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Department for Work and Pensions

Responding to change in jobcentres

Key facts

1.5m

Jobseeker's Allowance claimants, on average, 2011-12

98%

increase in Jobseeker's Allowance claimants over four years, April 2008 to March 2012

£1.4bn

spent on jobcentre operations, 2011-12

- 3.6 million** new Jobseeker's Allowance claims, 2011-12
- 3.5 million** Jobseeker's Allowance claims closed, 2011-12
- 77 per cent** increase in monthly staff spending in March 2012 compared with spending in April 2008
- 168** average caseload of a Jobseeker's Allowance personal adviser, 2011-12
- £56** staff cost per claimant in March 2012
- 68 per cent** of claimants leaving Jobseeker's Allowance in 2011 gained work

Summary

1 Jobcentres play a central role helping people into employment. In 2011-12 nearly 37,000 jobcentre staff across 740 jobcentres supported a caseload of five million people on average across the year. Around 3.6 million jobseekers set up new claims and jobcentres helped 3.5 million people to leave Jobseeker's Allowance.

2 Jobcentre advisers typically have face-to-face contact every two weeks with Jobseeker's Allowance claimants, and every six months with claimants of Employment and Support Allowance and Income Support for lone parents. The three main forms of contact for Jobseeker's Allowance are: new-claims interviews, job-search reviews (sometimes known as 'sign on'), and work-focused interviews. In these activities advisers and other staff check benefit entitlement, give advice on job search and applications, refer claimants to additional support, and where necessary refer claimants for sanctions.

3 The Department for Work and Pensions (the Department) is responsible for the management of jobcentres. In 2011-12 the Department spent £1,070 million on staff providing all jobcentre services. It spent a further £325 million on jobcentre offices and £23 million on IT (**Figure 1** overleaf).

4 Jobcentres face a challenging and variable operating environment. The Department has to be able to respond to changes affecting claimants and services including:

- Increases in claimant numbers driven by economic conditions. The number of Jobseeker's Allowance claimants increased by two-thirds from 0.9 million in September 2008 to 1.5 million in March 2009.
- Changes in the needs of claimants. By March 2012, the Department estimates that around 120,000 Jobseeker's Allowance claimants had moved from other benefit regimes and had different needs and expectations of employment.
- Continuing reforms to policy and services. Universal Credit will introduce conditions for claimants in work and jobcentres will need to adapt services for new claimant groups. At the same time people will increasingly manage their claims and search for jobs online.

Figure 1

Jobcentre directorate spending in 2011-12

Jobcentre contact is directed primarily at Jobseeker's Allowance claimants

| Activity | Average number of claimants (million) | Staff (FTE) | Cost (£m) |
|--|---------------------------------------|---------------|--------------|
| Jobcentre claimant advice | | | |
| Jobseeker's Allowance advisers | 1.5 | 15,890 | 440 |
| Income Support for lone parents advisers | 0.6 | 1,300 | 40 |
| Employment and Support Allowance and Incapacity Benefit advisers | 2.6 | 560 | 17 |
| Adviser team leaders and managers | n/a | 3,510 | 116 |
| Administrative support to advisers | n/a | 3,260 | 77 |
| Customer support | n/a | 4,040 | 110 |
| Other functions | | | |
| Employer and local partnership services | n/a | 2,200 | 77 |
| Jobcentre directorate management and support | n/a | 1,760 | 71 |
| Other activities | n/a | 4,280 | 122 |
| Facilities | | | |
| Jobcentre estates | n/a | n/a | 325 |
| IT | n/a | n/a | 23 |
| Total | 4.7 | 36,800 | 1,418 |

NOTES

- 1 Average number of claimants is calculated using monthly claimant totals. The total number of Jobseeker's Allowance claimants in the year is higher because people tend to claim for less than a year.
- 2 Other activities include other operations such as: providing crisis loans; conducting compliance interviews of suspected fraud; and other departmental services, for example Access to Work.
- 3 IT costs are hardware costs, such as desktops and printers. It excludes running costs for IT systems and infrastructure, which were £307 million across contact centres, jobcentres and processing centres in 2011-12.

Source: National Audit Office analysis of departmental data

The scope of our report

5 Jobcentre services are a well-established part of the labour market regime in Great Britain and the Department has a good track record of delivering changes to the jobcentre network. For example, in 2008 we concluded that the Department had done well in making efficiency savings from rationalising the jobcentre network.

6 In the face of continuing challenges it is critical that the Department is able to deliver changes to services and that it has in place key enablers such as performance management and financial planning. This report considers:

- how the Department has provided claimant services in the face of changing demand (Part One);
- whether the Department's performance framework helps it to respond to change by identifying and encouraging effective forms of support (Part Two); and
- how the Department anticipates and plans for change (Part Three).

7 This report considers how the Department responded to the start of the economic downturn in 2008-09, what current changes it is implementing and whether the jobcentre network is ready to cope with further change. This report does not assess the effectiveness of the overall labour market regime or individual programmes such as the Work Programme. It focuses on jobcentres themselves, and does not assess contact centres or benefit processing centres.

Key findings

Providing claimant services in the face of changing demand

8 The Department provided services during the economic downturn in 2008-09 despite lags in recruiting staff. Jobcentres coped with a rapid rise in claimants with limited staff after the start of the economic downturn. In six months, between September 2008 and March 2009, claimant numbers increased by two-thirds (from 0.9 million to 1.5 million). The Department did not significantly increase its staff until April 2009 and judged it could cope for the four to six months it would take to recruit staff. The Department decided not to cut short essential pre-employment checks and recognised that forecasts remained very uncertain. In the interim it halted planned staff reductions and moved staff from other parts of the Department to help with the additional work (paragraphs 1.4 to 1.6).

9 The Department relaxed service requirements at the start of the downturn to cope with increased claimant numbers and limited resources. The Department relaxed requirements about the activities that jobcentre staff needed to undertake during 2008-09 and 2009-10. Jobcentres were able to prioritise activities to check eligibility for benefits and make sure that claimants received payments. Other services adjusted accordingly. Work-focused interviews increased in absolute terms from 9.5 million in 2008-09 to 10.5 million in 2009-10 but fell as a proportion of all interviews from a quarter to a fifth. Sanctions imposed on claimants declined in that period. Our analysis shows that referrals to other sources of support also increased (paragraphs 1.9 to 1.12).

10 The Department has continued to pursue efficiency but variations in caseload across jobcentres suggest that further gains may be possible. While spending has risen to cope with the effects of the economic downturn, the Department has maintained its efficiency drive in jobcentres. Claimant numbers increased by 98 per cent over four years between April 2008 and March 2012, while total monthly jobcentre staff costs increased by 77 per cent. Our analysis indicates that the cost per claimant has remained broadly flat despite difficult operating conditions. In 2011-12 caseload per adviser averaged 168 but varied by nearly 30 per cent across jobcentres suggesting that further efficiencies could be possible (paragraphs 1.14, 1.16 and 1.17).

11 Headline performance levels have held up during the economic downturn. Jobcentre districts have targets for the proportion of jobseekers to have moved off benefits at 13 weeks, 26 weeks, 39 weeks and 52 weeks. Rates at which jobseekers flow off benefits have declined marginally during the downturn but this may also reflect economic conditions and changing claimant mix. Customer satisfaction levels also declined but have since recovered and remain consistently high compared with similar services in other countries (paragraphs 1.22 and 1.23).

Identifying and encouraging effective forms of support

12 The Department has simplified its performance measures and now primarily targets off-flow from benefits. Off-flow is a simple and intuitive measure of overall performance and staff report that it has helped them to prioritise claimant needs. Our analysis does not suggest that the focus on off-flow is creating perverse incentives or spikes in activity before performance milestones. The Department is yet to decide how to adapt this measure after introducing Universal Credit, which merges out-of-work and in-work benefits. In 2013-14 the Department will continue to use current performance measures while it runs the existing benefits system in parallel with Universal Credit (paragraphs 2.2 to 2.6 and 2.16).

13 Off-flow from benefits is a simple and intuitive measure but does not directly reflect jobcentre performance. Off-flow from benefits can show positive outcomes, such as finding work, but in 40 per cent of cases the reason for off-flow is not recorded. The Department conducted a separate destination survey in 2011 and estimates that 68 per cent of off-flow from Jobseeker's Allowance is into employment. However, this gives no information about individual jobcentre performance in supporting claimants to work (paragraphs 2.10 to 2.11 and 2.14).

14 The Department is encouraging greater flexibility for individual jobcentres, which increases the need to understand performance. The Department has moved away from nationally mandated processes towards local flexibility and it encourages jobcentre staff to tailor support for claimants. The Department's approach has been to increase flexibility in how frontline staff personalise support for claimants and also give jobcentre districts greater autonomy over jobcentre activities (unless mandated by legal or policy requirements). The Department encourages districts to suggest improvements to jobcentre services and back-office functions and will allow more flexibility as ideas are tested and approved (paragraphs 2.17 to 2.19).

15 The Department will need to improve evaluation of the costs and benefits of new services, and sharing good practice under a model of greater flexibility. In addition to managing performance the Department has a crucial role in assessing and communicating the effectiveness of different services in jobcentres. Evaluation is challenging because of the technical difficulties in isolating or attributing impacts from widespread local experimentation. The Department has undertaken some qualitative evaluation of the impact of greater personalisation and has piloted increased flexibility in four jobcentre districts. It has not attempted to evaluate the costs and benefits of greater flexibility but it has recognised the need for a more systematic approach. It has taken steps to improve the speed of decision-making and established a 'corporate support enabling group' to improve sharing of good practice (paragraphs 2.20 to 2.23 and 2.29 to 2.30).

Anticipating and planning for change

16 The Department's forecasts of claimant numbers can be extremely uncertain and it has had to adapt its planning assumptions frequently in response. Forecasts in 2009 predicted that claimant numbers would rise to almost 3 million by 2010-11 while actual claimant numbers peaked at 1.6 million in February 2010. The Department revised forecasts downwards in each successive quarter as economic conditions became clearer. The Department returned £789 million to HM Treasury in 2011-12, mainly because claimant numbers were lower than forecast (paragraphs 3.4 and 3.13).

17 In the face of uncertainty the Department takes a systematic approach to estimating required resources in jobcentres. The Department has a forecasting model that uses multiple sources of information to estimate likely impacts on staff and resource requirements. It considers claimant count forecasts, rates of off-flow from benefits and assumptions about the time needed for tasks. The Department forecasts and monitors the impact of policy changes on claimant numbers and shares the estimates with the Office for Budget Responsibility for forecasting purposes (paragraphs 3.6 to 3.8).

18 New claimant groups and operational flexibilities in jobcentres may make it more difficult for the Department to estimate required resources. The Department uses the national average time for activities to estimate resources required in each jobcentre district. Greater flexibility and variation across jobcentres makes the average-time approach more difficult (paragraph 3.11).

19 The Department has put in place contingency arrangements against future surges in demand. The Department has established a 'national higher workloads' plan to respond to surges in demand. The Department also recently merged its Jobcentre Plus agency into the core department, allowing greater central oversight of resourcing and opportunities to reallocate staff if required (paragraphs 3.14 and 3.15).

Conclusion on value for money

20 The jobcentre network is a core element of the Department's support for jobseekers. The jobcentre network is a well-established operation and has shown its capacity to maintain services during a downturn. The Department can handle changes without escalating costs or major problems with performance, which represents value for money. The Department has also continued to formalise contingency arrangements and developed a structured approach to operational planning.

21 The Department is continuing to develop its service in the face of major reforms. However, it must improve how it tracks and understands performance, to support claimants effectively and provide value for money from more flexible services. Off-flow from benefits is not an accurate view of claimant outcomes and does not assess the true impact of jobcentre services. The Department is also missing an opportunity to test new approaches to helping claimants by not evaluating the costs and benefits of flexibilities in a systematic way.

Recommendations

22 The Department is introducing greater flexibility and personalising support for claimants. This requires clear performance measures and strong central evaluation of how different activities improve outcomes. We recommend the Department:

a Broadens evaluation of different services provided by jobcentres in light of personalisation of services and greater freedoms and flexibilities.

- The Department should assess the costs and benefits of flexibility in jobcentres from increasing personalisation of services and greater autonomy of jobcentre districts, using the broadest range of methods possible.
- The Department established a central function called the 'corporate support enabling group' in December 2012 to support districts introducing greater flexibility. The group should promote tools to help districts assess the costs and benefits of changes.
- The Department should establish national process owners to monitor the end-to-end impact of flexible approaches and to champion good-practice sharing.
- Operational staff should seek feedback directly from claimants as part of the personalised service.
- Districts could peer review jobcentre practices to help maintain service standards and encourage good-practice sharing.

b Improves measurement of claimant outcomes beyond off-flow from benefits.

- The Department is aware that off-flow from benefits is an imperfect measure of performance and also that it will need to adopt new measures under Universal Credit. New measures will need to reflect the sustainability of employment under a system of tapered benefits. Measures should be comparable with the Work Programme to aid performance comparisons.
- The Department should regularly review whether targeting off-flow contributes to improved outcomes. Under greater flexibility the Department should identify and discourage practices that increase off-flow without supporting long-term outcomes for claimants.
- In the short term the Department's forms and destination surveys should ask claimants about the jobcentre's contribution to finding employment.

c **Benchmarks further measures of cost, efficiency and effectiveness between jobcentres to guide resource allocation and performance management.**

- Performance measures could better reflect the cost and time of jobcentres' contacts with claimants, and how far these result in successful employment. The Department's analysis suggests a link between the time advisers spend with clients and off-flow from benefits.
- Caseloads per adviser vary by nearly 30 per cent between districts, even when the Department has clustered jobcentres by similar characteristics.
- The Department should compare performance and the consequences for benefits spending in districts with higher and lower caseloads.
- The Department could also use benchmarks to inform planning assumptions for resource allocation models, as face-to-face services become less standardised.

d **Adjusts planning assumptions for the effect of changes to claimant mix and policy changes.**

- The current model estimates the staff time needed for tasks based on the average time needed per claimant. These estimates will become increasingly challenging as: interview times vary further as jobcentres personalise claimant support; new programmes are developed; and the case mix within benefit streams changes because of policy reforms.
- The Department should review the 'standard time' approach to allocating resources in light of greater flexibility. It could use greater benchmarking of activities, staff mix, caseload and interview times to determine appropriate levels of resourcing.
- The Department should adjust estimates for the impact of claimant mix *within* as well as *between* benefit streams. For example, as more Incapacity Benefit claimants are reassessed to Jobseeker's Allowance the needs of Jobseeker's Allowance claimants will change.