

**MUTUAL LEARNING PROGRAMME:
PEER COUNTRY COMMENTS PAPER – UNITED KINGDOM**

The challenges of flexibility and personalisation

Peer Review on “Systematic Preventive Integration Approach (support) for
Jobseekers and Unemployed”

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1 LABOUR MARKET SITUATION IN THE PEER COUNTRY

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on the United Kingdom's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

The economic downturn has had a significant impact on the UK labour market over the past two years with consequences for the level of unemployment, the claimant count and the operational capacity of Jobcentre Plus to manage increased demand.

The second half of 2008/09¹ saw an increase in the number of new claims being made to Jobseekers Allowance (JSA). In 2008/09 around 3.4m JSA claims were made compared to 2.5m in the previous year. In 2009/10, the figure for new claims rose to 4m. Overall, there was a rise of 60% in less than two years. The increase in new claims translated into a significantly higher caseload for Jobcentre Plus. During 2007/08, the average JSA caseload was just over 800,000; by 2008/09 this had risen to an average JSA caseload of a little over 1m; during 2009/10, the average caseload was just over 1.5m, nearly 90% higher than in 2007/08².

Despite the recession and downturn in the jobs market, a decision was made within GB not to relax the JSA conditionality regime and to maintain two weekly signing – the Fortnightly Jobseeker Review (FJR). To cope with the operational pressures, more than 20,000 fixed-term additional staff were recruited, a 20% increase in personnel. Additional 'temporary downturn measures' were introduced to the Jobseeker Regime (JR) to manage increasing customer volumes and staff workloads and to maintain customer service including: varying the length of interviews with a frontline adviser according to customer needs (FJR and New Jobseeker Interviews/NJI); group interventions instead of one-to-one interviews (13 week reviews and Work Focused Interviews/WFIs); combined interventions (FJR and 13 and 26 week reviews) and 'taxi-ranking' where clients saw the next available adviser rather than their regular adviser. Overall, the 'downturn measures' were assessed as successful in managing the increase in demand without compromising customer service (Wymer and Jassi, 2010). Indeed, according to DWP, the general pattern of 50% of JSA claimants leaving the register within three months, 75% within six months and 90% within a year has not altered dramatically during the recession suggesting the strategy to maintain two-weekly signing contributed to ameliorating the situation.

The most recent labour market statistics (ONS, September 2010) show an improvement in the level of employment in the UK and a reduction in the unemployment rate. Employment rose 286,000 in the last quarter (May to July 2010) to 29.16m in work, an employment rate of 70.7% up 0.4% on the quarter. Unemployment is down 8,000 on the quarter, a rate of 7.8% down 0.1% and down 5,000 from a year earlier.

Against these improvements, there are less positive trends and concerns that there are some underlying weaknesses in the labour market (TUC, 2010): the number of people claiming JSA rose by 2,300 between July and August to 1.47m, although it is down by 135,000 on a year earlier; the number of people unemployed for over 12 months rose by 16,000 to 797,000; unemployment for 18 to 24 year olds was 782,000, also up 16,000; and the number of those unemployed for less than 6 months rose by 27,000 to 1.186m

According to the IMF (September, 2010) the 'UK economy is on the mend. Economic recovery is underway, unemployment has stabilized, and financial sector health has improved'. There is general agreement in the UK that the next few years will see relatively

¹ The UK financial year runs from April 1st to March 31st

² Information supplied by DWP – extracted from NOMIS, seasonally unadjusted, relates to GB only

slow growth. However, concerns exist as to whether the current government's budget deficit reduction plans and public sector reforms will undermine the progress made so far and risk recovery. The CIPD/KPMG Summer Outlook Report (2010) predicts further rises in unemployment in the next two years as growth in employment in the private sector will be offset by their estimate of 600,000 public sector job losses. The Office for Budget Responsibility (OBR, August 2010) forecasts do not predict a rapid improvement in employment figures either. The unemployment rate is not expected to reach pre-recession levels until beyond Q1 2016. The claimant count is predicted to stay at 1.5m until Q1 2012, only falling to 1.1m by Q1 2015.

As the overall unemployment figures have fallen, most fixed term contracts for the additional staff within Jobcentre Plus will not be renewed and the continued use of 'downturn measures' will be left to the discretion of local offices. However, these economic and labour market forecasts suggest that relatively high levels of unemployment will continue for some time with on-going consequences for Jobcentre Plus operational management and support services. Too early a reduction in staff and coping measures may jeopardise success.

2 ASSESSMENT OF THE POLICY MEASURE

2.1 The On-Going Reform Agenda

As in Germany, substantial reform of the PES has been undertaken in the UK. Jobcentre Plus was created in 2002 by the merger of the Employment Service and the Benefits Agency to strengthen the link between welfare and work; essentially to improve employment outcomes for all benefit recipients by promoting a work-focussed service. Jobcentre Plus was an early implementer of targets within its management system, refining outcome measures to maximise performance and attain policy objectives (Davern, 2006). Reform of the policy agenda, its programme tools and measures, continue on today. The new Coalition Government has its own ambitious agenda for reforming the welfare and work system in the UK. Full details will be made available after the Comprehensive Spending Review, therefore the comments in this paper reflect current arrangements but have an eye on the future potential for change.

There are two interrelated strands to the Coalition's proposed reforms – changes to the structure of the benefits system and to labour market programmes. The '21st Century Welfare' proposals are intended to ensure that work always pays and is seen to pay. By 2013 a single integrated Universal Credit will be introduced that combines all the current out-of-work benefits, housing benefits and tax credits into a single payment. Tapered withdrawal of benefits as earnings increase will remove existing disincentives to work and work longer hours. Changes to conditionality are also being considered. Simplification of the benefits regime has been the goal of many governments and the Coalition has an ambitious programme of reform, widely considered to be essential. However, difficulties are likely to arise over the details (who wins /who loses) and the costs of implementation.

Announcements on the new Work Programme have stated that it will provide an 'integrated, personalised package of support to those who need it and to help them to get back to work and stay in work' (The Coalition, 2010). Currently, support for individuals to return to work is shaped according to the type of benefit being claimed. In the future, front-line delivery partners will determine client need and what support is to be supplied. There will be greater emphasis on the role of up-front assessments and the skills of advisers to identify appropriate solutions and to personalise action plans, with further flexibility for providers to design and deliver solutions. It is not known yet whether this will also mean a more mixed model of provision earlier in the customer journey between Jobcentre Plus and other private or third sector providers. The implications of the reforms are potentially significant for the

operating culture of Jobcentre Plus, for the skills of its staff and for the role of Jobcentre Plus within more 'market-based' welfare to work provision.

2.2 Profiling and Segmenting Jobseekers

In the UK, identification of need and early referral to targeted support is partly dependent on which benefit the customer is claiming. Inactive benefit claimants, who by definition, tend to be further from the labour market, can access specialist advice and support early in the process for example, through Pathways to Work, a mandatory back-to-work programme for all customers claiming the Employment Support Allowance in the 'work-related activity group'.

For JSA claimants, the customer journey is divided into distinct stages dependent on the length of time a jobseeker has been unemployed – levels of intervention and support intensify over time at 13, 26 and 52 weeks unemployment. Some additional services are available for priority groups in the earlier months of unemployment but for the majority, it is only as unemployment duration lengthens that the level of adviser support and provision increases. As was the case in Germany, those hardest to help on JSA, over 25, could have to wait 12 months before they can access the Flexible New Deal.

There are no formal, system-wide profiling tools currently being used by Jobcentre Plus on a par with the German model, although there are some assessment tools in use. The Customer Assessment Tool (CAT) is held on the Jobcentre Plus Labour Market System and was designed to help advisers identify customers' main barriers to work. It is a checklist ranking clients on work-related skills, confidence, motivation and so on. A recent evaluation (Bellis, Aston and Dewson, 2009) has shown that the CAT is used at the 13 week review of JSA clients to identify those who would benefit from additional adviser interviews. Experienced advisers reported they used the CAT as a confirmation tool rather than a diagnostic tool; less experienced advisers used the tool to provide structure and guide their interviews with customers. As practice varied, the study's assessment of the tool's utility was mixed. Another study found that some of the Pathways to Work private sector providers use traffic light and numerical systems to classify clients (Hudson et. al., 2010). Adviser feedback was that while these tools were quite basic they did provide a means of prioritising time with clients and action points. Jobcentre Plus and the adult careers service, are piloting Integrated Employment and Skills Assessments at the early stages of a claim. These assessments link experience, skills and personal interests to employment opportunities. The assessment is part self-completion testing (e.g. preferences, aptitudes, competences) and part adviser led. The assessment is not 'profiling' per se but is used to inform and frame discussion with advisers. The objectives are to better develop the individuals' action plan and better match customers to vacancies (for the benefit of both the individual and the employer). No evaluations of the pilots are available as yet.

The application of customer segmentation has been explored in the past. In contrast to the German model, the GB segmentation exercise aimed at reducing deadweight and gaining efficiency savings by early identification of those who did not need support. Driskell (2005) assessed the potential of statistical profiling, based on administrative data, to identify those customers most likely to leave JSA within 13 weeks and warranting a reduced intervention regime (delayed New Jobseeker Interviews and no FJR). The predictive model was correct in 70% of cases, but that also meant false prediction rates were quite high. It was estimated that relatively short increases in average JSA durations from false predictions would negate any savings. A complementary field exercise was undertaken to measure the impact of relaxing the frequency of FJR requirements and pilot different modes of FJRs e.g. telephone signing rather than face to face interviews. The results of the pilot showed that those models with the greatest potential for efficiency savings in administration costs, e.g. telephone signing, had the greatest adverse impact on off-flow rates. Further, the exercise

showed that it was the frequency of intervention, preferably face-to-face FJRs, rather than the quality of intervention, that appeared to be the most important in maintaining off-flows (GHK, 2005).

Thus, the UK's intervention model has remained largely unchanged. The fact that most JSA claimants (90%), even in the recession, still leave the register within a year suggests that the regime has been effective in assisting people into work and efficient in minimising deadweight. But as the number of people moving off inactive benefits (lone parents and the disabled) and onto JSA is increasing and those unemployed 12 month plus is rising, it is questionable whether this pattern of performance can be sustained.

2.3 Personalisation and the Role of Advisers

There is a significant body of evidence internationally confirming the effectiveness of personalised programmes supported by dedicated advisers (Finn and Gloster, 2010; Daguerre and Etherington, 2009). Generally, in the UK, customers are assigned an adviser who will manage their case through to employment. Advisers can exercise some discretion and flexibility but within a framework setting out frequency of interviews, broadly defined content and objectives for the interviews, a 'menu' of referral options and rules around the type and duration of training that can be funded. The Adviser Discretionary Fund (£350; EUR 400 or higher if a business case is approved) has always been popular among advisers as, just as in the case of the German Placement Budget, it can be used to quickly address a wide range of potential needs (e.g. clothing, travel and up-dating 'licence to practice' certificates). According to DWP figures, the ratio of personal advisers to JSA claimants in July 2009 was 134. For specialist advisers such as Lone Parent Advisers, qualitative feedback consistently suggests caseloads of around 40 customers to be a manageable number.

The current conditionality regime sets out a number of requirements for jobseekers to fulfil; non-compliance can invoke a variable sanction of between 1 and 26 weeks benefit, a fixed sanction for non-participation in mandatory activities or disallowance of benefit. Advisers identify if there is any just case for a sanction. If a case is identified, it is referred to a dedicated, specialist Decision-Maker. Adviser criticisms of the process have been consistent over time: it is felt to be administratively burdensome, takes too long and diverts adviser time away from assisting clients who are motivated to work.

What makes an effective adviser? Sainsbury (2010) identified two types of adviser engagement with clients during work-focused interviews; a process-led approach intent on accomplishing the required tasks and a claimant-focused model of engaging more effectively with the client through being 'collaborative, directive, proactive, positive and challenging'. The study found that a process-led dynamic was less effective in helping people move towards employment than a more outcomes, claimant-focused approach. The claimant-focused approach required, considerable skills, training and aptitude on the part of the adviser to be able to adapt to the needs of individual clients. However, these skills are not always evident. Research has highlighted that when introducing flexibilities, there is a need for clear management and leadership, and for learning and development programmes for advisers to ensure they have the skills, confidence and knowledge to work with clients of all abilities on a more personalised approach (Bellis et al., 2009).

2.4 Contracting out of employment programmes

As in Germany, the DWP/Jobcentre Plus has a long history of contracting out employment programmes and has also moved to greater centralisation of the procurement process – but to an even greater extent. GB has an entirely centrally managed procurement process. The latest call for tenders is to set up a framework agreement for the new Work Programme with 11 regional lots, with an expected three to eight providers for each lot. Individual contracts, of four-seven years, will be £10-50m per year depending on job entry performance with an estimated overall value of £0.3bn to £3bn per year. This prime contractor model means

fewer, longer contracts, where providers are given the flexibility and the incentives to design provision that effectively meets the needs of individual jobseekers – the ‘black box’ model – there are no pre-defined ‘products’ or ‘solutions’ catalogues. The prime contractors are expected to sub-contract out within the private and third sector for specialist provision as required. Providers are paid on the basis of outcomes i.e. people into sustainable jobs.

3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY

3.1 Jobseeker Profiling and Segmentation

The UK does not use systematic, customer profiling and segmentation methods on a par with the German example. There are a range of tools being used in the UK in both the public and the private sector to assess customer ‘needs’ but these do not appear to be of the same level of sophistication as the ‘4-Phases Model’. Assuming the German model is an effective predictor (a critical factor), one could see how the adoption of a single assessment tool across Jobcentre Plus and its providers, could address some of the issues being flagged regarding the skills, competences and labour market knowledge of advisers. Its application could also provide some assurance over quality standards and the rigour of assessments being undertaken across both sectors. With increasing pressure on budgets, one could also see how its application could enable some efficiency savings on the front-line.

3.2 The Role of the Adviser

For the new Work Programme to make a material difference, there has to be a recognition of the need to invest in the role of the adviser – a lynch-pin in the whole process for both Jobcentre Plus and external providers. Lessons from the German model emphasise adequate staff resources, skills and workable adviser/client ratios. Other research recommendations include: encouraging customer-focussed rather than process-led approaches; management of caseloads and adviser/client ratios; improved management and supervisory structures; improved communication channels between advisers and providers; and the development of an ‘ambitious agenda for career progression and professional development of advisers’ across the public and private sector to create a skilled cadre of personal advisers’ to support the effective implementation of greater personalisation (McNeil, 2010). However, these recommendations do raise the issue of the affordability of earlier intervention and greater personalisation, especially if, as in the case of the JSA jobseekers regime, it is replacing a relatively cost-effective programme with little deadweight. One way to manage costs may be in relation to how and when external providers are used, and how they are paid.

3.3 Centralised contracting

Expectations in GB of the centrally run, prime contractor model, were that it would lead to service innovation and improvement as well as better outcomes and value for money but criticisms have emerged from reviews of the two main employment programmes where it has been utilised. A House of Commons paper (2009) on the commissioning strategy for the Flexible New Deal suggested that the outcome based financial model and its targets may have been flawed and unrealistic (UKCES, 2009). Hudson et al. (2010) found with Pathways to Work that the economic downturn had exacerbated the financial risks for providers. As job outcome based payments were not realised and service fees were not sufficient to cover running costs, service innovation was focused on reducing operational costs and achieving performance efficiencies. A National Audit Office (2010) study showed that private-provider led provision had performed less well than Jobcentre Plus-led Pathways. Also, that prime providers were pushing the risk of non-delivery down the supply chain to the smaller providers (more likely to be specialists and/or local providers). The

conclusions were that the contracting process had set unrealistic benchmarks, contractors had offered unrealistic levels of performance in terms of the outcomes to be achieved and overall, the programme offered poor value for money. The challenge going forward for the UK, is the extent to which lessons learned will be incorporated into the new contracting framework. The current call for tenders is broadly framed awaiting announcements on the new Work Programme but does make reference to differential payments dependent on claimant group (addressing the 'creaming' criticism perhaps) and that the payment profile may make use of benefit savings in the risk/reward model. Will this mean that the new Work Programme will pay for itself through a cost neutral model of funding welfare to work?

4 QUESTIONS

- Could you provide more detail on the content and software development of the '4 Phases Model'? To what extent do the software derived results accord with the views of the advisers? How well does the software handle complex cases? Is there any information on impact e.g. on job entries/off-flows?

ANNEX 1: SUMMARY TABLE

Labour market situation in the Peer Country
<ul style="list-style-type: none"> • As a consequence of the recession, Jobcentre Plus saw a 60% increase in new claims within two years. The decision was made not to relax conditionality requirements and 20,000 new temporary staff were recruited and operational changes were instituted to manage the pressures. • The general pattern of 50% of JSA claimants leaving the register within three months, 75% within 6 months and 90% within a year did not alter dramatically, suggesting the strategy worked. • Pessimistic labour market forecasts and increasing numbers of customers transferring from inactive to active benefits, suggest an on-going need to maintain resources.
Assessment of the policy measure
<ul style="list-style-type: none"> • The UK has a new, ambitious agenda for radical reform of welfare to work. A single Universal Credit will be introduced to ensure that work always pays and is seen to pay. A new Work Programme will provide a single, integrated, personalised package of support for all jobseekers. (Details still to be announced) • The UK does not have systematised profiling and client segmentation. A number of customer assessment tools are in place to guide advisers but these are not as sophisticated as in Germany nor as consistently used. • The emphasis on personalisation and tailored support to jobseekers is placing greater emphasis on the skills and competencies of advisers and the effective management of caseloads. • GB has a centrally managed procurement process. A relatively small number of prime providers are contracted to supply services, directly or through sub-contracting, to meet the needs of customers. Provision is not prescribed and payments are outcomes based.
Assessment of success factors and transferability
<ul style="list-style-type: none"> • Assuming the 4-Phases model is an effective predictor; it could be a useful tool to support advisers if adapted to a UK context. • The level of German investment in advisory services emphasises raises the issue of the affordability of a more personalised regime and how it might be met. • Germany and GB have similar tensions around centralised contracting and its consequences. However, the issues in GB are contract design and a depressed labour market rather than any regulatory restrictions.
Questions
<ul style="list-style-type: none"> • Could you provide some more detail on the content and software development of the '4 Phases Model'? To what extent do software derived recommendations for customers accord with advisers' views? How well does the software handle complex cases? What has been the impact on job entries/off-flows following introduction?

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