

The future of public services: digital jobcentres

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#digitaljobcentres

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About this paper

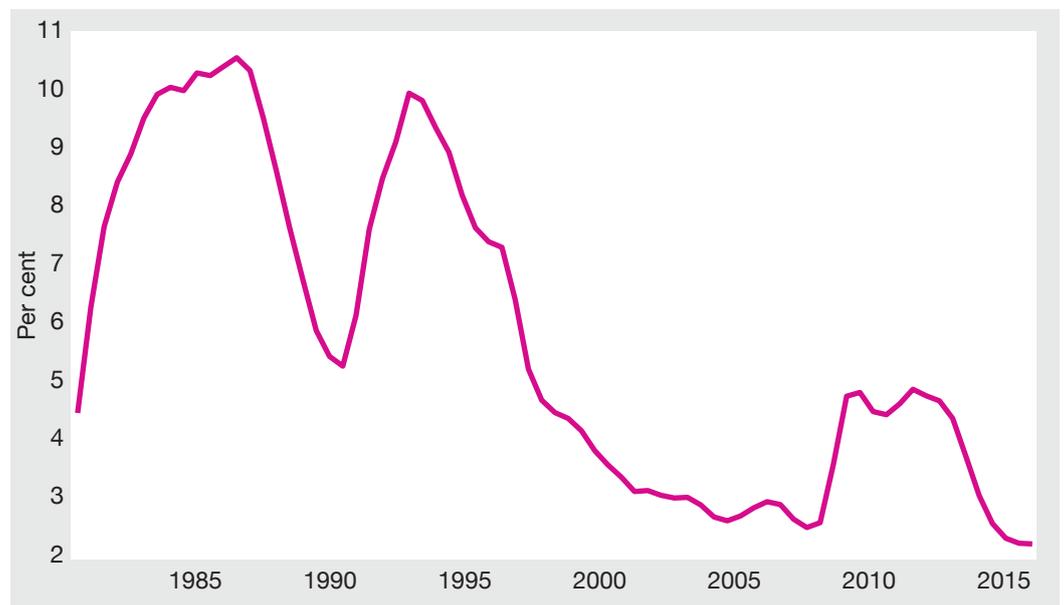
Much has been made of the role technology can play in delivering more efficient, intelligent and citizen-centric public services. Digital services will be crucial to realising the vision of a 'smarter state'. To date, however, public services have barely scratched the surface of technology's potential. This paper is the fourth in a series looking at the transformative role technology will play in the future delivery of public services.

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Up to the job?

The financial crisis precipitated the deepest peacetime recession the UK had experienced since the Great Depression. As the banking sector went into meltdown and lending to businesses dried up, the economy contracted by 6 per cent in a year.¹ Many lost their jobs, but unemployment during the downturn was less acute than in other periods of economic decline (see Figure 1). While 10 per cent of the workforce were claiming unemployment benefit during periods of the 1980s, the financial crisis saw this measure of worklessness peak at 4.7 per cent. The labour market has also proved resilient in recent years. Unemployment returned to pre-crisis levels shortly after last year's general election, leading the then Prime Minister David Cameron to herald a 'jobs miracle'.²

Figure 1: Claimant Count (1980 - 2016)



Source: NOMIS, 2016

Jobcentre Plus (JCP), the UK's public employment service, was on the frontline of these developments. To meet the spike in demand, the Department for Work and Pensions (DWP) relaxed service requirements, and encouraged jobcentres to introduce cost-saving measures such as reducing the duration of regular claimant interviews.³

The exact effect of these measures on employment figures is difficult to pin down. Nonetheless, a number of organisations have given JCP a good write-up in recent years. The National Audit Office (NAO) argued jobcentres represented value for money over the financial crisis, and noted high levels of customer satisfaction when compared to employment services around the world.⁴ A 2015 report from Accenture ranked JCP as one of the most digitally advanced public employment services globally.⁵ An independent impact evaluation of jobcentres on the UK's labour market concluded JCP helped reduce the cost of unemployment benefit, increase the labour supply and improve job-matching for working-age benefit claimants.⁶

Yet underneath the positive commentary and buoyant headline statistics, a more mixed picture emerges. A DWP survey in 2013 found only 55 per cent of former claimants of

¹ Office for National Statistics, *Gross Domestic Product, Preliminary Estimate - April 2016*, 2016.

² David Cameron, 'Speech on the Jobs Miracle', 17 April 2015.

³ National Audit Office, *Responding to Change in Jobcentres*, 2013.

⁴ Ibid.

⁵ Accenture, *Digitisation Index for Public Services*, 2015.

⁶ Rebecca Riley et al., *The Introduction of Jobcentre Plus: An Evaluation of Labour Market Impacts*, 2011.

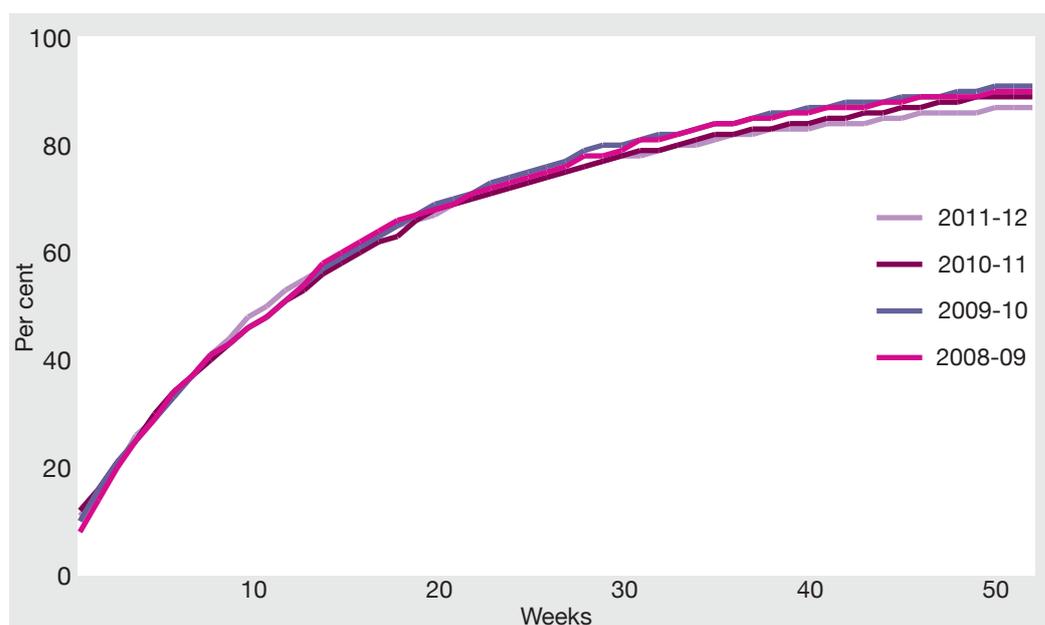
Jobseeker's Allowance (JSA) were in employment six months after their last payment, with 30 per cent reclaiming an out-of-work benefit.⁷ The NAO found that of those starting a JSA claim in 2011-12, around 60 per cent had claimed in the past two years.⁸ 'Benefit cycling' – those moving between low and no pay – presents a large cost to the Exchequer. More than this, unemployment has a detrimental impact on physical and mental wellbeing, the magnitude of which is amplified the longer someone is out of the labour market.⁹

Incentivising outcomes

Economies will always have to deal with 'frictional unemployment' – periods of transition for workers between one job and another – however a proportion of this benefit cycling may be the result of poor incentives. Since 2011, JCP has worked towards "moving people off benefit, into employment, as quickly as possible."¹⁰ 'Benefit off-flow', the rate at which claimants stop receiving a given benefit, is the key measure, with milestones at 13, 26, 39 and 52 weeks accorded particular significance.

There is limited evidence to suggest jobcentres 'game' this system by investing resources in jobseekers who are approaching milestones (see Figure 2).¹¹ At least, if work coaches do invest more time in these customers, their efforts do not bear fruit.

Figure 2: Proportion of claimants leaving Jobseeker's Allowance, 2008-09 to 2011-12



Source: National Audit Office, *Responding to change in jobcentres*, 2013

Yet JCP faces a more fundamental criticism than this. Benefit off-flow only measures the number of people ceasing a claim – whether that is because they are beginning a new job or, less positively, because they are starting to claim a different benefit. As the OECD recognises, a well-rounded assessment framework of public employment services must take into account the job *outcomes* of former claimants.¹² These metrics are important because sustained periods of employment in well-paid jobs generate revenue for the

7 Lorna Adams et al., *Destinations of Jobseeker's Allowance, Income Support and Employment and Support Allowance Leavers 2011, 2012*.

8 National Audit Office, *Responding to Change in Jobcentres*.

9 Gordon Waddell and A Kim Burton, *Is Work Good for Your Health and Well-Being?* (Department for Work and Pensions, 2006).

10 Dr Alex Nunn and Dr Dave Devins, *Process Evaluation of the Jobcentre Plus Performance Management Framework*, 2012, 2.

11 National Audit Office, *Responding to Change in Jobcentres*.

12 OECD, *OECD Employment Outlook*, 2005.

Exchequer – through income tax – much in the same way that benefit off-flow – provided the individual is not taking up another claim – represents a cost reduction. Given the importance of job outcomes to understanding the value for money that public employment services deliver, it is concerning that as recently as 2012 a report commissioned by the DWP concluded “job sustainability and progression is... seen as outside the policy remit of JCP.”¹³

That JCP should take a broader perspective when measuring performance is not a new idea. In the last Parliament, the NAO and Work and Pensions Select Committee highlighted the drawbacks of targeting benefit off-flow.¹⁴ The academic consensus on this issue is even more longstanding, with the OECD emphasising the importance of employment outcomes since at least 2005.¹⁵

Practical difficulties partly explain why JCP has not previously tracked these measures. Previously, the only way to gauge employment outcomes was through questionnaires and telephone interviews – mechanisms that entail a huge amount of administration. Work Programme providers, whose pay is dependent on tracking long-term employment outcomes of service users, faced similar problems to the publicly administered JCP.¹⁶ Given these costs, the case for holding JCP accountable against these metrics was far from clear-cut.

A digital JCP

Reforms undertaken in the last parliament will eliminate some of these obstacles. In 2013, HM Revenue and Customs implemented real time information (RTI) for Pay As You Earn (PAYE) tax. The programme will support Universal Credit, the Coalition’s flagship welfare reform which will see six benefits and tax credits combined into one payment. With in-work transfers included in Universal Credit, policymakers needed to understand how much claimants were earning in real time in order to adjust payments accordingly.

This seemingly technical development could have a significant impact on the future direction of JCP. The opportunity is threefold.

First, RTI will finally give policymakers the ability to track employment outcomes – including job sustainability and pay progression – in a cost-effective way. As a result, jobcentre staff will be incentivised to focus on more than simply shifting people off benefits. “We will still have similar debates about how to account for local factors when interpreting performance-measurement statistics between job centres operating in different labour markets,” says Iain Walsh, Labour Market Strategy and International Affairs Director at the Department for Work and Pensions, “but timely employment outcome measures will give policymakers and senior operations managers a much richer picture of the employment outcomes – and hence value for money – that different interventions and jobcentres provide.”

Second, these metrics will help policymakers understand what actually works. The DWP is already conducting a randomised-control trial on the policy interventions that effectively improve in-work progression, an initiative the Work and Pensions Select Committee has described as potentially the most significant development in welfare policy since 1948.¹⁷ Much in the same way, by merging earnings and operational data, policymakers could gauge the relationship between specific interventions and employment outcomes. “At the moment, work coaches use an array of techniques to help claimants back into employment, but nobody is recording the results of this mass experiment,” argues Mark

13 Nunn and Devins, *Process Evaluation of the Jobcentre Plus Performance Management Framework*, 31.

14 House of Commons Work and Pensions Select Committee, *The Role of Jobcentre Plus in the Reformed Welfare System*, 2014; National Audit Office, *Responding to Change in Jobcentres*.

15 OECD, *OECD Employment Outlook*.

16 House of Commons Work and Pensions Select Committee, *The Role of Jobcentre Plus in the Reformed Welfare System*.

17 House of Commons Work and Pensions Committee, *In-Work Progression in Universal Credit*, 2016.

Jennings, Managing Director at Accenture. “That is a wasted opportunity that urgently needs be rectified.”

Third, and most exciting of all, these insights could be used to develop predictive tools that help work coaches understand whether training or similar interventions have helped comparable claimants in the past. This would not, of course, limit the autonomy of work coaches – frontline staff would still be able to make decisions as they see fit. However, this information could only improve decision-making, as well as provide a useful standard against which the performance of work coaches might be measured.

Transforming public employment services

The coming years will be the most challenging for JCP since the financial crisis. In the wake of last month’s referendum, economists are forecasting lower growth in the short term, the result of which is likely to be more demand for JCP services.¹⁸ Meanwhile the introduction of Universal Credit will see the remit of JCP expanded, with in-work services expected to increase jobcentre footfall by 325,000 claimants a week.¹⁹ There will, however, be little scope to meet these pressures through additional funding, with the current envelope requiring a 41 per cent reduction in DWP’s day-to-day spending between 2010 and 2020.²⁰

The answer to this set of challenges is to capitalise on the opportunities presented by digital innovation. Insights from data analytics will improve jobcentre value for money through a more efficient allocation of resources. Work coaches will be able to focus their time and energy on those that require the most assistance, as well as understand the interventions which have proved most helpful in the past. For jobseekers who require the least attention, the process will become increasingly automated. Much like the UK’s Universal Jobmatch, a labour market platform under development in Norway will use data contained within electronic CVs to match claimants with suitable employment opportunities. “If these platforms could be merged with information on previous employment outcomes,” argues Haakon Hertzberg, Head of Politics and International Relations at the Norwegian Directorate of Labour and Welfare, “their effectiveness would be significantly improved.”

The introduction of in-work services and a renewed focus on employment outcomes could also help jobcentres take a more proactive approach to reducing unemployment. Germany’s employment service, for example, has created a tool to track the pool of labour available for 330 high-skill jobs, insights that could be used by work coaches to ensure claimants are acquiring skills that are desired by local firms.²¹ By the same token, jobcentres have the opportunity to play a far more strategic role in driving regional prosperity. If jobcentres shared their understanding of local labour market conditions, the types of people looking for work and industries growing (and declining) in the local economy, employers and educational institutions would make better investment and training decisions.

The UK’s labour market proved resilient over the financial crisis, but digital tools offer the opportunity to build on existing success and redefine JCP’s purpose in an era when internet platforms are diminishing the role jobcentres play in matching workers with employers. Data-driven interventions that deliver a more efficient service, paired with a proactive approach for those wanting to move up the labour market ladder – this should be the vision for JCP in the digital era. If it is realised, the working-age population will be even better insulated against the next period of economic turbulence.

¹⁸ International Monetary Fund, *World Economic Outlook: Update*, 2016.

¹⁹ Paul Garaud and Matthew Oakley, *Slow Progress: Improving Progression in the UK Labour Market*, 2013; House of Commons Work and Pensions Committee, *In-Work Progression in Universal Credit*.

²⁰ House of Commons Work and Pensions Committee, *In-Work Progression in Universal Credit*.

²¹ Christian Gaggermeier, ‘Skills Monitoring on the Labour Market Monitor of the German Federal Employment Agency’, in *Skills Monitoring in European Regions and Localities: State of the Art and Perspectives*, 2012.

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