foreword with my thanks to the NEF, for their expertise and guidance throughout the research process; to the companies, homeless agencies and BAOH staff who participated; and my fellow BAOH Board members, who have given their time, advice and financial support. Our biggest thanks, though, goes to our clients for sharing their experiences and for continually challenging us to make a bigger impact.

John Varley, Chair, Business Action on Homelessness; Group Chief Executive, Barclays

Executive summary

Many homeless people are keen to enter the world of work. Financial rewards are rarely the primary motivation, but they are frequently the deal breaker that stops someone taking or keeping a job. Business Action on Homelessness (BAOH) commissioned the New Economics Foundation (NEF) to carry out research to find out the full range of factors preventing homeless clients from taking a job or staying in work, and what could encourage them to gain and sustain employment.

In a departure from traditional cost benefit analysis, NEF applied behavioural economics to work out if paying an incentive would make economical sense for the individual and for Government. What was innovative about NEF's approach was that they factored in the concept of 'loss aversion'. This established theory states that people value losses more than gains of a similar value. So, in this context, where homeless people are concerned, losing the security of their regular benefit payments is going to have a greater impact than receiving a salary that may be only marginally better, or worse, than the amount they received from benefits, and far less secure. The financial and emotional strain of returning to the workplace, particularly in the first few months, and the delays that often occur when people need to return to benefits after a period of temporary employment, can serve to increase an individual's loss aversion and hence make them less likely to want to take up work in the long-termⁱⁱ.

Headline findings

1. Work doesn't always pay, with some people actually worse off in work than on benefits once work related costs and loss of passported benefits are taken into account.
2. When the impact of loss aversion is factored in, the perceived financial risks undermine the rationale for taking up work.

3. Clients are extremely motivated to work, with financial rewards rarely being the primary motivation but frequently acting as the deal breaker.
4. Fears of debt and further homelessness act as a significant barrier to employment.
5. There is a strong perception among homeless people that the benefits system is more of a hindrance than a help.
6. High hostel rents and conditions are not always conducive to employment.
7. The first few months in work are financially very difficult and often socially isolating for homeless individuals.
8. There is a clear win-win of paying a financial incentive to homeless people which will counteract the impact of 'loss aversion' and at the same time deliver a net gain to Government.

The economic rationale for paying an incentive

Each homeless person on benefits who could be considered 'ready for work' costs the Government approximately £26,000 per annum. Based on the latest Government figures, which estimate the homeless population to be in the region of 125,000, we estimate that there are around 20,000 who could fall into a 'ready for work' categoryⁱⁱⁱ. By offering a financial incentive over a period of time to reassure people that they will be genuinely better off in work, and ensure that they are, Government could enable people to become embedded in the world of work and enjoy a significant return on investment.

NEF has estimated that on average an additional £20,000 would need to be paid over a four year taper to encourage people back to work and help them stay in work. The costs of paying such an incentive could deliver a cost saving in the region of £1.7 bn over four years. However, savings would accrue over just one year.

Key recommendations

For Government...

- Undertake a pilot with BAOH to establish the impact on homeless clients of the incentive established by the economic model developed by NEF.
- Improve the delivery of existing benefit services and provide support for the transition into work through a case management approach. We would recommend trialling this in conjunction with the above pilot.
- Allow homeless people or those at risk of homelessness to take part in voluntary welfare to work programmes without the threat of benefits sanctions.

For business...

- Offer flexible salary payment methods for new starters.
- Introduce work buddies to support people to settle in during the first few weeks of work.
- Review the use of casual employment contract, especially those with variable hours.
- Evaluate, in conjunction with BAOH, the effectiveness of in-work support programmes offered by employers and external agencies in helping homeless people sustain employment.

For the homeless sector...

- Providing dedicated in-work accommodation within hostels for those in work.
- Hostel key workers to make sure that their residents are fully aware of rent requirements once they take up work.
- All hostel residents should have access to a specialist education, training and employment advisor within their hostel and to a menu of education and training activities that can be tailored to meet their individual needs.

For Business Action on Homelessness...

- Review and strengthen post-placement support to clients.
- Review the effectiveness of our signposting to specialist organisations and look for additional opportunities to strengthen partnerships with voluntary agencies and workers.
- Support member companies to determine the key elements of in-work support that are most effective to support sustainable employment.

Introduction

Our research shows that many homeless people are highly motivated to work, with financial rewards from work rarely being the primary motivation. But the route from homelessness into sustainable employment is often extremely complex and non-linear.

Once people are actively addressing the issues that contributed to their homelessness, the path ahead to independent living and employment is frequently littered with obstacles that can hamper progress or completely de-rail them, leading them back into homelessness.

Our experience of running Business Action on Homelessness' (BAOH) Ready for Work programme is that most clients who manage to get a job find that they are only marginally better off and sometimes worse off than when they were on benefits. Indeed we know of clients who have made themselves homeless again in order to be able to accept a job offer because they knew that they would no longer be able to afford their rent payments once they started work. As people struggle to make ends meet, adjust to new routines, and find themselves isolated from old social networks, it is not surprising that many individuals find it safer to fall out of employment after only a short time and go back to claiming benefits.

Through Ready for Work, BAOH works with businesses to deliver pre-employment training, work placements and job coaching for homeless people and those at risk of homelessness. Our statistics show that we are good at what we do, but despite our best efforts, the number of our clients sustaining work remains more or less constant. Increasingly, we have detected an increasing number of clients who show enormous commitment and promise, but when the crunch comes, feel unable to take up the jobs that are on offer or keep work up once they have started.

In 2006, BAOH national partner Bain & Company conducted research^{iv} for BAOH into the barriers faced by homeless people in trying to return to full-time employment and independent living.

They identified four major areas that required significant attention:

- **Employability and employment - ensuring effective skills development and appropriate work.**
- **Housing that supports a return to work - through the provision of supported transitional housing and worker hostels.**
- **Benefits that support, not trap - making sure that work pays through reducing the effective marginal tax rate.**
- **Serious solutions to emotional issues - adequately addressing poor self-esteem and mental health problems and tackling the poor perceptions of homeless people that only service to reinforce emotional problems.**

Later that year, John Varley, Group Chief Executive of Barclays and BAOH Chair pursued the issue of the benefits trap with the then Chancellor of the Exchequer, Gordon Brown. The Chancellor challenged him to make specific recommendations about the changes to the current welfare system to help facilitate a return to work for homeless people. In response to this challenge, BAOH commissioned the New Economics Foundation (NEF) to carry out research to help us do just that.

The findings of this research have been written up in the report *'Working it out: barriers to employment for homeless people'* which can be found at www.bitc.org.uk/BAOH

The Research Brief

We wanted to find out if paying an incentive would help people to gain and sustain employment, because our work with homeless people suggested that benefits was the most significant barrier preventing them from getting and keeping a job.

We commissioned the New Economics Foundation (NEF) to calculate whether this would be economically viable and to understand more fully the range of barriers that people face. We were clear that any incentive had to also offer up an overall net gain to Government.

Summary of research methodology

- **Literature review:** NEF gathered up existing analysis of the costs and benefits of employment for homeless people and other vulnerable groups.
- **Stakeholder interviews:** NEF carried out a number of interviews with people with experience of homelessness who have tried to get into employment. They also conducted semi-structured interviews with those who work with homeless people and those at risk of homelessness including hostel staff, BAOH staff, employers and policy makers. The results of these interviews were further substantiated at a workshop attended by a selection of the interviewees. In total, 17 ex-BAOH clients, 10 frontline workers (Ready for Work Client Support Managers and hostel key workers), six Ready for Work Programme Managers (business facing), six policy specialists from the homeless sector and Jobcentre Plus and two job coaches from business, were interviewed.

- **Economic modelling:** both the research review and interviews helped NEF to develop a robust economic model, which meant we could compare the full costs and benefits of paying an incentive in economic terms across Government departments. NEF also developed a number of scenarios that allowed them to use some of the insights of behavioural economic analysis to look at people's behaviour in the real world.
- **Comparing costs and benefits:** NEF's economic model allowed them to draw conclusions about the cost of homelessness to the government, and whether it made sense financially for them to increase the incentives to homeless people to help them gain and sustain employment.

Loss Aversion Theory

The research broke new ground through the application of behavioural economics to the cost benefit analysis of paying an incentive. What was particularly innovative about NEF's approach was that they factored in the concept of 'loss aversion'. This established theory states that people value losses more than gains of a similar value. So, in this context, where homeless people are concerned, losing the security of their regular benefit payments is going to have a greater impact than receiving a salary that may be only marginally better, or worse, than the amount they received from benefits, and far less secure. The financial and emotional strain of retuning to the workplace, particularly in the first few months, and the delays that often occur when people need to return to benefits after a period of temporary employment, can serve to increase an individual's loss aversion and hence make them less likely to want to take up work in the long-term.

Summary of main findings from the research

1. Clients are extremely motivated to work

"As a human being it's a natural instinct for most unlazy people to go out and work...from cleaning to working as a processor to going into banks, any big high rise job it's about doing something with your life."

BAOH client

"I want to be out working and living the same life as everybody else."

BAOH client

Financial rewards from work are rarely the primary motivation.

"I wouldn't call it social status as such, but I had to work... the extra money it would give me was a bonus."

BAOH client

"I signed my contract without even asking what the salary was."

BAOH client

The voluntary nature of the BAOH Ready for Work programme is highly valued by clients. We believe this has important implications for policy development particularly around the mandatory elements of Flexible New Deal for our client group.

"The Business in the Community [programme] was probably better than doing a 13-week course with the other place. Half of the people that were on that 13-week course weren't interested. They were sent there, they had to go there, or they would have lost their money. Whereas this was purely voluntary. You came on it because you wanted to come on it and it's more beneficial."

BAOH client

Clients are extremely motivated to work

2. Fears of debt and further homelessness act as a barrier to employment

A common thread running throughout the research was a fear of debt and its consequences and, in particular, the fear of becoming homeless again. Bad experiences of employment and/or experiences of debt due to problems with benefits and other issues drive behaviour. This is particularly important for those clients who lose accommodation due to rent arrears as they can be described as 'intentionally homeless' and may have considerable difficulty in being re-housed.

When this finding is considered in the context of loss aversion theory, the importance of getting support right first time for people is clear. Falling back into debt or homelessness will make an individual less willing to give up benefits again for work if experience has shown them that making ends meet while working is extremely stressful and difficult.

"It's just the thought of losing everything, because if I lose my flat that's it, I'm back on the streets again, and that's not going to happen. I refuse for that to happen."

BAOH client

3. The benefits system seems to hinder more than help

Complexities of the system

Fear of benefits sanctions means that many clients minimise their level of contact with job centres. Instead they place a high reliance on hostel workers, BAOH staff and their peers for information. However, NEF found that these staff and peers find the tax and benefits system confusing and inaccessible and their information is not always up to date or accurate.

"I'm not thick but I don't understand half the benefits they're on. So when I'm asked about these things I dodge them... I don't want to get involved in this because it's a minefield..."

Frontline Worker

As a result there are widespread misconceptions amongst both front line staff and clients about benefit entitlements. We also found that awareness of in-work benefits is particularly low among clients. In addition, amongst both clients and front line workers there is a perception that 'if you don't ask you don't get' in relation to the in-work benefits that are on offer. This might help to explain why take up of these benefits is so low.

Benefit transition issues

Without the cushion of savings to help see people through the transition from benefits to work - especially as debt repayments are reactivated once someone takes up employment - confidence that benefits transitions will be handled accurately and in a timely manner is critical. If this can be achieved, the research showed that people are much more likely to accept employment opportunities, even temporary ones. Conversely, experience of poor benefit transitions makes clients increasingly vulnerable to homelessness and this acts as a powerful disincentive to employment.

Unfortunately the evidence from the NEF research was overwhelmingly negative.

"The Housing Benefit was paying the hostel, it wasn't going into my account it was going straight to the hostel, but when I moved into this house I had a bill saying I owed them £310... I haven't paid it for ages because I'm struggling now, right."

BAOH client

"It's when you start work is when they mess it all up because they want all of your wage slips and they want how much you are earning and then you have got to wait and then they finally work it out and it's all wrong, so it goes back again... and then the rent people will be waiting... that's when it all gets cocked up."

BAOH client

If you go into employment and you sign off today, when you end that contract it can take about eight to nine weeks before your benefits kick back in. And during those eight to nine weeks how are you eating, where are you living?"

BAOH client

Benefit logistics and delivery issues

The system is poorly structured to meet people's needs once they are on an employability programme and even more so once they have secured employment. Inflexible sign on days have proved problematic for those on Ready for Work placements who find that they have to take time out of their work placement to make sure they do not lose out on benefits. The sensitivity of housing benefits to changes in circumstances can also make it very difficult for people on short-term contracts or with fluctuating hours to manage financially because of the need for constant recalculation of entitlement.

"When you get employment you spend so much time running from one to the other, one Job Centre tells you the Council will do this and then you go to the Council and they will tell you that they don't do that. It is very, very frustrating.... takes the incentive of getting a job away."

BAOH client

4. Work doesn't always pay

Many people are not better off in work, or are only marginally so, especially when the loss of passported benefits such as prescriptions and employment related costs such as travel are factored in. This is particularly acute for single people under 22 and those working part-time but more than 16 hours a week – see Table 1, opposite.

"By the end of the week, by the time I got paid – tried to pay my rent, £65, gas, electric, water rates... council tax – it was all gone. And then you think 'well hang on a minute, where do my toiletries come in? Where does my food, my travel expenses?' You know, things you need to keep you in work, do you know what I mean, you've got to have your travel expenses and you gotta be eating."

BAOH client

"We did some calculations and I worked out that he was £4 better off by working 21 hours for us. £4 better off to get up every day to become a motivator!"

Frontline Worker

Table 1: Annual differences in income between working and not working^{vi}

Assumes minimum wage salary at 2007 levels. Rent, council tax, dependent children and type of benefit (limited to JSA and IB) were taken into account.

Example scenarios	Actual difference in annual income working 20 hours a week	Actual difference in annual income working 28 hours a week	Actual difference in annual income working 35 hours a week
<22 no children; JSA; low rent	-£3,815	-£1,962	-£242
>22 children; IB; high rent	-£5,676	-£2,433	+£387
>22; JSA; low rent; debts; childcare	-£4,132	-£1,947	-£30

When 'loss aversion' is factored in, the perceived financial risks are predominantly against taking up work, even for those who on the face of it would be better off in work. The impact of loss aversion is starkly illustrated in table 2 below. The more 'loss averse' someone is, the worse off they will feel in work and so it is vital to get support right first time.

Table 2: Calculation of the impact of different levels of loss aversion

Example scenarios	Working (35 hours a week)	Not working	Actual Difference	Perceived difference with low loss aversion*	Perceived difference with medium loss aversion*	Perceived difference with high loss aversion*
<22 no children; JSA; low rent	£7,184	£7,425	-£242	-£3,954	-£10,489	-£15,093
>22 children; IB; high rent	£13,225	£12,838	£387	-£6,033	-£17,331	-£25,291
>22; JSA; low rent; debts; childcare	£8,565	£8,595	-£30	-£4,328	-£11,892	-£17,221

* For further details about the low aversion figures used in this table please refer to the report by NEF (reference ^{vii})

5. Hostel rents and conditions are not always conducive to employment

BAOH recognises DCLG's commitment to make hostels 'Places of Change.' There was also clear evidence of the holistic support provided by the homelessness organisations taking part in the research by NEF.

"They've got someone looking after you ... so no matter which option you choose, there's someone there to guide you if you're doing the right or wrong thing for yourself."

BAOH client

"We don't see getting someone a flat as being the end of the story. We know that they'll lose the flat if we don't help them settle, stabilize, increase their income. Similarly, getting the job is only the first job. We have to look at our work with people in terms of a career pathway... our job is getting them to the next level."

Director, homeless sector agency



Work doesn't always pay

However, NEF found that this experience and ethos is not universal amongst hostel clients and more needs to be done to ensure that all clients are able to live in accommodation that is conducive to employment. Much of this would not require significant investment - for example ensuring clients are able to have a meal when they arrive home from work.

"I used to have a hard time to sleep in the hostel back in the days to be honest. When I do delivery I used to finish late in the night. I came around at 3am or half 3, came to the hostel, tried to sleep, they're all drunk, some people on heavy class A drugs... screaming, fighting and all this."

BAOH client

In addition, there seems to be considerable confusion over rent levels once clients are in employment. In some cases clients are being charged for the full cost of their rent (which includes support costs as well as housing) as soon as they start work, which is usually at least £150 per week.

6. The first few months in work are make or break

The first few months of employment are critical if clients are to make a sustained transition to employment and out of homelessness. As well as finding that people are not always better off in work, even before loss aversion is factored in, the research identified critical factors that make a real difference to clients successfully making this journey and barriers that get in the way - particularly to those who may not be better off or only marginally better off once in employment.

Poor financial planning

Poor financial planning together with benefits transitions issues exacerbate the hardships experienced by our clients. Better off calculations are poorly equipped to illustrate the impact of temporary contracts and do not adequately factor in the impact of repaying outstanding debts.

"They are very badly aware of what will happen to them financially when they start to work. Not aware at all and that's because no-one seems to be able to tell them."

Frontline Worker

The effect of temporary, casual and temporary contracts

Part time work can be a critical first step for people moving into employment. For businesses, flexible and temporary contracts can be important tools for managing efficiently variations in customer demand. However the benefits system is poorly equipped to deal with this. This is exacerbated by the complexity of the system and the low levels of awareness of benefit rules, adding to the fear that people have about what will happen if a job does not work out or a temporary contract comes to an end.

"If you're working flexible hours ...what you can end up doing is over paying or underpaying on certain things and causing yourself trouble forever down the line. There is no way to take that into account really when we do a better off calculation."

Frontline Worker

Fitting in at work

Clients and staff reported the struggles clients faced in fitting into work and the change from the less structured environment of unemployment and living in hostels.

"Integrating within the workforce, all these unwritten rules that we all take for granted are just not familiar to many of our clients and they're very kind of alien environments."

Frontline Worker

"Cause when I started with them they would every night be like 'Hey we're going out do you want to come out with us?' And I would have to turn round and say 'No no, I don't want to.'"

BAOH Client

Social isolation and lack of social networks once in work

Many clients experience feeling lonely and isolated once in work. For some, the stresses of work re-ignite previous mental health issues and makes people less resilient and able to deal with problems that they may experience in the work place.

"Yeah, I'm on me own now. And I don't see anybody that I used to see. I don't see anyone at all."

BAOH client

"Financially very difficult, mentally very difficult."

BAOH client

"They have been in hostels, they have lost family, they have not got family so the social network is very, very important."

Frontline Worker

For those that move accommodation at the same time as they start a job, the stresses can become particularly acute. There is a danger that people may choose to return to the more familiar world of benefits and unemployment as a mechanism for re-gaining 'control' over their lives.


"Because it happened so quickly [getting a house right after a job] it was quite scary at the time and I was like 'I don't know if I can do this' because I was quite scared to go out in a city. I don't know people, and because it's so far from here, you know."

BAOH client

In addition at the very time that people need most help, there is a perception that support is not there.

"There's loads of money being spent getting people into work and there is nothing being spent getting them over the threshold... it's like a bride getting married and you can imagine all the effort that goes into the wedding but when she walks up the aisle and there is no husband there, well then, all the money and effort hasn't been worth it."

BAOH client



The first few months in work are make or break

Does it make economic sense for Government to incentivise homeless people to work?

The findings shown illustrate, from an individual basis, that the BAOH client group may not necessarily be financially better off in work. Finances may not be the deal maker but they can certainly be the deal breaker. It is also clear that getting it right first time in terms of timely and accurate payment of benefits and putting in place the right non-financial support is critical. This substantially reduces the financial cost to Government in incentivising clients to the 'tipping point' where they are prepared to accept employment.

The rationale for paying an incentive

NEF estimates that it costs the Government £26,000 per year to support a homeless client who could be working. This figure is based on 'job-ready' criteria and the costs of socio-economic factors relating to mental and physical health, crime, alcohol and substance abuse, social services, benefits, housing and lost economic output. This figure aligns closely with figures calculated by other organisations in the homeless sector^{viii}.

The following illustrative case study shows the impact of paying an incentive on the individual. A table follows the case study that illustrates what the cost savings might look like for Government as well. Based on the original calculations by NEF, the incentive is shown here as being paid over four years, but it is important to note that cost savings are delivered in the first year, demonstrating that it pays to invest upfront.

The impact of paying an incentive - Melissa's experience

Melissa is 22 years old and a lone parent. She became homeless after a relationship breakdown. By the time she came into contact with Business Action on Homelessness (BAOH), she had been living in a hostel for a year and was suffering alcohol and mental health problems but had been receiving treatment for both for six months. Her child had been taken into care and she had also built up significant debts. She was receiving a total income of £10,000 on Incapacity Benefit and the cost of her hostel accommodation was also being met by the local authority.

Following her two-week work placement through BAOH, Melissa's confidence soars and she is keen to find a job. However, some of her friends at the hostel warn her that she won't be able to make ends meet, particularly as she is only likely to get a job on the minimum wage at first.

Thanks to her hostel key worker, Melissa is referred to a dedicated case manager via her local Jobcentre Plus office. The case manager carries out a back to work calculation with Melissa, taking into account her current debts and likely travel costs. The case manager tells her all about the new work incentive which has been designed to help people like Melissa manage the difficult transition into work, helping them to take control of any debts and move into private rented accommodation as soon as possible.

Melissa was reassured that she would be able to manage financially if she took up work and so set about finding a job. With the support of her BAOH job coach, who provided practical CV advice and helped her apply for positions, she managed to get a job at the local supermarket after a six-month search.

Working full-time on the minimum wage gives Melissa take-home pay of £7,184 after tax and including working tax credits. She receives £2,000 through the Return to Work Credit in the first year, and with the work incentive, her total income is boosted to just over £15,000.

In her first year, she maintains regular contact with her job coach, who helps to keep her motivated, and her case manager, who makes sure she is receiving all the right benefits and puts her in touch with a debt advice agency. Even though the incentive decreases after the first year, Melissa has had enough support from her job coach, case manager and the local debt agency to help her prepare for this change and she manages to maintain the rent on her new flat.

By the third year, Melissa has managed to sustain employment and is able to care for her child again, who is returned to her from care. As a result she receives child tax-credits and child care support costs to help her keep working and find appropriate supervision for her child after school and during school holidays. By the time the incentive runs out after year four, Melissa's confidence and competence at work is rewarded with a promotion and a pay-rise.

Thanks to the on-going support she received from her case manager and job coach, and aided by the incentive to help her establish firm financial foundations, Melissa manages to rebuild her life and embed herself in the world of work.

Table 3 Melissa's experience - breakdown of potential costs and savings.

Year	-1 £	1 £	2 £	3 £	4 £	
Incapacity benefits	10,239					
Return to work credit		2,000				
Net pay		7,184	7,902.4	11,533	12,686.3	
Incentive		6,274	6,206	3,103	776	
Child tax credit				2,176	2,176	
Childcare benefits				2,821	2,821	
Total annual income	10,239	15,458	14,108	13,991	12,817	
Payment to provider for in-work support		2,000	2,000	2,000	2,000	
Impact of intervention on costs to the state						
Alcohol	6,033	4,681	3,121	1,560	603	
Mental health	2,340	1,820	1,300	780	260	
Hostel	12,688	0	0	0	0	
Care costs	20,422	20,422	20,422	0	0	
Lost output	6,120	0	0	0	0	
IB payments	10,239	2,000	0	0	0	
Total costs to state	57,842	28,923	24,843	2,340	863	
						Total
Total cost to state of benefit		8,274	8,206	5,103	2,776	24,358
Saving to state from intervention		28,919	33,000	55,502	56,979	174,400
Net financial benefit to state		£20,645	£24,794	£50,399	£54,203	£150,042

Overall costs of paying an incentive

As part of the research NEF attempted to calculate what the overall savings to the Exchequer of paying an incentive could be, illustrating where the costs might lie.

Any such calculation is fraught with challenges due to the lack of available data and the consequent need to use proxy data. For example there is no definitive and agreed measure of the number of homeless people in the UK, nor of the number of homeless people who could be considered 'ready to work'. To mitigate this, wherever definitive data was not available, NEF used conservative estimates where there was a choice of options.

It is clear from the table below that there is a clear economic case for paying an incentive to deliver cost savings to Government. These figures are based on an estimated 'ready for work' population of 20,000 out of a total homelessness population of 125,000, based on the latest Government figures it shows the average cost of providing a financial incentive assuming low levels of loss aversion. Immediate cost savings emerge after one year, and increase as the payment of the incentive tapers off gradually over four years. Benefits would accrue beyond the end of the incentive period as people become embedded in the world of work^{ix}.

Table 4: Overall costs and savings to Government

Year	Costs of homelessness	Costs of providing financial incentive (individual working 35hrs, low loss aversion)	Average cost of support per person	Annual saving to government
1	£555,857,283	£190,405,956	£9,520	£365,451,328
2	£539,667,265	£138,645,113	£6,932	£401,022,152
3	£523,948,801	£67,303,453	£3,365	£456,645,349
4	£508,688,156	£16,335,790	£ 816	£492,352,367
Total	£2,128,161,500	£412,690,311	na	£1,715,471,196

Business Action on Homelessness priorities for action

For Government...

Recommendation 1

Undertake a pilot with BAOH to trial the following:

- The impact of paying a financial incentive on sustainable employment outcomes, based on calculations by NEF. Implicit within this trial would be the need to determine the additional number of clients that would actually return to work if such an incentive was provided.
- The impact of a case manager-led 'one stop shop' for all people with an experience of homelessness to address ALL their benefit related issues (see recommendation 2).

We welcome the commitment made by Government in the recent white paper, *Raising expectations and increasing support: reforming welfare for the future*^x, to support people who may be put off work because of the removal of a stable benefit income and the need to report changes in circumstances more frequently. Where homeless people are concerned, Government must concentrate its efforts on making sure that people are genuinely better off working and that the economics are right for homeless people to risk moving off benefits and into work.

We believe that this could be achieved through the payment of a tapered incentive designed to make sure that 'work-ready' homeless people are better off in work than on benefits and can adequately manage the financial and emotional transition from a dependency on benefits to independent working life. Such an incentive would need to be easy to understand and delivered through a mechanism that would have the greatest impact on loss aversion for this group of people.

We suggest that a pilot will be necessary to test outcomes and potential impacts. It would also provide data to compare against other interventions such as the Better off in Work credit, and assess the impact of a dedicated Case Manager (see recommendation 2) to support those moving into work and those who have recently secured employment against existing arrangements.

Recommendation 2

Improve the delivery of existing benefit services and provide support for the transition into work through a case management approach.

Much could be achieved and at lower cost to Government if existing benefits could be delivered in a timely and effective manner. BAOH welcomes the rollout of the In and Out of Work pilots as a significant step forward in easing the difficult transition phase for people moving off benefits and into work.

We want the Government to go further by putting in place a dedicated case manager who would:

- Manage the handling of all benefit related issues for people looking to return to work, returning to work, or recently in employment.
- Help with financial planning and carrying out Better-Off Calculations – factors such as outstanding debts, childcare, travel to work and other work related costs should be included in the calculations.
- Act as a hub and refer clients to appropriate specialist advice provided by other agencies e.g. Debt Advice, English for Speakers of Other Languages training
- Proactively ensure that clients get benefits to which they are entitled when they start work e.g. Job Grants, housing benefit.

- Ensure that the Rapid Reclaim procedure is truly rapid for those clients who take temporary jobs over 16 hours a week whose jobs come to an end. Until this can be achieved, we recommend that the benefit claims for all clients in this situation are suspended for an agreed period until they are stable in work rather than their claim is closed. Such a facility already exists within the Jobcentre Plus system but we understand that it could be further utilised.

Recommendation 3

Allow homeless people or those at risk of homelessness to take part in voluntary welfare to work programmes without the threat of benefits sanctions.

We believe that the overall aims and aspirations of government programmes like Flexible New Deal could offer good opportunities to our client group especially as they recognise the importance of providing provision that is tailored to the needs of individuals.

However our research findings strongly support the idea that homeless clients with multiple barriers to employment, such as ours, should initially have access to voluntary welfare to work support before moving to provision that could lead to their benefits being sanctioned. In addition, we recommend that this client group should be allowed to be passported straight to Step 3 of the Flexible New Deal programme enabling them to have comprehensive and individualized tailored support straight away.

We also believe that the level of financial support to provide such welfare to work provision under Flexible New Deal is not adequate enough to meet the complex needs of our client group.

For business...

Recommendation 1

Offer flexible salary payment methods for new starters.

The first few months in work are financially difficult for homeless people, who will be used to budgeting on a weekly basis on the benefits system. To ease the transition and increase the chances of someone staying in work, employers should initially look to providing weekly payments on a case-by-case basis as needed.

Recommendation 2

Introduce work buddies to support people to settle in during the first few weeks.

While starting a new job can bring challenges for many, the research indicated that it is particularly tough for BAOH clients as they get used to juggling a range of different responsibilities - sorting benefit transitions, and frequently moving accommodation as well as the practical issues of paying rent, bills, getting to work on time, hitting deadlines or targets.

Starting work also often signals the end of relationships with keyworkers and old social networks, which can lead to isolation and loneliness. We believe that if businesses introduced formal buddying schemes, all new starters would have someone to turn to at work to help them adjust to their new environment and support them through the change cycle associated with starting a new job.

Recommendation 3

Review the use of casual employment contracts especially those with variable hours.


BAOH recognises the importance of the need for employers to be able to use flexible contracts as a mechanism for managing variations in demand. Similarly, part-time employment can also be a helpful transition into the workplace. However, the research indicates that predictability of employment and income are key enablers to supporting people to sustain employment. As a result we recommend that employers offer contracts of at least three months (and preferably more) in duration to those who have been unemployed and minimise the use of casual contracts especially those with variable hours.

The practice where an employee is taken on fixed term contracts repeatedly by the same employer should be discouraged. In addition we would recommend that employers should enable employees on fixed term contracts to access the same training and development opportunities as permanent members of staff.

Recommendation 4

Evaluate the effectiveness of in-work support programmes offered by employers and external agencies in helping BAOH clients sustain employment.

Factors such as effective inductions, opportunities for training and career progression, line management capability and empathy to individual circumstances are clearly important factors in minimising staff turnover. In addition, many employers offer a range of services and programmes e.g. employee assistance programmes, mentoring and coaching and social activities that formally or informally help people develop networks and support them in sustaining employment. However, we recommend that the BAOH team and its corporate supporters work together to assess how the in-work and post-placement support initiatives provided through the BAOH programme, such as job coaching and Client Support Networks, are valued by our clients and respond accordingly.



Introduce work buddies to support people

For the homeless sector...

Recommendation 1

Provide appropriate accommodation for those in work

BAOH recognises the investment made by Government in hostels and supported accommodation through the Places of Change Programme and welcomes plans to pilot working hostels. The research points to the need for more appropriate accommodation for those clients who are in work, for example on another floor or wing to non-working residents, and meals and other services provided that create the right conditions that support a return to work.

Recommendation 2

Hostel key workers to make sure that their residents are fully aware of rent requirements once they take up work.

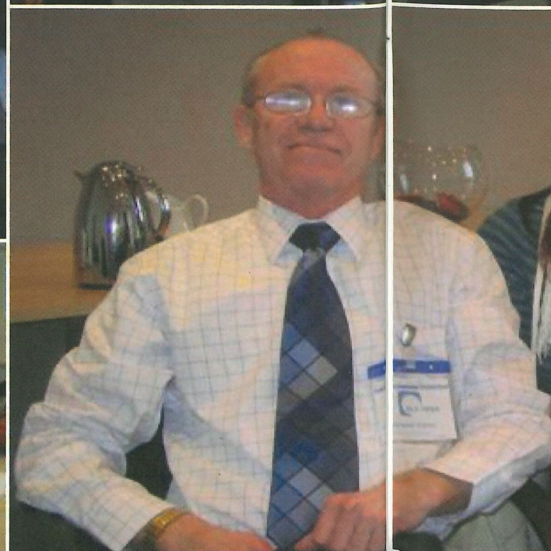
A major barrier that hostel dwellers report is the high rents that they are liable for once they take up work. The charges cover all food and bills but also support services that are available to residents. People are often unaware of exactly what it will cost them and fall down financially once they start work. Therefore, it is important for key-workers to make this information very clear before work commences.

Recommendation 3

All hostel residents should have access to a specialist education, training and employment advisor within their hostel and to a menu of education and training activities that can be tailored to meet their individual needs.

We would advocate that all hostel residents who have a reasonable chance of being able to return to the labour market should have access to a menu of education and training activities that can be tailored to meet their particular needs and aspirations. They should have access to a specialist education, training and employment advisor within their hostel who can help them to produce an action plan and signpost them effectively to local programmes and external sources of specialist support, for example, welfare benefits or debt advice.

We recognise that several organisations already do this, but this approach is not universal. We recognise the commitment that Government has made in making hostels 'Places of Change' and through working together with the Homelessness Sector and Homeless Link look to identify specific mechanisms to enable that ethos to permeate throughout the sector.



Access to specialist education, training and an employment advisor

For Business Action on Homelessness...

Recommendation 1

Review and strengthen post-placement support to clients.

The research clearly shows that the first few months in work can be 'make or break' for homeless people, with the stress of coping with new routines, managing new finances and moving away from old social and support networks making it challenging to sustain employment. Internal research for BAOH already demonstrates the tangible value of our job coaching in contributing to sustainable employment outcomes. As a result of this research we will look to review the effectiveness of our Job Coach training in helping clients to sustain employment, develop training to support in-work buddies and further develop our Client Support Networks.

Recommendation 2

Review the effectiveness of our signposting to specialist organisations and look for additional opportunities to strengthen partnerships with voluntary agencies and workers.

The research identified that poor awareness of benefits advice was a major barrier to employment for our clients. We will review the effectiveness of our signposting to specialist organisations by BAOH Managers and Job Coaches. In addition we will look for opportunities to strengthen our links with voluntary agencies, for example by inviting hostel key-workers to meet job coaches and inviting organisations like Jobcentre Plus and Citizens Advice to attend our training and action days.

Recommendation 3

Support member companies to determine the key elements of in-work support that are the most effective to support sustainable employment.

We will work with our BAOH Corporate supporters to assess how in-work and post-placement support provided through the BAOH programme is valued by our clients and respond accordingly.

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References

ⁱ Bain & Company (2006). Agenda for Change. Unpublished.

ⁱⁱ For more information on loss aversion, please refer to Spratt et al (2008). Work It Out: barriers to employment for homeless people. New Economics Foundation.

ⁱⁱⁱ For full economic modelling assumptions and detail, please see Spratt et al (2008). Work It Out: barriers to employment for homeless people. New Economics Foundation.

^{iv} Bain and Company (2006) Agenda for Change. Unpublished.

^v For full economic modelling assumptions and detail, please see Spratt et al (2008). Work It Out: barriers to employment for homeless people. New Economics Foundation.

^{vi} Ibid

^{vii} For more information on loss aversion, please refer to Spratt et al (2008). Work It Out: barriers to employment for homeless people. New Economics Foundation.

^{vi} See for example, Singh, P. (2005). No Home, No Job; Off the Streets and Into Work

^{viii} For full economic modelling assumptions and detail, please see Spratt et al (2008). Work It Out: barriers to employment for homeless people. New Economics Foundation.

^{ix} Ibid

^xDepartment for Work and Pensions (December 2008). Raising expectations and increasing support: reforming welfare for the future.

It is essential, both in the long term global context of increasing competition and in the current economic downturn, that business, government and the homeless sector work together to improve the employability of homeless people and the chances of them sustaining and progressing in work.

For more information on how you can make an impact, please contact:

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