Building a business case for Employment Advice and Support in IAPT

1. An external evaluation of employment advisers in IAPT will be available in Spring 2011[1]. In the interim, previous empirical evidence along with anecdotal evidence (drawn from recent experience in IAPT Employment Adviser pilots) can be cited in building a business case for commissioning employment advice and support in IAPT.

A Summary of Evidence

2. It is widely accepted that work is generally good for health – including for people with mental health conditions[2]. It is also established that the longer people are absent or out of work, the more likely they are to experience depression and anxiety. These findings have been formally endorsed by a coalition of healthcare professionals (including the British Psychological Society, the Royal College of Psychiatrists and the Royal College of General Practitioners[3]). Further work by the Royal College of Psychiatrists[4] and the Foresight report[5] on mental capital and wellbeing have confirmed this.

3. A 2006 study investigated the benefit of delivering employment advice alongside cognitive behavioural therapy to individuals who were self-employed but off work due to mild to moderate mental health conditions. It found that **people who had received a combined intervention (employment advice and CBT) were more likely to return to work earlier than those who had just received CBT in isolation**[6].

4. Furthermore, **individuals who are in work consume less primary care resource**[7]. Mathers (1994), Beale and Nethercott (1985), and Iverson, Sabroe and Damsgaard (1989) all found unemployment leads to an increase in GP consultation rates[8]. Therefore, an intervention that can help an individual retain employment, return as quickly as possible after a period of sickness absence, or return to work from being on a sickness related benefit *is likely to* be of benefit to the NHS at a local level.

5. An employment intervention can both pay for itself and yield long-term savings. The simple illustrative cost-benefit calculation below demonstrates one way of estimating these savings.

A Simple Illustrative cost-benefit calculation

6. The below outlines a simple cost-benefit calculation. It demonstrates how many people an employment adviser would need to maintain in employment to yield enough PCT savings to offset the upfront cost. Figure 1 represents a simple model of the below calculation.

7. **Cost**

   Cost of Employment Adviser: this is assumed to be **£40,000 p.a.** which includes oncosts (e.g. pension, employer NIC) plus management and administrative support costs[9].

8. **Potential Saving**

9. **Estimated cost of an average person who is unemployed and on incapacity benefits to a PCT, expressed in consumption of NHS services: £1,700 - 3,400 p.a.** (A). This is based on research which suggests that as people move from employment to unemployment, they incur 50% more in costs to the NHS than employed people.[10,11,12]

10. **Estimated average cost to a PCT of employed person: £1,100 - 2,300 p.a.**[13] (B)

11. **Estimated saving to a PCT of keeping one person in employment for one extra year: £600 - 1,100 p.a.**[14] (C = A - B)

Potential Return on Investment

12. For a return on investment to be made for a PCT, each Employment Adviser would need to support an additional 40 – 70 IAPT service users to maintain employment for a year (over and above core IAPT):
    £40,000/£600 to £40,000/£1,100 = 40-70. If an average Employment Adviser sees 250 people per annum[15], this represents between 16 - 28% of their caseload.

Note: The calculation does not take into account other fiscal impacts – avoidance of loss in tax revenue and avoidance of benefit payments – or wider economic and social benefits of keeping people in work. The other additional fiscal impact from retaining an average person in work is estimated at £9,000 p.a.[16] Thus, if an Employment Adviser is successful in retaining an additional 40 -70 people in work, the avoidance of fiscal loss for this group would be around £360,000 - £630,000 per annum.

Cost	**£40,000** per Employment Adviser (including on-costs)
Potential Saving per person	Potential Savings to the PCT for keeping a person in employment: Estimated cost of unemployed person to the PCT (A) - Estimated cost of employed person to the PCT (B) **= £600 – 1,100 p.a. per person kept in employment for one extra year (C)**
Potential Return on Investment	**To achieve Return on Investment:** EA must keep more than 16 – 28% of their caseload in employment over an above what IAPT alone may deliver (estimated 250 annual caseload)

Key		Cost to PCT	Potential Saving to PCT
	Unemployed Person (A)	£1,700 – 3,400 p.a	
	Employed Person (B)	£1,100 – 2,300 p.a	
	Difference in cost between employed person and unemployed person (C, i.e. A - B)		£600 – 1,100 p.a. per person kept in employment for one extra year

Figure 1: Demonstration of how many people an employment adviser would need to maintain in employment to yield enough PCT savings to offset the upfront cost

Notes

[1] The external evaluation of the Department for Work and Pensions funded Employment Advisers in IAPT is being conducted by the Institute of Employment Research at the University of Warwick. The planned publication date is set for Spring 2011.

[2] Waddell, Gordon and Burton, A. Kim (2006) *Is work good for your health and well-being?* The Stationery Office, London, UK. ISBN 9780117036949

[3] http://dwp.gov.uk/docs/hwwb-healthcare-professionals-consensus-statement-04-03-2008.pdf

[4] http://dwp.gov.uk/docs/hwwb-mental-health-and-work.pdf

[5] http://www.foresight.gov.uk/Mental%20Capital/Final_Project_Report_part4.pdf

[6] Blonk RWB , Brenninkmeijer V.*,* Lagerveld SE*,* Houtman ILD. Return to work: A comparison of two cognitive behavioural interventions in cases of work-related psychological complaints among the self-employed*. Work & Stress (*2006*);* 20 *(*2*):*129-144

[7] This may be due to a number of reasons including (i) work is generally good for health as noted in paragraph 2 so people in work require less healthcare and (ii) opportunity cost of consuming healthcare is higher when in employment so some individuals maybe ill in employment but they do not have an impact on medical costs.

[8] Mathers (1994) Health differentials among adult Australians aged 25-64 years. Canberra: Australian Institute of Health and Welfare; Beale, N. and Nethercott, S. (1987) The health of industrial employees four years after compulsory redundancy. Journal of the Royal College of General Practitioners; Iversen, L., Sabroe, S., and Damsgaard M.T. (1989). Hospital admissions before and after shipyard closure. British Medical Journal, 299. The last two studies used natural experiments (factory closures) to assess the impacts of employment on health thus solving for reverse causality i.e. healthy people are more likely to be in work.

[9] Figures exclude estate costs.

[10] Figures taken from Fujiwara, D. (forthcoming) The Department for Work and Pensions Social Cost-Benefit Analysis Framework, DWP Working Paper 86. The lower estimate is based on the NHS cost for an average employed person and the upper estimate is the equivalent for an employed person with a disability. An individual at risk of falling onto ESA may fall somewhere in this range.

[11] The 50% is based on increase in GP consultation rates as people move from employment to unemployment in factory closures. GP consultation rates are used as a proxy for overall medical service usage as strong correlations have been found between GP consultation rates and (i) usage of secondary care services; and (ii) NHS average costs. However, it is possible that the reduction in usage in other services will not be as large as the 50% observed for GP consultations; if this is the case, then Employment Advisers will need to maintain more people in employment to generate sufficient savings to offset the upfront costs.

Having said this, the percentage change reduction is likely to be higher for those people with initially poorer health status. Qualitative evidence suggests the marginal impact of work on health is actually greater for those who start off in a worse health status, so there are likely to be even greater gains from retaining someone with a health condition in work. Further the percentage change reduction only captures the latent health benefits of employment (e.g. structured time use, activity, social contact, collective purpose and status) and not the economic benefits (e.g. increased income

from employment may lead to a better lifestyle and diet, fewer monetary worries and better access to medical services) therefore again potentially under-estimating the gains from retaining someone in work.

[12] Some studies have suggested that the impact on health of moving from employment to unemployment is not symmetrical to those of moving from unemployment to employment. The impact of the former maybe greater than the latter as the loss of a job has a large negative health impact. It is estimated that the movement from unemployment to employment reduces medical costs by 33 percent (see work by Fujiwara as referenced in footnotes above). The cost-benefit calculation above looks at retaining people in work only. To estimate the cost-benefit of returning individuals to work from unemployment, the 33% reduction in medical costs should be used.

[13] Based on work by Fujiwara, D. (forthcoming) as referenced above.

[14] Due to the lack of information on timing, it is assumed all savings are realised in the same year. Some savings may be realised in later years so the estimated saving to the PCT above may be an over-estimate in any one year.

[15] Based on the assumptions that (i) each service user has a 40-minute introductory session followed by eight 30-minute sessions with an Employment Adviser; and (ii) an Employment Adviser has 228 working days in a year and works 7.5 hours a day. Further they spend 70% of their time seeing service users.

[16] Freud, D. (2007) Reducing dependency, increasing opportunity: options for the future of welfare to work – an independent report to the DWP. The report estimate the fiscal gain of a year-long move into employment (or similarly of retaining someone in work and the avoidance of benefit payments) for the DWP of an average recipient of incapacity benefits is £5,900. Including wider exchequer gains (or avoidance of loss) (offsetting direct and indirect taxes paid with additional tax credits) raises this figure to £9,000. Note that this is likely to be an underestimate in the above cost benefit calculation. The £9,000 figure is based on an average recipient of incapacity benefits. Those who an Employment Adviser helps to retain in work are likely to be have higher wages (and therefore greater fiscal loss if unemployed) as they already have attachments in the labour market.