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AUDITOR GENERAL

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Department for Work and Pensions

Responding to change in jobcentres

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National Audit Office

Department for Work and Pensions

Responding to change in jobcentres

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

7 February 2013

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.

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This report can be found on the National Audit Office website at www.nao.org.uk/jobcentre-change-2013

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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.

Part One

Providing claimant services in the face of changing demand

1.1 The UK economy has experienced a prolonged economic downturn since 2008. Despite this, the level of unemployment has been lower than in previous recessions. This may in part reflect greater flexibility in the labour market, active labour market policies and job-search requirements for benefit claimants.

1.2 The Department for Work and Pensions (the Department) nonetheless has provided services in jobcentres to a significantly higher number of claimants since 2008-09. It has had a critical role in balancing resources to provide services while controlling costs. This part considers how the Department has:

- increased staffing levels to support large numbers of new claimants;
- implemented changes to service requirements to cope with increased demand; and
- controlled the costs of providing services in jobcentres.

1.3 This part examines the experience of changes since the start of the economic downturn in 2008-09 and describes how jobcentres provided services. 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.

Increases in staff lagged behind the increase in claimants

1.4 Jobcentres coped with a rapid rise in claimants with limited staff after the start of the economic downturn. Between September 2008 and March 2009 claimant numbers increased by two-thirds (from 0.9 million to 1.5 million). Staff numbers did not significantly increase until April 2009 (**Figure 2** overleaf).

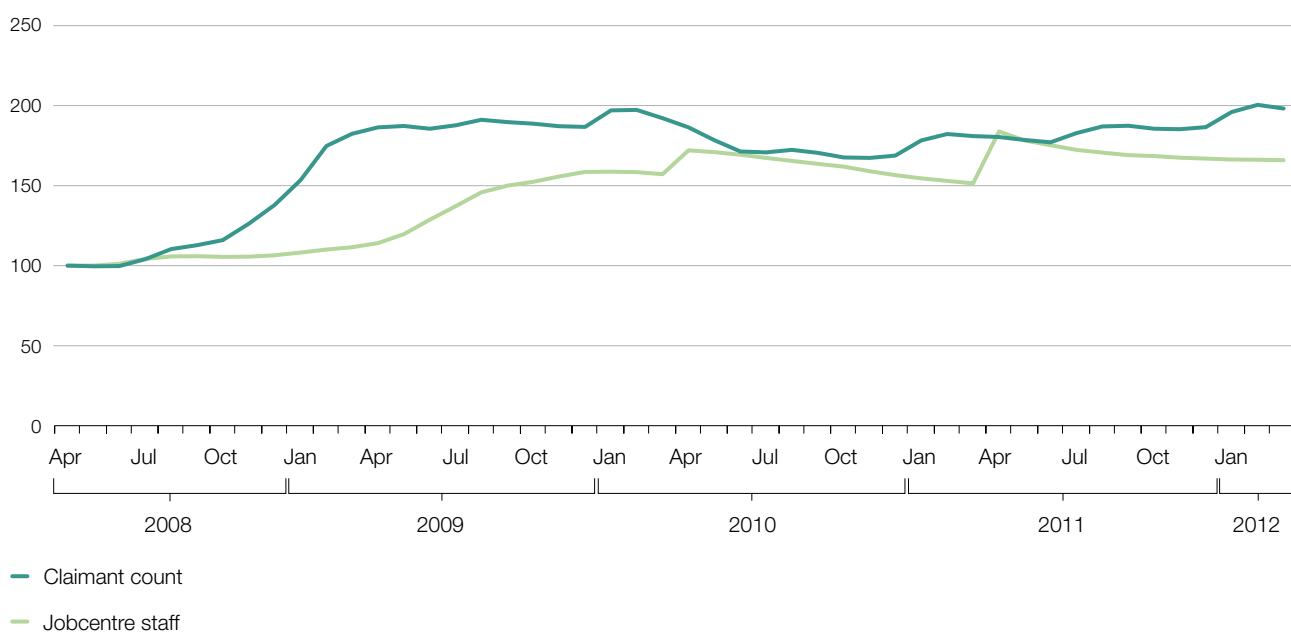
1.5 It normally takes four to six months to recruit additional staff to comply with fair and open competition rules and perform essential checks. The Department judged that by halting planned staff reductions, moving staff from other activities and using overtime it could manage the additional workload in the intervening period. The cost of overtime to manage the increased workload from the economic downturn was £11.8 million in 2008-09 and £20.2 million in 2009-10.

Figure 2

Change in Jobseeker's Allowance claimants and full-time equivalent jobcentre staff, April 2008 to March 2012

The Department judged it did not need additional staff numbers until April 2009

Index (April 2008 = 100)

**NOTE**

1 In April 2008, the claimant count was 807,800 and jobcentre staff totalled 21,500.

Source: National Audit Office analysis of departmental data and NOMIS labour market statistics

1.6 The Department recognised that the surge in claimants would create a temporary increase in workload. It appointed 10,000 jobcentre staff on fixed-term contracts to meet the expected rise in claimants. The proportion of fixed-term staff rose from almost none in 2008 to 25 per cent of full-time equivalent staff by the end of 2009, before falling to below 1 per cent by 2012. The Department used casual staff very little, with less than 2 per cent of all staff at the peak, and almost none since mid-2010.

The Department relaxed service requirements at the start of the economic downturn to cope with increased demand

1.7 The start of the economic downturn resulted in a rapid increase in claimants and the Department could not increase staff and resources at the same rate. To meet demand the Department introduced measures to manage contact time with claimants and relaxed service requirements. The Department encouraged jobcentres to reduce the time spent in interviews and to try alternative approaches such as group sessions (**Figure 3**).

Figure 3

Measures introduced in the economic downturn to manage increased claimant volumes and staff workloads

The Department encouraged jobcentres to reduce contact time and streamline services

Type of measure	Objective	Examples of activities
Focused interventions	Maximise the number of appointments by shortening interviews.	New-claims interview reduced from 40 to 35 minutes. Fortnightly job-search reviews reduced from 5–10 minutes to 4–7 minutes.
Less frequent interventions	Manage claimant volumes by combining interviews or relaxing requirement to have interviews.	Combined job-search reviews and work-focused interviews at weeks 13 and 26. Relaxation of weekly signing in weeks 13 to 19.
Telephone intervention	Manage claimant volumes by reducing face-to-face interventions.	Financial assessments conducted over the phone before new-claims interview.
Group intervention	Manage workload by delivering interventions to groups of claimants.	Group sessions for 13 week review. Group session for initial lone parent work-focused interview.
Externally conducted interventions	Manage claimant volumes in jobcentres by providing interventions at external locations.	First work-focused interviews conducted in premises of Pathways to Work providers. Increased outreach activities.
Optimising customer flows (seeing the next available adviser)	Manage claimant volumes and reduce staff downtime.	Claimants saw the next available adviser rather than by appointment.

NOTE

1 These measures became available to all jobcentres in April 2009. Some jobcentres had used these measures before this date.

Source: Department for Work and Pensions, *Exploring staff perceptions of Jobcentre Plus downturn measures, Research Report 668, August 2010*

1.8 Staff expressed reservations as to whether the measures should be permanent or only used while claimant volumes are high. The Department conducted a qualitative evaluation of the impact of measures with 61 staff across eight offices. Staff responded that measures, particularly shortened interviews and ‘seeing the next available adviser’, had helped to manage the increase in workloads and did not undermine customer service.

1.9 Relaxed requirements and changes to the claimant mix led to different patterns of activity in jobcentres. Jobcentres prioritised work to check claimant efforts to find work and maintain benefit payments over work-focused interviews. Between 2008–09 and 2009–10 the number of job-search reviews increased by around a half, while work-focused interviews increased by 11 per cent, from 9.5 million to 10.5 million (**Figure 4** overleaf).

Figure 4

Job-search reviews and work-focused interviews, 2008-09 to 2010-11

Jobcentres prioritised work to check efforts to find work and maintain benefit payments**Contacts with Jobseeker's Allowance claimants (millions)**

- Assistant adviser job-search reviews
- Personal adviser work-focused interviews

NOTES

- 1 Comparable data is not available from April 2011 because of changes to the jobcentre regime and performance measures.
- 2 While the Department undertook 50 per cent more job-search reviews in 2009-10, the total amount of time spent on the activity increased by just 13 per cent as the standard time allotted fell by a quarter from 10 minutes to 7.5 minutes.

Source: National Audit Office analysis of departmental data

1.10 Jobcentres can also change other activities, including referrals for discretionary support and sanctions. It is not clear to what extent changes in these activities during the downturn were a deliberate response to managing demand or new claimants had differing needs.

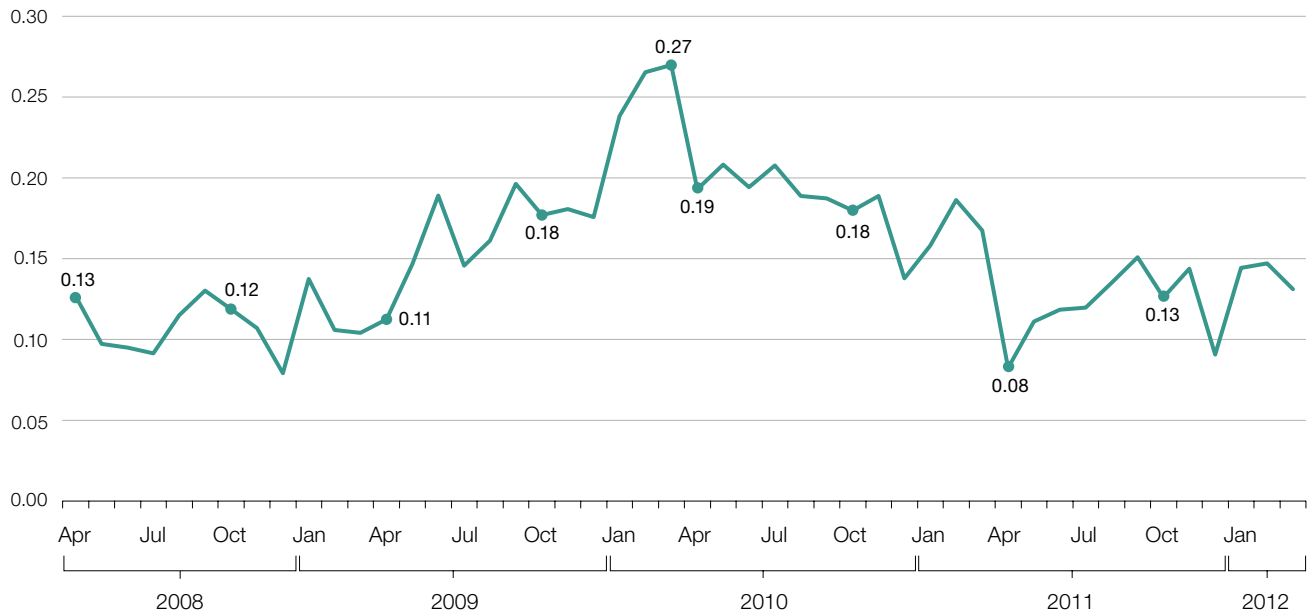
1.11 The rate of sanction referrals (for claimants who are not doing enough to find work) declined in 2008-09. Sanctions per 1,000 cases dropped from 80 in April 2008 to 40 in April 2009. The sanction rate increased to more than 100 sanctions per 1,000 cases in 2010-11 before returning to pre-economic downturn levels in 2011-12 of between 60 and 90 per 1,000 cases.

1.12 Jobcentres relied more heavily on referrals to other providers of support. Our analysis of a sample of Jobseeker's Allowance claims found that the number of people jobcentres referred for discretionary support more than doubled during the economic downturn (**Figure 5**). External providers delivered much of the additional support introduced in response to the downturn, such as the Six Month Offer and the Young Person's Guarantee.

Figure 5

Rate of referrals of jobseekers to discretionary support, 2008-09 to 2011-12

Jobcentres relied more heavily on referrals to other providers of support during the economic downturn

Ratio of jobcentre referrals to open cases

Source: National Audit Office analysis of a sample of 10,000 Jobseeker's Allowance cases

Jobcentre efficiency has remained broadly flat

1.13 In 2008 we concluded that the Department had made efficiency savings by rationalising the jobcentre network.¹ It kept open some jobcentres temporarily to cope with the effects of the economic downturn.

1.14 While spending has risen the Department has maintained its efficiency drive in jobcentres. Claimant numbers increased by 98 per cent between April 2008 and March 2012, while total monthly jobcentre operational staff costs increased by 77 per cent in real terms.

1.15 On some measures unit costs appear to have increased. The Department's measure of cost-effectiveness is average staff cost per off-flow. **Figure 6** overleaf shows that the average spending per off-flow has increased by 25 per cent since 2008-09. Increased costs reflect the lengthening amount of time that jobseekers spend on benefits. The median duration of Jobseeker's Allowance claims increased from 11.9 weeks in 2008-09 to 15.3 weeks in 2011-12, an increase of more than 29 per cent.²

¹ Comptroller and Auditor General, *The roll-out of the Jobcentre Plus office network*, Session 2007-08, HC 346, National Audit Office, February 2008.

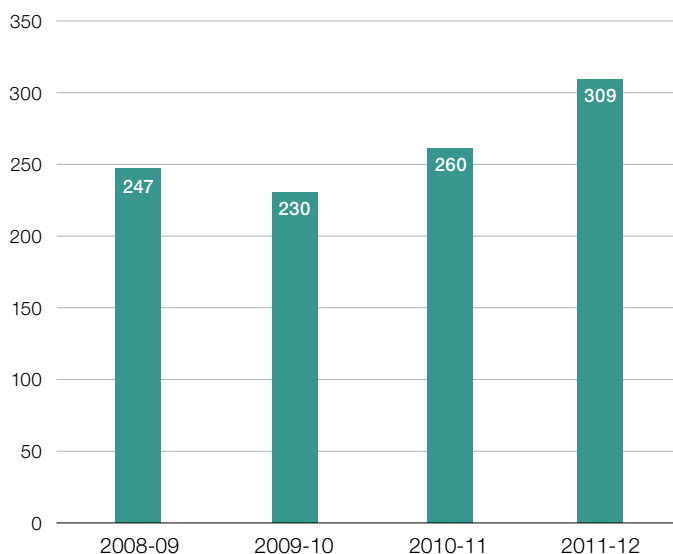
² The preferred measure of average claim duration is the median rather than the mean as it is less affected by a relatively small number of long-time claimants and the skewed distribution of claims.

Figure 6

Total jobcentre staff costs per off-flow, 2008-09 to 2011-12

The average cost of moving claimants off Jobseeker's Allowance has increased

2011-12 prices (£)

**NOTE**

1 Includes all jobcentre directorate staff costs. Excludes costs of facilities.

Source: National Audit Office analysis of departmental data and NOMIS labour market statistics

1.16 Adjusting for the duration of claims suggests that unit costs of managing claims have remained broadly flat. Our analysis shows that the direct cost per claimant has fallen slightly in real terms from £62 in April 2008 to £56 in March 2012 (**Figure 7**). The lowest spending was in 2009-10 but this is unlikely to be wholly down to efficiency gains. The rapid rise in claimants meant that the balance of services could not be maintained (see paragraph 1.9).

Wide variations in caseload per adviser suggest that further efficiencies may be possible

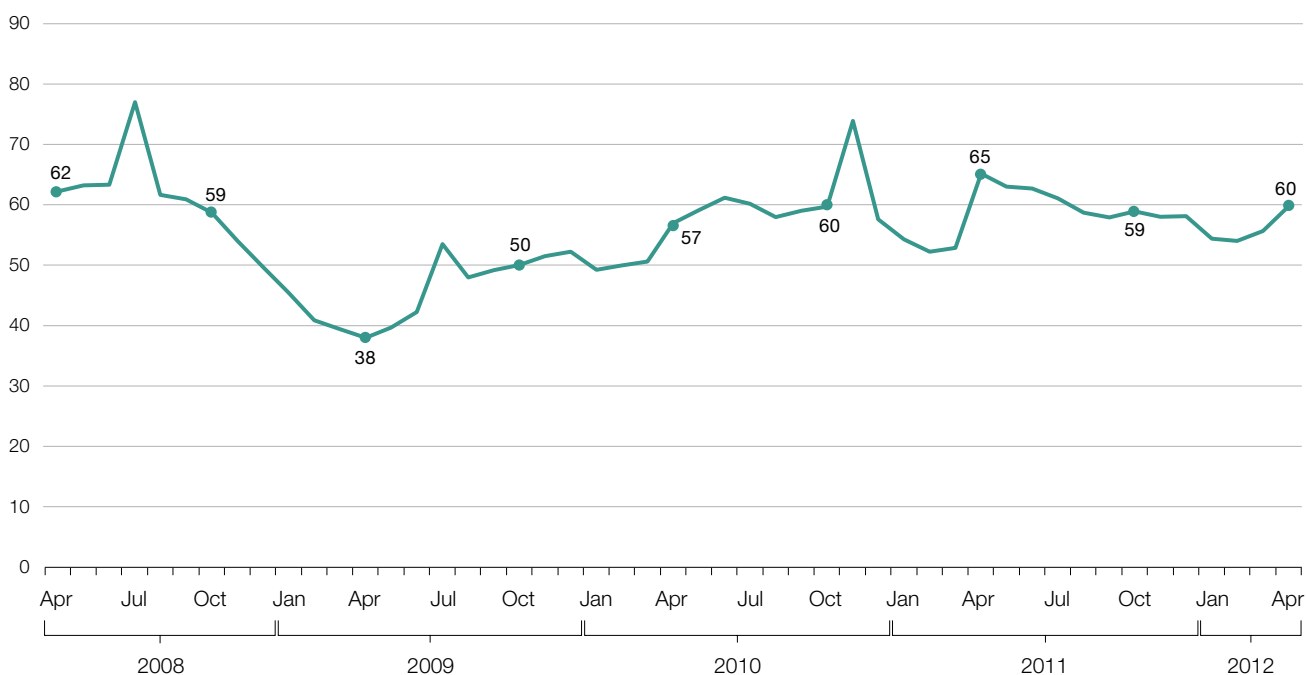
1.17 The average caseload of a personal adviser varies across jobcentre districts. Caseloads range from a low of 118 cases per adviser in Wessex to a high of 213 cases per adviser in Birmingham and Solihull with a national average of 168. Average caseload varies from the national average by 30 per cent (**Figure 8** on page 20). The Department's analysis suggests a link between the time advisers spend with clients and off-flow from benefits.

Figure 7

Total jobcentre staff cost per claimant, April 2008 to April 2012

Monthly costs have fluctuated but remain broadly flat over four years

2011-12 prices (£)

**NOTES**

- 1 Includes all jobcentre directorate staff costs. Excludes costs of facilities.
- 2 The monthly cost is sensitive to changes in the claimant count.

Source: National Audit Office analysis of departmental data and NOMIS labour market statistics

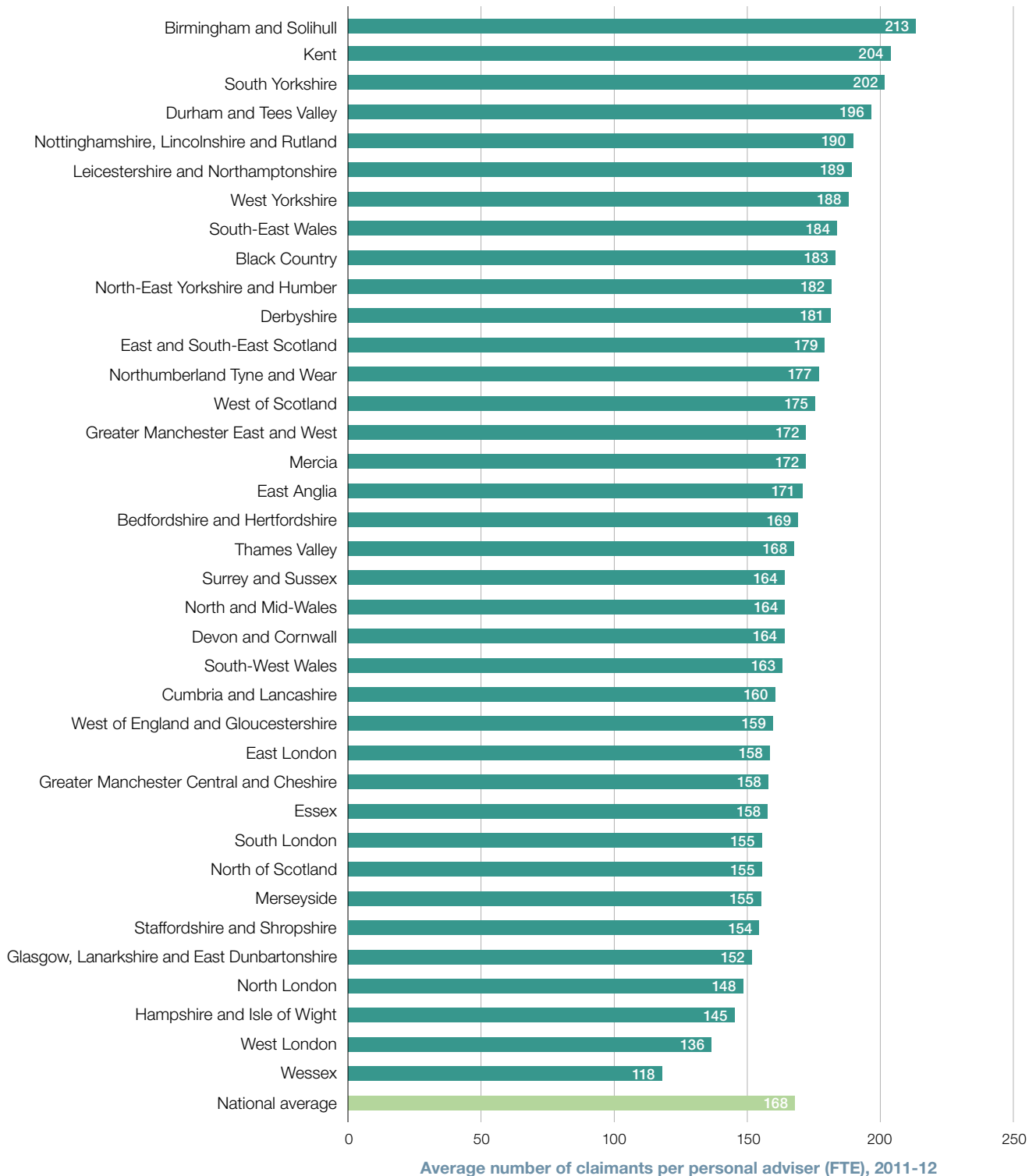
1.18 Variation between districts could reflect factors other than performance. Districts may have different proportions of frontline and back-office staff. In 2012-13, the Department introduced comparator districts to improve comparisons of performance on a like-for-like basis. The Department clusters districts on: average claimant-to-vacancy ratio; population density; and the proportions of claimants: with no qualification, with a disability, or from an ethnic minority.

1.19 Even within clusters there are noticeable variations in how caseloads are managed. Caseloads among jobcentre districts typically vary between 10 and 15 per cent from the cluster average and in some groupings the variation is nearly 30 per cent.

1.20 The Department is developing its approach to benchmarking districts and believes that clustering is currently too inconsistent to provide meaningful comparison. The clustering approach is complex. Groups of comparator districts are not mutually exclusive and some comparisons are one-way. For example, while performance in West Yorkshire is judged against five other districts, no districts are compared against West Yorkshire to determine performance. In contrast, 12 districts use South Yorkshire as a comparator.

Figure 8
Caseloads across jobcentre districts, 2011-12

The average caseload per personal adviser varies widely



Source: National Audit Office analysis of departmental data

Headline performance has held up during the economic downturn

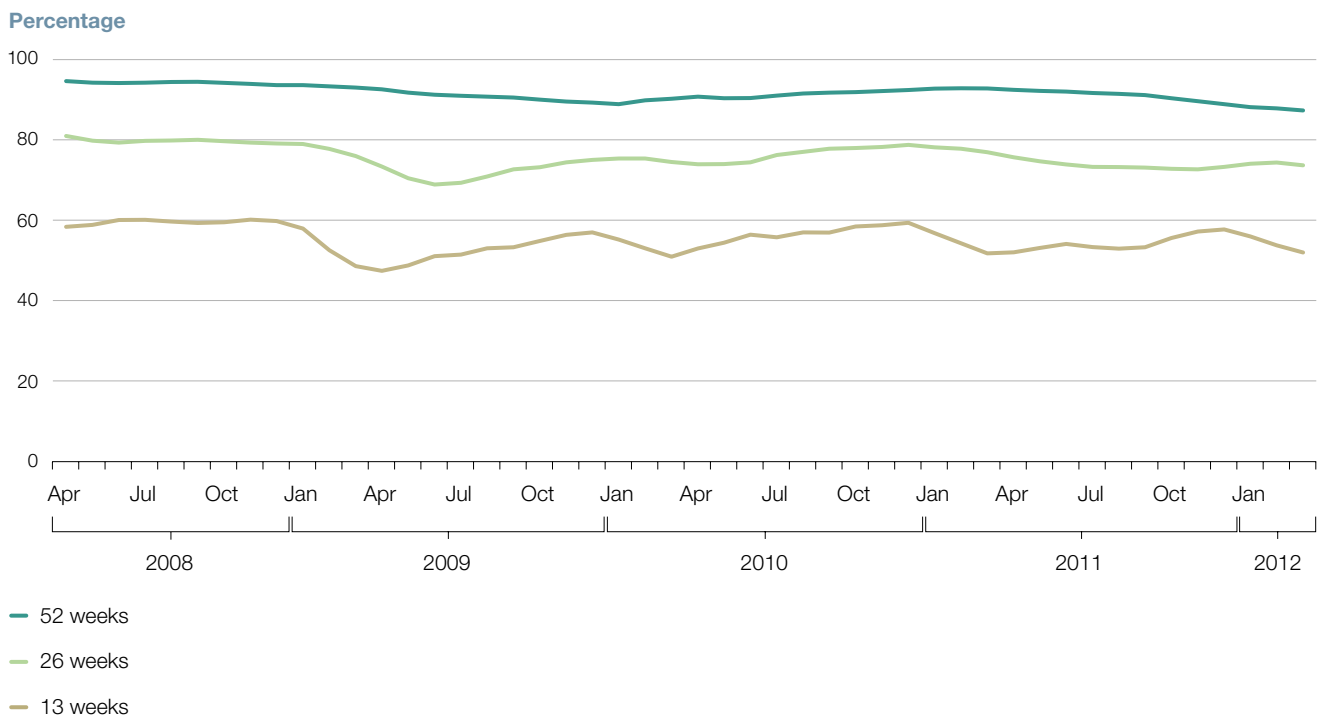
1.21 Assessing jobcentre performance is inherently difficult and depends on economic conditions, policy changes and other aspects of the labour market regime. We have not assessed the impact of jobcentre support on employment. Instead we compared simple headline measures of off-flow and customer satisfaction to determine whether the start of the downturn led to a marked deterioration in operational performance.

1.22 Jobcentre districts have targets for the proportion of claimants flowing off Jobseeker's Allowance by 13 weeks, 26 weeks, 39 weeks and 52 weeks. Performance did decline in early 2009 but then recovered and has since fluctuated (**Figure 9**). Off-flow rates remain marginally lower than before the downturn but may reflect economic conditions and a changing claimant mix. The Department's surveys show that off-flows into employment account for around two-thirds of all off-flows (see paragraph 2.12).

Figure 9

Off-flow rates from Jobseeker's Allowance at 13, 26 and 52 weeks, April 2008 to March 2012

Jobcentre performance declined in early 2009 but then recovered and has since fluctuated



NOTE

1 Target levels for 2011-12 were 53 per cent off-flow for 13 weeks, 72 per cent for 26 weeks and 88 per cent for 52 weeks.

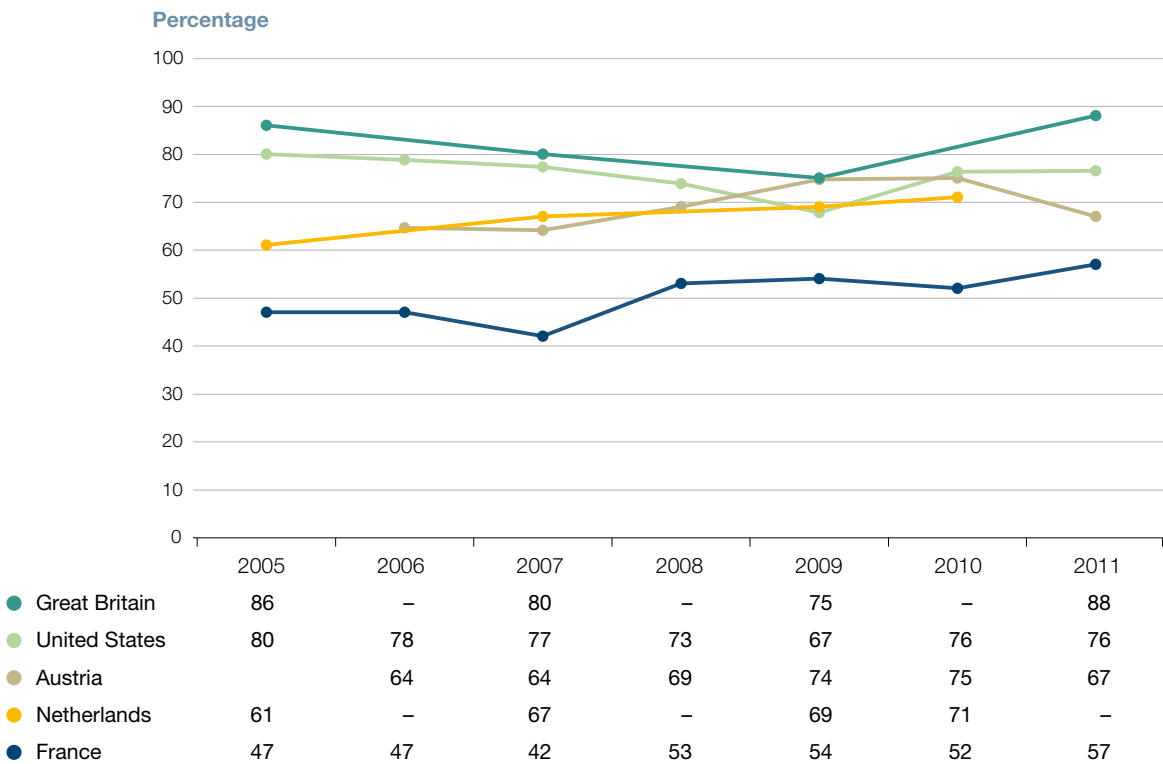
Source: Departmental data

1.23 Claimant satisfaction declined in 2009 but has since recovered (**Figure 10**). Satisfaction levels are high compared with similar measures for public employment services in other countries.

1.24 The decline in employment prospects and pressure from jobcentre staff to find work were key drivers of dissatisfaction for claimants during the downturn. Staff reported that the increase in benefit applications constrained their ability to provide quality interventions. Limitations on appointment times prevented staff from taking more time to support claimants during work-focused interviews and job-search reviews. The downturn also increased the number of highly skilled and specialist skilled workers who were not previously the focus of jobcentre activity.

Figure 10
Comparative satisfaction levels with public employment services

Overall jobcentre satisfaction levels are high compared with similar organisations



NOTES

- 1 Great Britain is survey of all working-age benefits.
- 2 United States is average of states' satisfaction.
- 3 Data for the Netherlands is converted from grade into percentage.
- 4 Not all countries undertake annual customer surveys.

Source: National Audit Office analysis of published customer satisfaction data for comparator countries

Part Two

Identifying and encouraging effective forms of support

2.1 To respond to challenges the Department for Work and Pensions (the Department) must understand how services affect performance. Jobcentres increasingly adapt support to claimants' needs and manage performance based on the rate of off-flow from benefits. This part considers how the Department has:

- tracked the performance of jobcentres in supporting claimants into employment;
- defined outcome measures to help improve performance management; and
- assessed the value of increased flexibility for jobcentres.

The Department has simplified its jobcentre performance measures and now primarily targets off-flow from benefits

2.2 Since April 2011, the Department has focused on off-flow from benefits to monitor jobcentre performance.

2.3 The off-flow rate replaced a number of indicators, such as job outcome targets as well as activity measures such as the number of interviews. The Department wanted to move away from activity measures because they required a detailed understanding of the marginal value from each activity, reduced focus on outcomes and were costly to gather.

2.4 The Department has kept other measures as part of its internal management information but rates of off-flow are the primary measure of jobcentre performance. Management information includes analysis of referrals to external provision and sanction activity. The Department's performance management team also tracks off-flow against normal seasonal patterns to identify irregular components. Appendix Three summarises the performance measures used to manage jobcentre operations.

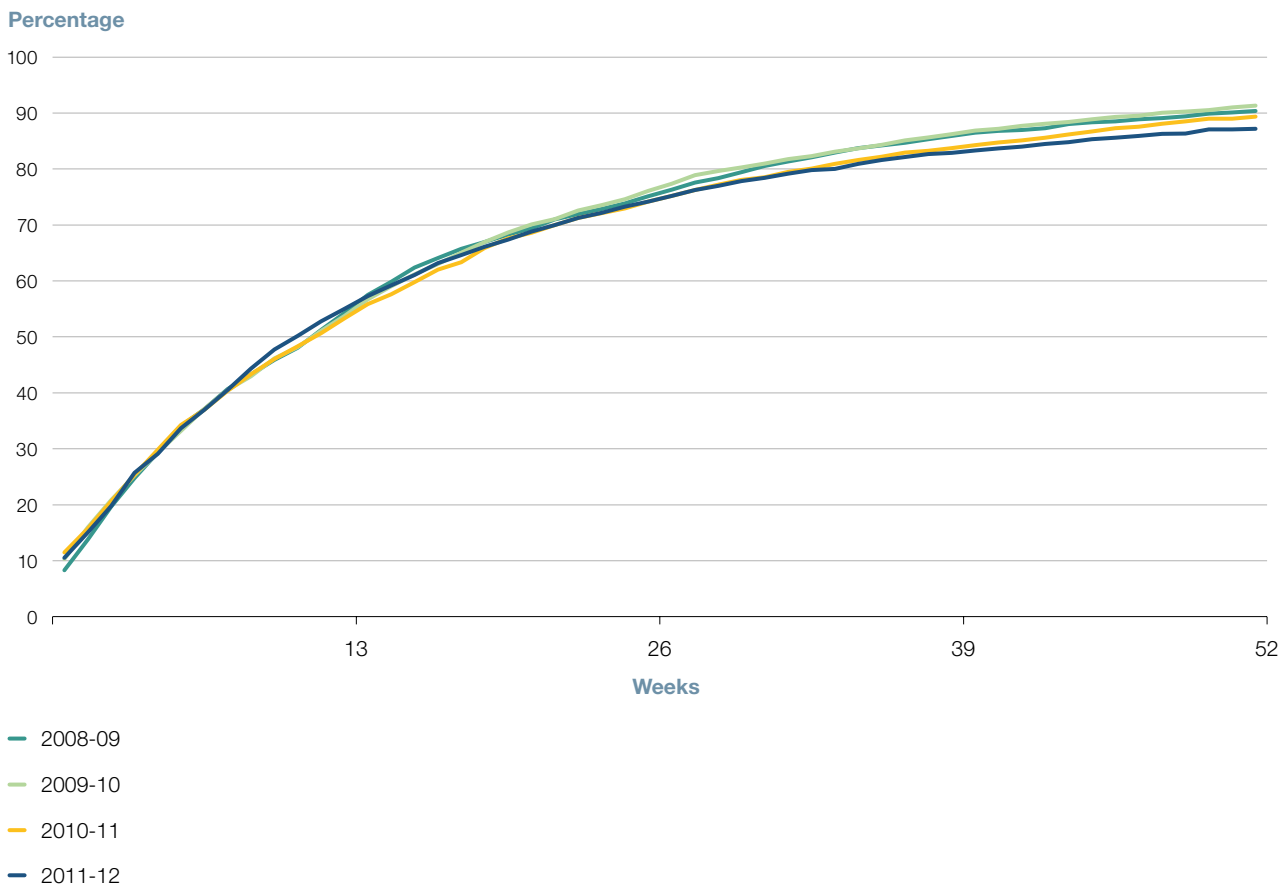
2.5 Staff report that targeting off-flow has helped them to focus on claimant needs. During our visits to jobcentres we observed that the off-flow measure influenced staff behaviour. For example, jobcentres emphasise earlier intervention. We sampled 10,000 claims between 2008-09 and 2011-12. Excluding new-claims interviews, we found that 81 per cent of claimants had at least one other interview with a personal adviser in 2011-12 within the first three months of a claim, compared with only 29 per cent in 2008-09.

It is not yet clear if targets have created perverse incentives

2.6 A risk of focusing on one measure of performance is that it encourages unintended ‘target-driven’ activity, such as prioritising those people most likely to affect the target in the short term at the expense of others. For example, staff might put more effort into supporting claimants when they approach weeks 13, 26, 39 or 52. We compared off-flow for a representative sample of claims before and after the change in off-flow targeting and found no evidence that off-flow rates changed around target dates (**Figure 11**).

Figure 11
Proportion of claimants leaving Jobseeker’s Allowance, 2008-09 to 2011-12

The new performance framework appears not to have affected the timing of off-flow from benefits



NOTE
1 The performance framework changed for 2011-12.

Source: National Audit Office analysis of a sample of 10,000 Jobseeker’s Allowance cases

2.7 There is also a risk that off-flow incentivises staff to support more job-ready claimants and ‘park’ those considered further away from the job market. We found indications that a rising proportion of claimants receive no discretionary support from jobcentres during their claim, which could be a sign of ‘parking’ (**Figure 12**). However, our findings may reflect a general decline in referrals from its peak in 2009-10, poor reporting in the Department’s administrative systems and more direct support by jobcentre staff. For example, the referral rate in 2011-12 was around half the level of 2009-10.

Performance measures rely on off-flow rates but these may not reflect actual outcomes

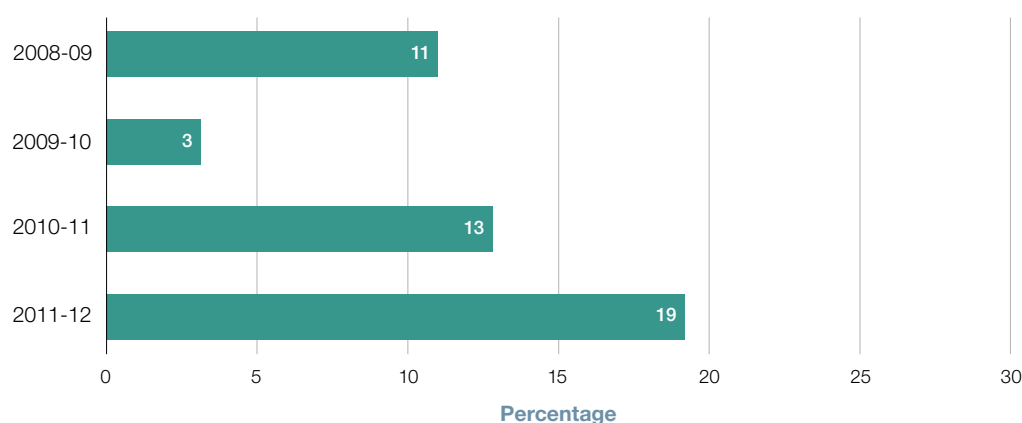
2.8 Off-flow from benefits does not reflect the actual employment outcomes for claimants, just the end of a claim. Claimants may have moved onto other benefits, been imprisoned or ceased claiming without taking up work.

2.9 The Department recognises that the off-flow measure has limitations as an operational measure. Its assessment of possible measures concluded that a measure of the *aggregate number* of people flowing out of unemployment to all destinations would be poor because it can indicate a long-term decline in performance if performance actually improves. Its evaluation concluded that “the best measures focus on off-flow rates to specific destinations”.³

Figure 12

Long-term jobseeker claimants that receive no additional support, 2008-09 to 2011-12

There is a risk that jobcentres are ‘parking’ claimants



NOTES

- 1 Additional support can be work-based, help with finding and applying for jobs, training or careers fairs. It is usually provided by a third-party contractor but can also be provided by personal advisers.
- 2 We examined cases that received no jobcentre referrals by 39 weeks of a claim for jobseekers aged less than 25, and by 52 weeks of a claim for those aged 25 and older.

Source: National Audit Office analysis of 10,000 Jobseeker’s Allowance cases

³ Department for Work and Pensions, *What is the best measure of labour market performance*, internal working paper, November 2010.

2.10 The Department does not collect complete data on the reasons why claimants have stopped claiming benefits. Its administrative measure attempts to track outcomes over time by giving forms to claimants to ask about the reasons for off-flow. In around 40 per cent of cases the reason for off-flow is not known because claimants do not return the form or have failed to sign on.

2.11 The Department has occasionally used separate sample-based destination surveys to gather information about why claimants stopped claiming Jobseeker's Allowance. In 2011 it estimated that 68 per cent of off-flow was into employment, compared with 56 per cent in 2009 and 65 per cent in 2008.

2.12 **Figure 13** shows that changes in the administrative measure do not reflect employment trends identified by destination surveys. Between 2004 and 2011 the administrative measure showed employment outcomes declining from 46 to 40 per cent, while the destination survey showed employment increased from 63 to 68 per cent.

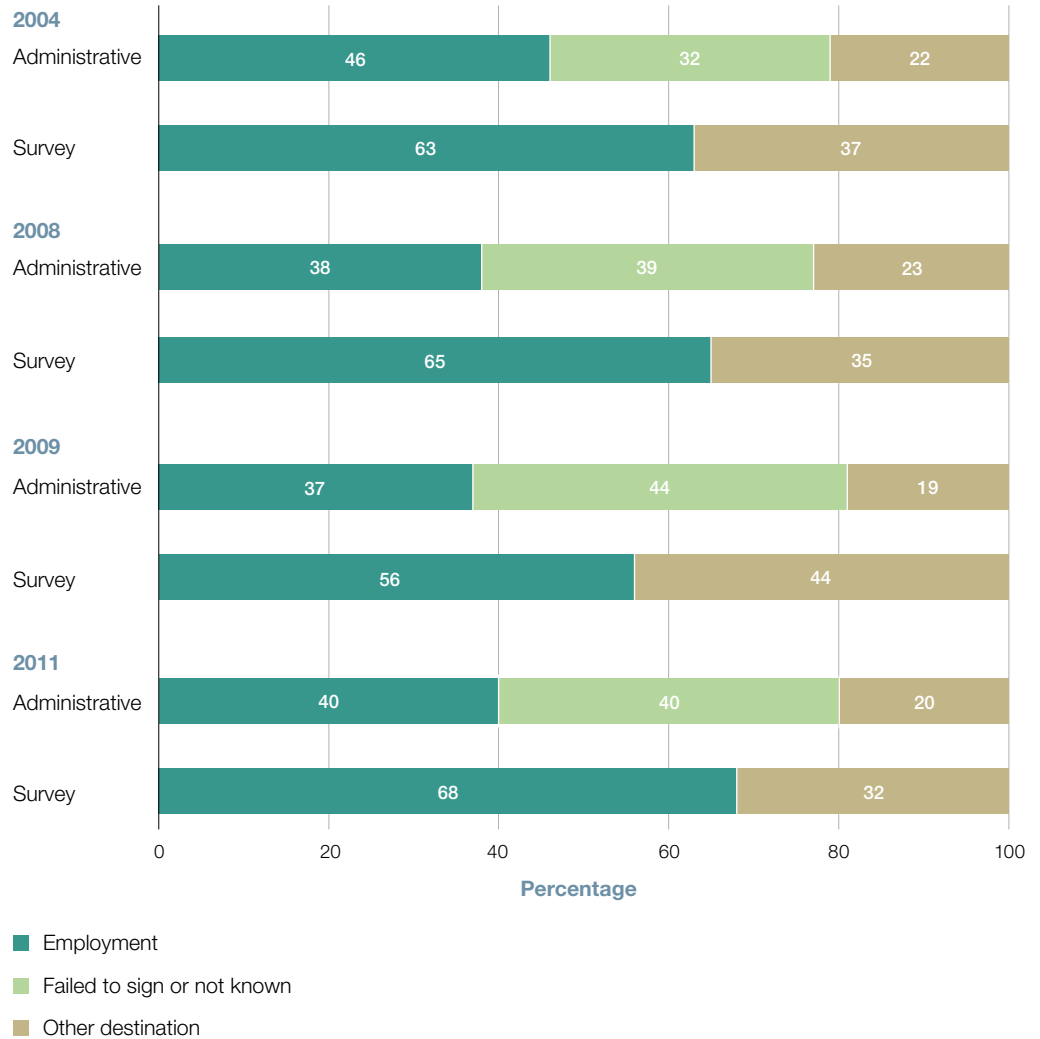
2.13 Limitations of the Department's data make it difficult to compare the administrative and survey results over other time frames. The surveys it carried out in 2008 and 2009 are for a sample of districts and may not reflect a national picture. It has not carried out surveys in other years between 2004 and 2011. The Department considers that there is a broadly stable relationship between its various data sources and concluded that the administrative data on destinations can provide a broad guide to employment trends, providing the limitations of the data are fully understood. It makes the destinations data available to operational managers but has not actively promoted their use as a performance measure.

The Department does not routinely gather claimant feedback on whether jobcentres have helped them find lasting employment

2.14 The Department does not routinely ask whether jobcentres have helped a claimant secure work. The 2009 departmental destination survey found that around half of customers thought they received some or a great deal of help and assistance with finding work. Neither subsequent surveys nor claimant forms ask how far off-flow results from jobcentre support. The Department concluded that a survey would be too expensive. The additional collection costs of using a form would be limited but it concluded that collecting data in this way as part of an official performance measure could create perverse incentives and false recording by staff. It therefore concluded that the verification and quality assurance requirements would be prohibitively expensive.

Figure 13
Off-flow outcomes for Jobseeker's Allowance claimants

The Department's off-flow data do not reflect employment outcomes



NOTES

- 1 Includes all departmental employment destination surveys since 2004.
- 2 The 2004 and 2011 surveys used national samples. The 2008 and 2009 surveys used a selection of jobcentre districts and methodologies are not consistent with the national surveys and may not be comparable.
- 3 'Other destination' includes claimants moving to training, education or other benefits and people who are no longer eligible.

Source: National Audit Office analysis of departmental data and NOMIS labour market statistics

2.15 As long as the contribution of jobcentres into employment is uncertain, the Department will lack the means to compare performance between advisers, jobcentres and employment support services. Work Programme providers are subject to more challenging performance measures and are primarily paid for sustained job outcomes (**Figure 14**). The Department considers that comparison is not meaningful because the Work Programme deals with claimants who are further from the labour market and therefore provides a different service to jobcentres.

2.16 The Department is considering how its performance measures will need to change after introducing Universal Credit. Real-time earnings under Universal Credit will produce timely data on employment outcomes for the first time. Many claimants will continue to receive benefits as they move into employment. The Department is still developing the new performance framework. It expects to retain all existing performance measures in 2013-14 as it runs the current and new benefits system in parallel while it transfers claimants. After fully implementing Universal Credit many of the headline measures will remain, but with an increased focus on movement into work.

The Department is increasingly encouraging flexibility and personalisation of services

2.17 Individual district managers and advisers in jobcentres have increasing flexibility to decide how to support claimants. The Department is continuing a recent trend towards greater local flexibility and has revised the management model for jobcentres repeatedly to encourage districts to use these freedoms (**Figure 15**).

Figure 14
Comparison of jobcentre and Work Programme performance measures

Work Programme providers are subject to more challenging performance measures

Measure	Jobcentres	Work Programme
On-flows		
New claims or attachments	✓	✓
Outcomes		
Leaving benefits	✓	X
Job outcome	X	✓
Sustained employment	X	✓
Outcome attributable to support	X	✓

NOTES

- 1 Job outcome payments are made after the participant has been in employment for 26 weeks (or 13 weeks for harder-to-help jobseekers).
- 2 An additional payment is made every four weeks that a participant has remained in employment, for up to a maximum of a year (or up to two years for harder-to-help jobseekers).

Source: National Audit Office analysis of departmental data

Figure 15
Evolution of flexibilities available across jobcentres

The Department has increased jobcentre flexibilities

	Jobseeker's Regime and New Deal	Jobseeker's Regime and Flexible New Deal	Jobcentre Plus Offer	Freedoms and Flexibilities Offer	Yes/no/maybe framework
Timespan	Before 2009	April 2009 to March 2011	From April 2011 onwards	April 2012 to December 2012	From January 2013
Description	Assistant advisers have discretion to require additional job-search reviews with claimants.	Personal advisers granted greater flexibility to support longer-term unemployed.	Increased time and financial flexibility to support claimants.	All districts to plan for greater freedoms and flexibilities.	Roll-out of district-led innovation across all districts.
Operating framework	Highly prescriptive standard operating model. Fixed points for referrals and contacts with advisers. New Deal for longer-term claimants.	Prescriptive standard operating model but with fewer requirements. Flexible New Deal for longer-term claimants offers more scope to match support to need.	Less prescriptive on timing and length of interviews but continued requirement for new-claims interviews and fortnightly job-search reviews. Additional Flexible Support Funds provide jobcentres greater choice of support for claimants. Mandatory referral of longer-term unemployed to Work Programme.	New leadership model to enable, coach and challenge districts to achieve outcomes rather than focusing on processes. Fewer imposed processes; flexible intervention regime; more flexible allocation of resources. Following four pilots, all districts are to prepare freedom and flexibility plans by 31 March 2013.	No requirement to prepare an overall district business case to become a 'flex' district. High-level framework of 'yes', 'no' and 'maybe' flexibilities. 'Yes' fall within existing district accountabilities and can be progressed freely. 'Maybe' ideas require wider agreement individually. More central coordination. Provides new fast track route for district ideas.
Examples of flexibility	Advisers can conduct extra job-search reviews.	Flexibility over when work-focused interviews need to be conducted between weeks 26 and 52, provided at least three hours of support is available in total. Discretion to fast-track claimants to more intensive support activities.	Flexibility on the length, timing, staffing and number of work-focused interviews. Group sessions allowed. Flexibility on whether support is delivered face-to-face, by phone, text or email.	Ideas include: <ul style="list-style-type: none"> ● increased flexibility of jobcentre layout; and ● rolling three-year budgets for districts. 	Ideas include: <ul style="list-style-type: none"> ● sharing premises with partner organisations; and ● ability to generate income and reinvest benefit savings into jobcentre administration.

Source: National Audit Office analysis

2.18 From April 2009, frontline staff have had greater flexibility to tailor support to claimant needs. Initially, flexible support was limited to claimants who had been unemployed for more than six months. From April 2011 flexible arrangements were extended to cover all claimants and to allow greater local discretion. Personal advisers are encouraged to vary the nature of their support, for example by using phone, text messaging and email as well as face-to-face meetings with claimants.

2.19 From April 2012 the Department has given more flexibility to managers running jobcentre districts to influence jobcentre services and back-office functions including finance, human resources and estates. Proposed ideas include: increased digitalisation, sharing premises with partners, alternative staff recognition and rewards, and local procurement. The Department has granted districts scope to innovate and implement flexibilities more quickly under a revised framework launched in January 2013.

The Department has not yet assessed the costs and benefits of greater flexibility despite plans for wider roll-out

2.20 It is important that the Department evaluates flexibilities to identify which changes have benefited claimants and the costs and benefits of different approaches adopted.

Figure 16 summarises how the Department has evaluated flexibilities. The Department is yet to assess the costs or benefits of increasing jobcentre autonomy.

2.21 The Department has removed the requirement for each district to prepare business cases, to remove bureaucracy and speed implementation of district-led flexibilities. It has provided pilot districts with a tool to help them assess the financial impact of changes on benefit spending and could make this more widely available.

2.22 To prepare for extending flexibilities in all districts, the Department plans to build district expertise in understanding performance and share approaches to self-evaluation (including designing local randomised controlled trials). It intends to give central support to help districts to understand what has been considered and policy and performance objectives. Districts will need to consider evaluation arrangements when developing their proposals. They will be supported by central policy and analytical leads.

Figure 16
Evaluations or assessments of jobcentre flexibilities

The evidence base for the costs and benefits of jobcentre flexibilities is limited

	Jobseeker's Regime and New Deal	Jobseeker's Regime and Flexible New Deal	Jobcentre Plus Offer	Freedoms and Flexibilities Offer
Primary evaluation or assessment	Exploring staff perceptions of Jobcentre Plus downturn measures	Jobseeker's Regime and Flexible New Deal Evaluation	Findings from the first year of the evaluation	Business cases of four pilot districts
Main methods	Staff views of downturn measures	Survey of claimant experiences	Qualitative interviews with claimants and staff	Business cases prepared by pilot districts
Coverage of assessments				
Cost	X	X	X	X
Efficiency	X	X	X	X
Performance	X	✓	X	✓
Service quality	✓	✓	✓	✓
Cost-effectiveness	X	X	X	~ ¹

NOTES

- 1 Two of the four business cases of pilots quantified savings from improved performance.
- 2 The second year of the evaluation of the Jobcentre Plus Offer will gather information on outcomes for claimants and the support or interventions they received from jobcentres.

Source: National Audit Office review of departmental reports

2.23 The Department is reviewing its evaluation strategy in light of the national roll-out of the new 'yes/no/maybe' freedoms and flexibilities framework. Evaluating changes is challenging, particularly to isolate or attribute impacts from wide-spread local experimentation. The Department is working to assess freedoms and flexibilities and it must ensure that it builds and learns from these experiences. The Department currently plans to publish evaluations of job-search pilots and trials in 2014 (**Figure 17**).

The Department has not fully assessed the consequences of flexibilities in jobcentres on the rest of its operations

2.24 The Department needs a consistent approach to assessing how local flexibilities in jobcentres affect other parts of the Department. As part of the new-claims process jobcentres are responsible for checking forms the benefit processing staff then rely on. Jobcentres may stop tasks without realising the benefit for other parts of the Department. For example, the Department does not automatically populate new-claims data on benefit processing systems unless jobcentres 'push' the claim through the IT system. Failure to do so increases the processing time by between 10 and 15 minutes. Currently, around one-third of new claims are not pushed by jobcentres. The Department has estimated the cost as being equivalent to 450 full-time equivalent posts. For customers whose claim is delayed there is also a risk they may need to access crisis loans and hardship funds.

Figure 17
Planned jobcentre trials and pilots of job-search reviews

The Department is experimenting with job-search reviews

Pilot	Description	Year
Electronic signing	Claimants sign on electronically at job-search reviews and verify biometric data.	November 2012 to March 2013
Flexible signing	Jobcentre staff determine the type, frequency and format of job-search reviews.	November 2011 to March 2013
Online signing	Claimants complete online assessment of job-search activity and are called in if there is insufficient evidence of job-search activity.	Planned for 2013
Weekly signing	Weekly signing rather than fortnightly signing for Jobseeker's Allowance claimants aged older than 25 from weeks 13 to 52 of their claim.	February 2012 to May 2013
Reduced signing for Work Programme participants	Work Programme providers have flexibility to reduce the frequency of 'sign on' for some claimants.	February 2013 to January 2014
Speed signing	Job-search reviews last two minutes instead of five or eight minutes to evaluate how far adviser contact drives off-flows or the 'hassle factor' of attending jobcentre.	March 2012 to May 2013

Source: *Departmental single view of change*

2.25 Pressures on jobcentres may also lead them to collect incomplete information before sending forms for processing. The Department does not monitor whether forms that jobcentres check are complete nationally, but many benefit processing centres keep their own records. We examined the report for Bolton benefit processing centre for November 2012 and found that only around sixty per cent of new Jobseeker's Allowance claims received from 20 local jobcentres could be processed immediately.

2.26 The impact of flexible new approaches on the rest of the Department's operations is not clear. The Department does not have individual staff responsible for the entire customer journey. Call centres, jobcentres and processing centres are organised into separate directorates, reporting to different senior managers. The separate directorates come together with finance and other corporate functions to form operational support networks. District managers and group directors chair the groups locally and regionally to collectively review operational performance. There is not a single national process owner.

2.27 The 'yes/no/maybe' operating framework launched in January 2013 highlighted the need for local ideas to be developed with other operational arms to help ensure new ideas do not adversely affect wider operations.

The Department will need to improve identification and sharing of good practice between jobcentres

2.28 Under a flexible and decentralised operating model the Department relies heavily on measures such as off-flow to manage performance. It has an important role in improving identification and sharing good practice.

2.29 The Department has developed tools to share good practice but this is notoriously difficult. For example, it has a 'bright ideas' portal on its intranet, which allows users to share approaches they have adopted and which central experts review to consider whether ideas can be applied nationally. The Department established a 'dragons' den' forum to present ideas to senior managers but it has since been closed because it was found to be slowing implementation of flexibilities and discouraged sharing of ideas between districts. During our jobcentre visits, we found that staff shared good practice through informal networks within their existing jobcentre districts rather than more distant offices.

2.30 The Department established a central function called the corporate support enabling group in December 2012 to support districts as they introduce greater flexibility. Some central oversight will always be needed because jobcentre districts have limited capacity to evaluate innovations. The Department is developing a repository to capture local learning as part of the new model. Districts must submit their ideas for changes and these are considered and classified as 'yes, no or maybe' under the new framework.

2.31 Central functions need to challenge jobcentres and facilitate knowledge sharing. For example, many jobcentres segment claimants to determine the frequency of contact and help target interventions. However, experience raises concerns about how well this is applied. The Department tested a segmentation tool in jobcentres in 2005 and found advisers were not compliant with the tool. Staff allocated a significant proportion of claimants to the wrong groups. Targeting systems in other countries, such as Switzerland and Germany, have also been shown to be effective but advisers do not routinely use them.⁴

2.32 The Department's recent evaluation on providing more personalised services found that advisers use their intuition, experience and knowledge as their main diagnosis approach rather than formal diagnostic tools. How far advisers use their discretion to make these decisions differs substantially depending on skills and confidence, resource limitations and how far jobcentres had devolved flexibility down to frontline staff.⁵

2.33 Good practice can be identified through feedback from customers and business partners. We contacted some stakeholders for their views of jobcentre services. Employer groups pointed to improving jobcentre services after the 2008-09 downturn. Feedback from other stakeholders indicated that some claimant groups are better served than others and that closer working with third parties could improve service quality (**Figure 18**).

4 J Bimrose, *Activation and Integration: Working with Individual Action Plans*, Institute for Employment Research, Expert paper for European Community Programme for Employment and Social Solidarity 2007–2013, February 2012.

5 Department for Work and Pensions, *The Jobcentre Plus Offer: Findings from the first year of the evaluation*, Research Report 814, November 2012.

Figure 18

Stakeholder views of jobcentres

Issue	Views
Helping a range of claimant needs	
Skilled workers	The Recruitment and Employment Confederation expressed concern that jobcentre services were not equipped to provide guidance on jobs and careers across all sectors. High-level professionals, recent graduates and people looking to make a career transition were identified as specific gaps in provision.
Vulnerable groups	<p>Seven of fourteen customer groups responding to our survey were concerned that jobcentres did not understand the needs of people with substance abuse or mental health issues.</p> <p>St Mungo's, a homeless charity, commented that jobcentres did not cater for some clients with complex needs who require more detailed assessment and personal attention, greater skill levels to deal with exclusion and obstacles, and gradual steps, such as part-time work.</p> <p>Escape Family Support, which supports people affected by drugs or alcohol, reported that jobcentre interviews were too time-limited and its clients received no specialised support.</p>
Working with other providers	
Work Programme providers	<p>Working Links (a Work Programme provider) told us that at the start of the programme, the Department referred almost twice the number of claimants than forecast in the invitation to tender.</p> <p>Feedback from Working Links is that claimant details from jobcentre referrals may be incorrect or lack information about previous training and support received.</p> <p>There is a noticeable difference in the quality of referrals during the peak leave periods for jobcentres.</p>
Support groups	<p>Five out of fourteen customer groups we surveyed thought closer working with community support organisations would improve claimant outcomes.</p> <p>Airedale Voluntary Drug and Alcohol Agency developed an in-reach partnership with a local jobcentre that it said improved jobcentre staff's understanding and attitudes towards substance users and made interventions more purposeful.</p>
Meeting employer needs	
Services to employers	The launch of the small business recruitment service helped improve small business satisfaction with jobcentre services to 52 per cent in 2011 compared with 17 per cent in 2009.
Use of jobcentres by employers	<p>Just one in ten small businesses use jobcentres, half the proportion that use recruitment agencies. The Federation of Small Businesses found that 63 per cent of its members were not aware of the small business recruitment service.</p> <p>EEF (formerly the Engineering Employers Federation) reported in 2012 that less than 1 per cent of members used the Youth Contract even though two-thirds were aware of it.</p>

NOTES

- 1 The Federation of Small Businesses asked members if they were satisfied with jobcentre services in May 2011 as part of the Voice of Small Business Survey Panel. In its employment survey in July 2009, it asked if members thought jobcentres were effective.
- 2 EEF surveyed its members in July 2012 of the Youth Contract's cash incentive to take on the young unemployed. The Youth Contract was launched in November 2011.

Source: National Audit Office interviews and surveys of stakeholders

Part Three

Planning for changes in demand

3.1 Demands on jobcentres can change rapidly in response to economic conditions or policy changes. The Department for Work and Pensions (the Department) must identify required resources and allocate those resources across the jobcentre network. This part considers how the Department:

- monitors and forecasts claimant numbers;
- models the impact on jobcentres; and
- develops contingency plans to meet demand.

The Department operates in an environment of considerable uncertainty and variation

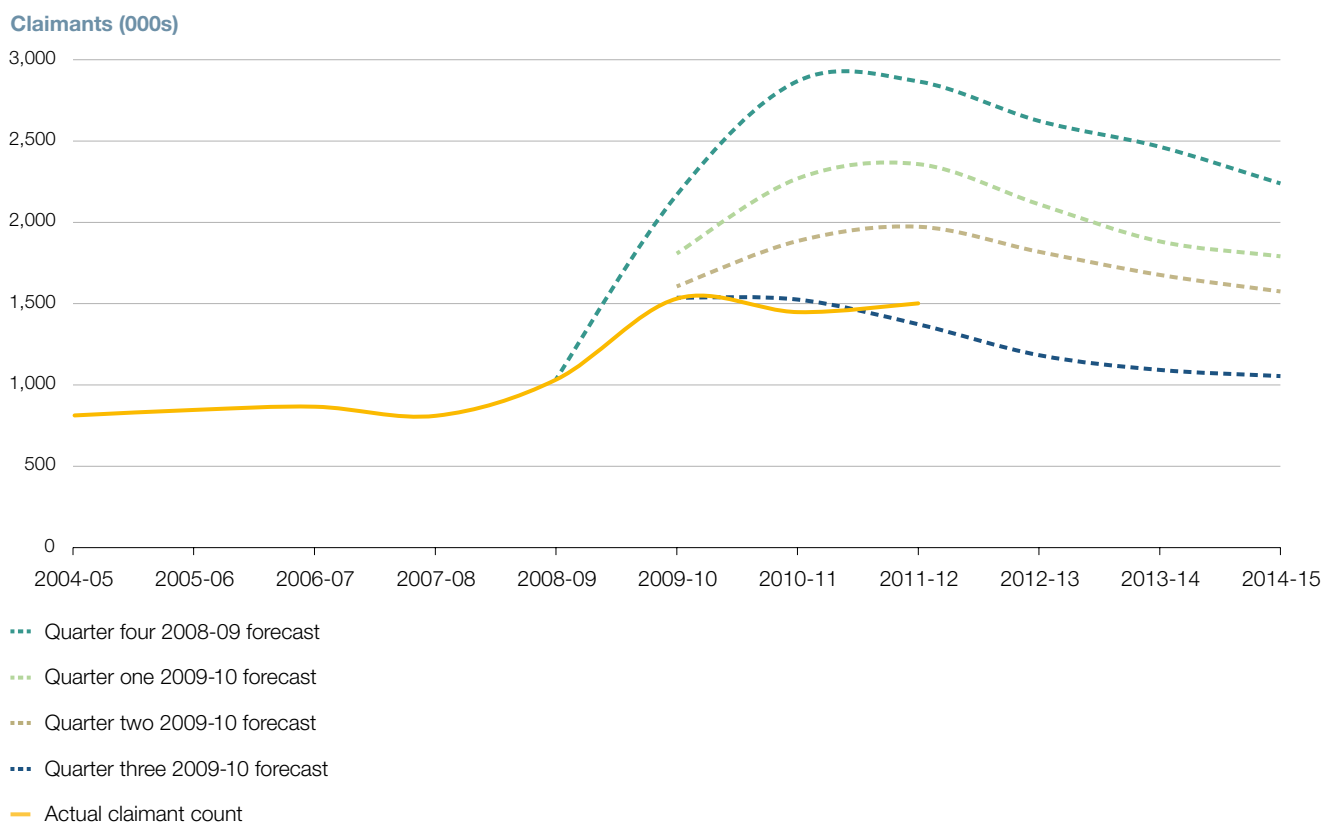
3.2 During the start of the economic downturn in 2008-09, the claimant count of Jobseeker's Allowance increased from 0.9 million to 1.5 million. On-flows to Jobseeker's Allowance rose steeply. During 2009-10 the average monthly on-flow was 330,000, 60 per cent higher than the average monthly on-flow in 2007-08. By April 2010, on-flows had fallen but were still more than 40 per cent higher than levels before the economic downturn.

3.3 Forecasting the claimant count is extremely difficult. Also, the Department's analysis suggests that the established relationship between economic output and the claimant count has changed from previous business cycles. This has resulted in smaller increases in the claimant count than the Department expected based on experience.

3.4 The Department revised forecasts downwards in each successive quarter of 2009 as economic conditions became clearer. Early forecasts predicted that claimant numbers could rise to almost three million by 2010-11 while actual claimant numbers peaked at 1.6 million in February 2010 (**Figure 19**).

Figure 19
Forecasts of Jobseeker's Allowance claimants

The claimant count was lower than the forecasts



Source: National Audit Office analysis of departmental forecasts

3.5 The Department also needs to consider the variation in the claimant count over the year. On-flow to Jobseeker's Allowance tends to peak in January and July and variations can be large. For example, around 380,000 claimants flowed on to Jobseeker's Allowance in July 2011, 40 per cent more than the previous month.

3.6 Policy changes affect the level and mix of claimants. The Department estimates that equalising the state pension age, reassessing Incapacity Benefit and legislative changes to Income Support for lone parents added around 120,000 people to the Jobseeker's Allowance claimant count by March 2012. The changes may have increased jobcentre workload because new categories of claimants have different needs. Workforce planning models are largely based on aggregate forecasts of claimants and not forecasts of the different claimant types.

The Department uses a range of sources to build estimates of resource requirements from claimant forecasts

3.7 Forecasts of the claimant count are used to drive staffing decisions. The Department has developed a detailed resourcing model to estimate volumes of activity and staff required. The Department's workload forecasts can be informed by economic forecasts from the Office for Budget Responsibility but may also be based on the Department's own assessment of claimant numbers.

3.8 The Department regularly reviews the input assumptions for its resourcing model. It carries out a review each year to identify the time needed for tasks and builds in indirect time explicitly. Frontline staff requirements are based on the expected number of claimants in each jobcentre district and multiplied by the national average time for interviews. The Department estimates average times by studying activities in a sample of jobcentres.

3.9 **Figure 20** summarises the core jobcentre activities for Jobseeker's Allowance. Staff determine the frequency and duration of contact. On average a claimant should receive around nine hours of face-to-face contact over 52 weeks before they move to the Work Programme.

3.10 When the Department introduces major changes it can be difficult to estimate impacts. The Department anticipated the impact of the Work Programme on the number of work-focused interviews. However, its model excluded time needed to perform job-search reviews for Work Programme claimants, so it underestimated resource requirements.

Flexibilities in jobcentres will make it more difficult for the Department to estimate required resources

3.11 With increasing flexibility, actual practice can differ considerably from standard times used to estimate staff requirements. We visited five jobcentres and found that timings of interviews differed from estimates (Figure 20). For 2012-13, the time applied for resourcing new-claims interviews assumed a personal adviser spending 34 minutes with a claimant. We found the length of new-claims interviews ranged between 40 and 60 minutes and in two of the five cases it was assistant advisers who checked claimants' entitlements.

Figure 20

Timing of jobcentre activities to support Jobseeker's Allowance claimants

Jobcentres have flexibility in how core processes are delivered

Jobcentre intervention	Description of intervention	Typical times of interviews reported by staff	Standard times used in planning
New-claims interview	<p>Interview with a personal adviser to:</p> <ul style="list-style-type: none"> ● check claimant details and entitlement; ● draw up Jobseeker's Agreement; and ● diagnose job readiness and identify employment or skills needs. 	40 to 60 minutes	43.5 minutes
Job-search reviews	Claimant must attend fortnightly reviews with assistant advisers who check fulfilment of job-search activities.	5 to 10 minutes	8.1 minutes
Work-focused interviews	<p>A dedicated personal adviser discusses:</p> <ul style="list-style-type: none"> ● employability and referrals to third-party support or measures to overcome barriers to employment, e.g. work experience; and ● conditionality and referrals for sanction if not fulfilling agreed activities. 	10 to 40 minutes	5.2 minutes
Work Programme interview	After 52 weeks (39 weeks if aged 18 to 24) on benefits, the personal adviser will arrange an interview to refer the claimant to the Work Programme.	30 to 40 minutes	39.5 minutes

NOTES

- 1 Typical times of interviews are based on estimates staff provided in five districts we visited.
- 2 Standard times for new-claims interviews, job-search reviews and Work Programme interviews are based on observed times for each. The standard time for work-focused interviews is based on the average time spent per week.

Source: Interviews with staff and departmental data

The Department has developed contingency plans for dealing with surges in claimant numbers

3.12 The Department and HM Treasury used forecast claimant numbers to identify the additional funding needed to cope with the economic downturn. The Department initially estimated that it would need £4.5 billion between 2008-09 and 2010-11 to cope with higher claimant numbers. Of this, around £1.6 billion was earmarked for jobcentre activities, with most of the remainder being to fund and support employment programmes including the Future Jobs Fund.

3.13 The Department has returned additional funding to HM Treasury when it has not been required. It returned £789 million in 2011-12 and £92 million in 2012-13, mainly because it overestimated claimant numbers. In addition, funding for policy measures, such as the Young Person's Guarantee (Future Jobs Fund) and the Six-Month Offer, was withdrawn as these policies ceased.

3.14 In October 2011 the Department merged its Jobcentre Plus agency into the core department, allowing greater central oversight of resourcing and opportunities to reallocate staff internally.

3.15 The Department has now put in place formal contingency arrangements to respond more quickly to economic downturns. The plans identify how much volumes need to change to trigger a range of different responses. The Department has determined that a 5 per cent increase in claimants can be managed within existing resources. It will implement a 'national higher workloads' plan if caseloads increase by 10 per cent over one quarter or 20 per cent over a longer period. This level is similar to increases experienced in the 2008-09 economic downturn. **Figure 21** outlines the Department's contingency actions.

Figure 21

Examples of contingency planning for increased workloads

The Department has contingencies to respond to increases in the claimant count

Priority classification	Trigger	Possible action	Risks	Authority to deploy
Priority 1 Limited risk	Local performance hotspots.	Expand use of group information sessions.	Less personalised service for claimants.	District manager.
	Local on-flows increase by more than 15 per cent and caseloads by 7 per cent.	Move back-office staff to adviser roles.	Staff redeployed may not have necessary skills.	
Priority 2 Medium risk	On-flows increase by 10 per cent and caseloads by 20 per cent over three months.	Offer payment to staff to forego annual leave and introduce part-time closure of some jobcentres.	Potential to increase working days lost and increased travel for some claimants and staff.	District manager in consultation with their director.
Priority 3 High risk	Large and sustained increase in workloads above and beyond formal trigger point. Significant reputational or performance issue.	Apply less frequent interviews. Refer claimants to Work Programme earlier.	Reduced performance. Will require HM Treasury authorisation. Significantly increased costs. Capacity of providers to manage additional referrals.	Deputy chief operating officer. Changes to fortnightly job-search reviews require ministerial sign-off.

Source: *The Department's Work Services Directorate Contingency Proposals – Triggers to Deploy*

Appendix One

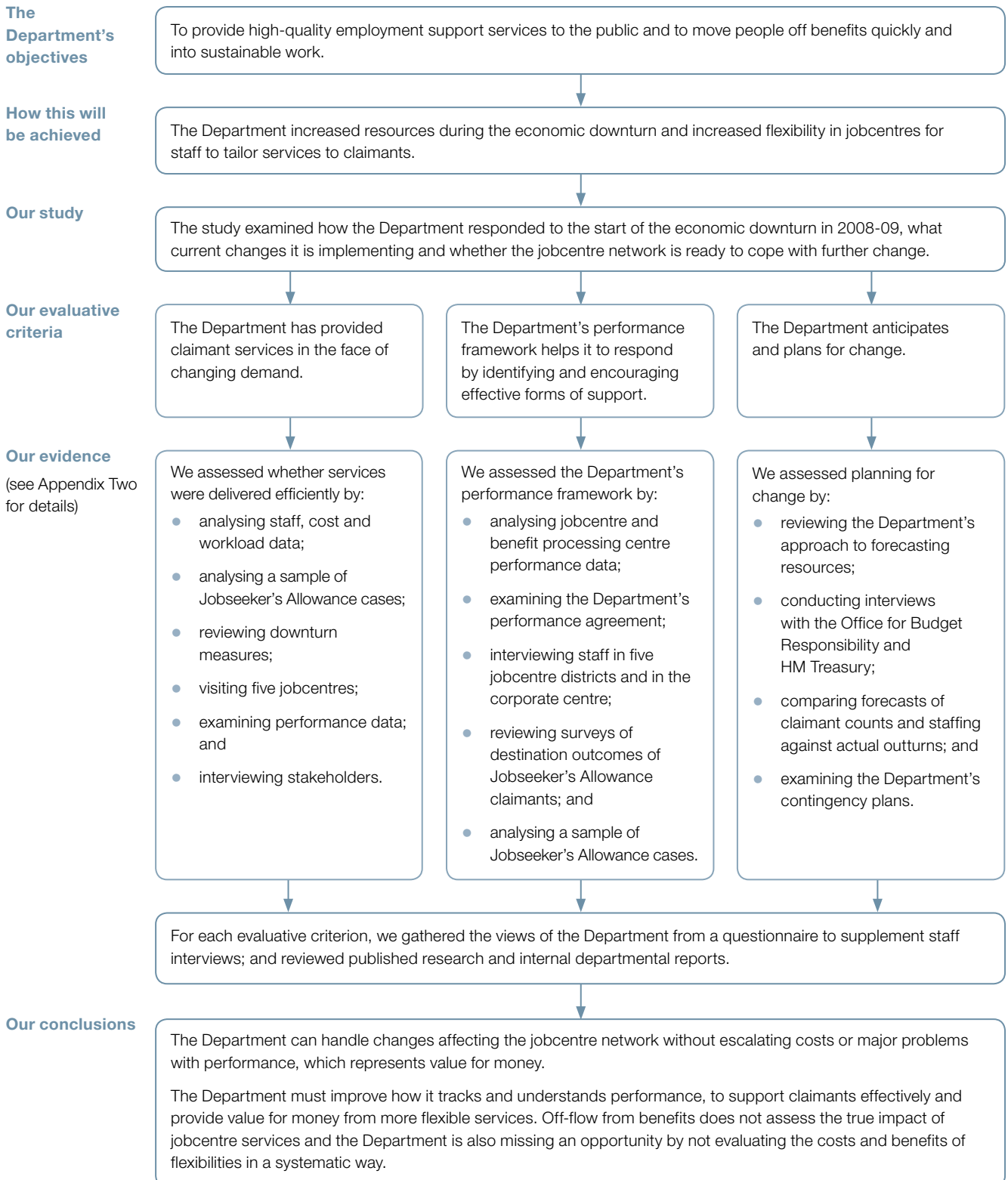
Our audit approach

1 Jobcentre services are a part of the labour market regime in Great Britain. The Department for Work and Pensions (the Department) has a record of delivering changes to the jobcentre network. 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. We developed an analytical framework to assess the Department's performance using three evaluative criteria we identified. The criteria asked:

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

2 We did not assess the effectiveness of the overall labour market regime or individual programmes, such as the Work Programme. We focused on jobcentres themselves, and did not assess contact centres or benefit processing centres. Our audit approach is summarised in **Figure 22**. Our evidence base is described in Appendix Two.

Figure 22
Our audit approach



Appendix Two

Our evidence base

1 We reached our independent conclusions following our analysis of evidence collected between August and November 2012 on how the Department responded to the start of the economic downturn in 2008-09, what changes are being implemented and whether the jobcentre network is ready to cope with further change.

2 We applied our analytical framework with evaluative criteria, which consider the optimal approach to managing responses to changes in demand in jobcentres. Our audit approach is outlined in Appendix One.

3 **We assessed whether the Department has provided claimant services in the face of changing demand:**

- We **issued a questionnaire** to the Department to assess its responses to changes in workload due to economic and policy change.
- We **gathered operational information** through **interviews and walkthroughs** of the Jobseeker's Allowance process with staff in five jobcentres (Gateshead, Hackney, Port Talbot, Sparkhill and Wigan).
- We **spoke** with district managers or finance business partners, or both, in five jobcentre districts (Birmingham and Solihull, East London, Greater Manchester East and West, South-West Wales and West Yorkshire).
- We **reviewed** departmental papers and published research about jobcentre processes and interventions.
- We **undertook semi-structured interviews** with a range of stakeholders including Asset Skills, the Confederation of British Industry, the Federation of Small Businesses, the Recruitment and Employment Confederation and Working Links. These interviews captured views about the visibility of jobcentre support, the effectiveness of its services and how they could be improved.

- We **gathered** the views of customer representative groups about service quality and customer experiences from a **survey**. Respondents included organisations supporting people experiencing substance misuse problems, mental health issues and homelessness.
- We **analysed** a sample of 10,000 Jobseeker's Allowance cases to gather information on the characteristics of jobcentre support. The sample comprised around 2,500 cases for each financial year from 2008-09 to 2011-12.
- We **analysed** the Department's activity and cost data to determine how efficiently and effectively the Department uses resources over time and across districts.
- We **examined** published information on customer satisfaction with public employment services in Austria,⁶ France,⁷ Great Britain,⁸ the Netherlands⁹ and the United States¹⁰.

4 We assessed whether the Department's performance framework helps it to respond by identifying and encouraging effective forms of support:

- We **analysed** a sample of Jobseeker's Allowance cases to test what effect the change in the performance framework had on duration of claims.
- We **issued a questionnaire** to the Department to assess its approach to monitoring and taking action to improve how it manages changing volumes.
- We **reviewed** the Department's evaluations and assessments of increased jobcentre flexibilities.
- We **reviewed** the Department's performance agreement to understand the metrics it uses for jobcentre performance framework.
- We **analysed** performance and cost data in the jobcentre network to evaluate whether the Department's response to change is cost-effective.
- We **reviewed** published departmental surveys of the destination outcomes of Jobseeker's Allowance claimants and compared the findings against the Department's administrative off-flow data.
- We **interviewed** staff to ascertain the impact of jobcentre operations on other parts of the Department. We **reviewed** departmental management information of benefit processing centre performance.

6 Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, *Labour Market Policy in Austria*, November 2008, September 2009, June 2010, June 2011.

7 Institut Paul Delouvrier, *Poll of public services: public services seen by users*, December 2011, December 2012.

8 Department for Work and Pensions, *Jobcentre Plus customer surveys*, September 2005, March 2008, July 2010, August 2011.

9 Italia Lavoro, *Tools for the quality of employment services in Europe: Experiences and approaches to quality in five countries*, November 2011.

10 United States Department of Labor, *Workforce Investment Act state annual reports and summaries*, available at: www.doleta.gov/performance/results/#wiastann

5 We assessed how the Department anticipates and plans for change:

- We **issued a questionnaire** to the Department to assess how it anticipates and manages demand in jobcentres.
- We **reviewed** the Department's forecasting and staffing model to understand how it resources jobcentres.
- We **examined** the Department's forecasting of claimant counts and staffing against actual outturns to assess its accuracy and how this changed.
- We **spoke** with departmental staff involved in forecasting and planning.
- We undertook **semi-structured interviews** with the Office for Budget Responsibility and HM Treasury.
- We **examined** the Department's contingency plans to understand how the Department plans to respond to future increases in the claimant count.

Appendix Three

Jobcentre performance measures and opportunities for further benchmarking

1 The Department's performance monitoring regime for jobcentre districts primarily focuses on rates of off-flow from benefits. It also uses a range of other performance measures as part of its day-to-day management. **Figure 23** overleaf maps out the Department's performance measures and identifies other measures that could be used to benchmark performance.

Figure 23

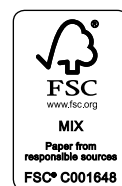
Jobcentre internal and external performance measures and opportunities for further benchmarking

Benchmarks	Cost	Efficiency	Performance	Service quality	Cost-effectiveness
Jobcentre	Average working days lost Total staff cost Total headcount		Off-flow rates for: <ul style="list-style-type: none"> Jobseeker's Allowance at 13, 26, 39, 52 weeks Income Support at 52 weeks Employment and Support Allowance at 65 weeks Benefit spending is monitored against forecast	Percentage of Jobseeker's Allowance claims made online Online customer feedback	Cost per Jobseeker's Allowance off-flow
Operations (jobcentres, contact centres and benefit processing centres)		Percentage of Jobseeker's Allowance claims cleared within 16 days Percentage of Employment and Support Allowance claims cleared within 16 days Percentage of Income Support claims cleared within 16 days		Monetary value of fraud and error Customer surveys	
Measures under consideration		Number of claimants per adviser Claimant contact time	Off-flow rates into employment		
Areas not currently benchmarked		Cost per claimant Claimant contact time Average caseload Percentage of claims that can be processed without delay	Off-flow rates into employment Sustained employment Claim duration	Contribution of jobcentres to off-flow into employment	Cost per off-flow into employment Cost per off-flow into employment attributable to jobcentre support

NOTE

1 Jobcentre districts have different off-flow rates targets to reflect their labour markets.

Source: National Audit Office analysis



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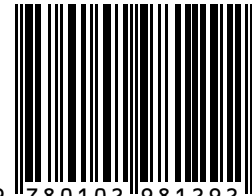
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