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Work and Pensions Committee

The Efficiency Savings Programme in Jobcentre Plus

Second Report of Session 2005–06

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Report, together with formal minutes

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The Work and Pensions Committee

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Summary

Jobcentre Plus is now nearing its fourth birthday. The principle behind it was to bring together the benefits system with access to help to find work. The new Jobcentre Plus offices that we have seen are more welcoming than many of the old Benefits Agency offices. The vast majority of its staff work hard for their customers, sometimes in emotionally charged circumstances.

But, as we conclude in this report, over the last two years much has been asked of Jobcentre Plus as the DWP’s efficiency programme overlaps with substantial organisational change. As a result the Agency is now faced with a “shed-load of difficulties”, in the words of the Secretary of State. We have received evidence that change planning has been poor, with management across the country struggling trying to keep up with, and solve problems caused by, the myriad of IT, staffing, process, telephony and financial programmes which are all underway at the same time.

One manifestation of these problems took place in summer 2005 in many of the Contact Centres for those claiming benefits. Poor staffing planning and IT problems contributed to truly appalling service levels – the customer service measure dropped to 26.8% in one Contact Centre group against a target of 81%. Advice organisations presented a series of cases to the Committee where people were left calling again and again, sometimes for weeks, to make a benefit claim. In some areas a new system for applying for Crisis Loans was being trialled at the same time. This meant, Citizens Advice told us, that some people already let down by Contact Centres were waiting for up to three hours outside phone boxes for Crisis Loan decisions. Jobcentre Plus management responded to these problems, and the moment of acute crisis has passed. However, question marks remain about the ‘contingency measures’ which are still being used in some Contact Centres, and the robustness of the underlying processing system, the Customer Management System.

Worryingly, by the admission of the Permanent Secretary, the programme has adversely impacted on the levels of official error. The Autumn Performance Report refers to the aim of “halting the slide” in Income Support accuracy. We look forward to seeing the results of the action taken by Jobcentre Plus to address this problem.

The rollout of the new Jobcentre Plus model involves closures of offices in both rural and urban areas. As a result, people are often having to travel considerable distances to attend interviews, at considerable cost, time and inconvenience. While offering services in alternative locations is sensible, steps also need to be taken to ensure that confidentiality is respected.

We also note that there was a near-complete breakdown of effective engagement between Jobcentre Plus and the private and voluntary sector providers who supply many employment and training programmes during 2005 which is only now being resolved. The current procurement process is deeply flawed and needs to change – small steps have been taken, but we believe a more fundamental review is necessary. Vacillation about the future of BoND, small-scale adoption of Ambition, uncertainty over New Deal funding, a reduction in the use and scale of the Adviser Discretion Fund, major reductions in Work-
Based Learning for Adults and the 2005 contracting problems, are significant issues in themselves. The cumulative impact is even more considerable. We hope that in the 2007 Spending Review the Department for Work and Pensions will be making a strong case for ensuring that this area of expenditure is adequately protected.

The Minister asked the Committee to “celebrate” the work done by Jobcentre Plus and the recent positive movement in some trends. We absolutely commend the efforts of Jobcentre Plus staff in dealing with vulnerable people. We welcome the efforts they have made to turn things around this year. Yet they should never have been put in this position in the first place. Too much has been done too quickly, the planning and IT processes were not up to the job, and service levels have suffered. One of the tests of the Gershon programme is that service quality should not deteriorate as a result of the efficiency programme. As far as Jobcentre Plus is concerned, particularly in the summer of 2005 it failed that test, and failed its customers and staff.
1 Introduction

1. Jobcentre Plus is the principal delivery Agency of working-age benefits, and forms part of the Department for Work and Pensions (DWP). It was launched in April 2002, bringing together those parts of the Benefits Agency that dealt with people of working age with the whole of the former Employment Service.1 The reasoning for this was to ensure that one body had overall responsibility for providing “work for those who can, and support for those who cannot.”2

2. The scale of the Jobcentre Plus operation is monumental. Every working day, it receives 13,000 vacancies from employers, conducts 36,000 work-focused interviews, helps 4,000 people into work and processes over 16,000 new benefit claims.3

3. As part of its ongoing scrutiny of the DWP, the Committee held an evidence session in November 2005 with Lesley Strathie, Chief Executive of Jobcentre Plus.4 It had become apparent that the Agency was undergoing profound change, with target headcount reductions of around 15,000 FTE (full-time equivalent) staff, between 28 February 2004 and March 2008,5 which will be a total reduction of around 20,000 posts (nearly 25%) since the Agency was formed in 2002.6

4. At the same time, work was underway to introduce significant new IT systems and to implement various strategic and operational reviews, as well as complete the programme of opening new Jobcentre Plus offices.7 In this context of change, questions have been asked by bodies working closely with Jobcentre Plus – echoed by the Secretary of State and the Minister – about its future role and responsibilities.

5. The Committee therefore decided to conduct a short inquiry to consider the current efficiency savings programme in Jobcentre Plus and the impact on its ability to meet its objectives, with particular reference to:

- (a) employment and training programmes;
- (b) the capacity and role of Personal Advisers;
- (c) the performance of the Customer Management System; and
- (d) the principles behind, and performance of, Contact Centres.

6. In order for the inquiry to be completed as quickly as possible, the Committee held only two evidence sessions. Oral evidence was taken on 18 January 2006 from the Child Poverty Action Group, Citizens Advice, One Parent Families and the Trades Union Congress.

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1 Ev 42 para 1.3 [Jobcentre Plus]
2 Ev 48 Annex A [Jobcentre Plus]
3 Ev 75 para 5 [Jobcentre Plus]
4 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619
5 Ev 49 para 1 [Jobcentre Plus]
6 Ev 47 para 9.1 [Jobcentre Plus]
7 Ev 43 para 3.6 [Jobcentre Plus]
followed by the Association of Learning Providers, the Centre for Economic and Social Inclusion, the Association of Chief Executives of Voluntary Organisations (ACEVO) and the Employment Related Services Association (ERSA); and on 25 January from the Public and Commercial Services Union (PCS), followed by the Minister of State for Employment and Welfare Reform, Rt Hon Margaret Hodge MP, and Lesley Strathie.

7. The Committee also had the benefit of written contributions from other organisations and individuals, which are printed in the second volume of this report. We are grateful to all those who took the time to submit evidence.
2 The Efficiency Savings Programme

8. The 2004 Spending Review, informed by independent reviews of public sector efficiency (by Sir Peter Gershon)\(^8\) and public sector relocation (by Sir Michael Lyons)\(^9\) announced agreed departmental targets for achieving annual efficiency gains of 2.5%. The agreed target for DWP was to “realise total annual efficiency gains of at least £960 million by 2007-08, of which at least half will be cashable” – amounting to savings of 2.8% a year by the end of March 2008\(^10\) - and the implementation plan was, by 2007-08, to:

- achieve a total reduction of 40,000 civil service posts, with redeployment of 10,000 of these posts to front-line roles, and ensure the relocation of at least 4,000 posts out of London and the South East;

- continue to modernise its transactional processes, such as benefit processing, in order to put more of the available resources into front-line services such as helping people into work and tackling child and pensioner poverty. Modernising transactional processes will deliver around a third of efficiency gains;

- continue to make substantial savings in procurement processes, generating around half of the required efficiency gains. For example, by moving people from paperbased methods of benefit payment to direct payments into bank accounts, the department is able both to provide a more effective service and to make substantial savings in the contracts and costs associated with cashing paper-based payments; and

- modernise and streamline the back office functions of finance and human resources shared service functions, delivering over 10% of efficiency gains.\(^11\)

9. The foreword to the review, written by Sir Peter Gershon, states:

“Throughout the review I have been mindful of two important considerations. Firstly the need to ensure that savings are not delivered at the expense of impacting on service delivery: to go further or faster than the savings set out in my Review during the period 2005-06 to 2007-08 would put at risk the delivery of public services. Secondly I have paid considerable attention to departmental capacity to deliver these proposals both in terms of the delivery framework that is being put in place to realise the efficiency gains and recommendations to address a number of systemic issues identified during the course of the Review such as the need to strengthen financial management in departments.”

10. The DWP has published an ‘Efficiency Technical Note’, in line with Treasury guidance, which sets out how it plans to achieve, measure and monitor progress.\(^12\) The

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\(^8\) Releasing Resources for the Frontline: Independent Review of Public Sector Efficiency, Sir Peter Gershon, TSO, July 2004


resulting programme was described by a previous Secretary of State as “one of the biggest change programmes that has taken place anywhere in the world.”

11. The following sections of this report explain how these annual 2.8% efficiency gains across DWP affect Jobcentre Plus. The Agency is a major contributor to the headcount savings, as it is due to deliver 15,000 FTE reductions out of the overall total of 30,000.

The Delivering our Vision Programme

12. The detailed plans of Jobcentre Plus for achieving both financial and headcount reductions are set out in its Delivering our Vision Programme. Its memorandum states that the aim of the Programme “is to introduce new and improved processes, structures and IT into the Agency, which will in turn lead to a headcount reduction whilst maintaining performance.”

13. The Programme consists of a number of Key Business Transformation Initiatives, each of which is of considerable scale. The first is the Organisational Design Review. Following a review in 2004-05 the number of Jobcentre Plus board level director posts will fall from eight to six, the overall number of districts from 70 to 50, the overall percentage of management and support staff from 13% to 8%, and support staff such as human resources and finance will be “managed nationally”. Change implementation began in April 2005 and is due to be complete by March 2008.

14. The second is the Jobcentre Plus Implementation Programme. This includes the roll-out of the new-style Jobcentre Plus offices, but also access to contact centre services. This part of the programme, in particular, is underpinned by the new Customer Management System and is expected to be “substantially complete” by July 2006.

15. The third is Benefit Centralisation. The number of sites processing benefits will be reduced from 650 to 77 in order to “create a sustainable platform to deliver improved accuracy, increased efficiency and productivity and produce economies of scale.” The overall programme is expected to be complete by the end of March 2008. Of the 25% total staffing efficiencies in Jobcentre Plus, 10% are attributable to this programme.

16. The fourth is the Benefit Processing Replacement and Working Age Transformation and Change, which aims to “develop a core IT platform as a foundation for modern flexible IT solutions to reduce the operating costs of legacy systems and to improve programme protection.” We were originally told by Jobcentre Plus that “Phase 2 of the programme will include the replacement of the Income Support Computer System and the Customer Management System”, and would “provide a seamless service across conventional

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13 Oral evidence taken before the Work and Pensions Committee on 2 February 2005, HC (2004-05) 298, Q1
14 Ev 42 para 3.4 [Jobcentre Plus]
15 Ev 43 para 3.5 [Jobcentre Plus]
16 Ev 43 para 3.6 [Jobcentre Plus]
17 Ev 43 para 3.7 [Jobcentre Plus]
channels”\(^{19}\) and that a plan for this was “in preparation for February 2006”. We cover this project later in this report.\(^{20}\)

17. Other parts of Delivering our Vision are Programme Protection, which relates to anti-fraud measures and compliance;\(^{21}\) Field Improvement Initiatives, which aim to enable staff to share best practice;\(^{22}\) and the Payment Modernisation Programme, which promotes the direct payments of benefits into bank accounts.\(^{23}\) Jobcentre Plus is also aiming to review its procurement practices to realise substantial savings, something we deal with at length later in this report.\(^{24}\)

### Headcount reductions

18. As we have already noted, Jobcentre Plus is expected to make headcount reductions of around 15,000 FTE (full-time equivalent) staff, between 28 February 2004 and March 2008,\(^{25}\) which will be a total reduction of around 20,000 posts (nearly 25%) since the Agency was formed in 2002.\(^{26}\) The 15,000 figure is half of the total headcount reductions to be made across the DWP. Of the 25% total staff cost efficiencies planned or already realised across Jobcentre Plus, 10% are directly attributable to the centralisation of benefit processing, whilst the remaining 15% will be delivered by other efficiency initiatives.\(^{27}\)

19. A table of year-by-year Jobcentre Plus headcounts, headcount targets, redeployment totals and financial allocations is set out overleaf.\(^{28}\)

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\(^{18}\) Ev 44 para 3.9 [Jobcentre Plus]

\(^{20}\) See para 167

\(^{21}\) Ev 43 para 3.8 [Jobcentre Plus]

\(^{22}\) Ev 44 para 3.10 [Jobcentre Plus]

\(^{23}\) Ev 44 para 3.11 [Jobcentre Plus]

\(^{24}\) See para 260

\(^{25}\) Ev 49 para 1 [Jobcentre Plus]

\(^{26}\) Ev 47 para 9.1 [Jobcentre Plus]


\(^{28}\) All information supplied by Jobcentre Plus on 7 March 2006.
<table>
<thead>
<tr>
<th>Date</th>
<th>Headcount or target headcount</th>
<th>Revised ONS headcount or target headcount</th>
<th>Cumulative year on year change</th>
<th>Redeployment</th>
<th>Jobcentre Plus Admin budget allocation (£m)</th>
</tr>
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<tr>
<td>28 February 2004</td>
<td>80,897</td>
<td>82,067</td>
<td>-</td>
<td>-</td>
<td>(03-04) £2,111m</td>
</tr>
<tr>
<td>(efficiency baseline actual position)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 March 2004</td>
<td>79,044</td>
<td>80,097</td>
<td>-1,170 in one month</td>
<td></td>
<td>(04-05) £2,683m</td>
</tr>
<tr>
<td>(actual)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 March 2005</td>
<td>73,860</td>
<td>74,913</td>
<td>-7,154</td>
<td>1,607 (04-05)</td>
<td>(04-05) £2,683m</td>
</tr>
<tr>
<td>(actual)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 January 2006</td>
<td>-</td>
<td>73,400</td>
<td>-</td>
<td>05/06 (to end Dec 05) 3,987 Total to date 5,594</td>
<td>-</td>
</tr>
<tr>
<td>(actual)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>31 March 2006</td>
<td>70,200</td>
<td>71,350</td>
<td>-10,717</td>
<td>(05-06)</td>
<td>£2,494m</td>
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<tr>
<td>(target)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>31 March 2007</td>
<td>67,550</td>
<td>68,700</td>
<td>-13,367</td>
<td>(06-07)</td>
<td>£2,382m</td>
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<tr>
<td>31 March 2008</td>
<td>65,650</td>
<td>66,850</td>
<td>-15,217</td>
<td>(07-08)</td>
<td>£2,244m</td>
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20. Lesley Strathie told the Committee,30 “2005-06, the year we are in now, is the greatest challenge for Jobcentre Plus. Our headcount reductions in the next two years will be smaller than they are now, but, in order to live within all of that, we had to set ourselves roughly double the challenge this year.”

21. The reduction in FTE staff marks an additional fall over and above the savings which were predicted to arise as part of the bringing together of the Benefits Agency and Employment Service. A letter to the previous Committee’s Chairman, giving workforce plans in the light of the Gershon review, noted that “Jobcentre Plus is now profiled to have 6,400 fewer staff at the end of 2005-06 than in the earlier estimate. This reflects how Jobcentre Plus efficiency plans have moved on to include, for example, centralised processing.”31

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29 The difference between the columns is accounted for by the introduction of a standard definition for all public sector employment statistics by the Office of National Statistics (ONS). The definition is based on the principle that staff numbers should reflect all employees who are being paid. The previous definition excluded staff who were paid but not working, for example staff on paid maternity leave. The Department noted in a supplementary memorandum to us that “Whilst the change alters the baseline and end point, the target figure of a 30,000 reduction in staff therefore is not affected.”

30 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q12

Redundancies

22. When asked in November how these headcount reductions were being implemented, Lesley Strathie explained that there had at that time been no compulsory redundancies. Redundancies were arising from natural wastage (which she estimated at between 6 and 7%) and a voluntary “managed release” scheme which had applied to 707 people.

23. She continued, however, that “at some point there will be pockets of people in pieces of geography with no work and, therefore, compulsory redundancy will be the option of last resort … For the first phase of our workforce management policies negotiated by the Department, we had a no compulsory redundancy agreement for the first phase, I think six months it was then. That has expired and it has not been renewed, to the best of my knowledge.”

24. Jobcentre Plus confirmed in February that there were “no current plans for compulsory redundancies and it is still the intention to use this method of reducing staff only as a last resort to address those areas where the geography and the lack of work leave no alternative.” We were told that turnover rates remained “robust” at 6.48% and since March 2005 1,313 staff had left Jobcentre Plus through “targeted voluntary releases.” We discuss staff morale later in this report.

25. Jobcentre Plus also told us that “Regional Executives continue to examine the scope for redeployment of surpluses into other DWP businesses and are working closely with other Government Departments to ensure that their vacancies are made available to Jobcentre Plus staff wherever possible.”

26. The National Audit Office’s report Progress of Improving Government Efficiency (which was published after we concluded taking oral evidence) reported that for DWP as a whole the delivery of headcount reductions is expected to “become more difficult in 2006-07 and 2007-08 as the rate of natural attrition, particularly in more senior grades, will not be sufficient to achieve the target reduction of 30,000 posts by 31 March 2008.” The Report continued that “to offset this risk, the Department has introduced voluntary early retirement and severance schemes and has set aside more than £400m from its administrative budget to meet associated costs. In addition, HM Treasury has provided £100m in matched funding.”

27. We commend the efforts that have been made by Jobcentre Plus to avoid compulsory redundancies. We agree that this should be a method of last resort. We ask Jobcentre Plus to set out what proportion of the £500m set aside across the DWP for early retirement and severance schemes it expects to use.

32 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 10
33 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 11
34 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 11
35 Ev 57 [Jobcentre Plus]
36 See para 232
37 Ev 57 [Jobcentre Plus]
38 National Audit Office, Progress in improving Government efficiency, HC (2005-06) 802, para 2.6
**Redeployment**

28. As well as the headcount reduction programme, Jobcentre Plus is due to contribute 9,000 of the 10,000 redeployments to the front line required across the whole of DWP. By the end of December 2005, Jobcentre Plus had created and resourced 5,594 new customer service posts. Staff are being moved to deal with customer telephone calls in Contact Centres, to become Personal Advisers or Financial Assessors. The number of Personal Advisers is expected to increase from 10,300 FTE (full-time equivalent) Advisers in March 2004 to 12,300 FTE Advisers in March 2008.

29. We discuss the implications of this later in this report in particular the impact of staff being redeployed with inadequate training for their new roles and the effects on both rural and urban areas when Local Service Outlets shut.

30. Some Jobcentre Plus staff who are redeployed may be transferred to the Child Support Agency. When we took evidence from the Secretary of State and the Chief Executive of the Agency we asked:

> "What is going to be the impact on those staff because presumably they will have been declared surplus in whatever arm of the Department they are in now? They will be moving across to the CSA, but the increased staffing levels of the CSA are of themselves temporary. What message are you sending to your staff? Are you telling them, ‘You are declared surplus here. You are going to move into the CSA, but we might not need you in another two or three years’ time’?"

31. The Secretary of State replied “That is broadly the situation, yes” although he added “Obviously all of this has to be handled in a professional and proper way in relation to the staff themselves.” We are concerned that the strictly temporary re-deployment of staff from Jobcentre Plus to the CSA may be bad for morale. Staff should have some choice in the permanent job they accept at the end of such a temporary redeployment, either in Jobcentre Plus or the Child Support Agency.

**Conclusion**

32. The then Secretary of State, Alan Johnson, gave evidence to our predecessor Committee in February 2005. He explained that the early stages of headcount reductions and redeployment throughout the DWP had been difficult to manage in a controlled way but a planning process was now in place:

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39 Ev 47 para 8.2 [Jobcentre Plus]
40 See Table one
41 Ev 42 para 3.3 [Jobcentre Plus]
42 Ev 45 para 5.4 [Jobcentre Plus]
43 See paras 35 and 214
44 Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 15 February 2006, HC (2005-06) 920, Q 112
“We have reduced by something like 7,200 in a situation where we were simply holding vacancies and ensuring that wastage gave us the headroom to make changes. So given that that is the situation, that we had no real control over where the vacancies were emerging but we had an absolute imperative to avoid compulsory redundancies and work with the unions to get a proper agreement, we are only now in a position where we can start offering packages. We expect in this financial year to be able to offer about 500/550.

Q63 Chairman: In this financial year?

Alan Johnson: In this financial year, and that is when we can start to plan much better.”

33. Kate Green, Chief Executive of the Child Poverty Action Group, told us that she thought questions remained about how the redeployment in Jobcentre Plus was being carried out:

“I think we have to remember that we are still in the middle of a process of change and that certainly Jobcentre Plus have, for example, said that one of the ways in which the staff configuration will change is to put more expertise and more numbers in the front-line in terms of the numbers of Personal Advisers. I think in terms of the potential to redeploy and improve service, that remains a part of the picture but a part of the picture that has not yet fully delivered, and I think we would be keen to understand better the full plans for getting to that point.”

34. In its recent report Progress in Improving Government Efficiency, the National Audit Office confirmed that progress was being made across the DWP in headcount reduction, and that an internal DWP review provided “assurance on the robustness of claims to date.” But it also included concerns about the risk to service quality, which we cover later in this report, and stated that more detailed information was required “on the numbers of agency staff and contractors employed by the Department” as “Agency staff and contractors are not accounted for within the Department’s figures.”

35. Moving staff to the front-line and making services more efficient is laudable, and it is clear that progress is being made in headcount reduction. Redeployed DWP staff may have extensive knowledge of the benefits system which should be recognised and used effectively where possible rather than ignored or wasted. Equally, redeployed DWP staff may find the working environment in, for example, one of the new Contact Centres to be significantly different from their previous roles and require greater support than external hires if they are to make the transition successfully. Otherwise services will suffer and the Department will not meet its efficiency challenge.

36. We conclude – and this is a theme which will recur throughout this report – that it is not enough for Jobcentre Plus staff simply to be placed in front-line roles, they must be trained properly and appraised carefully so they are able to help vulnerable people in a constructive way. This will be different from training staff who have been hired from

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46 Q 18

47 National Audit Office, Progress in improving Government efficiency, HC (2005-06) 802, para 2.5
outside DWP. We recommend that the DWP sets out the headlines of its staff redeployment strategy for the period until 2008, including its key milestones and targets, the amount it is going to spend, per head, on training staff who are redeployed and the number of Agency staff and contractors it expects to use.

**Financial savings**

37. The Efficiency Technical Note states that the DWP is expected to make savings of 2.8% a year by the end of March 2008 and comply with a reduction in its DEL (Departmental Expenditure Limit) compared to the 2003-04 out-turn (using the GDP deflator at the time of the 2004 Budget announcement) of over £960 million in 2007-08 prices.\(^{48}\) Of these savings, just under one half are expected to come from improvements in transactional processing, around one quarter from the Payment Modernisation Programme, over one quarter from improvements to central services and around one tenth from improved value for money in procurement.\(^{49}\) The planned gains will be reported net of additional costs.\(^{50}\)

38. We were told by Jobcentre Plus that it did not have explicit targets for its contribution towards the DWP’s financial savings. It stated that it was “on track to make the required savings as it expects to live within budget in 2005-06, and has plans to do so in 2006-07 and 2007-08.”\(^{51}\) A letter from the then Secretary of State to the former Committee’s Chairman set out the expenditure limits for Jobcentre Plus, which are included in an earlier table in this report.\(^{52}\)

39. The assessment that Jobcentre Plus will come in on budget in 2005-06 is more optimistic than in the original Jobcentre Plus memorandum, which stated:\(^{53}\)

> “Latest forecasts on Jobcentre Plus core budgets for 2005-06 show a small projected overspend. However, it is planned to manage this through a transfer of surplus funding in change budgets to core, which will align the funding for small projects to where the expenditure is incurred. For employment programme budgets, 2005-06 is likely to be the most difficult year of the Spending Review 2004 period.”

40. The budget reductions have had a real impact on employment, skills and training programmes, which we discuss later in this report. It is clear that to meet its financial targets in the 2005-06 year, difficult decisions have had to be taken. There are evidently still strains, for example, the unit costs of both job broking and benefit processing, which account for over 90% of DWP’s cost base,\(^{54}\) were running over target by 2.05% and 9.98%

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\(^{49}\) Department for Work and Pensions, SR2004 efficiency target Technical Note (December Edition), para 10

\(^{50}\) National Audit Office, *Progress in improving Government efficiency*, HC (2005-06) 802, para 2.7

\(^{51}\) Ev 51 [Jobcentre Plus]

\(^{52}\) See Table one

\(^{53}\) Ev 47 para 8.3 [Jobcentre Plus]

\(^{54}\) Department for Work and Pensions, SR2004 efficiency target Technical Note (December Edition), para 18
in the year 2005-06 to October 2005, although the latest information provided to us showed that performance had improved.

41. Jobcentre Plus has told us that it is on track to meet its target financial savings for 2005-06 by living within its budget. We ask the Department to supply this Committee with a memorandum setting out its unaudited performance against budget by the time the House rises for the 2006 summer recess.

Areas of concern

Overtime

42. The 2005 DWP staff survey showed that nearly 60% of those surveyed were doing more than three hours overtime per week and almost 20% were doing more than nine hours per week. We acknowledge Lesley Strathie’s explanation: “I recognise we have some temporary staff and I recognise that we have some overtime working which is voluntary and hits the peaks in traffic.” However, the potential financial cost of this overtime working will need to be monitored closely.

43. A recent memorandum we received from Jobcentre Plus stated that the overtime bill in 2004-05 was £20,163,113 (1.07% of total staff costs) and the amount to date in 2005-06 (not including February and March) was already £18,650,028 (1.3% of staff costs). While this, in the words of Jobcentre Plus, “remains only a tiny proportion of our overall paybill” it is a significant increase. In every month from May onwards the 2005-06 figure is considerably higher than the equivalent for 2004-05 – for example, in August 2005 it was £2,188,631 compared to £1,230,054 in August 2004 and in January 2006 it was £2,760,505, compared to £1,734,710 in January 2005.

44. We are concerned that significant amounts of regular overtime should not be used as a way to compensate for job losses resulting from the efficiency savings programme and ask DWP to keep us informed of the cost implications.

CMS savings

45. We are also concerned about the projected savings to be realised from the Customer Management System (CMS). We were told by Jobcentre Plus that:“It is still too early to confirm the extent to which actual times in steady state will vary from the estimates. Unsurprisingly, given the magnitude of the change in the way of doing business and the time needed for the new processes to bed down, there is some evidence that actuals have been different to the original estimates and this

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55 Ev 49 [Jobcentre Plus]
56 See para 107
57 Q 115
58 Ev 93 [Jobcentre Plus]
59 Ev 78 [Jobcentre Plus]
60 Ev 52 [Jobcentre Plus]
has been addressed as appropriate e.g. by the local redeployment of resources. As the Committee would expect, this is being kept under review.”

46. Given that the CMS business case stated that “should the actual timings vary from the estimates by one minute there is a financial change of about £1m nationally”61 this is clearly an area of significant uncertainty. We also note later in this report that the savings anticipated from CMS rely in part on decreases in official error62.

The scale of the challenge

47. The sheer scale of the challenge Jobcentre Plus has been set perturbed many of our witnesses. Even the Secretary of State, appearing before us in November, acknowledged that the Agency had “a shed-load of difficulties to deal with”.63

48. Kate Green, Chief Executive of the Child Poverty Action Group (CPAG), described it in particular as a problem of timing:64

“I think that any of the sort of institutions you have talked about - for example the financial services sector and the telecom sector, who have made these sorts of changes too - would say that you cannot take the staff savings first. If anything, you need more people to implement and bed down the change and only after that can you both begin to redeploy to improve service but also can you, if you want to, start to reduce costs. I think there are timing issues in terms of trying to do everything at once, as well as an incomplete and, not from our perspective at least, a fully understood plan to bring about service improvements alongside efficiency savings.”

49. And Lesley Strathie acknowledged this when she gave evidence to us in November, when she commented:65

“I spoke earlier about trying to move too quickly because of the Efficiency Challenge we have - at the end of the day we have to live within the resources we have been allocated for each of the years in the Spending Review period”

50. CPAG told us that the scale and pace of the programme had created information gaps both for its workers and those in Jobcentre Plus:66

“There appears to be no overall system of information to which both staff at Jobcentre Plus (in whatever type of centre or office) can refer which gives a list of Contact Centres, processing centres, the areas they cover and when they came into operation for each area. The need for this is demonstrated by the fact that local offices do not always appear up to date with which contact and processing centres service their area, for example, Portsmouth and Southampton replaced Reading

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62 See para 128
63 Oral evidence taken before the Work and Pensions Committee on 23 November 2005, HC (2005-06) 615-I, Q 14
64 Q 18
65 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 54
66 Ev 102 para 35 [CPAG]
which replaced Canterbury which in turn replaced Milton Keynes for claimants in the Oxford area. As a result staff are often unsure which office is responsible for a case.”

Similar problems were described by Citizens Advice.67

51. Leaders of the Public and Commercial Services Union, PCS, gave oral evidence to the Committee the day before Union members went on strike over the efficiency programme. The General Secretary, Mark Serwotka, described Jobcentre Plus as being in “crisis” due to the programme, continuing that “we should take stock, we should pause and look at the service that is being delivered and ensure we have the right amount of people in the right place and not hurtle along regardless of the consequences just to meet predetermined efficiency savings.” 68 With regard to the performance of the new Contact Centres, which we analyse in depth later in this report, PCS described a situation of “contingency and crisis management”.69

52. Mark Serwotka added that the Union had asked Jobcentre Plus to pause headcount reductions while this Committee’s inquiry was underway but that this request had been refused.70 The PCS memorandum suggested that the Department was “overselling its capacity to deliver.”71

53. Rt Hon Margaret Hodge MP, the Minister for Employment and Welfare Reform, referred to the task as “very considerable”72 but was upbeat about performance:73

“If I look at the most recent performance data which I have on Jobcentre Plus in terms of its business delivery, i.e. what we are doing about fraud and error, how we are performing on customer service, how we are performing in relation to what employers think of the service we offer, what we are doing on payment modernization, the outcomes are good.”

And confident that the programme had been conducted appropriately:74

“We are reducing staff, we are doing that carefully and slowly and effectively and we are getting more staff focused on the customer. The whole thrust of this is to transform the organisation, to bring in IT processes, to get the staff efficiencies on the backroom processes and then to transfer more staff onto the front line, whether it is in Contact Centres, talking to people when they make benefit applications or whether it is Financial Advisers in Jobcentre Plus offices dealing with benefit applicants on a one-to-one with that.”

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67 Ev 145 para 41 [Citizens Advice]
68 Q 80
69 Ev 111 para 46 [PCS]
70 Q 80
71 Ev 113 [PCS]
72 Q 110
73 Q 111
74 Q 111
Conclusion

54. There was a general consensus in the evidence presented to us that the change programme through which Jobcentre Plus is proceeding is exceedingly ambitious. Dave Simmonds from the Centre for Economic and Social Inclusion, for example, referred to the task Jobcentre Plus has been set as “incredible” and Richard Exell, from the TUC, spoke of “the strategic problem of introducing major change and a large cut in staff at the same time.” As shown above, however, there was a lack of agreement between Jobcentre Plus and key stakeholders on the extent to which this has affected, and continues to affect, service quality.

55. We have concerns about a number of aspects of the efficiency programme. Too much has been done too quickly, in our view, and services and programmes have suffered as a result. These may have been short-term problems, but while they lasted services suffered and, in our view, that is not acceptable.

56. We therefore recommend that the pace of headcount reductions in Jobcentre Plus should be slowed until all Contact Centres are running the full Customer Management System process. We recognise that natural wastage will continue, and that some redeployment will be necessary to fill these posts, but we would urge that additional strategic redeployment and voluntary release schemes be put on hold. This time should be used to reassess the DWP’s redeployment strategy and plan to ensure the poor performance of the Centres in summer 2005 does not happen again in summer 2006.

57. Departments have agreed to provide the Office of Government Commerce with quarterly updates on their progress against the efficiency challenge. We ask DWP and Jobcentre Plus to make those reports available to this Committee, if necessary on a confidential basis.

Efficiency in procurement

58. We have already noted that DWP as a whole hopes to make around one tenth of its efficiency savings from improved value for money in procurement. We discuss the impact of this on the work of Jobcentre Plus with employment and training providers later in this report. There are two separate issues to deal with here, and we discuss them, in turn, below.

Realignment of contracts

59. Over the last year two major contract “realignments” have been announced by the Department for Work and Pensions, both of which have significant implications for Jobcentre Plus. The first, in August 2005, announced a “renewed partnership” between EDS and DWP. The Customer Management System (CMS) was developed by IBM but is delivered and supported by EDS via a series of fixed price packaged contracts. The press

75 Q 61
76 Q 1
notice stated that the new arrangement would mean that “the Department will be spending around £520m a year on services delivered by EDS, compared to more than £700m a year since the DWP was created.”78

60. It stressed that the realigned contract would ensure “highly competitive, benchmarked prices for the services EDS delivers.” The then Permanent Secretary, Sir Richard Mottram, was quoted as saying “Compared with present practices, we expect a better, more robust service and substantial savings. This will make an important contribution to the efficiency savings to which we are already committed.” The press notice states that, as well as the DWP making “substantial savings”, “the new contract structure enables EDS to increase its previously stated estimates for revenue from the DWP over the next five years by £800m”.

61. Our predecessor Committee reported on the Management of IT projects by DWP in July 2004. It concluded that “closer Parliamentary scrutiny is a prerequisite to improving the success rate of DWP’s IT Projects”.79 We note the Department’s new contract with EDS. We are sceptical that EDS and the DWP can both make financial gains from it. We intend to conduct further scrutiny of this contract as it progresses to ensure that the promised savings and performance improvements have been delivered, and recommend that the Department reports progress to us on an annual basis. We also ask the DWP to supply the Committee with further information on the details of the contract, if necessary on a confidential basis.

62. In December 2005 the DWP and BT also ‘realigned’ existing contracts to simplify the structure of separate contracts inherited from the former Department of Social Security and the Department for Education and Employment. This contract is worth £870m over five and a half years. The associated Press Notice stated that the new services would enable the Department “to modernise its infrastructure to improve services for customers.”80 The Permanent Secretary, Leigh Lewis, said that the agreement would “play a critical part in reaching our £1 billion year on year efficiency saving.”

63. Given that the new telephony contract is so important to the delivery of efficiency savings, we ask the Department to agree to provide us with annual progress reports.

**Outsourcing of DWP services overseas?**

64. During the later stages of our inquiry a BBC news report on Monday 23 January quoted a leaked DWP document on Offshoring Process, as stating: “In line with the continuing need for government departments to reduce costs, proposals are being made by service providers to undertake work for or on behalf of the department overseas. This could involve the transfer of part or even all of the functions of a DWP area of business that would have previously been located in the UK, to a centre located outside of the UK.”

65. Mark Serwotka, the General Secretary of PCS, was quoted as saying that it was “appalling” that the plan had not been discussed. But Leigh Lewis, the Permanent Secretary of DWP, was reported as denying there were any plans to move civil service jobs out of the

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78 Department for Work and Pensions press release, Ref: CORP-1, 24 August 2005
80 DWP News Release, 6 December 2005, Ref: DRC 14
country. "We have not moved any of the department’s jobs offshore and we have absolutely no intention of doing so. Like other very big organisations we have got a huge number of suppliers. Of course it’s possible that they may want to outsource some of their work overseas."81

66. This was confirmed to us when Rt Hon Margaret Hodge MP, the Minister for Employment and Welfare Reform, gave evidence on 25 January. She said:82

“Certainly I got … [a call over] … the weekend by a journalist saying, “What is this about? You are outsourcing staff overseas”, and I did not have a clue what he was talking about because we are not doing it at all. I think the Permanent Secretary gave a pretty clear statement on the radio on Monday, if you listened to it, saying that there is no outsourcing overseas of any of the DWP. What is happening […] is that some of our ICT provisions are outsourced. EDS, a big supplier of IT to us, are outsourcing, for example, I know, some of their development work in Egypt. It could be that some of those companies who already supply outsourced functions to us are then themselves outsourcing overseas part of that work, but there is no intention at all in any part of the DWP business for us to take processes overseas.”

67. A supplementary memorandum from PCS stated that the union was “urgently seeking clarification on what proposals have been made, who the service providers are, how far advanced the proposals are and what areas of work may be affected.”83

68. In our view, given the Department’s current performance problems outsourcing of this nature could further destabilise its operations in the short term and thus prove counterproductive. In the longer term any such move should only be considered if significant improvements in both service quality and unit cost could be achieved in a sustainable way.

69. We welcome the Minister’s assurance that there is no intention to take any of the Department’s business overseas at present. We would expect this Committee to be informed at an early stage if any such plans were made.

81 “Ministers deny offshore job plan”, BBC News Online, 23 January 2006, news.bbc.co.uk
82 Q 170
83 Ev 121 [PCS]
3 Measuring performance during the savings process

70. The memorandum from Jobcentre Plus notes that “to demonstrate the achievement of efficiency savings, Departments are required to show that there has been no diminution in performance and customer service by the end of the Spending Review 2004 period.”84 This puts a clear obligation on the Department to prove positively that service quality is being maintained. This was a theme taken forward in the recent National Audit Office Report on Progress in Improving Government Efficiency which stated that, for the efficiency programme as a whole, “a key risk is that efficiency gains will be accompanied by unintended falls in the quality or quantity of service delivery.”85

How performance is measured

71. The Department’s Efficiency Technical Note explains that performance measurement is based on measuring inputs, in financial terms, and outputs, by a “cost-weighted index, where the unit cost of production is used as a proxy for the value of the output.” The Note continues that “In line with Atkinson recommendations outputs will be adjusted for quality where possible.” The two primary indices which will be used cover benefit processing and job-broking, which together account for over 90% of DWP’s cost base.86 The development of this index was noted with approval in the NAO’s recent report.87 It stated that such an integrated measure was the “most robust method” but noted that is would have to be “implemented appropriately.”88

The Agency’s target structure

72. The Jobcentre Plus Business Plan for 2005-06 sets out the Agency’s target structure.89 There are six different targets listed. Details of all these targets, and detailed performance data, are normally available on the DWP website, an openness which we commend. However, at the end of January, performance data was not available for three of the targets and we had to request it directly from the Department. We recommend that in future the DWP and Jobcentre Plus ensure that the links to the publicly available performance information are working and that the information is kept up to date.

The Job entry target

73. This target, the Business Plan states, is measured by a points score system.90 For each person helped into work, Jobcentre Plus earns from one to 12 points, from one point for

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84 Ev 42 para 2.2 [Jobcentre Plus]
85 National Audit Office, Progress in improving Government efficiency, HC (2005-06) 802, para 1.18
87 National Audit Office, Progress in improving Government efficiency, HC (2005-06) 802, p 63
88 National Audit Office, Progress in improving Government efficiency, HC (2005-06) 802, p 76
89 Jobcentre Plus Business Plan, 2005-06, ps 17-19
90 Jobcentre Plus Business Plan, 2005-06, p 17
already employed customers to 12 points for a customer with a health condition or disability. The Annual Report and Accounts of Jobcentre Plus note that additional points are awarded for customers entering employment from the most disadvantaged areas in the labour market, from areas with high concentrations of customers from ethnic minority groups and Jobseekers Allowance recipients who move into sustained employment.91

74. Performance against the target in the first part of the 2005-06 financial year was particularly bad, at 7% below target (profile) in September 2005, and 6.5% below target (profile) in October 2005.92 When Lesley Strathie, Chief Executive of Jobcentre Plus, appeared before us in November she admitted performance had been poor, particularly for “priority group one customers, lone parents and those on inactive benefits.”93 However, she said a recently launched National Action Plan, aimed at recovering job entry performance, which included asking Personal Advisers for a 50% increase in job entries, was already taking effect:94

“I am delighted to say that week four’s performance this month has not only shown a significant leap in job entries, but in job entry points, so far more of the priority groups.”

75. A supplementary note from Jobcentre Plus stated that in December there had been an improvement on performance against the Job Entry Point performance target, with:95

“a 1.3% increase against profile. This is an improvement of 3.4% from the November figure of -2.1% ... This is the first month since April that Job Entry Point performance has been above profile and indicates a steady improvement since the implementation of the National Action Plan (NAP), in late August/early September ... Provisional figures for the first week in January show performance is being maintained above profile.”

76. The target is due to be replaced by a Job Outcome Target in April 2006 which will be based on linking Jobcentre Plus customer records with employment data held by Her Majesty’s Revenue and Customs (HMRC). The new measure, Jobcentre Plus hopes, will “enable more efficient data capture and provide a more complete picture of Jobcentre Plus performance.”96 The objective of improved accuracy is certainly laudable; the results of validation checks on the existing measure indicated that 90.5% of job entries (of those included in a test sample) were valid and 9.5% were not.97

77. The Job Outcome Target was piloted in seven Jobcentre Plus districts in 2005. The DWP released a qualitative evaluation in December 200598 and a quantitative evaluation in
The quantitative report concluded that implementation had produced “no operational crises” and was “beginning to produce the kinds of behavioural and cultural shifts expected.” The report did note, however, that there was a “lack of success in finding lever indicators” and only partial success in finding “symptoms indicators.” It commented “There were concerns that, under JOT [the Job Outcome Target], managers would not know which factors drive performance, and so not have the tools to manage as effectively as under JET [the current Job Entry Target].”

This was expanded on in the qualitative evaluation as follows:

“Ongoing work on ‘symptom indicators’, outlined in the quantitative evaluation report, suggests that it is possible to produce national forecasts of outcome performance up to two months in arrears, with a relatively small margin for error. Work on ‘lever indicators’ has, to date, been less successful in identifying indicators that might help to predict outcome performance, and hence, guide management actions in relation to performance variations. This suggests that the experience, skill and intuition of managers and the effective communication of good practice, would be increasingly important under JOT in ensuring adequate responses to poor performance, for example.”

This has implications for the work of Personal Advisers, as we note later in this report.

We note the recent modest improvement in performance against the job entry target, and commend the efforts of Jobcentre Plus staff in achieving it. We hope that the performance against profile will continue to improve and reverse the trend. We intend to monitor the implications of the introduction of the Job Outcome Target and will return to this later in the year.

The claimant count

A related statistic, but one which is not used to measure Jobcentre Plus performance, is the claimant count, i.e. the total number of those who are claiming Jobseeker’s Allowance at any one time. The total number of those on this benefit depends both on the number of those coming on to the benefit, and the number of those coming off. The latest claimant count figures were 904,200 in January 2006, down 2,000 on the month but up 90,400 on the year. This followed eleven consecutive monthly increases. The Office of National Statistics (ONS) note accompanying those Labour Market statistics stated:

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100 Lever indicators are sets of indicators which enable managers to influence performance

101 Symptoms indicators are sets of indicators which enable managers to monitor performance

102 DWP Research Report 316, *Evaluation of the JOT Pilots: quantitative study*, John Frankham, Laura Payne, Phillip Smith, Dan Sturman and Rob Willis, summary

103 See para 247


“The last time there was a monthly fall in the claimant count was January 2005, when it fell by 11,200.”

81. Lesley Strathie was clear when she appeared before us in November that these figures were a source of concern for Jobcentre Plus:106

“The rise in the claimant count, which is about 60,000, that is a concern for us because we have to keep reviewing everything we are doing.”

And confirmed that there was a certain amount of soul-searching going on:

“If you have a choice of whether you spend your money here or you spend your money there, that was a choice and a set of risks that we took our ministers through and agreed our transformation at every stage on how we did it. We know that there are risks because over all the years, way back to the original Restart programme of intervening with people, we know that if you intervene with people you have an impact. You actually have an impact on claimant count as well as an impact into jobs, so we are very mindful of monitoring this increase and we have to keep questioning, “Have we tried to do too much too quickly?”

82. She also noted that the increases resulted in a substantial additional workload for Jobcentre Plus, which could put the efficiency savings programme at risk:107

“the more people we have claiming, the more work there is to do, and that then becomes an issue if we have a rise in the Jobseekers’ Allowance claimant load. It is demand-led, and I need to look first and foremost to see if I can move resources from another part of the business. If that becomes unmanageable for me. I have to have a conversation that says, “Do we maintain this regime? Do we change it? How do we do it?”, but that would be for ministers to decide.”

83. The Minister confirmed to us in January that the question “Is there a link there between spending less on the employment programmes and people staying on JSA for longer?” was under active consideration.108 An article in the Financial Times on 19 January quoted her as stating “Almost every labour market economist tells me that finding jobs for the unemployed is not the issue. The bigger problem is to remove the inhibitions which are stopping large numbers of currently jobless people from returning to the workforce … The reality is that we will need to get more people into work to fill skills gaps and help pay for the increased numbers of pensioners.”109

84. In the House she was careful to describe the recent figures as “disappointing” but “erratic”, pointing out that “the [claimant count] level still remains close to historically low levels.” She added that “I shall continue to keep a very close eye on the figures to see whether what have been erratic figures turn into a trend.”110

106 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 23
107 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 23
108 Q 179
109 Financial Times, 19 January 2006, p 4
110 HC Deb, 6 February 2006, col 596
85. A recent written answer stated that the Department is to commission a short feasibility study to “explore the possibility of assessing the overall impact of Jobcentre Plus as well as some of its larger labour market programmes on a range of macroeconomic variables.” It added that “results from the feasibility study should be available in the latter half of 2006.”\textsuperscript{111}

86. We are seriously concerned about the 90,400 rise in the claimant count over the last year, although we note that there was a modest fall (2,000) between December 2005 and January 2006. If the increase in the claimant count continues it will undermine the efficiency savings programme. There is a question to be answered about the extent to which reductions in employment and training programmes, and other Jobcentre Plus activity, have contributed to this. We recommend the DWP confirms that the forthcoming feasibility study on assessing the impact of Jobcentre Plus on macroeconomic variables will include its impact on the claimant count and, if not, commission specific research on this point.

**Employer outcome target**

87. The employer outcome target is to ensure that at least 84% of employers placing their vacancies with Jobcentre Plus have a positive outcome.\textsuperscript{112} It is calculated on the basis of an “on-going survey of employers” which:

   “finds out what they thought of three key areas when using Jobcentre Plus for their recruitment:
   
   • Resolution - Was the vacancy filled?
   • Responsiveness - Was the vacancy filled in timescale that met their needs?
   • Matching - Did they think that the people referred directly from Jobcentre Plus for the job, matched their vacancy details?”

The individual scores of the three elements contribute equally to the overall target of 84%.

88. According to tables available on the Jobcentre Plus website the latest data (for July-September 2005)\textsuperscript{113} shows that the target is generally being met, with a national average of 87.2% and results varying from a high of 90.7% (in South East Wales and Ayrshire, Dumfries, Galloway & Inverclyde) to a low of 81.1% (in Brent, Harrow and Hillingdon).

89. We commend the overall good performance of Jobcentre Plus against the employer outcome target.

**Customer Service target**

90. When we asked Lesley Strathie about how Jobcentre Plus would demonstrate the quality of service was being maintained, she pointed to the Agency’s customer service

\textsuperscript{111} HC Deb, 23 January 2006, col 438W
\textsuperscript{112} Jobcentre Plus Business Plan, 2005-06, p 18
\textsuperscript{113} http://www.jobcentreplus.gov.uk/JCP/stellent/groups/jcp/documents/websitecontent/dev_011186.xls
target, saying that she was “very proud” that Jobcentre Plus had the target and noting that it was the only business in the Department which had such a measure. The Jobcentre Plus website expands on the target as follows:

“Our customer service is measured under four headings:

- **Speed** - How quickly we answer the telephone and deal with customers face to face. (25% of overall score)
- **Accuracy** - The accuracy of information we give on the telephone and face to face. (25% of overall score)
- **Proactivity** - How well we understand customers’ requests, anticipate their needs and provide them with information that is relevant to their situation. How we deal with customers as people, how we treat them. (30% of overall score)
- **Environment** - The quality of the information we display, how easy it is for customers to use our services and how we help customers understand other ways of doing business with us. (20% of overall score)”

91. According to the memorandum which we received from Jobcentre Plus its achievement to the end of September 2005 in the 2005-06 financial year was 84.8%, 3.8% above the target (81%). This figure was also included in a written answer on 19 December, which included comparative figures for 2004-05 (83.2%, against a target of 81%), 2003-04 (83.4%, against a target of 83%) and 2002-03 (85%, against a target of 79%). The latest information we received, for the third quarter of 2004-05, said that performance had risen to 87.3%.

92. However, on the basis of figures on the Jobcentre Plus website, while the national average for Jobcentre Plus Districts in the first quarter of 2005-06 was 85.4%, and the second quarter of 2005-06, 84.2%, the Contact Centre performance was worse in the first quarter, 65.6%, and truly abysmal in the second (July-September 2005) at an average level of 34.3%; Group 1 Contact Centres having a score of 26.8%, Group 2 Contact Centres 33.0%, Group 3 Contact Centres 39.0% and Group 4 Contact Centres 37.5%. While the figures showed a distinct improvement for Quarter 3 (October-December), at 78.7%,

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114 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 14
116 Ev 49 [Jobcentre Plus]
117 HC Deb, 19 December 2005, col 2456W
118 Ev 58 [Jobcentre Plus]
120 Chelmsford, Colchester, Derby, Derby Holborn House, Grimsby, Halifax, Lincoln, Lowestoft, Sheffield
121 Blackburn, Blackpool, Bootle, Coventry, Garston, Telford
122 Aldershot, Banbury, Dundee, Gateshead, Hastings, Middlesbrough, Milton Keynes, Newcastle, Paisley, Portsmouth, Provan
123 Bridgend, Cwmbran, Harrow, Ilford, Kennington Park, Pembroke Dock, Poole, Taunton, Torquay
79.7%, 65.5% and 71.7%, they were still running below target and below the national average.\textsuperscript{124}

93. We are not surprised that the performance figures for Contact Centres were so bad, given the volume of evidence we received on the events in Contact Centres in the summer of 2005, on which we expand in the next section of this report. But they are exceedingly poor. In this case the average concealed huge variations in performance, and we are disappointed that Jobcentre Plus did not draw this to our attention.

\textit{Monetary value of fraud and error target}

94. Jobcentre Plus stated in its 2005-06 Business Plan that it aimed to reduce losses from fraud and error in working age Income Support and Jobseekers’ Allowance, to “no more than 5.2% of the monetary value of these benefits paid during the year.”\textsuperscript{125} The Department has estimated that in 2003-04 overpayments of these benefits from fraud and error amounted to £840m, 6.4% of expenditure. This compares to an equivalent sum of £1,220m, 10.4% of expenditure, in the period October 1997 to September 1998, the first time such estimates were produced.\textsuperscript{126}

95. The Public Accounts Committee recently noted that some progress had been made with fraud, especially in Income Support and Jobseeker’s Allowance. However, it added that there had been little change in levels of customer error, much of it caused by benefit complexity. It also concluded that “the churn in the organisation and the disruption caused by the introduction of new techniques and improved IT systems had increased the level of official error.”\textsuperscript{127} The then Permanent Secretary of the Department, Sir Richard Mottram, could not have been clearer:\textsuperscript{128}

“If you want an honest discussion, that is the reality: official error has gone up because of organisational churn.”

96. The following exchange took place when Leigh Lewis, the current DWP Permanent Secretary, appeared before the Public Accounts Committee on 7 December:\textsuperscript{129}

“Chairman: When Sir Richard Mottram appeared before us in March, he referred to “organisational churn” having a serious effect on the amount of error going up. Now, inevitably if you are cutting 30,000 staff, moving staff around in agencies, that is going to add to the organisational churn, is it not?

\textsuperscript{124} Ev 91 [Jobcentre Plus]
\textsuperscript{125} Jobcentre Plus Business Plan, 2005-06, p 17
\textsuperscript{126} Committee of Public Accounts, Fourth Report of Session 2005-06, Fraud and error in benefit expenditure, HC 411, para 3
\textsuperscript{127} Committee of Public Accounts, Fourth Report of Session 2005-06, Fraud and error in benefit expenditure, HC 411, para 5
\textsuperscript{128} Committee of Public Accounts, Fourth Report of Session 2005-06, Fraud and error in benefit expenditure, HC 411, Q 87
\textsuperscript{129} Uncorrected transcript of oral evidence taken before the Public Accounts Committee on 7 December 2005, HC (2005-06) 765-i, Q 9
Mr Lewis: Yes, it is. It undoubtedly is and I do not think anyone who has run a large organisation would believe that one can reduce staffing by that degree without there being some inevitable consequences in terms of staff turnover and so forth, but I think it is a challenge for us actually. That is the challenge for the senior management team in the Department to achieve that manpower reduction and at the same time ensure that not only does our quality and accuracy not dip, but actually we seek to improve it and that is the challenge I am going to take up.”

97. The Autumn Performance Report includes a PSA Target (10a) to reduce overpayments from fraud and error in Income Support and JSA by 15%. This target is to be measured against a new 2005-06 baseline, which will be available in September 2006. The methodology for this has been agreed with the NAO. The Permanent Secretary told us in February that a “task force” had been appointed to drive progress.

98. Latest information supplied to us by the Department, for March 2005, showed that there had been a decrease in the Monetary Value of Fraud and Error figure to 5.4%.

**Business delivery target**

99. This target measures the standards of delivery of six of the key business processes of Jobcentre Plus. It is made up of the following components:

- accurate processing of claims for Income Support; (individual measure 90%)
- accurate processing of claims for Jobseekers Allowance; (individual measure 94%)
- accurate processing of claims for Incapacity Benefit; (individual measure 94%)
- JSA Labour Market Interventions and follow-up activity; (individual measure 96%)
- attendance at Basic Skills Independent Assessment following a referral; (individual measure 81%) and
- action taken with Lone Parent customers identified as due a review/trigger Work-Focused Interview (individual measure 87%).

These six components are used to make up the overall national target of 90.3%.

100. The Jobcentre Plus website states that “information on how well we are doing will be collected on a range of activities and in a variety of ways.” A DWP research report noted that “The BDT [business delivery target] differs from the other targets. The BDT measures processes, whereas the other targets are closer to outcome measures.”

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130 DWP, Autumn Performance Report 2005, Cm 6715, February 2005, p 69
131 Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 6 February 2006, HC (2005-06) 895-i, Q 68
132 Ev 57 [Jobcentre Plus]
133 http://www.jobcentreplus.gov.uk/JCP/Aboutus/Jobcentreplusperformance/2005-6targets
101. The Department’s Autumn Performance Report gives some performance information relevant to the business delivery target. It states that Income Support accuracy in 2004-05, at 89.05%, was below the 2004-05 target of 92%. Jobseeker’s Allowance Accuracy was 93.53%, against a target of 94%. The Report referred to the “gradual but persistent deterioration in Income Support accuracy performance” and continued that work was underway on an Income Support accuracy recovery strategy and action plan and an improvement plan “to attack the common causes of error within Jobseeker’s Allowance accuracy.”

102. The Report continued:

“In 2005–06 the planning assumption level for Income Support accuracy was reduced to 90% and the levels for Jobseeker’s Allowance accuracy, Incapacity Benefit accuracy and labour market interventions remained the same as 2004–05. These levels must be taken in context alongside the need to deliver increasing efficiencies within the business and the transformation programme to centralise benefit processing which was anticipated to have a detrimental impact in 2005–06 with an expectation that performance would recover subsequently. Additionally, actual Income Support accuracy performance was already some way below the 2004–05 assumption of 92% at around 89%. This indicated that the slow but steady decline in final accuracy levels throughout 2003–04 was continuing.

Halting the slide in Income Support accuracy performance and bringing it back up to a level of 90% while undergoing the transformational change needed to deliver future improvements therefore represented an appropriate degree of challenge for Jobcentre Plus in 2005–06.”

103. The latest information provided to us by Jobcentre Plus states that overall performance in October 2005 was 91.3%, varying from 88.3% in the South East to 93.3% in Scotland.

104. The DWP has acknowledged that the efficiency savings programme is having “a detrimental impact” on accuracy levels and that its task as far as Income Support accuracy is concerned is “halting the slide”. Stabilising accuracy levels must be a high priority for Jobcentre Plus and we recommend that the DWP sets out its recovery plan with targets and milestones until March 2008.

**Unit cost target**

105. Jobcentre Plus also has a Unit Cost target. This, according to its website, has two elements – job broking and benefit processing (or payment calculation). Job broking includes the staff costs incurred by districts, regions and the Employer Services Directorate. The target also includes the costs of Employment Programmes and other related National

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135 DWP, Autumn Performance Report 2005, Cm 6715, February 2005, p 88
136 DWP, Autumn Performance Report 2005, Cm 6715, February 2005, p 89
137 Ev 58 [Jobcentre Plus]
tier activities. Benefit processing volumes are based on all activities within benefit processing, including new claims and load.\textsuperscript{138}

106. Planning assumptions to achieve the target for 2005-06 were £217.03 for job broking and £28.24 for benefit processing. Achievement to October 2005 was £221.56 (2.05\% below target) and £31.37 (9.98\% below target) respectively.\textsuperscript{139} We have already noted that these costs account for over 90\% of DWP’s cost base,\textsuperscript{140} so making further progress on this target is particularly important.

107. Figures provided for us in February showed signs of improvement. The job broking figure fell in November 2005 to £192.07 and the benefit processing cost to £28.93.\textsuperscript{141}

\textbf{Conclusion}

108. The Chief Executive of the Disability and Carers Service said when he appeared before us in October that there is a risk of “hitting all of our targets and missing the point”\textsuperscript{142}. We agree. It is impossible in such a huge organisation to capture the sum of customers’ experience, in qualitative as well as quantitative terms, which is the ultimate measure of service quality. Proxy measures need to be chosen carefully and used consistently.

109. \textbf{While the current set of performance indicators for Jobcentre Plus correctly tries to come at the problem from different points of view, we have three particular concerns which the DWP and Jobcentre Plus should address. The first is that key headline indicators are measured in national averages. As we saw with the Customer Service Target, this can conceal huge variations in performance across the organisation. The second is that two key aspects of the current set of Jobcentre Plus performance indicators are changing this year. The Monetary Value of Fraud and Error is to be measured against a new baseline, and the Job Entry Target is being replaced. There will therefore be a lack of continuity in measurement over the efficiency savings period. The third is that there is a lack of clear, accessible, public reporting on the Agency’s performance against its efficiency challenge, with little detail in the Autumn Performance Report. The presentation of its performance data on the website should also be improved and kept up to date.}

110. \textbf{We are not convinced that the current measurement system is sufficient to prove positively that performance is not deteriorating and ask the DWP and Jobcentre Plus to expand on the comment in the Department’s Efficiency Technical Note that their output measures will be adjusted to reflect qualitative factors.}

111. Our recommendations are consistent with the NAO’s recent report on \textit{Progress in Improving Government Efficiency} which, for the DWP as a whole, concluded that there were “some risks” associated with its measurement of service quality, concluding “Whilst

\textsuperscript{138} http://www.jobcentreplus.gov.uk/JCP/Aboutus/Jobcentreplusperformance/2005-6targets
\textsuperscript{139} Ev 49 [Jobcentre Plus]
\textsuperscript{140} Department for Work and Pensions, SR2004 efficiency target Technical Note (December Edition), para 18
\textsuperscript{141} Ev 58 [Jobcentre Plus]
\textsuperscript{142} Oral evidence taken before the Work and Pensions Committee on 23 October 2005, HC (2005-06) 572, Q 32
reference is made to some quality indicators, such as ‘improved delivery specification’, these are not made explicit for all initiatives.\textsuperscript{143}

112. We note that our predecessor Committee recommended in its Pension Credit Report that a Standards Committee (involving voluntary organisations and local authorities) should be tasked with producing six-monthly reports on how the Pension Service was proceeding with its programme of efficiencies and the impact this was having on the service it was able to provide.\textsuperscript{144}

113. The Government responded by pointing to the arrangements already in place to monitor service levels, and the fact that work by Lord Sainsbury to lead work across government on the use of standards was ongoing.\textsuperscript{145} It stated that a copy of Lord Sainsbury’s report would be made available to the Committee. However, we have recently learned that the DTI does not plan to publish the report as it is based on “anecdotal evidence”.\textsuperscript{146}

114. We agree with our predecessors that a Committee involving wider stakeholders could have an important role in monitoring both qualitative and quantitative aspects of performance. We note that there is already a DWP Decision Making Standards Committee, whose members have diverse experience of service delivery, and could have a greater role in this area. The Social Security Advisory Committee could also, potentially, be asked to give its view to the Secretary of State on a regular basis.

115. Such work could rebuild confidence in the figures. It could take account of the complexities of averages and qualitative adjustment, and ensure a smooth transition as two of the measurements change. It would also be a way for Jobcentre Plus to re-engage with advice agencies.

116. In the light of our comments on the current performance measurement system and in particular the need to improve the way service quality is measured, we recommend that the DWP should commission six-monthly reports on how Jobcentre Plus is proceeding with its efficiency savings programme as a supplement to its quarterly reports to the Office of Government Commerce. The preparation of these reports should involve the Agency’s wider stakeholder community. The reports should be made available to members of the Committee and members of the House.

\textsuperscript{143} National Audit Office, \textit{Progress in improving Government efficiency}, HC (2005-06) 802, p 79
\textsuperscript{144} Work and Pensions Committee, Third Report of Session 2004-05, HC 43-I, para 100
\textsuperscript{145} Government Response to the Third Report from the Work and Pensions Committee, First Special Report from the Committee, Session 2005-06, HC 397
\textsuperscript{146} Oral evidence taken before the Work and Pensions Committee on 23 November 2005, HC (2005-06) 615
4 Contact Centres and the Customer Management System

Introduction

117. Jobcentre Plus first introduced Contact Centres to help deliver its services to employers, for example by taking vacancies. They were then developed as part of the Jobcentre Plus Implementation Programme. In October 2001, the Jobcentre Plus service began operating in 56 Pathfinder sites and associated Contact Centres in 17 clusters across the UK. Representing the second stage of the national implementation of Jobcentre Plus, Day two districts were planned to roll-out between October 2002 and March 2003 across 24 districts (some of which included Pathfinder offices). The 2003-04 stage of the rollout began in April 2003, and total completion of roll-out was due to be completed by the end of the 2005-06 financial year. A recent written answer stated that “by summer 2006 the roll-out programme will be substantially complete.”

118. There are currently nine Employer Direct Contact Centres, one National Benefit Fraud Hotline Contact Centre and 22 Contact Centres delivering First Contact via CMS. In addition to these Contact Centres, Jobcentre Plus also has two transitional centres due to close in February (Cwmbran and Banbury), one smaller satellite centre (Harrow) which operates CMS and one new centre under development and due to open in May 2006 (Bangor).

119. In a written answer in December 2004 the then Chief Executive of Jobcentre Plus, David Anderson, explained the rationale behind Contact Centres as follows:

“We are establishing a number of Contact Centres that allow customers the flexibility of using many of the services Jobcentre Plus provides without the need to travel to local offices. In areas where this new process has already commenced, customers are asked to telephone the relevant Contact Centre to make their initial claim to benefit. If a customer has already travelled to the Jobcentre Plus office, they can use a ‘warm phone’ in that office to make the call. In exceptional circumstances, customers may have a face-to-face interview.

Contact Centre officers do not make decisions regarding eligibility to benefits. They collect information for benefits to which customers have potential eligibility. This information is forwarded to Decision makers for decisions on entitlement to benefits.”

147 Ev 45 para 6.1 (Jobcentre Plus)
148 DWP Research Report 252, Jobcentre Plus Evaluation: Summary of evidence, Jo Corkett, Stuart Bennett, John Stafford, Mari Frogner and Kim Shrapnell, section 1.3.2
149 HC Deb, 12 December 2005, col 1771W
150 Ev 92 [Jobcentre Plus]
151 HC Deb, 6 December 2004, col 367W
120. The development of the Centres is, clearly, also linked to the efficiency agenda. The memorandum from Jobcentre Plus referred to the three main drivers for the move to Contact Centres as being “a direct response to the Government’s modernisation programme”, “the need to generate operational efficiencies” and “by introducing a wider range of channels … Jobcentre Plus staff are able to concentrate on those customers who need more help in finding work.”\footnote{Ev 45 [Jobcentre Plus]} The Department’s Efficiency Technical Note said that DWP as a whole intended to “offer choice of means of contact but incentivise channels that make best use of scarce, skilled staff resource and supporting services.”\footnote{Department for Work and Pensions, SR2004 efficiency target Technical Note (December Edition), para 6} We return to the impact of this on local services later in this report.\footnote{See para 214}

**First Contact Centres and Jobseekers Direct**

121. There are two types of Contact Centres: First Contact Centres, which provide a first point of contact for those who need to make a new benefits claim and Jobseeker Direct Call Centres, which offer information on the latest job vacancies and how to apply for them.\footnote{DWP Research Report 252, Jobcentre Plus Evaluation: Summary of evidence, Jo Corkett, Stuart Bennett, John Stafford, Mari Frogner and Kim Shrapnell, section 4.1.2} We discuss mainly First Contact Centres in this report as this was the subject of most of the evidence we received.

**The First Contact Centre process**

122. The call to the First Contact Centre begins the process of the claim, as shown in Annex 1. Customers call a local 0845 number and give details of their name, address, National Insurance number and the details of the working benefit they wish to claim. The system used, the Customer Management System (CMS), pulls the information together and determines eligibility for benefits. The Agent then arranges a time to call the customer back to complete the claim-taking process.

123. During the outbound call the First Contact Officer gathers information on employment history, other income, information regarding partners and children and bank details. Job readiness is also assessed. Finally a Work-focused interview (WFI) is booked with a Personal Adviser at the customer’s local Jobcentre Plus office. At the office a Financial Assessor checks the forms and answers any questions about the claim, and a Personal Adviser explains Jobcentre Plus services and agrees future contact and activity.\footnote{See also Ev 140 para 8 [Citizens Advice]}

124. A memorandum received from Jobcentre Plus at the very end of the inquiry revealed that a pilot is proposed to combine, for most calls, the inbound and outbound call.\footnote{Ev 83 [Jobcentre Plus]} We discuss this later in the report.\footnote{See para 207}
The Customer Management System

125. The Customer Management System (CMS) is an information-gathering business process for working-age Income Support/Jobseeker’s Allowance and Incapacity Benefit new claims. It allows information supplied by the customer over the telephone to be gathered electronically by staff, improving efficiency and customer service. It went live in one office in July 2003 and the rollout is expected to be “substantially complete” by July 2006. CMS has had a number of releases to improve it and to remedy defects in the way it functions, for example CMS 3, which was implemented on 31 October 2005.

126. The CMS Business Case explains that:

“the two main benefits to Jobcentre Plus will be that information will be collected once only and be accurate, thereby saving time in future work focused meetings and the considerable clerical rework currently required. In addition, and to some degree more important than the above, it will improve customer service and introduce the concept of job broking at a much earlier stage in the client contact process.”

127. The estimated cost of the project as set out in the business case was £362m (£24.6m project costs, £260m IT costs, £77.4m implementation costs). The latest estimate of the total IT costs, according to a written answer from December 2005, was £289m. According to the business case, CMS is expected to produce savings of £460m, £229.5m in Departmental Expenditure Limit (DEL) savings and £230.5m in Annual Managed Expenditure (AME) savings.

128. The DEL savings represent:

“administrative processes no longer required and savings in goods and services as a result of the new ways of working the information gathering front-end system brings. Less administrative costs will be incurred correcting errors. Currently customers are unaware of all the evidence that they are required to produce for a successful work focused meeting. CMS will provide a short checklist for the customer and therefore abortive meetings will be rare.”

129. The AME savings represent:

Reference:
159 DWP, Departmental Report 2005, Cm 6539, p 125
161 Ev 43 para 3.6 [Jobcentre Plus]
162 Ev 46 para 7.4 [Jobcentre Plus]
163 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Ev 32
164 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Ev 31
165 HC Deb, 6 December 2005, col 1203W
166 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Ev 31
167 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Ev 34
168 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Ev 34
“the savings arising from correct information being obtained during the initial telephone call and subsequent callback.”

The story so far

130. The performance of Contact Centres, and the linked issue of performance of the Customer Management System, was the subject of a substantial proportion of the volume of evidence received. Lesley Strathie, Chief Executive of Jobcentre Plus, told the Committee in November that “my own monitoring of this where we have really failed in our customer service is in the Contact Centre Directorate.”\(^{169}\)

131. There is a general consensus that a failure occurred in a number of Contact Centres during the summer of 2005. Jobcentre Plus described events as follows:\(^{170}\)

“The scale of the change has created challenges in maintaining levels of service to customers. As a result of this, customers experienced difficulties getting through to some of our Contact Centres over the summer.”

132. Others were less prosaic. Kate Green, Chief Executive of the Child Poverty Action Group, referred to the call answering statistics during the summer as “quite appalling”\(^{171}\). Richard Exell, TUC, said “I think everyone was happy when contact by phone was introduced as an extra way of making a claim. It is when it is the only way that the problems started arising - it was after April that we started getting inundated with complaints about the new system.”\(^{172}\) The TUC memorandum quoted the organiser of the Ipswich Unemployed Workers Centre, who stated:\(^{173}\)

“Even as an experienced advice agency we have found the new system exceptionally problematic, and have several times only managed to make any progress by asking for Customer Services/Complaints telephone numbers because we have had vulnerable clients who needed extra help in getting claims underway without delay.”

133. Vicky Pearlman, from Citizens Advice, explained that:\(^{174}\)

“Bureaux in all of the areas where CMS has been rolled out have all experienced problems to one degree or another. It is quite widely known that two particular regions, the eastern region and Sheffield, had particular problems and they were the first to identify real difficulties and, in fact, were put on contingency measures quite quickly, but I think there are eight centres that are still using some form of contingency measure - paper forms or something similar - and, although immediately the weight of the evidence that we had from bureaux came from those two regions, it has been widespread ever since.”

\(^{169}\) Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 15

\(^{170}\) Ev 45 [Jobcentre Plus]

\(^{171}\) Q 3

\(^{172}\) Q 4

\(^{173}\) Ev 95 para 14 [TUC]

\(^{174}\) Q11
134. The TUC referred to complaints “from the organisers of Unemployed Workers' Centres in three different regions, complaining that under-resourced Contact Centres, with inadequately trained staff are not performing well”. Problems included:

- “Long delays before calls are answered;
- Calls taking a long time, which benefit claimants cannot afford (the calls are to an 0845 number);
- Failure of JCP to call back, despite this being promised;
- Being answered by officials who are badly informed or badly trained, and sometimes do not give correct advice; and
- Some claimants, we understand, have been incorrectly told that they do not qualify for a benefit, and the adviser has refused to continue with the claim”.

135. The memorandum submitted by Citizens Advice to the Committee for its evidence session with Lesley Strathie in November set out a series of cases where delays and mishandling at Contact Centre level had caused severe hardship, including:

“A bureau in Cambridgeshire reported a couple of clients who could not get through on the phone to make a claim for JSA. One had been trying for three weeks and eventually managed to get through on another number in order to initiate a complaint. They reported another client whose husband had just left her and their two children. After a week of trying to get through to make a claim for income support she came to the bureau stressed, anxious and with no money.

A bureau in Bedfordshire reported another client who visited the Jobcentre Plus office to claim JSA the day after she finished work. She was given the number to claim but when she couldn’t get through returned to the Jobcentre Plus office and was told to just keep trying. After ten unsuccessful days she had run out of money and visited the bureau. The adviser tried six times and couldn’t get through either. They got through to the social fund number after four attempts but were told they couldn’t get a Crisis Loan without having had a JSA interview.”

136. Statistics made available to the Committee show how woefully bad performance became. We have already referred to the performance against the Customer Service Target, which for the Contact Centres ran at an average of 34% during the second quarter of 2005-06. Information the Committee received in Hastings, for example, showed the proportion of calls answered there in August dipping to just above 50%.

137. A recent written answer sets out the proportions of calls to First Contact Centres offered, answered and abandoned each month from June 2004. Performance was reasonably stable until February 2005, when 86% of calls were answered. However, that

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175 Ev 95 para 13 [TUC]
176 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, memorandum from Citizens Advice, Ev 49
177 See para 92
figure then deteriorated to 75% in March 2005, 74% in May 2005, 70% in June 2005, 58% in July 2005, 53% in August 2005 and 59% in September 2005.\textsuperscript{178}

138. As well as a poor record for call answering, there were also delays further along the system. The average callback time in September 2005, for example, was five days against a target of 24 hours, and much longer in places.\textsuperscript{179}

**What went wrong – staffing, IT or both?**

139. The Committee heard a variety of explanations of what had caused the performance difficulties in the summer. One Parent Families noted “the extent to which these [problems] are the result of difficulties with CMS2 and the IT, or of general problems with the Contact Centres’ operation is unclear”.\textsuperscript{180}

140. Research published by the DWP in 2005 found that in the early days of CMS Jobcentre Plus staff did “not have any confidence in CMS and what it is delivering”.\textsuperscript{181} They considered that the introduction of CMS had led to “greater inefficiencies in staffing, resources and the claims process.”\textsuperscript{182} The problem was the “inconsistency in the everyday reliability of CMS” which caused “uncertainty and also inefficiencies in dealing with and processing claims on a day-to-day basis.” One member of staff said:\textsuperscript{183}

> “Every time they went to get it back on they had technical problems – and that is the frustrating bit – two or three times a week you are going in and you don’t know if the system or network is working.”

141. Jobcentre Plus acknowledged that there were some difficulties initially with CMS “in terms of speed, capacity and reliability”, which were due to the legacy systems with which CMS has to interface.\textsuperscript{184} However, it stated that the difficulties in getting through to Contact Centres were “not directly as a result of CMS failures.”\textsuperscript{185} It suggested that there were two issues “contributing the current performance challenges”:\textsuperscript{186}

> “Contact Centres have faced the difficult task of recruiting and training a new workforce, often with little or no prior experience in the business and, therefore, of

\textsuperscript{178} HC Deb, 30 January 2006, col 288W, See also Ev 93 [Jobcentre Plus]

\textsuperscript{179} Ev 53 [Jobcentre Plus], Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 62

\textsuperscript{180} Ev 135 para 4.2 [One Parent Families]


\textsuperscript{184} Ev 46 para 7.2 [Jobcentre Plus]

\textsuperscript{185} Ev 46 para 7.3 [Jobcentre Plus]

\textsuperscript{186} Ev 46 para 7.5 [Jobcentre Plus]
benefit issues. The required knowledge and skills are taking time to develop, although underpinning learning and development products are in place; and

the new process represents a significant change to the way services are delivered. Staff have to adapt to this change and inevitably the process will take some time to bed in.”

142. Kevin Bone, Business Design Director and Chief Information Officer expanded on the staffing point when he gave evidence to us in November:187

“I think it is fair to say that there were also some management issues in some of our Contact Centres in terms of how they are managing the profiles of the number of staff that were on duty at any one time and they were misinterpreting management information in the centres, which we picked up on as well.”

143. Lesley Strathie made the following point about which staff had been moved to Contact Centres:188

“We have to do it in a way the private sector would not; we have to do it by temporary staff, by seat-warming, until other staff become free and we move them. We have to train people to do a job that was not the job they were joined to do.”

She also commented on how quickly performance deteriorated:189

“what we learned was that if you fail to answer your calls and answer them quickly, then the spiral of decline is rapid. If you can answer 10% more of your calls, you get a 25% success rate because what we discovered was not only do people do things like #5 on their mobile and create another 100 calls on repeat if they are not getting through, then they have to turn to advocacy agencies, like the Citizens’ Advice Bureau and others, who then try to make the call for the customer and suddenly you have multiplied your calls and cannot handle it.”

144. The Centre for Economic and Social Inclusion’s assessment was slightly different:190

“The phasing of the efficiency savings has meant that the Customer Management System has been put under severe stress with inadequate testing; […] While the concept of making efficiency savings by automating and centralising back-office functions is sensible, this does depend on the Customer Management System, Contact Centres and the associated workflows working properly when they go live with vulnerable customers – essentially from day one; The effectiveness of this transition does depend on extensive testing, and in particular, stress testing, of systems, to ensure that they do not break under pressure. Evidence so far is that, as with previous similar changes, insufficient time and resources was allocated to this essential process.”

187 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q7
188 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q75
189 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 4
190 Ev 137 [CESI]
145. PCS pointed to more fundamental problems. It stated in its memorandum to us that, in its view, “CMS is unworkable due to a lack of resources, cuts in staff numbers and insufficient levels of training.”

146. It seems clear to us that all these issues are interlinked, and also related to the efficiency savings programme. The movement of staff round the system – ‘organisational churn’ in another context – inevitably created a certain amount of instability. Management at the Contact Centres and higher up in Jobcentre Plus should have seen some of the staffing problems coming, but they failed to do so. And problems with CMS undoubtedly contributed to the confusion, as evidenced in DWP’s own research.

147. We conclude that the service delivered by many Jobcentre Plus Contact Centres to their customers suffered a catastrophic failure in the summer of 2005. This led to additional hardship among the most vulnerable in society. A mix of IT problems, staffing issues and poor change management planning was to blame, in our view, and we do not accept that this was purely a staffing problem.

**Has performance improved and is this sustainable?**

148. Jobcentre Plus described in its memorandum to us what had been done to address the problems:

“Measures are in place to address these difficulties. Nine of the 22 Contact Centres introduced temporary adjustments to streamline business processes to maintain customer service during the transition period. Recruitment plans were accelerated across the network, supported by robust training programmes. These plans have been successful and customer service has improved for 13 consecutive weeks since the beginning of September. Contact Centres will move back to the full process only when Jobcentre Plus is confident that it can protect customer service. The migration back to the full process started in December with the Pembroke Dock Contact Centre.”

149. The Committee explored the details of these process changes when it visited the Hastings Contact Centre in November. On the adjusted process customers call Jobcentre Plus Direct as before and speak to a First Contact Agent. The customer is questioned to establish the reason for contact, and the Agent then gathers information on name, address, National Insurance number and the working-age benefit the customer wishes to claim. CMS pulls the client’s history together.

150. Instead of an outbound call, the Agent immediately books a Work-Focused Interview, if required, at a local Jobcentre Plus Office. The appointment should take place within four days. Clerical forms are issued for the customer to complete and take to the Jobcentre Plus office.

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191 Ev 109 para 29 [PCS]
192 Ev 41 [Jobcentre Plus]
193 The other Contact Centres using the adjusted process in December were Coventry, Derby, Hastings, Lincoln, Lowestoft, Pembroke Dock, Poole, Sheffield and Torquay (Written Answer 12 December 2005 col 1768w)
194 See Annex one
151. Jobcentre Plus claimed that the IT had been addressed by several improvements, in particular CMS 3, which was implemented on 31 October 2005. Richard Exell, of the TUC, commented positively on its introduction: “this is the first time since I have been doing this job that there has been a major new version of a DWP computer system that I have not had masses of complaints about from staff and claimants”.

152. Kate Green, Chief Executive of the Child Poverty Action Group commended the recovery measures that had been undertaken:

“in response to what were really quite appalling call-answering statistics over the summer, we have seen quite quickly a management response which, over recent months, has begun to bring about significant improvement.”

153. Lesley Strathie gave us the position as at 25 January 2005:

“We have seven Contact Centres that are still categorised as not yet ready to fully convert back to process. We have an action plan for each of those and we will be delivering that plan against the learning from the pilot and the new processes that we will be starting at the end of February.”

154. While acknowledging that the reversion to clerical measures meant that “performance has been improving” PCS argued that this was unsustainable and costly in the longer term, describing it as “contingency and crisis management.” It explained that improvement had been achieved by “transferring some of the Jobseeker Direct job finding functions to Employer Direct sites” and warned “the staffing levels in most Contact Centres is unlikely to be increased and at the same time the number of Local Service Outlets that will be serviced by the Contact Centres continues to increase. We predict that this will mean performance will dip again.”

155. PCS also told us shortly before the evidence session on 25 January that two further Contact Centres, Middlesbrough and Bootle, had had to revert to clerical processes in January. When questioned about this at the evidence session Lesley Strathie said:

“I and the board were in Middlesbrough contact centre last week as part of our getting back to the floor to see the problems and see the improvements first-hand. Perhaps the board were not up to the challenge, but I can assure you every member of my board took inbound calls and outbound calls and spent the day there; so I know nothing of Middlesbrough being on clerical last week.”

195 Ev 46 para 7.4 [Jobcentre Plus]
196 Q 27
197 Q 3
198 Q 137
199 Ev 110 para 43 [PCS]
200 Ev 111 para 46 [PCS]
201 Ev 111 para 46 [PCS]
202 Ev 110 para 44 [PCS]
203 Q 138
156. We followed up this point with Jobcentre Plus. A memorandum submitted at the very final stage of our inquiry stated that there had been a “full CMS failure” on Wednesday 18 January (the week before Lesley Strathie and the Minister gave evidence) which had meant that CMS “was unavailable for approximately one hour on a national level.” This, Jobcentre Plus explained, was the explanation for Middlesbrough going on to clerical processes as “the contingency process includes issuing clerical claim forms.” The memorandum also mentioned that “during December there were occasions when IT failure was experienced locally in Middlesbrough and nationally.”

157. It is clear that Jobcentre Plus staff at all levels have worked hard to recover service levels since the summer, and we sincerely commend the sum of their individual efforts. But the current system, with some Contact Centres operating adjusted processes, is not sustainable or robust, and adds significantly to staff costs until the problems are solved. Recovery in Contact Centres from the problems of 2005 will only be complete when all Centres are running CMS successfully.

158. We are, to say the least, surprised that neither the Chief Executive or Minister saw fit to mention to the Committee that there had been a national CMS failure the week before they appeared before us, and that this information was only revealed to us as we were finalising our report. We expect an explanation for this serious omission.

159. We look to DWP and Jobcentre Plus to keep the Committee informed as the migration back to CMS continues and recommend that they issue a Written Statement to notify the House when and if the process is complete.

Other aspects of performance

Data push and legacy systems

160. The original memorandum we received from Jobcentre Plus referred to the fact that a new core IT platform was being developed “to reduce the operating cost of legacy systems and to improve programme protection.” Later on in the same document “the old, legacy IT systems” were blamed for most of the original problems with CMS.

161. This came into sharp relief for the Committee during the final evidence session on 25 January. Witnesses from the PCS advised us that:

“Based on today’s statistics, at the moment only one in three of what they call the data push transfers, which is when the claim is taken on the computer in the contact centre and then transferred through the computer to the job centre, is occurring successfully from the Contact Centres that are operating the CMS system, so two out
of three are not occurring successfully. That would mean that they do not have any clerical records.”

And they added:

“They lose it. What they have to do is re-build the claim, which basically involves phoning the customer back and going through the process again.”

162. We examined the Chief Executive and Minister on this matter in some detail. The Chief Executive explained to us:

“you are talking about the push of data, that is data obtained and logged into the CMS system which is then pushed through to the legacy systems, i.e. the system that deals with Income Support, ISCS [Income Support Computer System], and the system that deals with JSAPS [Jobseekers Allowance Payment System]. This was a tactical solution because we were not able to bring about complete replacement benefit processing systems, so that is part of a much longer programme of work that we have in hand now. We brought about a tactical solution to try and push as much data so we did not have double or triple keying. Our expectation, if all of that worked and if all of our people did everything properly and all of our customers did everything properly, was that we might be able to achieve around an 80% push; we are not. We started at around 22% when we brought in that release. We have now got the JSA push up to around 69 to 70% and we have got the ISCS push, the one that was causing real difficulty and that was under 30% a few months ago, up to around 58 or 59%. We have a further fix going in, CMS Release 3.5 in March, which is part of a four-pronged approach and we hope that will bring about even further improvement. This has been a real problem.”

163. She noted that the problem had arisen in part because the system input was “designed for perfection.” Although she was able to reassure the Committee that claims “lost” in this way were processed manually rather than lost by the system altogether, she was not able to explain – to our considerable surprise – when or where in the process it first became apparent that the data push had failed.

164. In a subsequent note, DWP and Jobcentre Plus provided details of the systems and processes in place. The figures showed a general trend of improvement, albeit from a low base. But the figures for a typical week, in this case beginning 14 November 2005, showed how much work was left to do. The memorandum stated that “68% of JSA cases were eligible for transfer, against the planning assumption of 85%. Of these, 83% were successfully electronically transferred against the target of 90%. So we are not yet meeting our planning assumption but we are making progress.”

209 Q 92
210 Q 118
211 Q 118
212 Q 119
213 Q 123
214 Ev 70 para 35 [Jobcentre Plus]
165. It conceded that “the picture is not nearly so positive for IS” – a frank statement, but an accurate one: “55% of cases were eligible for transfer against the target of 85%. Of these, 25% were electronically transferred (either fully or partially).” The memorandum continued that performance was improving and that CMS Release 3.5 (due for March 2006) and CMS Release 4 (due for June 2006) would improve the transfer rate.

166. The poor performance of the processing systems for Income Support and Jobseekers Allowance claims is rightly a matter of concern for Jobcentre Plus. We ask for a detailed progress report as soon as possible after the release of CMS 3.5.

What is the future of CMS?

167. Even as the rollout of CMS moves towards completion, at a total cost of £362 million, plans are afoot to introduce a system which will replace it. A supplementary memorandum provided for the Committee gave details of the Benefit Processing Replacement and Working Age Transformation and Change programmes (known to the Department as “BPRP/WATCH”). It was described as a “key strategic initiative, which will provide modernised benefit processing to support DWP”, and will involve the replacement of legacy benefit systems such as Carers Allowance, Disabled Living Allowance, Attendance Allowance and Income Support, as well as front-end IT. The objective is to provide “long lasting foundations for modern, flexible, IT solutions based on Commercial Off the Shelf software packages.”

168. The note concluded that “CMS will continue to be required until it is fully replaced by BPRP/WATCH2, at the earliest this will be early 2009, thus a programme of releases will be necessary to reflect ongoing legislative and process changes, albeit that the functionality in CMS will incrementally be replaced by BPRP over this period.”

169. It seems extraordinary that a system developed at great cost and introduced with some difficulty is so out of step with the future DWP IT strategy that there are plans to replace it “incrementally” before it has even been rolled out nationwide. We are concerned that, if the shortcomings of CMS are so fundamental that it needs to be replaced immediately after extensive and costly redevelopment, this was not initially recognised as a serious obstacle to achieving the department’s efficiency targets from the Gershon and Lyons reviews. It implies that many of the failures in Contact Centre performance that this report has identified from the summer of 2005 were foreseeable and, accordingly, that plans could and should have been modified to anticipate and avoid them. The fact that they were not has resulted in serious hardship to many clients of Jobcentre Plus.

170. One possible reason behind this was given to us when the Secretary of State gave evidence on the Departmental Annual Report. He told us:

“As I understand it, essentially CMS was an IT tool devised pre-JCP, when it was designed as a product to deliver the work of the old Benefits Agency. Of course,
since then we have migrated the Benefits Agency into the Employment Service, this new one-stop shop service, and inevitably that has greater problems with the basic IT tool which had been fashioned to support only half of that organisation, going back several years, and a lot of work and a lot of time has been spent on trying to get it right.”

171. The fact so much money - £362m - has been, or will be, spent to take forward a system which is now set to be replaced as part of another major project, is of concern to us. We recommend that Jobcentre Plus and DWP explain precisely when the different parts of CMS are being replaced, and the overall timetable for the BPRP/WATCH2 project. We would also question whether the risks and expense of this part of the project are worthwhile given the Department’s recent track record with the CMS project, and believe that DWP should consider whether a more incremental approach of smaller-scale modular improvements may prove more manageable, less risky, less costly and, ultimately, have a higher chance of success.

172. The need to replace CMS immediately after such an extensive redevelopment project raises two further questions. Firstly, has the large amount of public money spent on redeveloping CMS simply been wasted – could this have been incorporated in a single project? Secondly, will the planned new system (if it is implemented successfully) mean that significant additional efficiency savings will be available from the Department in due course?

The principles of the Contact Centre system

173. The Committee received evidence on a number of issues of principle relating to the work of Contact Centres.

“The script”

174. First Contact Officers in Contact Centres operate from “a script”. A series of questions is prompted by the CMS system, and the answers are entered into the system. Lesley Strathie, Chief Executive of Jobcentre Plus, was clear when giving evidence to us that staff in Contact Centres gathering information were required to stick to the script, even if they knew more about the benefits system:

“What I have to be quite careful and safeguard against at the moment is that staff who have worked for a long time in a local office and have a fair amount of knowledge are not then using information that may be out of date because they have moved on to another role. We are very clear about scripting.”

175. She pointed out that there were other sources of advice and help available, for example the Benefits Inquiry hotline and Local Service Outlets, and added that not sticking to the script would increase the risks of people getting the wrong information. At the same
time, though, she noted that both the content of the script and the staff skills in delivering it could be improved.222

176. Representatives of organisations who liaise with DWP customers told us that over-reliance on the script was causing problems. The memorandum from the Child Poverty Action Group, for example, based on a summary of advice centre responses to a questionnaire, stated:223

“Virtually all advice centres questioned commented that centre staff were unable to deal with questions that were not covered by the script to which the person works. For example a person might not use the right name for a benefit or might say they are not in receipt of a particular benefit, but contact centre staff would be unable to ask the right questions to elicit what the right benefit might be.”

177. Kate Bell from One Parent Families commented:224

“I think there is to some extent a decision that has to be made about how much advice they think those people are going to be able to give. Are they just front-line processors or are they actually advisers, and I am not clear at the moment what the model is meant to say about that and the level of training which they expect those advisers to have.”

178. Wirral Advice Workers Forum told us:

“First contact officers are, we understand, largely untrained staff working to a script. We have received several reports of FCO’s giving inaccurate advice – recommending claims for inappropriate benefits and refusing to initiate claims for appropriate benefits. One example was a 17-year-old pregnant woman being told to claim Maternity Allowance, for which she did not qualify, but not Income Support for which she did qualify […] FCOs are effectively making decisions on people’s benefit entitlement, which they are not qualified to do – decisions against which there is no challenge.”225

179. PCS, when giving oral evidence, was scathing about the script model. Jane Aitchison, PCS DWP Group President, told the Committee that completely new members of staff joining Contact Centres only received an additional week’s training compared to existing DWP staff who were being relocated. She continued:226

“There is a ‘computer says no’ element to this problem, which is that the person who is inputting the data is very much reliant on what the computer comes up with.”

222 Q 151
223 Ev 100 para 22 [CPAG]
224 Q 25
225 Ev 41 para 5 [Wirral Advice Workers Forum]
226 Q 100
180. Keith Wylie, PCS DWP Group Secretary, noted that the DWP Learning and Development Division had itself suffered cuts, which meant that there were now fewer experienced trainers available.  

181. The DWP’s own Decision Making Standards Committee 2003-04 Report, which was published in 2005, stated that:

“The Contact Centre Officers rely heavily on a script and hence problems with the script can lead to problems with the benefit claim. The scripts are just the claim forms in audio version so the system does not make any advance in information/evidence collection. This has led one committee member to comment that ‘it seems neither the script nor the system were designed to address the needs for gaining or recording better information from customers.’

It is of concern that the majority of Contact Officers have little or no benefits knowledge. This greatly increases the risk of errors being made at the crucial early stages of the claim […] It remains to be seen how effective a rigid telephone system will be in preparing the customer for the Personal Adviser and Financial Assessor interviews.”

The Committee referred to the need for front line staff to be “appropriately trained to adopt a wider customer service role when they operate across a range of benefits.”

182. We conclude that the script does not prevent misinformation and that a certain level of knowledge of the benefits system is needed to prevent customers being given misleading information about potential entitlement. We therefore recommend that Jobcentre Plus increases the level of training for those who join Contact Centres without a knowledge of the benefits system, recognises the value of experience with benefits advice of some of its First Contact Officers and works both to refine the script and to accept a certain amount of deviation from it.

183. We are also concerned about the impact on claimants from errors made when data is entered incorrectly or for inappropriate entitlements. The decision-making and appeals systems must ensure that errors made at that very first stage can be corrected expeditiously.

**An option, or the only option?**

184. The TUC put it thus: it had “never doubted that the ability to claim benefits over the phone is a valuable additional pathway for claimants; the problem arises when this is the only option.” A similar point was made by the Child Poverty Action Group and Citizens Advice, with a series of reasons.

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227 Q 100
228 DWP Decision Making Standards Committee Annual Report 2003-04, para 4.2.1
229 DWP Decision Making Standards Committee Annual Report 2003-04, recommendation 15
230 Ev 97 para 20 [TUC]
231 Ev 98 para 5 [CPAG]
232 Ev 139 paras 1-4 [Citizens Advice]
185. Wirral Advice Workers Forum summarised the problems encountered very clearly: 233

"Many vulnerable people struggle to manage the new system. Particular problems our members have experienced with their clients include: hospital patients who cannot manage the process at all from their beds; people unable to afford the cost of the initial call; people with mental health problems unable to cope with the fairly lengthy initial call; people with learning difficulties or speech problems unable to make the initial call; the amount of information required to complete the initial call, which therefore requires considerable preparation, for which people are often not prepared; and people with complex or unusual circumstances being given wrong information on initial calls."

186. The TUC commented that there seemed to be: 234

"particular problems with […] return calls for claimants who are unable to use the phone because of the effects of a mental illness who have had to rely on community mental health services [CMHS] staff to help them, either by giving support or actually taking the call. As the time slot is so broad, one of our [Centres] has heard complaints from CMHS staff that they are 'spending all their time' waiting with clients for JCP phone calls."

187. Citizens Advice also emphasised the problems encountered by those with hearing disabilities and those who had no confidential access to a phone. 235 It continued that: 236

"The DWP has estimated that approximately 10% of claimants would be unable to deal with a phone application, and yet there has been no evidence of a clear strategy to deal with this."

188. When giving evidence to us in November, Lesley Strathie, Chief Executive of Jobcentre Plus, admitted that there had been, perhaps, too much of a 'push' to Contact Centres: 237

"What I do not think we did well enough was say: ‘But there will still be customers and there will still be occasions when someone turns up and says ‘I cannot get through on the ‘phone and I want to do this’, the answer is not ‘Try the ‘phone again’; the answer is: ‘Here are the forms, how can I help you to do it’”.

189. She emphasised when appearing before us in January that lessons had been learned: 238

"We have done a lot of work, and I think we have more to do, to develop the business in a way that still allows a customer-facing role for someone who cannot deal with the telephony or has already gone through difficulty at some point because of some technical or people failure, that if they turn up in our offices we are able to deal with

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233 Ev 41 para 4 [Wirral Workers Advice Forum]
234 Ev 96 para 16 [TUC]
235 Ev 139 para 3 [Citizens Advice]
236 Ev 140 para 9 [Citizens Advice]
237 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 54
238 Q 154
them clerically there, and we have just reinforced the guidance on that to all our offices.”

190. Leigh Lewis, DWP Permanent Secretary, appearing before us in February, stressed that “increasingly we are trying to use, using jargon, channels of communication that both suit our customers and ourselves.”239

191. It was suggested to us, however, that there was little evidence of this flexibility on the ground yet. The Child Poverty Action Group, referring to the use of paper claims forms, stated that “most Contact Centres are unaware that this provision exists.”240 Vicky Pearlman from Citizens Advice told us:241

“despite reassurances that local staff are being reminded that it is still possible to fill in paper forms, clients are being turned away with them when they do fill them in and take them in.”

192. PCS stated that there was a deliberate policy to deter people from coming to Jobcentre Plus offices. It suggested that “many offices refuse to let customers use the office warm phone to reach the Contact Centre” because “Warm Phones are telephones in Local Service Outlets [LSOs] that are designated for use by customers to call employers.” It continued by quoting a “departmental management letter dated 5 December 2005”:242

“It is a fact that LSO resources are reducing, particularly in the area of reception, as the Department requires us to work towards the 2008 vision. Those resources will not allow us to deal with the current volume of customers coming into LSOs, and consequently the service provided cannot be as it is now. Management are trying to work with staff to address the pressures they will be under in the forthcoming year if foot traffic is not reduced.”

193. A supplementary memorandum from Jobcentre Plus referred to floor managers having a role to “actively manage the use of the Customer Access Phones; they encourage customers to call from home, but also advise them Customer Access Phones are available if they wish to use them.” It also noted that new benefit claims customers could only use the phones to make an initial inbound call; but that the outbound call could be taken in “another more private extension in the Local Service Outlet.”

194. Given DWP’s client base, it is self-evident to us that a welcoming, local, face-to-face presence needs to be part of its delivery strategy. We welcome the Chief Executive’s admission that not enough has been done to help those customers who go into Jobcentre Plus offices to make a claim and we ask Jobcentre Plus to set out how it will revise its strategy in future and ensure that this is adhered to on the ground.

239 Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 6 February 2006, HC (2005-06) 895, Q 39

240 Ev 100 para 24 [CPAG]

241 Q 6

242 Ev 110 para 37 [PCS]
195. We welcome the clarification by Jobcentre Plus that Warm Phones can be used for calls to Contact Centres and that facilities for customers to take outbound calls from Contact Centres will be made available in every Local Service Outlet.

**Standard Operating Models**

196. Part of the solution to these problems, particularly the inconsistent application of new procedures, may lie in developing clear Standard Operating Models (SOMs) for different types of benefit. SOMs are standard sets of procedures and guidance for staff. PCS told us that no SOMs were currently in place for Income Support, Jobseekers Allowance and Incapacity Benefits, although a Social Fund Operating Model was close to being finalised.243

197. The memorandum Jobcentre Plus submitted before our session with Lesley Strathie in November said that it was committed to implementing a revised Standard Operating Model “across the business”.244 The memorandum we received as we finalised our report referred to recent meetings between PCS and Jobcentre Plus on the introduction of a Standard Operating Model for new and repeat claims for benefit. Jobcentre Plus stated that “part of the process for introducing the SOM is to rationalise and make improvements to current processes.”245 We recommend that Standard Operating Models for the major benefits be completed as a matter of urgency.

**Crisis Loans**

198. The lack of choice in ways for individuals to contact Jobcentre Plus has become particularly apparent in the Crisis Loans system. These are interest free loans, administered through the Social Fund, which are made to relieve a serious risk to health or safety of customers or their dependents. £82m of loans were made in 2004-05.246 To be eligible for a Crisis Loan you have to be without sufficient resources to meet the immediate needs of yourself and/or your family; and a condition of the Loan is that it must be the only means by which serious damage or serious risk to the health and safety of yourself or a member of your family can be prevented.


> “Jobcentre Plus intend to introduce a Standard Operating Model for the Social Fund from April 2005 which will increase the use of the telephone for Crisis Loans, improve planning of staff workload and standardise administrative processes.”

200. The evidence we received shows that the introduction of this model has caused problems and confusion. The Child Poverty Action Group, for example, told us that as far as the Social Fund was concerned that “in some areas […] the local office appears off limits

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243 Ev 108 para 10 [PCS]
244 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, note from Jobcentre Plus, para 2.3, Ev 20
245 Ev 83 [Jobcentre Plus]
247 HC (2004-05) 179, para 18
for claiming purposes.”

PCS reported that between 50% and 80% of customers who rang to apply for a Crisis Loan could not be given an appointment due to a lack of staff.

Citizens Advice gave examples of people waiting outside phone boxes for up to three hours for Crisis Loan decisions.

201. This issue has been taken up by the Independent Commissioner for the Social Fund in his last two reports. His 2004-05 Report states that:

“I reported in 2003/2004 that the applications we had received for living expenses had reduced by 22.5% compared to the previous year. I expressed my concerns that this may have been related to the introduction of telephone applications which was making it difficult for applicants to access the Crisis Loan scheme. The reduction this year is even greater, reducing by a further 36% on last year. While there is no conclusive evidence of a direct causal link between IRS workloads and the introduction of the telephone applications for Crisis Loans, the downward trend coincides with this change and I have received mounting complaints as to the barriers people have faced. These factors must be a cause of concern for all of us who are involved in the administration of the Social Fund.”

202. Lesley Strathie admitted that there had been problems:

“We are building a Social Fund model that would be part of our benefit processing centres to make that more efficient, to get better standardisation of decision-making, quality and accuracy of payment and the reduction of fraud in this area as well. What people have been doing is putting more of that into the telephone but not having the capability to manage it.”

She suggested problems had been caused by legacy telephone systems. In its recent response to the National Audit Office report, the Government stated that it was “reviewing the design of the Social Fund component for its Standard Operating Model in the light of the evaluation of the [Crisis Loans] pilot.”

203. Those eligible for Crisis Loans are, by definition, already in circumstances of extreme hardship. We believe, therefore, that it was unwise to pilot a revised model of Social Fund applications at the same time as major systems changes to the benefits application process were underway. The claims process must reflect the vulnerability of this client group and a choice of application methods must be made available. We also recommend that DWP should commission research into the fall in the number of Crisis Loan applications and the extent to which this is linked to the new application model.

248 Ev 102 para 33 [CPAG]
249 Ev 111 para 55 [PCS]
250 Ev 145 para 39 [Citizens Advice]
251 Social Fund Commissioner’s Report 2004-05, p 16
252 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 53
253 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 53
254 Treasury Minutes on the fourth, ninth and twelfth reports of the Committee on Public Accounts, Session 2005-06, Cm 6728, Response to 12th report, para 3
Paying for the call

204. First Contact Centres are called using an 0845 number, for which the caller has to pay a local call rate. This is a contrast to the approach of the Pensions Service, for example, as the Pension Credit Application Line is a freephone number. The fact people had to pay for this call who were, by definition, likely to be on low incomes, was criticised by a number of those who gave evidence.

205. Citizens Advice commented that many households on the lowest incomes relied on pay-as-you-go mobiles, and so might have to pay a higher charge for the call than the standard cost on a BT line (between 11p and 33p). They suggested it should be a freephone service. Child Poverty Action Group stated that “some clients with debts will put repayment of housing/rent arrears and fuel costs above paying off phone bills and may therefore have no land line in operation.” BT are not the only providers of landline calls and for those who have opted for another option, precisely because they have a low income, the 0845 number may be more expensive than their usual local call rate.

206. The fact that these calls were expensive for those using pay-as-you-go mobiles was accepted by Lesley Strathie when giving evidence to us in November. She noted, however, that “nothing we deliver is a free good” and added “were we and others to decide that we were going to deliver all of this free we would simply have to take money from another area of business.” It is also important to note that even calls to 0800 numbers are not free from pay-as-you-go mobiles.

207. At the final stage of our inquiry, a supplementary memorandum from Jobcentre Plus provided significant new information. It confirmed comments originally made by PCS that proposals were underway:

“to pilot a new way of end-to-end working using an initial 0800 contact number which will give customers the opportunity to select the correct service from a menu and they will then be forwarded to the appropriate section. The next stage of the process will change in that for most calls the Inbound and Outbound call will be combined so that there is no need for a call back appointment to be made.”

208. If Jobcentre Plus is moving from being a free access, face-to-face based service towards being primarily a Contact Centre organisation, it does not seem fair for the cost of access to its key services to be chargeable to clients. We welcome the news that a pilot is proposed that would mean benefit claimants calling an 0800 number. We are surprised that this was not brought to the Committee’s attention earlier. We ask DWP and Jobcentre Plus for further details of the pilot, including areas, timings and projected costs, and an explanation of how the system will reflect the needs of those with pay-as-you-go mobiles.

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255 Ev 139 para 4 [Citizens Advice]. Call figures from written answer HC Deb, 6 December 2005, col 1203W
256 Ev 143 para 27 [Citizens Advice]
257 Ev 99 para 14 [CPAG]
258 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 69
259 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 69
260 Ev 83 [Jobcentre Plus]
209. Contact Centres, by their name, suggest a wider range of methods of contact than just phone calls. Private sector companies and other parts of government are increasingly using text and e-mail to deliver access to services. The Minister told us that only 0.1% of customers use the web to contact DWP as a whole, a figure she admitted she greeted with surprise. Lesley Strathie, Chief Executive of Jobcentre Plus, emphasised that there was a lot more work to do:

“We do not have any service yet for these customers we are talking about in making working age claims. That is one of our services that will come on, that is one of our modernisation programmes where customers will be able to fill in their claim form on-line. There is a tactical solution that is due in December, it is being piloted now, but what comes out of the piloting of that will determine the next stage. In an ideal world, we want people to be able to make their claims electronically and for them to be processed electronically in the main, but we are quite a way off from that.”

210. One Parent Families sounded a note of caution:

“We are concerned that further moves to use alternative channels such as the internet may also disadvantage Jobcentre Plus’s most disadvantaged claimants who are likely to have less access to such services. Research found that home access to computers is a particular problem for low income groups, lone parents and one person households.”

211. A 2005 DWP research report concluded that “There appears to have been no unifying strategic purpose [within Jobcentre Plus] to the development of alternative channels,” adding “when customers use alternative channels, they report insufficient support from staff who appear to lack detailed knowledge of the systems, while the delivery systems often offer a more limited service than previously and are unreliable.”

212. It concluded that there was a need “to set a service delivery strategy that clearly identified the rationale for alternative delivery channels”, to review business processes to “boost staff and customer confidence in alternative delivery systems” and to increase investment in training.

213. We ask Jobcentre Plus to set out its strategy for the development of a secure web application facility for the major benefits, and to include in that strategy plans for ensuring that those with low incomes and those least likely to use the internet will be able to access such an additional facility.

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261 Q 155
262 Q 155
263 Ev 135 para 4.6 [OPF]
Closure of Local Service Outlets in rural and urban areas

214. PCS suggested to us that as part of the move to Contact Centres, and the rollout of Jobcentre Plus offices, 577 local offices will be closed by 2008 and that there could be as many as 124 further closures.265 A written answer from 6 December 2005 confirmed that between April 2002 and November 2005 294 offices had shut.266 The Minister said she did not recognise the second figure supplied by PCS but noted that Jobcentre Plus was “constantly reviewing” the number of offices, adding that in the context of new ways of working it would be “irresponsible not to do that.”267 She did not rule out additional closures.268

215. The impact of these measures has already been felt in both rural and urban areas. Vicky Pearlman from Citizens Advice pointed out the wider impact of office closures; she told the Committee that “bureaux [were] reporting that they are seriously worried, especially in rural areas, about the impact that [closures are] having on their local networks.”269

216. The memorandum from Citizens Advice commented on the impact on Jobcentre Plus clients:270

“Travelling further is particularly problematic for clients who are ill, disabled or elderly, have small children or cannot afford to pay for travel, especially in rural areas with limited and/or costly public transport. Discretionary help is available to help pay for travel costs for those attending Jobcentres, but bureaux report that clients are not always told about the help that is available.”

217. The memoranda from both PCS and Citizens Advice gave examples of customers having to travel considerable distances to their local Jobcentre. PCS referred to customers in Kirkby Stephen in Cumbria, who were having to make 90-mile round trips to the office in Carlisle.271 Citizens Advice gave examples of customers having to make 17-mile, 14-mile and 40-minute journeys, either because offices had been closed or because their services or opening hours had been restricted. The areas affected were both rural (Chard in Somerset, Suffolk and Lancashire) and urban (Tottenham, North London).272 It was suggested to us by Citizens Advice and the Child Poverty Action Group that, at the very least, people should be able to access financial assistance for travel costs in these circumstances.273

218. When questioned on this point in November, Lesley Strathie told the Committee “I am afraid the days of just maintaining an outlet and all its overheads are very difficult for

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265 Ev 109 para 24 [PCS]
266 HC Deb, 6 December 2005, col 1201W
267 Q 180
268 Q 181
269 Q 28
270 Ev 147 para 53 [Citizens Advice]
271 Ev 109 para 24 [PCS]
272 Ev 147 para 53 [Citizens Advice]
273 Q 28
us now to maintain, so we have looked at the face-to-face service and why we need it.” She continued that careful thought was given before an office was closed, although, rather curiously, she admitted that criteria which had been developed were not in fact being used:

“Actually we did with previous ministers develop a set of criteria that we would apply broadly to whether we considered an outlet had now reached a point where we had to start a process of saying, ‘How many customers do we serve and how much activity is there?’ and so on. That is not something that we took and applied, but we had actually worked through that these would be the kind of things we would have to take into account if we were going to consider closure of an outlet. For us, closure for those reasons is quite separate from bringing on board the new model offices of Jobcentre Plus and deciding which offices close as you do the makeover for the new ones. That is a pinned-down programme of work and has been for a very long time, but, as we took on board the Efficiency Challenge and as the population changes and as traffic changes, we are actually developing a blueprint for the organisation, what our end-to-end range of services are and that will be something for the future for us. What I am saying, just to be absolutely clear, is that we developed a set of criteria, they are there on the shelf, but we have not taken that set of criteria and started applying them anywhere, if that makes it clear.”

219. The Minister emphasised to us that DWP worked “very closely with local MPs wherever we do propose any change in Jobcentre Plus, and there is a huge consultation that takes place and we take the decision very, very carefully.” A supplementary memorandum from Jobcentre Plus stated that “Decisions on opening times are taken by District Managers in conjunction with Operational Directors to meet the needs of local communities. It is expected that District Managers will consult with MPs and key stakeholders when there is a significant change to service delivery.”

220. A recent written answer sheds a little more light on the criteria that are used. It stated that in planning the new network of Jobcentre Plus offices “population spread, availability and cost of public transport, and the distance between offices” were taken into consideration. It added that “very few” customers should have to travel more than five miles “other than in the most remote rural areas” to access Jobcentre Plus services. Rather curiously, a written answer earlier in December used exactly the same wording but used a distance of 20 miles.

221. We are concerned at the impact the closure of Local Service Outlets is having in both urban and rural areas both on local networks and on individual claimants in terms of the cost and inconvenience of additional travelling time. We have noted the points made in evidence to us that many claimants have to access the system via remote
centres outside their area, for example London, and consider that people in need should be able to access Jobcentre Plus facilities near to them.

222. We recommend that DWP and Jobcentre Plus publish the criteria which have been developed for deciding which offices should be closed, and a list of the offices which it plans to close (a) as the new model of Jobcentre Plus offices is rolled out and (b) as a result of changes in demand together with details of whatever new local facilities are planned to replace them, if any.

223. We ask for clarification of two written answers that appeared in December. One stated that “very few” customers should have to travel more than five miles “other than in the most remote rural areas” to access Jobcentre Plus services; the other used the same wording for 20 miles. We ask Jobcentre Plus to define what is meant by “very few” in each case.

224. We also recommend that changes of opening hours and services offered should also, where these amount to a significant reduction in the services offered, always be subject to consultation with local advice agencies, community groups, customer representative groups and Members of Parliament. We ask Jobcentre Plus to set out the criteria they use in deciding whether or not a proposed change is significant.

225. The written answer on 19 December 2005 referred to Jobcentre Plus having an increased presence in “third party premises,” for example public libraries, town halls, possibly schools and doctor’s surgeries. This may clearly have advantages in terms of overheads and ensuring a local presence is maintained, as was noted by Citizens Advice. However, as Citizens Advice also commented, such locations were not necessarily designed for this work and, in particular, it was “important that arrangements were made so that there were individual rooms that people did not feel that they were going to be pressurised into explaining confidential and personal details to all and sundry.” Richard Exell, Policy Officer for the TUC, said that client confidentiality was “racing up our agenda of concerns.”

226. We raised the example of a ‘jobs bus’ being used to the Minister, and she noted the same objection had been raised to that:

“I was talking to one particular local MP where we are talking about closing one of the offices in her constituency, and we have put a job bus in there and she thought it was not a very helpful alternative for her - that was her take on it - because of lack of confidentiality on a bus, it did not help, although the other way round, talking to the people who actually worked on the bus, they thought it was providing a good service.”

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280 HC Deb, 19 December 2005, col 2455W
281 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 18
282 Q 29
283 Q 29
284 Q 32
285 Q 183
227. **We recommend that Jobcentre Plus ensure that a private interview space is made available in all locations where its services are delivered.**

**Benefit processing centres**

228. We have already noted that a significant part of the cost savings arising from the efficiency programme will arise from the reduction of the number of sites processing benefits from approximately 650 to 77. The programme is due for completion by the end of March 2008. Jobcentre Plus told us in its original memorandum that planning was underway to develop a detailed timetable.\(^{286}\)

229. The Child Poverty Action Group told us that “getting through to the Processing Centre was not generally an issue.”\(^{287}\) It added, however, that there were, on occasion, difficulties finding out which processing centre was dealing with a claim, and keeping track of changes,\(^{288}\) a complaint echoed by Citizens Advice.\(^{289}\)

230. Richard Exell, from the TUC, sounded a note of warning:\(^{290}\)

> “If you want to maximise the advantages of new technology, you have to be able to switch work between different centres according to the surges in business that they have got going on there - that is how IT produces gains for organisations - but that, of course, is disruptive of precisely the sorts of relationships that you need to build to deal with problems, and I think there is an unavoidable tension there in the new model.”

231. **We will continue to monitor the impact of the benefits processing programme over the next two years. We ask Jobcentre Plus to set out its timetable for the reduction in the number of sites processing benefits.**

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\(^{286}\) Ev 43 para 3.7 [Jobcentre Plus]

\(^{287}\) Ev 101 para 31 [CPAG]

\(^{288}\) Ev 101 para 30 [CPAG]

\(^{289}\) Q 33

\(^{290}\) Q 37
5 Jobcentre Plus staff

232. In any organisation going through the uncertainty of change and staff reductions, there is an impact on job satisfaction and morale. This has certainly been the case with Jobcentre Plus. In November, Lesley Strathie, Chief Executive of Jobcentre Plus, told us that the staff satisfaction index in the staff survey 2004, in particular, was “probably as low as I have ever seen it in Jobcentre Plus or in any of the businesses I worked in beforehand”, although she drew a distinction between this and morale. She told us that “all of my leaders in the organisation have been asked to produce plans to address that.”

233. The results of the DWP staff survey 2005 were even worse. Of the 72 questions where comparative information was available from the 2004 Survey, 49 performance indicators were down, 13 were unchanged and only 10 showed improvement. The Chief Executive said this was “very disappointing.” A supplementary memorandum from Jobcentre Plus set out the main findings:

- confidence in senior leaders remains low;
- people do not feel fully engaged with the Change Programme;
- there is insufficient communication around job changes and the wider business;
- there are continuing concerns around job security;
- the majority of staff have a regard for their immediate line managers and feel that their opinions and views are listened to;
- more staff are feeling confident with the PDS system; and
- the majority of staff appear to be clear about the objectives of their job, Jobcentre Plus and DWP.

234. A supplementary memorandum from PCS reproduced parts of the findings in full. Job satisfaction in Jobcentre Plus had fallen from 41% in 2004 to 37% in 2005 (the DWP average in 2005 is 40%), 27% of Jobcentre Plus respondents felt they were given sufficient information regarding changes that were to be made in their part of DWP (down from 30% in 2004, the DWP average for 2005 is 31%), and 23% thought that Jobcentre Plus managed change effectively, against a DWP average of 27%. Keith Wylie, PCS DWP Group Secretary, told the Committee:

“the anecdotal evidence we have is that the uncertainty that is being created by the refusal of management to give us a no compulsory redundancy guarantee and the refusal of management to acknowledge that there is a crisis in terms of the staffing levels across Jobcentre Plus and the DWP are leading to massive effects on the

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291 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 17
292 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 17
293 Q 168
294 Q 85
morale of the staff. Most of our members simply want to have enough time to provide a good quality service to the public but they are not being given that time, they are not being given the resource to do that and that is affecting morale quite drastically.”

235. The memorandum by Citizens Advice for the Committee’s session with Lesley Strathie in November quoted a letter which had been sent from a Jobcentre Plus office to a customer:295

“I apologise on behalf of the Department for the delay in clearing your claim. We do endeavour to do our best, but unfortunately with the cuts in staff numbers and very low morale amongst those that are left mistakes do and will occur.”

236. Jobcentre Plus told us that it remained committed to improving staff satisfaction:296

“The Jobcentre Plus Board and the senior management community are committed to doing more to listen to staff’s views and act on their feedback.

All staff in Jobcentre Plus are being encouraged to discuss the survey results in an open and honest way within their teams and use team meetings to feedback what action can be taken locally and by the whole organisation. The Jobcentre Plus Board will use February’s Team Talk to gather staff views and identify what action to take. Survey Action Plans from last year will also be reviewed, and where necessary, updated to reflect the latest results. The focus in the coming months will be on promoting a greater sense of trust between Jobcentre Plus and its people.”

237. However, these efforts were being conducted in the context of worsening industrial relations. Members of PCS working for the Department for Work and Pensions took strike action on 26 and 27 January in a dispute over service levels and job cuts. 60% of those voting endorsed the union’s call for a two-day nationwide strike followed by discontinuous action across England, Scotland and Wales.297

238. One particular risk of such low morale is that experienced, high performing staff will be the ones that leave, as they are likely to find it easier to find work elsewhere. Lesley Strathie acknowledged in November that:298

“the reality of any major change and downsizing is that the most able usually move first, and the challenge for me and my Board and my leadership team in Jobcentre Plus is to make sure that more of the right people stay with us. “

239. We share the disappointment of Jobcentre Plus management that staff satisfaction in Jobcentre Plus is so low, and note the impact that this is likely to have on service quality and error rates. We are concerned that action is only now being taken to address low staff morale strategically and we recommend that there is a serious effort to
re-engage both with employees and the unions, and that Jobcentre Plus sets out a strategy for this, with targets for improvement in the 2006 staff survey.

**Personal Advisers**

240. The role of Personal Advisers is crucial for the success of the Jobcentre Plus model. They are tasked with providing personal, specialist support to customers needing additional help to move into work and delivering Work-Focused interviews for the Government’s different employment programmes, including Pathways to Work. The Minister, when giving evidence to us, said that Advisers had “a key role” in the welfare reform agenda; and Lesley Strathie referred to the “absolutely fantastic job” they were doing.

**Job entry target**

241. We have already noted that as part of the National Action Plan Advisers were tasked with a 50% increase in job entries. Supplementary information supplied after that session by Jobcentre Plus stated:

> “Personal Advisers (PAs) conduct on average 25 to 35 interviews per week. Advisers conduct interviews of varying types and lengths, work full or part time and have different levels of experience so that expectations will differ on the number of interviews conducted each day. The balance of their time is spent on adviser-related activities such as interview preparation and post-interview action, keeping their local labour market intelligence and advisory skills up to date and liaising with providers, partners and employers. […]”

Although Jobcentre Plus does not currently hold data on caseload sizes, benchmarks are being developed for the 2006-07 operational year. Only those customers who need Adviser support to move into work will be supported by Advisers, with other customers who need less support being helped by other staff. The proposals are:

<table>
<thead>
<tr>
<th>Customer Type</th>
<th>Caseload size</th>
<th>Caseload Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSA</td>
<td>Optimum size of no more than 30-40</td>
<td>2 per week (off the register)</td>
</tr>
<tr>
<td>IB</td>
<td>Optimum size of no more than 30-40</td>
<td>2 per week</td>
</tr>
<tr>
<td>Lone Parents</td>
<td>Optimum size of no more than 30-40</td>
<td>2 per week</td>
</tr>
</tbody>
</table>

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299 Ev 45 para 5.1 [Jobcentre Plus]

300 Q 168

301 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Ev 26
242. PCS suggested to us that Advisers were having to hold more, and shorter, interviews, with the time allotted having been reduced from 40 minutes to 30 or 20 minutes.\(^{302}\)

**Additional administrative support?**

243. The memorandum from Jobcentre Plus stated that increased demands were being made on Advisers in a context of increased efficiencies which would “help to improve performance by enabling Advisers to focus on their key role”. It stated that:

> “the efficiencies have: removed clerical tasks from the Adviser role and allocated them to Adviser Administrative Support Officers; removed the need for Advisers to maintain clerical statistics; and produced better invitation to interview letters to improve the number of customers who attend their appointments, as part of a broader range of activities to improve customer attendance rates.”

244. The memorandum continued that Advisers had been provided with a “suite of products to support them”. These were listed as:\(^{303}\)

- “a performance improvement tool which measures each Adviser’s performance against their individual job entry target and highlights Advisers needing additional management support to achieve their targets;
- an enhanced quality assurance framework which enables Adviser Managers to assess every Adviser’s skills and knowledge levels against set quality standards;
- an on-line skills assessment tool that enables Adviser Managers to develop an individual learning and development plan to address skills and knowledge gaps they identify for Advisers; and
- new learning products for Advisers and Adviser Managers, including an Adviser skills DVD.”

245. Evidence we received disputed the impact of the efficiencies and the additional support that was being given. When asked about extra administrative support for Advisers, for example, we were told by Jane Aitchison, PCS DWP Group President, “we have not got any evidence of that. Last year the Department said that the admin support could be better and that they were going to work towards that, but we have not had any proposals on that.”\(^{304}\) She confirmed that to the best of her knowledge, no-one had yet been recruited.\(^{305}\)

246. We recognise that Adviser Administrative Support Officers are crucial to the smooth running of the system of Personal Advisers, particularly given the large workloads of many Advisers, which are higher than originally intended. We are

\(^{302}\) Ev 108 para 19 [PCS]

\(^{303}\) Ev 45 para 5.3 [Jobcentre Plus]

\(^{304}\) Q 104

\(^{305}\) Q 105
concerned that administrative support staff do not appear to have been recruited yet and we ask Jobcentre Plus to set out its timetable for providing additional administrative support to Personal Advisers.

The new performance tool: RAG

247. The impact of the new “performance improvement tool” was also of interest to many of those who submitted evidence. Known as “Red, Amber, Green” (RAG) it measures individual performance on a district level and was introduced in September 2005. A supplementary note from Jobcentre Plus stated that:

   “Any Advisers falling into the ‘amber’ or ‘red’ categories on the RAG have a personal development plan of improvements that is reviewed at least monthly. This continues until they achieve a ‘green’ rating. A district performance improvement board meets monthly to address specific cases where Advisers are consistently ‘red’.”

248. PCS stated in its memorandum that there was “widespread anger” about RAG, adding that “in many cases the ability to meet certain targets is not within the control of an individual Adviser.” Jane Aitchison, PCS DWP Group President, dismissed the tool when giving evidence as “too crude.” She added that some officers were being put on a list called ‘club zero’ if they had not placed someone into a job, which was then published. A supplementary memorandum from Jobcentre Plus stated that “neither the Chief Operating Officer nor his senior managers recognise the term.”

249. Kate Bell, from One Parent Families, told the Committee that she had:

   “talked to one Adviser who was saying that there is very much dissuading them from focusing on more disadvantaged customers who might take longer to deal with, who might need a longer-term intervention, and she said that her whole team was operating on red, and that was a team of very experienced advisers, and she felt it was demoralising their performance and affecting their performance negatively.”

250. Figures provided to us by the Department showed that this team was not alone. In October 2005 only 43% of Personal Advisers were on ‘Green’. 24% were on ‘Amber’ and 33% on ‘Red’ and therefore subject to the additional appraisals, or the attention of the District Management Improvement Board, referred to above.

306 Ev 51 [Jobcentre Plus]
307 Ev 109 para 27 [PCS]
308 Q 101
309 Q 101
310 Ev 92 [Jobcentre Plus]
311 Q 46
312 Ev 56 [Jobcentre Plus]
251. Kate Bell, from One Parent Families, noted that it was particularly unfair that such measurement was occurring at a time when the tools available to Advisers were being reduced, something we discuss in the next chapter of this report.\textsuperscript{313} “This year they have had their Adviser Discretion Fund reduced by a third and that is affecting the interventions they can make. The level of contracted-out training has been massively reduced so that is reducing the level of interventions they can make. You can be the best adviser in the world but if there is nothing to refer your client to and your resources are significantly constrained then you cannot have the same impact that you were having previously.”

252. Lesley Strathie and the Minister defended the system in the face of this criticism. Lesley Strathie told us that “I do not intend to abandon that performance management tool, which is one of the many tools we use to support the skills and performance of the adviser.”\textsuperscript{314} She denied that it was inflexible and unfair, commenting:\textsuperscript{315} “We already within that allow for the different customer groups, different difficulties, degrees of difficulty, even in our performance management or performance variation plans across the piece. We look at cluster groups in degrees of difficulties from rural to urban. There are a lot of different ways that we look at this, but, at the end of the day, we are setting benchmarks for people, arranging work-focused interviews, we have benchmarks for job outcomes and that is part of how we manage people in a discussion which is about performance and development.”

253. A supplementary memorandum from Jobcentre Plus stated that “Jobcentre Plus action to improve adviser performance is not designed to stigmatise or to bully”, adding “when this tool was introduced, a small minority of managers may have been unclear about the best way to apply it.”\textsuperscript{316}

254. The previous Work and Pensions Committee recommended changing the way Jobcentre Plus performance targets were measured in both its report into the ONE pilots\textsuperscript{317} and its report into the Government’s Employment Strategy. For example, in the latter report the Committee stated:\textsuperscript{318} “Currently, the Jobcentre Plus performance targets are focussed on measuring job outcomes. We consider that the Government should be seeking to develop a new range of targets, aimed at measuring ‘distance travelled’ towards labour market participation by clients who are not immediately job-ready. These targets would aim to measure improvements in employability achieved through the intervention of Jobcentre Plus, either alone or through its network of providers.”

\textsuperscript{313} Q 50
\textsuperscript{314} Q 160
\textsuperscript{315} Q 162
\textsuperscript{316} Ev 92 [Jobcentre Plus]
255. In response to that report the Government said that the Department for Work and Pensions was “considering possible measures of ‘distance travelled’ as part of the development work for the 2003-04 Performance and Resources Agreement.”

256. Leigh Lewis, DWP Permanent Secretary, expanded on this point when giving evidence on 6 February. He told the Committee that DWP had “consulted very widely” on the recommendation, but had concluded “that it was very difficult to identify a workable measure.” He noted that the points system in the job entry target skewed “the reward system for Jobcentre Plus very much towards the hardest to help.”

257. We acknowledge the importance of performance measurement and note that the performance system will have to be redesigned when the new Job Outcome Target is introduced. It disturbs us that what would seem to be an overly simplistic performance management system is in place to monitor staff performance. The current system places a third of Advisers on ‘Red’ and in some areas we were told by PCS – though this was denied by Jobcentre Plus – that poor performers are placed in a Club Zero.

258. We question the extent to which this can be regarded as a positive motivational tool and whether the system as it stands only encourages Advisers to help short term, easy to place in work cases, instead of longer term claimants perhaps needing more intensive help from Advisers. We ask Jobcentre Plus to set out how the work done by Advisers to help those furthest from the labour market to move towards work will be recognised and incentivised when the Job Outcome Target is in operation.

259. If once the new Job Outcome Target has been introduced, large numbers of Personal Advisers remain in ‘special measures’ we ask the Department to investigate and report back to the Committee whether this is because (a) the staff performance system standards have been set unrealistically high or (b) staff need more or different training or (c) staff are of insufficiently high calibre and need to be replaced.

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319 Reply by the Government to the Third Report of the Work and Pensions Committee, Session 2001-02, Cm 5599

320 Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 6 February 2006, HC (2005-06) 895, Q 17
6 Employment and training programmes

Relations with providers

260. Jobcentre Plus conducts many of its employment and training programmes through private and voluntary sector providers. There is expected to be £1.1 billion worth of provision of this type in 2005-06,\(^\text{321}\) with a large number of large and small organisations.

The efficiency savings programme

261. Given the scale of this expenditure, it is not surprising that measures to reduce it have formed part of the efficiency savings programme. This may, however, have been a mistake. If the employment and training programmes are an effective method of moving people off benefit and into work, the money saved by cutting them should be much less than the extra cost of benefits claimed by people who will remain unemployed as a result. The memorandum from Jobcentre Plus warned that:\(^\text{322}\)

“For employment programme budgets, 2005-06 is likely to be the most difficult year of the Spending Review 2004 period. There was a significant overspend from 2004-05 to be addressed, and an additional reduction in budgets implicit within the Spending Review 2004 settlement. Latest forecasts show a projected overspend. Jobcentre Plus is taking action to reduce the overspend, as explained in section four of this memorandum, and is focusing its employment and training expenditure on mandatory provision and essential ministerial priorities.”

262. The Committee discussed the distinction of ‘mandatory’ provision at its evidence session with advice agencies. Richard Exell, TUC, noted that “strictly speaking, the only people who are entitled to programme provision are those who are required to attend it.”\(^\text{323}\)

263. Jobcentre Plus detailed the impact of the “focus”:\(^\text{324}\)

“Jobcentre Plus reviewed its existing contracts earlier this year to identify those that were not delivering satisfactory results. This resulted in the early termination of 194 contracts and decisions not to extend a further 823 contracts. Following the review, there are 2,294 contracts in place, and we continue to keep these under scrutiny.”

264. It is not surprising that those involved in either delivering these schemes, or assisting people who will attend them, are unhappy about the cuts in programmes. However, the level of unhappiness, particularly about the way Jobcentre Plus had liaised with providers, was striking.

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\(^\text{321}\) HC Deb, 19 December 2005, col 2454W
\(^\text{322}\) Ev 47 para 8.3 [Jobcentre Plus]
\(^\text{323}\) Q 55
\(^\text{324}\) Ev 44 para 4.3 [Jobcentre Plus]
Lack of engagement with providers

265. The Association of Learning Providers\(^{325}\) (ALP), the Employment Related Services Association (ERSA) and the Association of Chief Executives of Voluntary Organisations (ACEVO)\(^{326}\) dealt at length with the contracting issue in their memoranda. ALP stated that:\(^{327}\)

> “The slippages, delays and cancellation themselves were annoying and inconvenient, but what was even more infuriating to providers was that little or (more usually) no information was being given as to why these were taking place … There followed a crumbling of confidence in JCP and its credibility, so that when eventually in March 2005 they announced that tendering exercises had been formally cancelled to be replaced by a strategy of rollovers to October 2005, there was a complete breakdown in any form of effective strategic engagement with the provider base.”

266. ERSA and ACVEO quoted a recent survey of ACEVO members, which had found that 76% said that the funding regime had adversely affected frontline services; 81% said that it hindered the organisation’s ability to plan ahead; and 78% said that it meant that they did not undertake services beyond those detailed in their contracts.\(^{328}\)

267. Expanding on these points when giving evidence, Dave Simmonds, from the Centre for Economic and Social Inclusion referred to what had been, historically, a “command and control mentality” in Jobcentre Plus procurement, and a “general almost institutional lack of trust between Jobcentre Plus and its providers.”\(^{329}\) Stephen Bubb, Chief Executive of ACEVO, told us:\(^{330}\)

> “Something like 18 months ago we conducted a commission of inquiry looking at contracting between the state and the third sector, including in that contracts in DWP, and what we found was that there were four areas in terms of those contracts where there was a problem. Risk is passed almost entirely to the voluntary sector organisation, the effective price is not based on full cost of recovery, there is excessive bureaucracy, and the contract is nearly always one year. Now what that means, quite interestingly, is that those contracts are not effective so it costs the taxpayer money. They are not efficient in terms of their outcomes and if you change the contracts you could get better quality outcomes. They are a nightmare for organisations to operate and also excessive bureaucracy has a cost back on the Civil Service.”

268. When giving evidence in November, Matthew Nicholas, Acting External Relations and Communications Director for Jobcentre Plus, acknowledged that things had been

\(^{325}\) Ev 103

\(^{326}\) Ev 124

\(^{327}\) Ev 104 para 3 [ALP]

\(^{328}\) Ev 127 para 4.7 [ERSA/ACEVO]

\(^{329}\) Q 73

\(^{330}\) Q 72
“very difficult” and there had been some “very tough discussions with the providers” both about the delays in forming priorities and cuts in programmes.331

269. He added, however, that efforts were being made to re-engage with providers,332 and this was confirmed by Stephen Bubb when ACEVO gave oral evidence on 25 January,333 which we are pleased to note.

**Prime Contractor**

270. One possible method of improvement that has been noted is the Prime Contractor model. The DWP website Contracting Strategy states in a notice to partners that:334

> “Whenever possible, our aim will be to seek a Prime Contractor through a two stage approach to tendering. This will enable bidders to either bid to deliver a range of provision using subcontractors where it is appropriate, or to bid to deliver provision as the sole provider.”

271. Leigh Lewis, DWP Permanent Secretary, told us that:335

> “We have had lots and lots of tiny contracts which are probably not in the interests of anyone, but we want a smaller number of contracts without wanting to exclude in any way those local niche providers who can be desperately important to us.”

272. Graham Hoyle, of the Association of Learning Providers, said that while he commended the effort to rationalise the number of contracts, he was concerned about how the move to Prime Contractors was being interpreted in some districts. In Kent, he warned, “prime provider was being interpreted as sole provider” which he suggested would be a “disaster.”336 Chris Melvin from ERSA warned “there will be a real opportunity lost if the monopoly of the state provision simply becomes the monopoly of provider provision.”337

273. In a supplementary memorandum to the Committee, Jobcentre Plus recognised the risk of a private monopoly, and confirmed that under the new system safeguards would be in place to minimise it:338

> “To ensure that local and specialist providers involved in delivery with a Prime Contractor are treated fairly, Jobcentre Plus will require bidders to set out in their proposals details of the other organisations they will be working with, and this will form part of the contract. Jobcentre Plus will also ask bidders to set out their plans

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331 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 29
332 Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 30
333 Q 72
334 “Contracting Strategy”, DWP Notice to Partner Organisations, 2005
335 Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 6 February 2006, HC (2005-06) 895, Q 18
336 Q 74
337 Q 74
338 Ev 60 [Jobcentre Plus]
for ensuring that they manage their relationships with sub-contractors effectively. Jobcentre Plus will monitor this aspect of Prime Contractors’ performance in the context of their contract management reviews.”

**Contract terms**

274. We have already noted the objections raised about the nature of the contracts Jobcentre Plus signs with its various providers. This is being considered by DWP at the moment, for example, the recent welfare reform green paper asks for views on whether outcome-based payments would incentivise providers. We were told by DWP that:

“Jobcentre Plus is therefore currently piloting a more outcome-related approach for the JSA New Deals in several Jobcentre Plus Districts, to determine the most effective balance between output-related funding, quality of service provision, risks and cost.”

275. The Department also told us that:

“...There are 12 areas where New Deal is currently delivered by the private sector. Contracts with these providers are due to end shortly and Jobcentre Plus is examining options for future provision in those locations in conjunction with Ministers.”

276. A recent written answer stated that new contracting procedures for training were being introduced “to reduce bureaucracy and improve performance.” New contracts are to be in place from July 2006.

277. Leigh Lewis told us that there was a balance between detail and the accountability of public money. He added that he did see scope for being less prescriptive about processes:

“I think that over a long time we have been too inclined in the Government not simply to set out what we would like to secure by way of outcomes, but then we have been much too inclined to go into a great swathe of detail as to how this is to be delivered, rather than being much clearer about the outcomes and much less restrictive about detail. I have to enter one caveat in that, because another hat that inevitably I wear is that of accounting officer, and accountable for the proper spending of every penny of taxpayers’ money that comes through the Department to providers as well as to many other places, and we therefore need to have some conditions in those contracts which ensure that money is properly spent and accounted for and so on.”

278. We were concerned at the evidence we received that there had been a serious failure in Jobcentre Plus’s engagement with employment and training providers, but we recognise that there has been an effort by Jobcentre Plus to rectify this. Jobcentre

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339 DWP, A new deal for welfare, empowering people to work, Cm 6730, p 76
340 Ev 59 [Jobcentre Plus]
341 Ev 59 [Jobcentre Plus]
342 HC Deb, 30 January 2006, col 287W
343 Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 6 February 2006, HC (2005-06) 895, Q 21
Plus, we hope, is moving towards a recognition that the current procurement process is deeply flawed, and needs to change to match best practice in the public sector and industry, for example to have longer term contracts that can enable private and voluntary sector providers to plan and manage their own resourcing capability. We recommend that DWP works as a matter of urgency to review further its contracting procedures for all employment and training programmes to ensure that accountability is achieved without compromising provider flexibility, so that higher quality and more efficient outcomes are achieved, and to report to us what progress has been made.

279. We note that work is ongoing within DWP and Jobcentre Plus to minimise the risk that the Prime Contractor approach does not squeeze out high quality smaller providers. We recommend that the Department reports back to us once the current round of contracts is complete on how this new methodology has worked in practice and, in particular, what the impact has been on smaller providers.

The impact on specific programmes

Building on the New Deal (BOND)

280. In June 2004, the Government announced plans to develop and build on its existing New Deal programmes. Unveiling plans for Building on the New Deal, the then Minister for Work, Jane Kennedy MP, said:344

“This will create a New Deal unique to each individual through an exciting ‘pick and mix’ approach, which builds on success to date, giving more flexibility to customers and staff...We are removing barriers between the New Deals so people can get the help they need as individuals rather than according to the benefit they are claiming. Increased flexibility will enable local Jobcentre Plus Managers to ensure our employment programmes provide skills to meet the needs of local employers. And by simplifying our systems we will reduce bureaucracy so that our staff can spend more time helping people and less on administration.”

281. On 17 November 2004, the then Minister for Work, Jane Kennedy MP, announced that Building on the New Deal (BoND) was to be piloted in 11 Jobcentre Plus districts from autumn 2005.345 However, in September 2005 Jobcentre Plus announced that “as a result of our extremely tight financial settlement the Department has had to look critically at our employment programmes and pilots. We have taken the decision to limit the piloting of BoND to 7 areas”.346

282. Several witnesses expressed concern about this delay, for example the TUC.347 Dave Simmonds from the Centre for Economic and Social Inclusion told the Committee that:

344 “Minister unveils new deal evolution plans”, DWP Press Release, 17 June 2004
345 HC Deb, 17 November 2004, col 98WS
346 “Jobcentre Plus contracting/Building on the New Deal – Announcement Update”, DWP Notice to Partner Organisations, September 2005
347 Ev 94 para 5 [TUC]
348 Q 66
“I make the simple point that the broad structure of the New Deal was designed in 1996 or thereabouts for a different labour market and different conditions, and it has been incredibly successful. We now need a suite of labour market programmes which are fit for purpose in 2006. If BoND was actually on track, announced in 2004 and rolled out, we probably would have had them. We are almost two years on and we are no further forward.”

283. Chris Melvin from ERSA went further, commenting “I think ERSA’s point of view is that the moment for BoND has passed and we need something more radical than BoND.”

284. Lesley Strathie, Chief Executive of Jobcentre Plus, appearing before us in November, admitted that another such major programme would have been a “major distraction” but added “had we had BoND sooner we would have been in a much stronger position.”

285. The Department later told us that it remained committed to the principles of BoND:

“Jobcentre Plus’ vision remains as set out in the Building on New Deal document. This would allow Jobcentre Plus to target its resources more productively, ensuring better outcomes for the individuals and better value for money for the Government. Ministers are considering next steps.”

286. A recent written answer did not shed any further light on specific next steps, only stating “Since that announcement [in November 2004] we have undertaken detailed planning to ensure that the flexibilities set out in the BoND strategy paper can be fully tested. We expect BoND to make a positive impact on the numbers of people helped into work but the Department does not have a fixed employment target for the pilots.”

287. The decision to reduce the scale of the piloting of BoND, in this Committee’s view, is a mistake. We recommend that the Government sets out its thinking – in detail - on the next steps for BoND.

Ambition

288. The Ambition pilots were set up by the National Employment Panel (NEP), Jobcentre Plus, employers and other partners in June 2002 with four key objectives:

- to test the ‘demand-led approach’ to job preparation and training programmes;
- to achieve higher performance than most mainstream provision;
- to enable disadvantaged jobseekers to enter jobs with higher than entry level pay and strong potential for career development; and
- to generate wider lessons regarding employer engagement and to raise the capacity of Jobcentre Plus and providers to implement the demand-led approach.
289. There were four Ambition strands – Construction, Energy, IT and Retail. An Ambition: Energy recruit was pictured in the 2004-05 Jobcentre Plus Report and Accounts. The programme was referred to as laying “the foundations for life-long work in a reliable and progressive industry.”

290. In the course of a stocktake of the Ambition programmes conducted during autumn 2003, the National Employment Panel reported that:

- Ambition programmes were achieving a placement rate of 59% (against a target of 60%) and a retention rate of 72% (against a target of 70%);
- the programmes had all fallen behind original expectations regarding volumes; and
- that there was “some evidence that Ambition has succeeded in placing participants in jobs offering higher than entry level pay. Median starting pay is £13-14,000 for IT participants and £10-11,000 for construction participants.”

291. It concluded that feedback from participants

“indicates that many participants feel that Ambition has helped them not just to find a job but to embark on a meaningful career which they would not have been able to access otherwise … Further work is required to assess the extent to which Ambition has succeeded in engaging disadvantaged jobseekers. … There is evidence to suggest that the offer of a good job has engaged some disaffected customers who had previously not responded well to mainstream provision. The potential for Ambition to attract jobless people on inactive benefits such as Incapacity Benefit should also be developed further.”

292. The ALP commented that “The decision to scrap Ambition was therefore both unexpected and deeply disappointing to all concerned.”

293. The Department later confirmed that it viewed Ambition as “an excellent example of short-term investment for long-term saving.” It confirmed, however, that the programme in its current form was finishing in 2006:

“Ambition programmes have run, or are being allowed to run their course. Three of the five strands, Retail, IT and Construction have already finished, with the final Energy programmes scheduled for completion in March 2006. ‘Ambition: Health’ was the last of the five strands to commence and as such will see its final intake in March with all participants completing their programme by September 2006.”

355 Ev 105 para 12 [ALP]
356 Ev 60 [Jobcentre Plus]
294. On a more positive note, we were told that work was underway in Merseyside, for the Learning and Skills Council to take forward Ambition: Health as part of its mainstream training provision, and that discussions on a similar approach were taking place in South Yorkshire, the other pilot area. Jobcentre Plus was “also in discussion with the LSC and other sector partners about successor programmes within the Energy industry, building on the LSC’s offer to contribute to course fees.”

295. DWP told us that the demand-led and partnership approaches were being carried forward through the City Strategy as set out in the welfare reform green paper and the Government’s work with the National Employment Panel on Fair Cities. A recent written answer confirmed that the lessons learned “will be embedded in successor programmes” but gave no specific additional information about this.

296. While we note that elements of the Ambition programme are being taken forward on an ad hoc basis, we are disappointed that the system as a whole is not being rolled forward and we recommend that this decision is reviewed by Jobcentre Plus. We also ask for a clear statement of the Department’s overall assessment of the success of Ambition.

**New Deal programmes**

297. According to the evidence we received, the various New Deal programmes have been hit to varying degrees by funding cuts as part of the efficiencies programme. The TUC’s memorandum stated that “In London the New Deal for Young People has effectively been reduced to one option, and there are serious cuts in the North East” and the submission from One Parent Families noted:

“"There is evidence that these cuts are already impacting on programme participation and job entries. Participation in the New Deal for Lone Parents between April and August 2005 (the latest date for which figures are available) was down slightly (by around 4%) compared to the same period in 2004.”

298. Leigh Lewis, the DWP Permanent Secretary, told the Committee on 6 February that:

“I am confident that we are able currently, this year, to deliver the New Deal programmes as they are meant to be delivered, and overwhelmingly in the vast majority of locations there is no evidence available to me that those programmes and their delivery is suffering in any generalised sense at all from lack of funding.”

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357 Ev 60 [Jobcentre Plus]
358 HC Deb, 27 February 2006, col 225W
359 Ev 94 para 3 [TUC]
360 Ev 133 para 2.5 [OPF]
361 Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 6 February 2006, HC (2005-06) 895, Q 14
299. We were concerned to note, however, that in a recent written answer it was revealed that the number of Lone Parents accessing training programmes through the New Deal for Lone Parents (NDLP) was falling.\footnote{HC Deb, 10 January 2006, col 617W}

**Figure 1: Training participants on new deal for lone parents**

![Training participants on new deal for lone parents](image)

*Source: House of Commons written answer January 2006*

300. Jobcentre Plus confirmed in its response to us that our analysis was correct, but that there was no cause for concern.\footnote{Ev 61 [Jobcentre Plus]}

“Advisers have become more skilled at understanding the individual needs of their customers, and identifying whether specific training is necessary for a customer to progress towards work. The net effect is that fewer NDLP participants need to go through these programmes. There has been no reduction in NDLP training provision where expenditure of £29.4m is anticipated in 2005/06 compared to £24.5m last year. However, reduced funding had led to a cut in the Work-Based Learning for Adults expenditure. So NDLP clients have used training funded through the New Deal and training funded by LSC. We remain confident that those who need training the most are receiving it.”

301. Richard Exell, from the TUC, reported that he had been told by the Minister that action was being taken to address the recent problems in London.\footnote{Q 59}

“Effectively the Environmental Taskforce has never really got off the ground in London. It has always been a minor element of the New Deal here. Of course the job subsidy has stopped being an option nationally because it has become something that can be applied at any time during a person’s experience on the New Deal for Young People and then we have also had the huge cut-backs in training provision which has left nearly all clients with effectively different providers in the voluntary sector option only the one option. I should say that when I raised this with the Minister a few weeks ago she told me that she had taken action to address this.”
302. We note the undertaking from the Permanent Secretary that the New Deal programmes will continue to be funded and delivered as originally envisaged, and that the Minister has commented that action is being taken to address problems with funding in the New Deal for Young People in London. We find it difficult, however, to reconcile the Permanent Secretary’s remarks with the evidence we have received, and we ask DWP and Jobcentre Plus to take urgent action to ensure that provision of the various New Deals is maintained nationwide.

303. We also have concerns about the Permanent Secretary’s statement that the reduction in entries into the New Deal for Lone Parents is related to Advisers becoming better at identifying training needs. We recommend that Jobcentre Plus and the DWP set out the criteria which Advisers use to determine whether specific training is necessary for a customer to progress towards work, and how these have changed over the last two years.

The Adviser Discretion Fund

304. The then Secretary of State announced in November 2002 that:

> “We realise, too, that the first step into work is a big one. Finding money for the first month’s bus pass or for work clothes can too often be barriers to work. That is why I also announce today that we will extend access to the Advisers Discretion Fund, enabling Advisers to make awards of up to £300 to spend on anything that will help their clients move into work.”

305. The witnesses who gave evidence to us from advice agencies generally praised the flexibility of the Fund. Richard Exell, from the TUC, said:

> “every time I spoke to Personal Advisers about what works for them they would also mention the ADF as being one of the best things in their tool kit.”

306. The decision to cut the Fund maximum from £300 to £100, which was announced on 9 May 2005, was therefore greeted with concern. Kate Bell, from One Parent Families, said that “that cut really is going to make a difference.” She added that:

> “We have also seen a significant fall in the number of times the Adviser Discretion Fund is being used. I think they were making about 9,000 awards a month before May and this has fallen to around 6,000 awards a month after May so it is not just cuts in the amount being made but cuts in where it is used at all. Some districts have told us we have got no budget to make an Adviser Discretion Fund award and it was that that was really making the difference.”

307. Dave Simmonds, from the Centre for Economic and Social Inclusion, agreed, pointing out that cuts in the ADF could increase costs in the long run:

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365 HC Deb, 18 November 2002, col 367
366 Q 57
367 HC Deb, 12 December 2005, col 1755W
368 Q 57
“From every evaluation, whichever way you look at it, the ADF is successful, it is popular, Advisers like it, customers like it, but it is being cut. The reason why it is so successful is precisely because to increase some people’s employability takes sometimes very small sums of money, they do not need the whole programme, and that is what the ADF gave.”

308. Information in a recent written answer showed that the average award had fallen steadily between January 2004 and October 2005, from £109.46 to £71.78. The number of awards, month-on-month, was also falling.  

309. Jobcentre Plus told us that:  

“ADF remains available to meet up-front childcare costs of up to £300 for New Deal for Lone Parent participants starting work. The ADF also remains available for other purposes.”

And added that:

“Whilst the number and amount of ADF payments has reduced during 2005/06, evidence suggests that payments have been better targeted and that ADF is continuing to play a key part in helping lone parents make the transition from benefit to suitable employment. Last year, 36% of ADF awards to lone parents resulted in a job outcome, whereas in this year to November, 40% of awards have returned a job outcome. Further; in the later months targeting seems more effective. In September this year 44% have resulted in a job, in October 47% and in November over 49%.”

310. While we welcome the clarification that Adviser Discretion Fund awards of £300 remain available for childcare, we are concerned about the reduction in the number and average amount of ADF awards to lone parents. We agree with the evidence we have received that small discretionary awards of this type will save money in the long run and we recommend that Jobcentre Plus re-introduce a general ADF limit of £300.

Work-Based Learning for Adults

311. The National Employment Panel, in a report published in February 2004, concluded that there were serious issues relating to the quality and availability of basic skills and English for Speakers of Other Languages (ESOL) training and recommended rapid expansion of this provision and a reallocation of funds towards it. According to the report, 43% of all jobless people lacked Level 2 qualifications and over 50% of lone parents on Income Support and 40% of individuals on Incapacity Benefit had no qualifications at all.

312. The recent welfare reform green paper affirmed the Government’s commitment to “helping all low-skilled adults get the skills they need to succeed in work.” It noted that by

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345 Q 66
356 HC Deb, 10 January 2006, col 618W
371 Ev 61 [Jobcentre Plus]
2012, some two-thirds of all jobs are expected to require qualifications at level 3 or higher. The green paper made the following commitment to training provision:\textsuperscript{373}

“We need to ensure that the universal entitlement to free basic skills training and free tuition towards a first level 2 qualification is made a reality for all adults, providing all individuals with the opportunity to become functionally literate and numerate.”

It looked forward both to the results of pilots to trial new approaches to skills coaching, and a review of skills by Lord Leitch, due in 2006, on the skills profile that the UK should aim to achieve by 2020.\textsuperscript{374}

313. However, there have recently been cuts in work-based learning programmes. Matthew Nicholas, Acting External Relations and Communications Director for Jobcentre Plus, admitted when giving evidence to the Committee in November that “We have taken a very significant reduction in our provision for training, as I said, and that means there is less contracted provision available for lone parents and for other adults.”\textsuperscript{375}

314. In a letter from Margaret Hodge MP, Minister of State for Employment and Welfare Reform, to the Chief Executive of the Association of Learning Providers (ALP), Graham Hoyle, in September 2005, she stated that:\textsuperscript{376}

“As you know the funding situation is very tight, but maintaining the availability of the New Deal mandatory options and some access to Basic Skills and ESOL [English for Speakers of Other Languages] provision nationwide remain high priorities.”

315. The ALP commented that:

“In other words, although basic skills provision is a policy priority for the Government in general, given the budgetary constraints JCP are under it is not felt that they can offer more than limited access to such provision for unemployed people at this time, even though this is probably one of the most important skills barriers to regaining employment that any client can face.”

316. The Employment Related Services Association and the Association of Chief Executives of Voluntary Organisations told us that the “Work-Based Learning for Adults programmes, for example, have had a 75% reduction in funding, despite delivering services for many harder-to-reach clients…ERSA and ACEVO contend that these cuts are a false economy and will materially affect Government targets for harder-to-reach clients.”\textsuperscript{377} The Association of Learning Providers gave the example of North-East London which “currently has next to no adult [skills] provision for unemployed people of less than two years duration.”\textsuperscript{378}

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\textsuperscript{373} DWP, A new deal for welfare, empowering people to work, Cm 6730, p 78
\textsuperscript{374} DWP, A new deal for welfare, empowering people to work, Cm 6730, p 79
\textsuperscript{375} Oral evidence taken before the Work and Pensions Committee on 9 November 2005, HC (2005-06) 619, Q 35
\textsuperscript{376} Ev 105 paras 10-11 [ALP]
\textsuperscript{377} Ev 126 para 4.1 [ERSA/ACEVO]
\textsuperscript{378} Ev 104 para 7 [ALP]
\end{flushleft}
317. Jobcentre Plus responded to some of these points in a written memorandum. It confirmed that funding for Work-Based Learning for Adults provision had been cut from £210m in 2004-05 to around £152m in 2005-06, “with a focus on Basic Skills and English.” It continued:

“In relation to basic skills, funding priorities have also included maintaining independent assessments to support the referral process for BET (Basic Employability Training), ESOL (English for Speakers of Other Languages) and SIBS (Short-Intensive Basic Skills) provision within the New Deal and Work-Based Learning for Adults.

318. **We note with concern the reduction in Work-Based Learning for Adults, which seems to run contrary to the emphasis placed on skills training in the recent welfare reform green paper. We ask the Government to set out its long-term strategy for this type of provision, along with indicative total budgets for the next five years.**

**Conclusion**

319. It is clear from the preceding sections of this report that there were considerable problems within Jobcentre Plus employment and training provision during 2005, from which it is currently recovering. Relations with providers reached a low point, funding pressures affected all programmes to some degree, and important new measures, in particular BoND, were put on hold.

320. There is a risk that provision of this type, mainly, but not exclusively, discretionary provision like skills training and the Adviser Discretion Fund, is regarded as fat that can be trimmed from the budget in lean times. While this is tempting in a time of efficiency challenge, it is a dangerous step that may already be having an impact on the claimant count, and seems to run contrary to the emphasis placed across Government on meeting the skills challenges of the modern global economy.

321. **Vacillation about the future of BoND, small-scale adoption of Ambition, uncertainty over New Deal funding, a reduction in the use and scale of the Adviser Discretion Fund, major reductions in Work-Based Learning for Adults and the 2005 contracting problems, are significant issues in themselves. The cumulative impact is even more considerable. We are concerned that some good provision – which saves money in the long run – could be lost. We recommend that DWP and Jobcentre Plus should commission an independent overall review, with significant stakeholder involvement, of its provision of employment and training programmes, the effectiveness, costs and benefits of those programmes, and how funding is prioritised. The results of the review should be made available to the Committee.**
The future role of Jobcentre Plus

Perhaps as a result of the contracting problems already referred to in this report, provider organisations have been lobbying for a change. A report from Oxford Economic Forecasting, commissioned by the Association of Chief Executives of Voluntary Organisations (ACEVO) and the Employment Related Services Association (ERSA) recommended:379

“redefining the role of Jobcentre Plus so that the organisation only carries out the interface functions of a public service gateway (such as paying benefits, deciding on eligibility and managing the contracts); or if it continues to provide employment services, does so as a distinct public sector provider – competing with other providers on an equal footing.”

Speaking to the Financial Times in October 2005, Work and Pensions Minister Margaret Hodge is reported to have said that “there is huge interest in this, and we are going to do it.”380 She told us that many clients still found Jobcentre Plus offices “forbidding” because they represented authority, continuing:381

“I have talked to a lot of our big, particularly voluntary and some private, providers who are being very effective in providing support for this particular group, and I think there is going to be an extension of that work. I think that is the way the world is going to go.”

The plans in the recent welfare reform green paper to roll out the Pathways model nationwide reflect this strategy. The green paper states that voluntary sector and private providers “are often best placed to support our clients, particularly those with a health condition or disability, by providing the specialist services they need” and therefore concludes that these providers will be invited to manage Pathways in new areas.382 Delivery of future Pathways provision is expected to be “primarily” delivered by the private and voluntary sectors.383 Consultation on this is currently underway.

Jobcentre Plus told us:384

“Engaging with private and voluntary organisations helps Jobcentre Plus to encourage innovation, provide greater choice for customers and to find out what works best. This allows us to improve our own performance where needed and evaluate how cost effectively the private sector can deliver a comparable service to Jobcentre Plus.”

380 Financial Times, 19 October 2005, p 3
381 Q 169
382 DWP, A new deal for welfare, empowering people to work, Cm 6730, p 75
383 Ev 59 [Jobcentre Plus]
384 Ev 59 [Jobcentre Plus]
326. We note the Government’s strategy to increase the involvement of the private and voluntary sectors in service provision, which is currently subject to consultation as part of the welfare reform green paper. We will continue to monitor progress in this area closely.
Conclusions and recommendations

1. We commend the efforts that have been made by Jobcentre Plus to avoid compulsory redundancies. We agree that this should be a method of last resort. We ask Jobcentre Plus to set out what proportion of the £500m set aside across the DWP for early retirement and severance schemes it expects to use. (Paragraph 27)

2. We are concerned that the strictly temporary re-deployment of staff from Jobcentre Plus to the CSA may be bad for morale. Staff should have some choice in the permanent job they accept at the end of such a temporary redeployment, either in Jobcentre Plus or the Child Support Agency. (Paragraph 31)

3. We conclude – and this is a theme which will recur throughout this report – that it is not enough for Jobcentre Plus staff simply to be placed in front-line roles, they must be trained properly and appraised carefully so they are able to help vulnerable people in a constructive way. This will be different from training staff who have been hired from outside DWP. We recommend that the DWP sets out the headlines of its staff redeployment strategy for the period until 2008, including its key milestones and targets, the amount it is going to spend, per head, on training staff who are redeployed and the number of Agency staff and contractors it expects to use. (Paragraph 36)

4. Jobcentre Plus has told us that it is on track to meet its target financial savings for 2005-06 by living within its budget. We ask the Department to supply this Committee with a memorandum setting out its unaudited performance against budget by the time the House rises for the 2006 summer recess. (Paragraph 41)

5. We are concerned that significant amounts of regular overtime should not be used as a way to compensate for job losses resulting from the efficiency savings programme and ask DWP to keep us informed of the cost implications. (Paragraph 44)

6. We have concerns about a number of aspects of the efficiency programme. Too much has been done too quickly, in our view, and services and programmes have suffered as a result. These may have been short-term problems, but while they lasted services suffered and, in our view, that is not acceptable. (Paragraph 55)

7. We therefore recommend that the pace of headcount reductions in Jobcentre Plus should be slowed until all Contact Centres are running the full Customer Management System process. We recognise that natural wastage will continue, and that some redeployment will be necessary to fill these posts, but we would urge that additional strategic redeployment and voluntary release schemes be put on hold. This time should be used to reassess the DWP’s redeployment strategy and plan to ensure the poor performance of the Centres in summer 2005 does not happen again in summer 2006. (Paragraph 56)

8. Departments have agreed to provide the Office of Government Commerce with quarterly updates on their progress against the efficiency challenge. We ask DWP and Jobcentre Plus to make those reports available to this Committee, if necessary on a confidential basis. (Paragraph 57)
9. We note the Department’s new contract with EDS. We are sceptical that EDS and the DWP can both make financial gains from it. We intend to conduct further scrutiny of this contract as it progresses to ensure that the promised savings and performance improvements have been delivered, and recommend that the Department reports progress to us on an annual basis. We also ask the DWP to supply the Committee with further information on the details of the contract, if necessary on a confidential basis. (Paragraph 61)

10. Given that the new telephony contract is so important to the delivery of efficiency savings, we ask the Department to agree to provide us with annual progress reports. (Paragraph 63)

11. We welcome the Minister’s assurance that there is no intention to take any of the Department’s business overseas at present. We would expect this Committee to be informed at an early stage if any such plans were made. (Paragraph 69)

12. We recommend that in future the DWP and Jobcentre Plus ensure that the links to the publicly available performance information are working and that the information is kept up to date. (Paragraph 72)

13. We note the recent modest improvement in performance against the job entry target, and commend the efforts of Jobcentre Plus staff in achieving it. We hope that the performance against profile will continue to improve and reverse the trend. We intend to monitor the implications of the introduction of the Job Outcome Target and will return to this later in the year. (Paragraph 79)

14. We are seriously concerned about the 90,400 rise in the claimant count over the last year, although we note that there was a modest fall (2,000) between December 2005 and January 2006. If the increase in the claimant count continues it will undermine the efficiency savings programme. There is a question to be answered about the extent to which reductions in employment and training programmes, and other Jobcentre Plus activity, have contributed to this. We recommend the DWP confirms that the forthcoming feasibility study on assessing the impact of Jobcentre Plus on macroeconomic variables will include its impact on the claimant count and, if not, commission specific research on this point. (Paragraph 86)

15. We commend the overall good performance of Jobcentre Plus against the employer outcome target. (Paragraph 89)

16. We are not surprised that the performance figures for Contact Centres were so bad, given the volume of evidence we received on the events in Contact Centres in the summer of 2005, on which we expand in the next section of this report. But they are exceedingly poor. In this case the average concealed huge variations in performance, and we are disappointed that Jobcentre Plus did not draw this to our attention. (Paragraph 93)

17. The DWP has acknowledged that the efficiency savings programme is having “a detrimental impact” on accuracy levels and that its task as far as Income Support accuracy is concerned is “halting the slide”. Stabilising accuracy levels must be a high
priority for Jobcentre Plus and we recommend that the DWP sets out its recovery plan with targets and milestones until March 2008. (Paragraph 104)

18. While the current set of performance indicators for Jobcentre Plus correctly tries to come at the problem from different points of view, we have three particular concerns which the DWP and Jobcentre Plus should address. The first is that key headline indicators are measured in national averages. As we saw with the Customer Service Target, this can conceal huge variations in performance across the organisation. The second is that two key aspects of the current set of Jobcentre Plus performance indicators are changing this year. The Monetary Value of Fraud and Error is to be measured against a new baseline, and the Job Entry Target is being replaced. There will therefore be a lack of continuity in measurement over the efficiency savings period. The third is that there is a lack of clear, accessible, public reporting on the Agency's performance against its efficiency challenge, with little detail in the Autumn Performance Report. The presentation of its performance data on the website should also be improved and kept up to date. (Paragraph 109)

19. We are not convinced that the current measurement system is sufficient to prove positively that performance is not deteriorating and ask the DWP and Jobcentre Plus to expand on the comment in the Department’s Efficiency Technical Note that their output measures will be adjusted to reflect qualitative factors. (Paragraph 110)

20. In the light of our comments on the current performance measurement system and in particular the need to improve the way service quality is measured, we recommend that the DWP should commission six-monthly reports on how Jobcentre Plus is proceeding with its efficiency savings programme as a supplement to its quarterly reports to the Office of Government Commerce. The preparation of these reports should involve the Agency’s wider stakeholder community. The reports should be made available to members of the Committee and members of the House. (Paragraph 116)

21. We conclude that the service delivered by many Jobcentre Plus Contact Centres to their customers suffered a catastrophic failure in the summer of 2005. This led to additional hardship among the most vulnerable in society. A mix of IT problems, staffing issues and poor change management planning was to blame, in our view, and we do not accept that this was purely a staffing problem. (Paragraph 147)

22. It is clear that Jobcentre Plus staff at all levels have worked hard to recover service levels since the summer, and we sincerely commend the sum of their individual efforts. But the current system, with some Contact Centres operating adjusted processes, is not sustainable or robust, and adds significantly to staff costs until the problems are solved. Recovery in Contact Centres from the problems of 2005 will only be complete when all Centres are running CMS successfully. (Paragraph 157)

23. We are, to say the least, surprised that neither the Chief Executive or Minister saw fit to mention to the Committee that there had been a national CMS failure the week before they appeared before us, and that this information was only revealed to us as we were finalising our report. We expect an explanation for this serious omission. (Paragraph 158)
24. We look to DWP and Jobcentre Plus to keep the Committee informed as the migration back to CMS continues and recommend that they issue a Written Statement to notify the House when and if the process is complete. (Paragraph 159)

25. The poor performance of the processing systems for Income Support and Jobseekers Allowance claims is rightly a matter of concern for Jobcentre Plus. We ask for a detailed progress report as soon as possible after the release of CMS 3.5. (Paragraph 166)

26. The fact so much money - £362m - has been, or will be, spent to take forward a system which is now set to be replaced as part of another major project, is of concern to us. We recommend that Jobcentre Plus and DWP explain precisely when the different parts of CMS are being replaced, and the overall timetable for the BPRP/WATCH2 project. We would also question whether the risks and expense of this part of the project are worthwhile given the Department’s recent track record with the CMS project, and believe that DWP should consider whether a more incremental approach of smaller-scale modular improvements may prove more manageable, less risky, less costly and, ultimately, have a higher chance of success. (Paragraph 171)

27. The need to replace CMS immediately after such an extensive redevelopment project raises two further questions. Firstly, has the large amount of public money spent of redeveloping CMS simply been wasted – could this have been incorporated in a single project? Secondly, will the planned new system (if it is implemented successfully) mean that significant additional efficiency savings will be available from the Department in due course? (Paragraph 172)

28. We conclude that the script does not prevent misinformation and that a certain level of knowledge of the benefits system is needed to prevent customers being given misleading information about potential entitlement. We therefore recommend that Jobcentre Plus increases the level of training for those who join Contact Centres without a knowledge of the benefits system, recognises the value of experience with benefits advice of some of its First Contact Officers and works both to refine the script and to accept a certain amount of deviation from it. (Paragraph 182)

29. We are also concerned about the impact on claimants from errors made when data is entered incorrectly or for inappropriate entitlements. The decision-making and appeals systems must ensure that errors made at that very first stage can be corrected expeditiously. (Paragraph 183)

30. Given DWP’s client base, it is self-evident to us that a welcoming, local, face-to-face presence needs to be part of its delivery strategy. We welcome the Chief Executive’s admission that not enough has been done to help those customers who go into Jobcentre Plus offices to make a claim and we ask Jobcentre Plus to set out how it will revise its strategy in future and ensure that this is adhered to on the ground. (Paragraph 194)

31. We welcome the clarification by Jobcentre Plus that Warm Phones can be used for calls to Contact Centres and that facilities for customers to take outbound calls from
Contact Centres will be made available in every Local Service Outlet. (Paragraph 195)

32. We recommend that Standard Operating Models for the major benefits be completed as a matter of urgency. (Paragraph 197)

33. Those eligible for Crisis Loans are, by definition, already in circumstances of extreme hardship. We believe, therefore, that it was unwise to pilot a revised model of Social Fund applications at the same time as major systems changes to the benefits application process were underway. The claims process must reflect the vulnerability of this client group and a choice of application methods must be made available. We also recommend that DWP should commission research into the fall in the number of Crisis Loan applications and the extent to which this is linked to the new application model. (Paragraph 203)

34. If Jobcentre Plus is moving from being a free access, face-to-face based service towards being primarily a Contact Centre organisation, it does not seem fair for the cost of access to its key services to be chargeable to clients. We welcome the news that a pilot is proposed that would mean benefit claimants calling an 0800 number. We are surprised that this was not brought to the Committee’s attention earlier. We ask DWP and Jobcentre Plus for further details of the pilot, including areas, timings and projected costs, and an explanation of how the system will reflect the needs of those with pay-as-you-go mobiles. (Paragraph 208)

35. We ask Jobcentre Plus to set out its strategy for the development of a secure web application facility for the major benefits, and to include in that strategy plans for ensuring that those with low incomes and those least likely to use the internet will be able to access such an additional facility. (Paragraph 213)

36. We are concerned at the impact the closure of Local Service Outlets is having in both urban and rural areas both on local networks and on individual claimants in terms of the cost and inconvenience of additional travelling time. We have noted the points made in evidence to us that many claimants have to access the system via remote centres outside their area, for example London, and consider that people in need should be able to access Jobcentre Plus facilities near to them. (Paragraph 221)

37. We recommend that DWP and Jobcentre Plus publish the criteria which have been developed for deciding which offices should be closed, and a list of the offices which it plans to close (a) as the new model of Jobcentre Plus offices is rolled out and (b) as a result of changes in demand together with details of whatever new local facilities are planned to replace them, if any. (Paragraph 222)

38. We ask for clarification of two written answers that appeared in December. One stated that “very few” customers should have to travel more than five miles “other than in the most remote rural areas” to access Jobcentre Plus services; the other used the same wording for 20 miles. We ask Jobcentre Plus to define what is meant by “very few” in each case. (Paragraph 223)

39. We also recommend that changes of opening hours and services offered should also, where these amount to a significant reduction in the services offered, always be
subject to consultation with local advice agencies, community groups, customer representative groups and Members of Parliament. We ask Jobcentre Plus to set out the criteria they use in deciding whether or not a proposed change is significant. (Paragraph 224)

40. We recommend that Jobcentre Plus ensure that a private interview space is made available in all locations where its services are delivered. (Paragraph 227)

41. We will continue to monitor the impact of the benefits processing programme over the next two years. We ask Jobcentre Plus to set out its timetable for the reduction in the number of sites processing benefits. (Paragraph 231)

42. We share the disappointment of Jobcentre Plus management that staff satisfaction in Jobcentre Plus is so low, and note the impact that this is likely to have on service quality and error rates. We are concerned that action is only now being taken to address low staff morale strategically and we recommend that there is a serious effort to re-engage both with employees and the unions, and that Jobcentre Plus sets out a strategy for this, with targets for improvement in the 2006 staff survey. (Paragraph 239)

43. We recognise that Adviser Administrative Support Officers are crucial to the smooth running of the system of Personal Advisers, particularly given the large workloads of many Advisers, which are higher than originally intended. We are concerned that administrative support staff do not appear to have been recruited yet and we ask Jobcentre Plus to set out its timetable for providing additional administrative support to Personal Advisers. (Paragraph 246)

44. We acknowledge the importance of performance measurement and note that the performance system will have to be redesigned when the new Job Outcome Target is introduced. It disturbs us that what would seem to be an overly simplistic performance management system is in place to monitor staff performance. The current system places a third of Advisers on 'Red' and in some areas we were told by PCS – though this was denied by Jobcentre Plus – that poor performers are placed in a Club Zero. (Paragraph 257)

45. We question the extent to which this can be regarded as a positive motivational tool and whether the system as it stands only encourages Advisers to help short term, easy to place in work cases, instead of longer term claimants perhaps needing more intensive help from Advisers. We ask Jobcentre Plus to set out how the work done by Advisers to help those furthest from the labour market to move towards work will be recognised and incentivised when the Job Outcome Target is in operation. (Paragraph 258)

46. If once the new Job Outcome Target has been introduced, large numbers of Personal Advisers remain in ‘special measures’ we ask the Department to investigate and report back to the Committee whether this is because (a) the staff performance system standards have been set unrealistically high or (b) staff need more or different training or (c) staff are of insufficiently high calibre and need to be replaced. (Paragraph 259)
47. We were concerned at the evidence we received that there had been a serious failure in Jobcentre Plus’s engagement with employment and training providers, but we recognise that there has been an effort by Jobcentre Plus to rectify this. Jobcentre Plus, we hope, is moving towards a recognition that the current procurement process is deeply flawed, and needs to change to match best practice in the public sector and industry, for example to have longer term contracts that can enable private and voluntary sector providers to plan and manage their own resourcing capability. We recommend that DWP works as a matter of urgency to review further its contracting procedures for all employment and training programmes to ensure that accountability is achieved without compromising provider flexibility, so that higher quality and more efficient outcomes are achieved, and to report to us what progress has been made. (Paragraph 278)

48. We note that work is ongoing within DWP and Jobcentre Plus to minimise the risk that the Prime Contractor approach does not squeeze out high quality smaller providers. We recommend that the Department reports back to us once the current round of contracts is complete on how this new methodology has worked in practice and, in particular, what the impact has been on smaller providers. (Paragraph 279)

49. The decision to reduce the scale of the piloting of BoND, in this Committee’s view, is a mistake. We recommend that the Government sets out its thinking – in detail - on the next steps for BoND. (Paragraph 287)

50. While we note that elements of the Ambition programme are being taken forward on an ad hoc basis, we are disappointed that the system as a whole is not being rolled forward and we recommend that this decision is reviewed by Jobcentre Plus. We also ask for a clear statement of the Department’s overall assessment of the success of Ambition. (Paragraph 296)

51. We note the undertaking from the Permanent Secretary that the New Deal programmes will continue to be funded and delivered as originally envisaged, and that the Minister has commented that action is being taken to address problems with funding in the New Deal for Young People in London. We find it difficult, however, to reconcile the Permanent Secretary’s remarks with the evidence we have received, and we ask DWP and Jobcentre Plus to take urgent action to ensure that provision of the various New Deals is maintained nationwide. (Paragraph 302)

52. We also have concerns about the Permanent Secretary’s statement that the reduction in entries into the New Deal for Lone Parents is related to Advisers becoming better at identifying training needs. We recommend that Jobcentre Plus and the DWP set out the criteria which Advisers use to determine whether specific training is necessary for a customer to progress towards work, and how these have changed over the last two years. (Paragraph 303)

53. While we welcome the clarification that Adviser Discretion Fund awards of £300 remain available for childcare, we are concerned about the reduction in the number and average amount of ADF awards to lone parents. We agree with the evidence we have received that small discretionary awards of this type will save money in the long
run and we recommend that Jobcentre Plus re-introduce a general ADF limit of £300. (Paragraph 310)

54. We note with concern the reduction in Work-Based Learning for Adults, which seems to run contrary to the emphasis placed on skills training in the recent welfare reform green paper. We ask the Government to set out its long-term strategy for this type of provision, along with indicative total budgets for the next five years. (Paragraph 318)

55. Vacillation about the future of BoND, small-scale adoption of Ambition, uncertainty over New Deal funding, a reduction in the use and scale of the Adviser Discretion Fund, major reductions in Work-Based Learning for Adults and the 2005 contracting problems, are significant issues in themselves. The cumulative impact is even more considerable. We are concerned that some good provision – which saves money in the long run – could be lost. We recommend that DWP and Jobcentre Plus should commission an independent overall review, with significant stakeholder involvement, of its provision of employment and training programmes, the effectiveness, costs and benefits of those programmes, and how funding is prioritised. The results of the review should be made available to the Committee. (Paragraph 321)

56. We note the Government’s strategy to increase the involvement of the private and voluntary sectors in service provision, which is currently subject to consultation as part of the welfare reform green paper. We will continue to monitor progress in this area closely. (Paragraph 326)
Annex 1

First Contact Process

Inbound call

Customers call Jobcentre Plus Direct using a local rate 0845 number. The service is available Monday to Friday 8am to 6pm.

The customer will be questioned to establish the reason for contact e.g. to make a claim to working age benefit. If the customer’s reason for contact is not one dealt with by Jobcentre Plus Direct, they will be redirected to the appropriate service provider.

First contact will gather the following information:
- Full name
- Address
- National Insurance Number
- The working age

The system used, CMS, will pull all information previously given on claims the customer may have made, and by using other information provided by the customer determines what benefits they are eligible to claim. Customers then decide what benefit they wish to claim.

The First Contact agent will then arrange a time to call the customer back within the next 24 hours to complete the claim taking process. The return call is usually made to the customer’s home telephone but if this is not possible, an alternative number is agreed. The customer will be advised that the call will take up to 45 minutes.
First Contact Process

Outbound call

The First Contact Officer calls the customer at the agreed time, using the agreed telephone number. The officer will ask questions using the information available to confirm the customer’s identity. A minimum of 2 questions must be asked but more may be asked at the discretion of the officer.

The officer will then gather relevant information required to make a claim. This includes –
- Employment history
- Other income/benefits
- Information regarding partner and children
- Bank details (payments can only be made into bank accounts)

The First Contact Officer will also assess job readiness and conduct a job search, as required.

The First Contact Officer will then book a Work Focused Interview (if required, as Maternity Benefit, Bereavement Benefit and Carers Allowance do not have these) with an appropriate Personal Advisor at the local Jobcentre Plus Office. This office is usually allocated by the system, CMS, on a postcode basis. However, the customer can request a different location if this is not convenient. The appointment should take place within 4 days. If the customer has requested an emergency payment the First Contact Officer must contact the local office directly to book an emergency appointment – for either the same day, or next.

The customer will be advised of the purpose of the Work Focused Interview and the information they will need to take with them to confirm their identity and support the claim. This may be any of the following –
- Passport/drivers licence
- Payslips
- P45
- Bank Statements
- Birth/marriage Certificates
First Contact Process

Category A Adjusted Process – Inbound call only

Customers call Jobcentre Plus Direct using a local rate 0845 number. The service is available Monday to Friday 8am to 6pm.

The customer will be questioned to establish the reason for contact e.g. to make a claim to working age benefit. If the customer’s reason for contact is not one dealt with by Jobcentre Plus Direct, they will be redirected to the appropriate service provider.

First Contact agent will gather the following information –
- Full name
- Address
- National Insurance Number
- The working age benefit the customer wishes to claim

The system used, CMS, will pull all information previously given on claims the customer may have made, and by using other information provided by the customer determines what benefits they are eligible to claim. Customers then decide what benefit they wish to claim. New Tax Credit details are gathered if appropriate.

The First Contact Officer will then book a Work Focused Interview (if required, as Maternity Benefit, Bereavement Benefit and Carers Allowance do not have these) with an appropriate Personal Advisor at the local Jobcentre Plus Office. This office is usually allocated by the system, CMS, on a postcode basis. However, the customer can request a different location if this is not convenient. The appointment should take place within 4 days. If the customer has requested an emergency payment the First Contact Officer must contact the local office directly to book an emergency appointment – for either the same day, or next.

The First Contact Officer then explains to the customer that they will be issued with an appointment letter and clerical claim forms to complete and take to their Work Focussed Interview. The customer must attend the interview and provide evidence to support their claim. This may be any of the following:
- Passport/drivers licence
- Payslip
- P45
- Bank Statements
- Birth/marriage Certificates
Formal Minutes

Wednesday 8 March

Members present:

Mr Terry Rooney, in the Chair
Miss Anne Begg       Justine Greening
Harry Cohen          Mrs Joan Humble
Mr Philip Dunne      Greg Mulholland
Michael Jabez Foster  John Penrose
Mrs Natascha Engel   Jenny Willott

1. The Efficiency Savings Programme in Jobcentre Plus: report text

The Committee considered this matter.

2. The Efficiency Savings Programme in Jobcentre Plus: formal consideration

Draft Report [The Efficiency Savings Programme in Jobcentre Plus], proposed by the Chairman, brought up and read.

Ordered, That the draft report be read a second time, paragraph by paragraph.

Paragraphs 1 to 326 read and agreed to.

Annex and Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Wednesday 15 March at a quarter-past Nine o’Clock]
Extract from the Minutes of Proceedings relating to Declarations of Interest

Wednesday 25 January

Mrs Natascha Engel declared a non-pecuniary interest in relation to the inquiry into the Efficiency Savings Programme in Jobcentre Plus having worked closely with the Association of Learning Providers and the Trades Union Congress in a previous job.
# Reports from the Work and Pensions Committee 2005-06

## Session 2005–06

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