



Work and Pensions Committee

Oral evidence: Department for Work and Pensions Annual Report and Accounts 2013–14, HC 670 Wednesday 5 November 2014

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Members present: Dame Anne Begg (Chair), Debbie Abrahams, Sheila Gilmore, Glenda Jackson, Kwasi Kwarteng, Paul Maynard, Nigel Mills, Anne Marie Morris, Teresa Pearce, Mr Michael Thornton

Questions 1-108

Witnesses: **Rt Hon Iain Duncan Smith MP**, Secretary of State for Work and Pensions, **Robert Devereux**, Permanent Secretary, and **Mike Driver**, Finance Director General, Department for Work and Pensions, gave evidence.

Q1 Chair: Can I welcome you, Secretary of State, to this session on the Annual Report? It is nice that it is a bit timelier this year than it maybe was last year, but it is obviously an important session for us to roam across everything your Department does. I wonder if you could introduce yourself and your colleagues for the record, please.

Mr Duncan Smith: Obviously, I am the Secretary of State. Thank you indeed. I agree it is nice to be here a little earlier than we were. We have already been in here this year about last year, so it is good to be in this year about this year. Obviously, I have my Permanent Secretary, Robert Devereux, and the senior civil servant at the DWP on the financial side, Mike Driver. You know both of them.

Chair: Thanks very much for coming this morning. Obviously, a lot of the Annual Report is about the Department's expenditure, and Nigel Mills has some questions.

Q2 Nigel Mills: Could you perhaps tell us how the Department is doing compared with budget in the context of the welfare cap being on the horizon, which obviously will provide a spending limit?

Mr Duncan Smith: On the welfare cap, this will be the first Autumn Statement to deal with the welfare cap since the thing was first instituted. Obviously, the OBR will be publishing its own figures. We do not expect to breach the cap this year, but those detailed figures will come out through the OBR. Our initial projections are with the OBR at the moment, and we are in the middle of discussions with them, as you would be in the run-up to the Autumn Statement. I cannot be specific about that, but I can tell you our expectation is that we are certainly not going to breach the cap.

On the overall savings, I can tell you that the latest published savings estimates—they are pretty correct—are that we are on track to save £21.7 billion in 2014-15, £26.4 billion next year, in 2015-16, with total cumulative savings over this Parliament at some £50 billion. Interestingly, the fall in unemployment, which was beyond originally projected, saved us £1.3 billion last year, which was additional to what was expected.

Q3 Nigel Mills: Has the welfare cap been changing behaviour in your Department? Do you see it having an impact when you are looking at decisions on current or future spending? Is it changing the culture?

Mr Duncan Smith: It does, and politicians of all parties—all the main parties, certainly—have agreed to the idea of the welfare cap. However, what it does do is change the culture in the Department, and Mike might want to say a little more about that in more detailed sense, as he controls the finances. However, the reality is that you are changing the way that the Department works from being a Department that has a section of it that deals with the money it costs to run the Department and then a huge amount of money that gets pulled out from the Treasury, which is the AME [Annually Managed Expenditure] end of it.

To have a set limit on what that is meant to be means you have to spend your time worrying about what you are spending and what your programmes are delivering, if they are meant to deliver in savings terms, and what the projections are doing. You spend a lot more time looking at these things, and that sort of discipline cannot be a bad thing overall for Government expenditure. Obviously, it is up to Government overall to set the cap at the level that they think is relevant, but nonetheless within that it changes the relationship between the DWP and the Treasury in a way that has not been the case for a number of years.

Mike Driver: To add to that, there has always been a relationship within the Department between our expenditure on DEL [Departmental Expenditure Limit], so the administration, and the expenditure on AME or benefits expenditure. The welfare cap creates even greater visibility in that space. We are talking far more about “total managed expenditure” and ensuring that we allocate and spend that money appropriately—and also control that expenditure, whether it is within the Department, under the Department’s responsibility or through our third-party suppliers.

Mr Duncan Smith: It does also, by the way, put some discipline into the Treasury in a sense, because the relationship, I suspect, going back through different Governments, between the Treasury and this Department is one where the Treasury tries to ring-fence an awful lot of spending whilst, at the same time, saying, “You are responsible for making sure you control spending.” Sometimes, however, where you get underspends in some areas and overspends in others, it has been very difficult to make that normal process, which you would, but overall you will reach a budget settlement that now means that the Department has to be much more in control of how it manages its expenditure rather than simply having these ring-fenced areas.

You will see more of those breaking down, so the Department then manages what it spends and looks to areas where it may be spending less and other areas where there is pressure, and therefore adjust some of those expenditures and thus declare overall savings, rather than individual savings in boxed-off areas, if you see what I am saying.

Q4 Nigel Mills: Can I ask about housing benefit, which obviously is a large cost you have been trying to get down? Can you just update us on how successful you are being in controlling housing benefit?

Mr Duncan Smith: Housing benefit expenditure has been on a rising curve for some time. As you know, when we came into Government, it had doubled in cash terms in the previous 10 years and was set to rise by something in the order of £6 billion. Housing benefit expenditure at the moment is under control. As I have made clear time and again in this Parliament we are not going to be cutting housing benefit, but we are holding back the projected expenditure, so we will be saving against original projections of expenditure, and that is quite important.

That has some bearing on the reasons why we take some of the decisions we take within the housing-benefit area. We recognise that it takes time for certain things to change. You cannot make some of the bigger changes overnight, but we will be reducing spending by something in the order of £6 billion over this Parliament. Nonetheless, however, it is not a real-terms cut: it is holding back what was originally forecast as being an expenditure increase—and quite a dramatic one too—of some £6 billion.

Q5 Nigel Mills: What does the fact that so many households in work are claiming housing benefit say for policy in that area? Does it just say that we have a real problem on housing costs, perhaps, rather than a welfare problem?

Mr Duncan Smith: Two things are important about this. There is a relationship between out-of-work housing benefit claimants and in-work housing benefit claimants. What we have been seeing recently is a fall in the out-of-work claimant numbers, but a rise in the in-work claimant numbers, and that obviously shows us that people going back to work are not necessarily employed in full-time work and thus breaking free of the need for housing benefit. Nonetheless, that is a positive, because it means they are in work and they are likely, therefore, to be able to change their circumstances to a much greater degree, with the prospect of improved earnings.

There are our figures that show that after a couple of years in work the earnings of those who have been in work for a couple of years rise far faster than those who just enter in the first year. There are differentials between what people are earning. This has been part of the process of trying to say that work is important, because it gives you the chance to begin to build out and away from the benefits system, which is exactly what the process is about.

Q6 Nigel Mills: Could you perhaps talk us through some of your plans for how to further reduce welfare expenditure? I am keen to know, perhaps, in some way, how many of those are needed to keep within the welfare cap that has already been set out and how many of those are incremental policy changes that might lead to perhaps a reduction in that welfare cap down to a lower target?

Mr Duncan Smith: We have about six months left of this Coalition Government, so clearly there is not an awful lot of policy work that we are going to be able to introduce in that six months that is going to bite within this Parliament. To be honest with you, the key thing is to make sure the welfare reforms that we have introduced so far are landed and make the adjustments that are necessary to continue those through so they go on.

There are now, obviously, individual party propositions as to what we might do. We have had three conferences, and each of the parties seems to have laid out some of their policy proposals. You may be referring to some of those; there are Conservative policies. As the Secretary for State of Work and Pensions of the Coalition Government, I am not really in a position to lay it out any further than where we are at the moment and make sure those policy projections that we have indicated land—and land correctly. If we manage that properly, we should stay within the limits of the cap.

There is clearly more reform that is necessary to change some of the things that do not work as well as they should do, but those are for a later Government.

Q7 Glenda Jackson: I am not quite clear where the actual savings have come from. Has it been because of a reduction as far as the costs of running the Department are concerned, or have the savings come from huge reductions in actual benefits being paid out? There are absolutes within that that you cannot reduce: for example, pensions. Where have the actual savings come from?

Mr Duncan Smith: There are two elements to where the savings have come from. First of all, we have saved money within the running of the Department. We have changed a number of procedures, and the Permanent Secretary might want to say a little more detail about that. In the DEL budget, as they call it, which is about the management of the Department, we have seen some phenomenal productivity improvements, which have allowed us to reduce costs. Some of that is in, for example, telephony.

Remarkable changes have taken place that have delivered better than the last Government's proposed IT changes to new programmes, which we have not gone ahead with, because the management of staff has been so much tighter and so much better. They have improved their productivity dramatically and thus not necessitated what I call technical changes. I will leave the Permanent Secretary to talk a little more about that. However, there have been some significant savings in the running costs of the Department.

On the other side, which is the cost of what we dispense—that is to say the welfare payments, divided into two areas: working age, obviously, and pensioner—you are quite right, Ms Jackson, that this Government took a deliberate decision to increase the level of pensions. The cost of delivering increased pensions and our spending on that will rise by £10 billion, for pensioners, more than it was in 2010.

However, on the working-age side of things, obviously, we have set out to reduce what was the projected expenditure on arrival in Government. The reductions and changes we have made to a number of different policy areas—we talked about housing benefit earlier on, but there are others, too—have all led to the overall reduction. We had a Spending Review then followed by a second Spending Review, in a sense, and we were set to achieve targets of around about £18 billion by the final year. I said earlier on that we are likely to achieve something like £21 billion, which will help in extra savings, but the savings we are talking about in the working-age area are from the reductions in the projected expenditure that was set on arrival in 2010.

Would you like to say something about the DEL budget?

Q8 Glenda Jackson: Before Mr Devereux does, could I ask a second question with regard to the productivity improvements? How much of that is also linked to a major reduction in staff, not only within the Department but, for example, in Jobcentre Plus?

Robert Devereux: The baseline cost of running the Department is around £2 billion less now than it was in 2009-10, and that is largely the consequence of staff reductions, which are in turn largely the consequences of both the fall in unemployment and also very significantly increased productivity. To give you just a couple of examples, we are now paying most claims for JSA in 10 days; previously, we used to pay them in 16 days. We now have far fewer phone calls coming in, because we are on top of the work so there is something like a 25% reduction in monthly phone volumes, down from 2.3 million to 1.8 million most recently.

The way in which the Department is working across all its various arms is generating very significant improvements in both value for money and, consequently, budget reductions. The organisation itself is functioning well, as well as the much larger numbers the Secretary of State has been talking about in terms of benefits spend.

Q9 Glenda Jackson: Is part of that the lengthening of time before a claimant receives benefit, which has been recently introduced?

Robert Devereux: No. The simple process of being more on top of the work every day, having fewer backlogs in the system and not having people chasing things that they have not already received means, basically, that the process works a lot tighter. We now have people who are doing exactly the same work but just so much faster that we have removed a whole load of feedback loops of people ringing up after 10 days saying, “Where is my cheque?” If they have already had the money, then they do not ring up, and there is a load of work that falls out as a consequence.

Q10 Chair: There is a policy decision to delay paying JSA and ESA claimants. The time they have to wait has increased from three days to seven days. That is different from

your answer to Glenda's question about the administration side. That was a policy that was meant to save £50 million in 2015-16 by just delaying giving people their money.

Mr Duncan Smith: Yes. That is what I was referring to as the policy changes to do with the disbursement of benefits, not the running of the Department. That is the differential I was making.

Mike Driver: That is to do with the date at which the person becomes entitled to the benefit, as opposed to the actual calculation of the entitlement.

Q11 Chair: Over the period of the claim, they get four days' less money.

Mike Driver: Yes.

Chair: You are saving money by just not giving it to people.

Mr Duncan Smith: Yes, but as a policy projection the view is that this incentivises people to work harder early on to find that work before claiming the benefit or making the benefit payment. That is all. We can debate about whether that is a good or a bad thing; I think it is a reasonable position to be in. However, I am not disputing the fact that it does save money, because that was what the projection was.

Robert Devereux: There is an issue regarding the speed of claims in going back to the date of claim. The fact that some days they are no longer entitled to the cash does not change the fact that we still record the claim as the date of the claim. These are real improvements over and above that policy change.

Q12 Sheila Gilmore: In relation to housing benefit, despite what the Secretary of State said about this, the OBR's projections—not some vague notion that it was going to be £6 billion higher, and it is not going to be—in their recent report on welfare spending trends state very clearly that the estimates they made in 2010, 2011 and 2012 have all been exceeded. In other words, spending is higher than projected by the OBR for each of these years. They look at some of the drivers of that, which they feel are the increased use of the private-rented sector, high rents and more people making claims who are in work. Is it not in fact the case that despite some of the so-called reforms that have affected individuals, housing benefit spending has increased more than you anticipated?

Mr Duncan Smith: Of course, there are two elements to this. The first is, if you were to recall, the original projections for the period in which the economy would be moving back into growth were not met in fact. Originally, it was slower.

Sheila Gilmore: That is not what the OBR says.

Mr Duncan Smith: Hang on a second. Let me finish the answer to this question. The original projections were not met, so that meant the economy was not growing as early as was anticipated. It is, of course, now growing faster. That obviously puts a certain pressure on housing benefit, because the expectation is as the economy grows people start moving into work and thus you pay less housing benefit. The second aspect of that is, as I said

earlier on, originally the projections from 2010 were that we would spend something in the order of £26 billion. We will not be spending that.

The overall cumulative savings will be about £6 billion, so we will have saved money against the original expenditure plans that we inherited, and that is the point that I am making. Of course there will be variables in there as you go from one year to the next, because nothing is absolutely set in concrete as to how the economy performs, but, as I said earlier on, the changes that we made were necessary to bring down what I considered to be—and what anyone reasonable would consider to be—a benefit expenditure that was rising, almost on the verge of being out of control.

There are many other things that have to take place. Controlling housing benefit is not just a feature of what I do in the Department to try to get it under control. Of course, it is a feature about ensuring there are enough houses, and therefore the house-building programme has a bearing on the way in which housing benefit can be controlled, clearly. You talked about the use of the private-rented sector. That has a feature, of course, as a result of what levels of social housing there are.

My point is that other policy areas bear on this, but what I have tried to do—and what we have done to a greater or lesser extent successfully—is to bear down on those exceptional cost increases in housing benefit and try to reform the way that it works so that those push-factors, as it were, do not continue to push housing benefit up at the rate it was going.

Q13 Sheila Gilmore: Your own independent organisation that the Government constantly says we should be listening to, however, has made it clear that the projections they made in June 2010, March 2011, March 2012 and March 2013 have all been exceeded by actual spending, and they do look to some of the underlying factors here, which are not to do with the economy being sluggish, as you suggested. They feel it is to do with the higher use of the private-rented sector, low-earnings growth and rent inflation. Surely, these should be the things that Government should be looking to deal with and reduce expenditure.

Mr Duncan Smith: With respect, I understand what you are saying, Ms Gilmore. My point, however, is that we are looking at all of this stuff and we constantly look for ways in which we can tighten this up, but overall Government expenditure on housing benefit has fallen against what the projections were. They are not saying it has risen against original projections; they are saying that it has fallen. It may not have fallen as fast as we had anticipated, but it has fallen against original spending expectations. We are set to spend around £23.5 billion, rather than the original expectation of something close—

Q14 Sheila Gilmore: This is the OBR. “Our forecasts for housing benefit have, on average, underestimated spending.”

Robert Devereux: Maybe I could help. Virtually everything we spend is obviously dependent on various factors in the economy that are quite difficult to project. What the OBR are saying is that, as things have developed over the last few years, their view of the

total amount of housing benefit forecast spend has indeed increased. What the Secretary of State is saying is but for the reforms that the Government has made they would be £6 billion higher still, and both of those facts can be true simultaneously. People's ability to project accurately the exact course of private-sector rents, the actual take-up of that and the way the economy recovers is quite fragile—and therefore people keep changing the economic determinants of housing benefit.

What the Secretary of State is saying is that policy determinants of housing benefit have themselves made a quantified £6 billion difference, and but for that the totals that the OBR are talking about would be higher still. Both these statements can be true simultaneously.

Q15 Glenda Jackson: With respect, the overriding policy of the Department and the ethos is that the way you take people out of poverty is to get them into work.

Mr Duncan Smith: Yes, which we have done staggeringly well.

Q16 Glenda Jackson: Yet one of the opening statements the Secretary of State made this morning was that there has been a decrease in housing benefit to out-of-work claimants and yet a rise in housing benefit to people in work. There is a clear link here, surely, between this and the failure to attack what I would call the exploitative nature of the private-rented sector, which is in direct contradiction to what the ethos of the Government supposedly is in this area.

Mr Duncan Smith: First of all, can I challenge that idea that you say the private sector is exploitative. The private-rented sector has for previous Governments and this Government filled a need area in housing benefit and in need for social housing. There are two points that have been made. I explained this and the Permanent Secretary has followed it up. The point that I made over housing benefit earlier on is quite logical, and it shows that previously we were spending more money on people because they were out of work on housing benefit. We are now spending less on them, because more of them have gone back to work and so you spend less on housing benefit as they go back to work. Therefore, that means that there is a saving.

You said it means there is a link. Of course there is a link, because the people who were taking housing benefit who were out of work are now, many of them, taking housing benefit in work, but less housing benefit. I consider that to be a good projection. In other words, they are moving into work and they will continue to move up, eventually, into more hours and eventually break free of the housing-benefit system. That is what we are doing, and that requires an economy that is restored, and it requires employment to rise and unemployment to fall. All of those are factors of what is happening right now.

Those were the points I was making earlier on. They are quite simple.

Glenda Jackson: They must be very low rates of pay.

Q17 Kwasi Kwarteng: Obviously, with regard to trying to reduce the overall spend, your Department has made some headway with that. I wanted to ask specifically about this benefit cap. If it were reduced to £23,000, how many households do you think would be affected?

Mr Duncan Smith: First of all, this is not at the moment a Coalition policy.

Kwasi Kwarteng: No.

Mr Duncan Smith: Let's be absolutely clear about this. The Department, therefore, will not work on this policy unless it becomes a Coalition policy, and they are absolutely clear about that. It is a Conservative manifesto pledge; obviously I am part of the Conservative manifesto pledge, but today I am genuinely answering for the Government.

However, the original proposal for the benefit cap was that it would be at average earnings. The original calculation shows that average earnings are less than was anticipated, and they are at around about, as I understand it, some £23,000 or £23,500 net. Obviously, gross it is a higher figure. The policy proposal was to restore that to average earnings, because at the moment the benefit cap is, as it stands, set above average earnings, which was not the original policy proposal. Whether that becomes a Coalition policy—and I look towards our Coalition colleague in here—is another matter altogether, but it is certainly feasible for it to become a Coalition policy.

That has not, however, been discussed, and there is a thing called the “quad” and all those sorts of things before we decide whether or not it becomes Coalition policy.

Q18 Kwasi Kwarteng: In your own opinion, however, would reducing this cap save money?

Mr Duncan Smith: As I say, I have to break myself clear from the Department on this one. I believe it would save money: something in the order of up to about £135 million, but those are estimates made that are not confirmed within Government, so I do not want to draw my colleagues here from the Department into that discussion. I have not asked them for those figures.

Q19 Chair: Have you got an estimate of the number of households that would be affected? The money is a big sum, but how many households would it affect if you were to reduce the household benefit cap?

Mr Duncan Smith: Again, these are estimates made that I have not asked the Department for, so these are estimates that would obviously have to be confirmed, were it to become a Government policy, but I would think something in the order of an extra 40,000 people would be affected. Bear in mind that when we originally set the cap against the numbers that were meant to be capped, two-thirds of them were never capped in the end, mostly because they changed their behaviour in some shape or form.

As we understand it, the figures seem to show at the moment a significant number of those went back to work because, as you know, under the cap, if you are working, on working

tax credit, etc, you were not capped. That is approximate, but about one-third were capped in the end.

Q20 Chair: In my own area, every household bar one was in temporary accommodation.

Mr Duncan Smith: We will be publishing figures further, but a significant number of them have gone back to work who were not in work before.

Chair: You mentioned Coalition partners, so I thought I had better bring Mike in.

Q21 Mr Thornton: As a humble new backbencher, I would not want to walk in on the quad, but perhaps people might be more willing to look at a change on this if it were less of a blunt instrument and took account of regional variations and what it costs to live on. Everyone knows it costs a lot more to live in London than it does in Dundee—or was it the other way around? However, there are bound to be variations.

You were mentioning people go back into part-time work and then they have to go on to full-time. I agree that is not an uncommon path, so how much of the employment, then, is part-time? If a significant number is full-time, does this not mean that the state is subsidising employers? Instead of employers paying decent wages, it means the state is topping up and we are subsidising the employer. We are not really necessarily helping the member of the public by giving an employer a way to pay low wages.

Mr Duncan Smith: There are a number of different ways of answering this question. The straight figures are that the vast majority of the jobs that people have been going into are full-time work.

Mr Thornton: Does that not then contradict what you have just said about them going into part-time work and then moving up?

Mr Duncan Smith: Bear in mind that you are dealing with a much smaller subset, who were originally on benefits anyway. Many of them who fell out of work will have gone straight back into work quite quickly. Here, we are talking about people who are on housing benefit, which is a much smaller subset than those who are unemployed. In actual fact—I have a note here on the figures—something in the order of 6.5% of employees exist at present on a temporary contract, and the permanent employees went up something in the order of 95,000 in this quarter. In actual fact, full-time employment has gone up by 1.3 million and nearly three-quarters of the rise in employment since 2010 is full-time.

Let me come back to the second part of your question. First of all, there has been a lot of talk about this all being part-time and temporary work; it is not true.

Mr Thornton: I agree entirely with you. That is the point about being on the housing benefit.

Mr Duncan Smith: Obviously, you ask a legitimate question, and this is a debate that goes on around tax credits, which I believe Universal Credit will hugely help to resolve. It is

that the state does step in—that is the principle of tax credits—to support or to add extra income to people at certain hours as they enter work. Does that subsidise the private sector? To a degree, yes, it does. It has been the case all along.

We have indicated consistently that we would encourage the private sector to pay better salaries; that is what we want to see. What we do know—I said this earlier on—is that after about two years or so the indications are quite strongly that salaries rise well ahead of inflation. The latest figure is something in the order of 3.7%. That is the average rise for people who have been in work for a couple of years; in other words, once they are in they start to rise faster.

There is a question mark here about how private companies value the employees that come to work for them in those first initial two years, and that is the issue. Bear in mind we came out of a really terrible recession where people took significant salary reductions. Businesses did not lay off people in the way they had done in previous recessions; they chose to hold on to them, and many unions and many individuals took arrangements to take lower salaries whilst they went through these difficult areas. Obviously, we would all like to see that now stabilise itself, but obviously the growth out there is still pretty fragile.

Q22 Mr Thornton: That all may be true. I just wondered how many people in permanent employment are on housing benefit. We are talking about the reason why our housing benefit numbers have not significantly reduced with a large rise in employment, which we are all very pleased about, but, if people on permanent employment are still on housing benefit, that is much more worrying.

Mr Duncan Smith: I do not have the figures to hand.

Mr Thornton: I mean the figures for the full-time employed.

Mr Duncan Smith: I will get you the figures. People here may even be able to get the figures before the end of the session. I am quite happy to produce those figures as far as we have got them, but I will certainly get those figures for you; I do not have them to hand. Obviously, however, there are going to be people in that situation.

We have, however, seen the minimum wage rise more significantly than it has done for a while to £6.50. The Government itself has indicated its desire to see that climb to £7 as quickly as it can, but the Low Pay Commission guards its independence quite rightly and says that it will make that decision.

Q23 Mr Thornton: Of course, there is also the Lib Dem policy of reducing tax for low-paid people.

Mr Duncan Smith: I was going to come exactly to that. Thank you for that point. Reducing the tax burden for people on the lowest incomes by raising the thresholds has been a significant help. Something like 3 million people, if I recall, have been taken out of tax, and something like 25 million have seen their tax burden fall. This has been an

excellent policy, and obviously there are more proposals to take that further, which both Coalition partners seem to agree on.

Q24 Chair: I have a final question on this thing about savings and expenditure. One of the areas where you are looking to save in the future is by restricting young people's access to housing benefit and jobseeker's allowance. I am wondering what kind of safety net you are going to put in place. Not all young people have the bank of mum and dad that they can fall back on.

Mr Duncan Smith: At the moment, as I say, this is not a Coalition policy; this is a proposal made by my party about what we would like to do. I do not say whether it will be a Coalition policy, but for the moment it is not a Coalition policy. However, if I explain the principle behind it, there are two elements to this idea. The first is that one of the big problems we face is that, as we know, over the last 10 or 15 years, we do not see those individuals leaving school who have not really achieved any particular qualifications—what we loosely refer to as NEETs, not in employment, education or training—until they reach 18 for the most part, except in exceptional circumstances, as you know, Chair.

One of the problems has been that for two years they will bump around, maybe doing a bit of cash-in-hand work, probably not doing very much at all. When they arrive at the door of the Jobcentre, they have, in a sense, a wage scar on their back that has been going on for some time now, which makes it very difficult thereafter to get them ready and into work and to get them the kind of qualification. The first part of the proposal that I want to see and I have wanted for a while to see is for Jobcentre staff to be involved with schools now: to be able to take businesses into schools and to start working with schools to prepare training programmes for young people who are going through school but are clearly at the moment on a trajectory not to succeed at school.

By the age of 14 or so, I want the Jobcentre staff to be involved with them to look at what we can do to get them on the right training courses, so as they go to 16 and 17, we are already working with them to get them right for the world of work before they leave school and take control of the training programmes after. One of the key propositions is to start that—to attack the NEETs.

The second part is the bit that you were referring to, Chair, which is, what do you do about receipt of benefit at 18? The idea is that you turn the benefit of up to six months into a training allowance, so they must be then in some form of training for six months, and then we pay that allowance to do so. If they were not to accept that they needed to do training, they would not receive the benefit.

On the housing benefit front, we say that somebody below the age of 21 should not be in receipt of housing benefit except in exceptional circumstances where they are no longer involved with or living with their parents or whatever. They are not receiving housing benefit and thus we shed the burden of having to pay somebody housing benefit who we think, at that stage, does not necessarily need it. There will be a let-out for exceptional circumstances.

Q25 Chair: I will come back to the support, because that was my question, but if they are out of the system at 16 and 17 because they do not get any money and that is what possibly helps to feed the fact that they are not engaged with Jobcentre Plus, how does not giving them any money at 18, 19, 20 or 21 give them incentives to engage? If the problem is that there is no engagement in the earlier years because they do not get money, how is that going to change by just upping the age limit?

Mr Duncan Smith: Firstly, it is not a case of not giving them money. The idea is it becomes a training allowance.

Chair: But even if they get a training allowance, they are not going to get—

Mr Duncan Smith: The savings made on this would then increase the amount of apprenticeships and training courses that we could put them on by something like 3 million. That is the proposal. In other words, there would become a huge amount more training courses and apprenticeships, which are turning out to be a phenomenal success. As you know, we have increased the number of apprentices by 2 million in this Parliament and the idea is to increase that by another 3 million. We are asking young people, if they are not successful in getting back to work at that stage, to undergo training courses for which they get paid a training allowance.

Q26 Chair: If they are not on housing benefit, there is no option for those young people to move out from home and to get independent. My question was, what support will there be for the group for whom living at home is not an option and who are trying to do the right thing but are not getting the support from the Government?

Mr Duncan Smith: As I said, for those in exceptional circumstances, where someone is unable to get that kind of support from home—and there are various circumstances we can all think of—that support is available, but for the majority the idea is that that money is better spent trying to get them into a stable situation through work. Therefore, the idea of becoming independent for its own sake is not the key here. The key is you gain your independence by getting into work and, to get into work, if it is required that you do training, you must then do that training to give you that concept.

The work experience programme that we set up has been a phenomenal success. Why has it been a phenomenal success? Because it has given young people up to two months of experience in work, and over half of those who have gone in have gone into work. We know that training and then a move into apprenticeship works, so we want to increase that to help them.

Q27 Chair: I accept all that, Secretary of State, but we are talking about up to the age of 21. If somebody has left school at 16 and they have done exactly as you have said, they might have had their training for six months. They have been in work for a couple of years, the economy takes a downturn and they are out of work. They are still only 18 or 19,

but there is no access to jobseeker's allowance; there is no access to housing benefit. What happens? They have already left home. They have left home two years ago.

Mr Duncan Smith: Bear in mind, Chair, this is not a Government policy; it is a Conservative proposal. However, the proposal is they do receive that support and, after a period of time—six months—that support becomes a training allowance and therefore they are committed to have to enter training programmes that will change their prospects.

Chair: They did that when they were 16; they are now 19.

Mr Duncan Smith: But the point I said to you earlier on is that the other bit of the equation is that the Jobcentre staff now start working with young people before they leave school, bringing businesses in. Because, as we know, with respect to the last Government, they cut what was essentially a post-16 training programme, and we saw, under the last Government, the number of NEETs rise dramatically. This has been a problem that was not suddenly incurred as a result of the recession.

Pre the recession, after the last Government cut what were essentially some youth training programmes, we saw the NEET level rise. My point is the way to deal with that—and I have believed this for some time—is to use the skill and expertise of Jobcentre staff early, shaping the kind of training that is necessary for young people at the age of 14 or 15. This will dramatically change their prospects and, in doing that, we will see fewer of them arrive at 18 in the situation of having no skills and no ability to get work—and thus make it easier at that point to secure them employment.

However, I do stress that this is not a Government proposal. We spent some time on a Conservative proposal. I am happy for the publicity, but I am not going to ask the others to get involved on this.

Q28 Mr Thornton: Secretary of State, what you have said about training is absolutely admirable. I wonder whether you would have a word with your colleague, the Secretary of State for Education, and persuade her to restore funding for 16-plus education and also persuade her to remove the fact that a school that goes for BTECs instead of GCSEs drops down the ladder table on achievement, therefore discouraging what you are here sitting in front of us promoting, which is that you should encourage that kind of thing up to 16 and also put the money into training after 16. If you take the money away from FE colleges, you cannot do that. If you say to a school, “You are going to drop down the achievement ladder if you train at BTEC,” you are not going to get that either. If you could have a quiet word with the Secretary of State for Education, I would be very grateful.

Mr Duncan Smith: Mr Thornton, what can I say? I answer for quite a lot here, but I do not answer for the Department for Education. I will promise Mr Thornton and the Committee, if that is their view, that I will have what you refer to as a quiet conversation with the Secretary of State for Education.

Mr Thornton: I am very grateful.

Mr Duncan Smith: She is, by the way, doing an excellent job. I will pass your comments on.

Mr Thornton: Admittedly she has inherited that policy from a previous Secretary of State.

Mr Duncan Smith: I am not going to comment on that matter.

Chair: There was the education maintenance allowance that was doing things as well, but that is not for us.

Q29 Anne Marie Morris: We have been extraordinarily lucky—lucky is probably the wrong word, because there is an awful lot that goes into making your own luck—and we are now in the position where we have come out of recession and we are well ahead of our European colleagues. With employment going up and unemployment going down, it is clear that the Coalition Government has been doing something right. Many commentators have said one of the things that may be a cause of this rise of employment is the work that DWP has put in, in terms of the welfare programme. I wonder, Secretary of State, whether you could perhaps give us some comments on your take on the extent to which your welfare policies and reforms have been a key driver to the growth in employment, and give us any information you have on how, within the Department, you evaluate and measure the contributions that your policies have made to the overall increase in employment?

Mr Duncan Smith: First of all, the number one thing that drives an improvement in employment and thus a fall in unemployment has ultimately got to be the state of the economy. Overall macroeconomic policy is critical to this. The programme that this Government set out to achieve back in 2010—which was to try to get the expenditure levels under control, to cut the deficit and to start to bring that under control so that we had less borrowing eventually, although obviously borrowing is a feature of the scale of the deficit—was vitally important and thus restored confidence. There are some other macro measures that have a bearing on companies. For example, the corporation tax levels being lowered as they were brought a lot of business back in to the UK.

The macroeconomic picture is vitally important to the generation of work, but, having said that, there is an interesting comparison: the United States with us. They have had some growth in the United States, and while they have seen unemployment fall, they have not seen the proportion of employment rise significantly. The USA has a lower proportion of people in work, whereas we are pretty much now at record levels of employment in the UK, running at around about 73%.

First and foremost, the macro sense of this is vitally important. There are a number of other areas. You then have to deal with long-term unemployment, so things like the Work Programme are vital to this. It is a completely new concept. We are trying to de-risk taxpayers' money, but at the same time bring the greater level of skills that exist beyond Government to get people back to work. There was a recent NAO report on the Work Programme and an interesting engagement at the PAC, which basically showed that the Work Programme now is outperforming its original minimum expectations and is now set

to do even better, so it is outperforming any other back-to-work programme for long-term unemployed people. It does so, as I said, by de-risking the taxpayer. We feel absolutely certain the fall in long-term unemployment that is now taking place is really directly apportioned to the Work Programme.

Interestingly, you asked how we measure that. We know now that some 600,000 people have found work through the Work Programme, and something over 330,000 jobseekers have gone into what I call lasting work. In other words, they have not just gone back into work but sustained work now, which is the whole point of the Work Programme—that you have to have been in work for six months. That is the big difference. In the past, you measured what just happened when somebody went into work.

However, this is work that sustains, and they get paid when they have got somebody in work for six months, which gives them greater stability in work and makes them more likely to stay in work. A very high proportion, over 330,000, have gone into work longer than the initial projections of three or six months. It is really quite important to say the Work Programme has had a big effect and is going to have a much bigger effect even as we improve the Work Programme, after what we have learned, to make it even better.

Also, I know that some will come and say, “For those who have come from Employment and Support Allowance or the sickness benefit into this, the programme has not worked as well,” but, remember, this is a much more complex group of people. Even in that, the latest figures are quite interesting. Almost one in 10 have had at least three months in work since starting the Work Programme, which is twice the rate that people often quote, and that compares with one in 25 for those that joined in the first year of the Work Programme. The improvements are growing as they begin to understand better how to help them get into work and get into sustained work.

It is also a fact that the Work Programme for people from ESA backgrounds is now more effective than any other programme to help people get back into work that existed previously or even alongside this. The Work Programme is having a big effect and also, as a result of that, saving money from the cost of what we would have to pay people who were out of work.

Our youth programmes are also having a dramatic effect. We have seen youth unemployment see the biggest annual fall on record, down some 205,000 since 2010, and down 253,000 on the whole year. Unemployment is down 184,000, and is now 468,000 lower than before the recession. The figures that we were measuring are showing that long-term youth unemployment is also down.

The proportion of NEETs is now at its lowest level since records began, so that is also improving dramatically as a result of the work that we are doing through things like the Youth Contract, which has got things like work experience, sector-based work academies, and getting people to set up their own businesses, helping and assisting them with business support and finance. The wage incentive has improved dramatically in the last nine or 10 months. Of course, there has also been the new proposal to start to smooth that over by saying that those employers who employ somebody who is a young person get off paying National Insurance. These are all hugely helpful as programmes to go through.

Things like the work experience programme, which I touched on earlier on, had a dramatic effect. When I set up the work experience programme, originally they were only allowed two weeks of work experience and they are now allowed two months—and a third month if they are going into a training course or if they are going into work and they need more time. I thought that two months would help them get something for their CV, because it was what young people used to say to us time and again when we went to the Jobcentres. They go in front of an employer; they do not have work experience; the employer says, “I need someone with work experience.” They say, “Unless you employ me, I cannot get work experience.” What we then did was allow them to receive benefit for those two months while they did work experience. I did not expect it, but half end up going to work, and quite a lot of them, interestingly, go to businesses where they say from the outset, “There is not a job here, but we will give them work experience.” Many of those businesses, having seen them, which is really interesting, have decided that they are so good that they are going to change and give them that job. In other words, they create a job around that individual.

Those programmes have had an effect, and it is not me that thinks that. Finally, the sanctions regime is important alongside that: to expect people to make the right decisions and to do the right thing. If you combine all of those things together, the Bank of England, in its quarterly report, made it very clear. They had puzzled over why the UK jobs market was behaving in the way it was with so many people going back to work so fast. They said it has a huge amount to do with the welfare reforms that this is a faster growing market than they had originally forecast or anticipated.

Q30 Anne Marie Morris: That is very helpful, Secretary of State. Clearly, there are some very effective programmes that have been introduced. In a sense, it is almost hard to compare, because you are looking at helping different groups of people, which ones are more or less effective. However, to what extent does your Department evaluate these programmes in the round to try to look at what additional tweaks or changes could be made to make them more efficient? Some of the programmes are more incentive based and other ones have got penalties in them. Has there been any review as to how, if you like, these push-pull factors are working so that you can see whether or not by adjusting that you might make the programme even more effective?

Mr Duncan Smith: I am going to ask Robert Devereux to go into a little more detail about some of the ways we are evaluating these programmes, but can I say that that goes on the whole time? We have been evaluating the Work Programme non-stop on this. We have a plan for even further improvements of what we consider to be a really successful programme, but we think there is scope to make it even more successful.

Contract management is critical to that. Tight control is something the Department is really now focussed on in every area, making sure that what people set out to do is done on a daily and a weekly basis, not just sit back and say, “After six months, we will evaluate you.” It is much tighter, day-to-day hands-on control looking at companies that are outside, saying, “You were meant to achieve this by a certain point. You have not; what are you going to do to get yourself back on track?” That process of day-to-day

evaluation takes place, but do you want to say a little bit more about how some of these programmes are evaluated?

Robert Devereux: It is quite difficult to summarise the answers in the two buckets you have offered. There is a very substantial body of work going on in the Department all the time with lots of different trials happening to try to compare things, and you will understand that this is a relatively difficult thing to do, because in the background of every labour market the economy is moving and you are trying to identify the impact of actions that actors are taking in that economy independent of what is going on if Sainsbury's opens a store or a factory closes down.

We have some pretty good analysts, who are capable of pairing up some broadly comparable labour markets in order to test an effect in one area against what would have happened somewhere else. That is going on. We have many tens of experiments going at any one time. These are routinely reported. We put all of the research out about what we find. A lot of these things are relatively marginal changes; this is a relatively mature system. The rest of the world comes here to understand how to do conditional benefits for the labour market. We have the basic principles: giving people JSA in return for them seeking work, getting more people on JSA and out of some of the inactive benefits. That is a direction of travel that has clearly worked very well for the UK.

Mr Duncan Smith: It might be useful to just have Mike Driver say something about the Work Programme performance figures, because I know there is always a debate about this.

Mike Driver: I was going to say something about the way in which we monitor performance, in actual fact, because we have a performance framework that we operate with Work Programme providers. We recognised that that was not working as effectively as it could on the basis of the measures that we were using, so we have been changing the way in which we monitor performance so that we look at cohort performance much more directly.

When the Permanent Secretary and I were at the Public Accounts Committee talking about the Work Programme, we were being challenged around some of the contract arrangements that we had in place and explained to the Public Accounts Committee at that time that we were about to embark on a process of renegotiating all 40 of our Work Programme contracts with all 18 of those providers themselves. That work is proceeding, and we are still hoping to make those formal adjustments to both the financial control arrangements and also the performance arrangements that we would want to see for a growing and successful Work Programme.

Glenda Jackson: Surely the biggest shift has been claimants coming off JSA and self-employment.

Chair: Glenda, I will come back to you. It is alright. Are you finished, Anne Marie?

Anne Marie Morris: I am finished on that section.

Q31 Debbie Abrahams: I appreciate we are time-limited, so if you could keep it to a yes or no answer, please, Minister. Could you just confirm that 75% of the increase in employment is self-employment and that the average income for self-employed people is approximately £10,000 a year? The reason that there has been this growth in self-employment is that there are not the jobs out there. It is hardly a ringing endorsement for economic policy, is it, Minister?

Mr Duncan Smith: The answer is no, but let me give you a figure for this. Full-time employment is nearly 1.3 million since 2010. Nearly three-quarters of the rise in employment is people working full-time, and the important point about even the self-employment element is that the number of employees is up, but over two-thirds of the rise in self-employment is full-time self-employment.

Debbie Abrahams: The question was: is three-quarters of the increase—

Mr Duncan Smith: I gave you the answer: no. You were asking for a single-word answer; I gave it to you.

Debbie Abrahams: You are going to quibble about figures again, Minister, are you?

Q32 Paul Maynard: Can I get back to perhaps a more interesting area, which is exploring what modelling the Department is doing to measure the impact of incentives to reward positive behaviour that is getting people back into work, versus where there is a negative sanction of some sort to penalise behaviour that is not achieving the goal of getting back into work? Is the Department doing any research currently to compare those two elements and which is the most effective and, indeed, most cost-effective in achieving the outcomes?

Mr Duncan Smith: I will pick this up very quickly; Robert Devereux might want to say a little bit more about this. To be quite frank with you, the two of them run together. You need to be able to demonstrate to people that going back to work is worthwhile, particularly for people who have family experiences where people simply have not held steady or stable work, and encourage people to recognise that work in itself is progressive. When Jobcentre staff sit with them, it is important that they do not explain, “I want you into work,” but to work with them to have a plan so that they know where they should be going, what they should be doing, and look for work with them.

The second aspect of that is that, obviously, the sanctions regime plays a part to say that these are choices you have to make and, therefore, if you choose not to take part in this you will see a fall-off in your income. On the progressive bit of it, which is about going back to work, of course from all the work that we are doing in the roll-out of Universal Credit, we are now in the North West being able to study quite carefully—and we have studies going on—what the positive effect is of people understanding that they can take a job and not lose the level of income they might have had before. We are beginning to see that, and we will be in a much stronger position later in the year.

However, the early work we are seeing shows us that under that process, whereby you earn more in certain categories before you have it taken away from you, your in-work

allowances give you greater stability and it is always tapered at approximately the same rate, you can understand what that means up all the hours. That has allowed people to enter into work at different levels and progress much faster, so we are finding people going into work faster, but we are also working very hard to recognise whether or not that also affects how long they stay in work. The suggestion is—and I say it is only a suggestion at the moment because we will not be publishing the figures yet—that people are likely to stay in work longer, because they can progress in their work without worrying.

I will give you an example about this. We have tested this with a number of big and small companies. The Chairman of B&Q talked to us about this. He said that one of his problems has been the way the tax credit system works. At some hour levels it pays them to come back into work. Let's say there is a lone parent at 16 hours. Normally in a business, a job does not stay static at 16 hours. You want it to develop. The problem is they know that many of them who are at 16 hours will not take jobs with further hours, because they do not think it is viable for them to do so for the amount of money that they then earn after all of the withdrawals.

What he believed and they believe and they are beginning to experience in areas of the North West is now they can work to progress that individual and start to set training packages around them, because it is worth investing in that individual to develop their own skills and their own productivity. Their view is that the incentives to go into work that Universal Credit provides, as they are seeing now in the North West, mean that many businesses are saying, "We prefer to have people on Universal Credit come and take those interviews," because they know they can develop them all the way through.

The answer to your question is that the work now is going on to study how that incentive to work creates and improves the likelihood of going to work.

Robert Devereux: The other thing about this system, of course, is that it is applied to individuals. Go and meet my staff in Jobcentres. The staff will say, "It is the conditionality part of the package that is working." There are others for whom the incentive is the critical thing.

What the Secretary of State is correctly saying is under Universal Credit the conditionality regime is essentially the one that we have in JSA, but we are capable of then saying the incentives are significantly better because of the ability to take short periods of work, get reattached to the labour market and then progress. If, as the very early indicators show, Universal Credit is outperforming JSA in that regard, that will give you an indication that sorting out that incentive side of the equation has added to what we already know from very detailed studies—that the conditionality regime itself reduces the amount of time people spend on benefit.

Q33 Sheila Gilmore: Secretary of State, you talked about the work experience programme and you said, again, as you have said on previous occasions and your Ministers have said, that half of young people on the work experience programme got jobs, the

implication being that the work experience programme is what got them the jobs. The published research, such as it is, which is not very great, suggests that in fact the majority of those young people compared with a control group who were not on work experience would have got work anyway, and that the conditionality of the work experience programme was relatively small, although I am not saying it was non-existent. Is it right to exaggerate the impact of these programmes?

Mr Duncan Smith: We are not exaggerating it. The work experience programme has been one of our most successful programmes. The reason, also, is that young people are queuing up to enter the work experience programme. Our problem is getting enough places for them; it is not the other way round. When I go to Jobcentres to talk to people who are on the work experience programme, I genuinely find that—I am sure you all must get the same—young people are really positive about trying to get that job. The incentive is massively powerful for them. Getting on to the work experience programme is incredibly helpful. You would not want to volunteer to go on the thing and you would not agree to go on it if you did not genuinely want to find work, and that is why it is highly successful.

Q34 Sheila Gilmore: Your own Department's evaluation was that it had a relatively minor effect. What about all of the people who are coming off the Work Programme now who have been through two years of the programme and have not found employment? What is happening with them?

Mr Duncan Smith: The early cohorts that are coming off—this is also going back to the original point that as we started building it, we learned a lot, and it is getting better and better and better as it goes along—are coming back on to programmes at the Jobcentre where they are being brought in to attend much more regularly; they are working intensively again and continuing that process on training and on restoring, in some cases, their morale. It is checking, for the most part, that they are doing what they are meant to be doing.

These are now beginning to get people, on the back of the work done on the Work Programme, into work at a reasonably fast rate. We will be publishing more figures about that, but this process does not end if they come off the Work Programme; they go into a much more intensive course of work to get them back into work. We do not leave them alone and forget about them. They continue to work at a much higher level of involvement than they would have done before they went on the Work Programme.

Q35 Sheila Gilmore: If that works, which we will not know until you publish your figures, does it not suggest that the Work Programme has failed these people?

Mr Duncan Smith: It has not. The figures show categorically that the Work Programme is getting more people into work than any programme that helped people get into work previously. The point is that it is a different kind of measurement. Remember, in the Work Programme people do not get paid unless, in terms of JSA people, they get them into work for six months. This is not just getting them across the threshold: for the Work

Programme, they have to work intensively to keep them in work, so there is a longer commitment on the Work Programme.

Mike might want to say a few words about this. The later cohorts are showing that there is a much greater number that are getting that sustained work. We are able, also, to understand which of the providers are actually good at what they do, and the next changes will be about making sure we maximise the good providers and minimise the work of the poorer providers. That is the process that the Work Programme was set up and designed to do. However, I have to tell you: in all the figures published, the Work Programme is frankly a remarkable success.

Bear in mind that we are dealing with older adults who have been out of work for a year before they go on to the programme, often suffering difficulties and problems over morale. They are doing a lot to get them back into work. Do you want to say anything about some of the figures?

Robert Devereux: To make a statement of the obvious, the Work Programme was not intended to get 100% of referrals back into work.

Mr Duncan Smith: Absolutely.

Robert Devereux: The figure the Secretary of State is quoting is the rate at which people on this programme have gone back into work relative to all previous programmes. Despite the fact that it has been operating in the teeth of a very difficult economic situation, it is significantly better. That is the positive statement about the Work Programme.

It was always going to be the case and has always been the case, since Adam was a boy, under all Governments, that people return from long-term programmes back to the Jobcentre, and the Jobcentre is now doing work with them and being very successful with some of them.

Q36 Sheila Gilmore: I suppose my question is why that intensive work is not done at the beginning, then?

Mr Duncan Smith: It is now. We have been running programmes to check how much we can deal with people who might benefit from an even more intensive regime before they go to the Work Programme. That process is going on right now. However, as I say, and the Permanent Secretary is right about this, the Work Programme itself was set up to deal with people who have simply not managed to get a job for a period of at least a year as adults, and this is a critical element. Mike, do you want to say anything about these figures? We need to get these figures very clearly on the record, if you do not mind.

Mike Driver: We had a discussion with the National Audit Office about their report, and they referred to people as “easy to help” and “hard to help”. We would argue that when a person is moving from provision provided by us in the Department to the Work Programme, they are all “hard to help”. It is an issue of relativity in actual fact.

We have seen, however, the number of sustainment payments, in particular, that we have been making has risen incredibly. We have made 2.83 million sustainment payments to 314,000 claimants this year, compared with 2.3 million for 274,000 up to March 2014. The number of people who have stayed in work for more than one and a half years has increased also.

What we are trying to do is make sure we have a proper referral to the Work Programme and that we have very active intervention between the Work Programme provider and that individual, because, to be honest, the financial incentive for the Work Programme provider is to find somebody a job and for that job to be sustained. That is how the financial model works most effectively.

On the point about the numbers of people who go on to the Work Programme, of course off-flow rates within Jobcentres are very high. At the 12-month point, more than 90% of people have flowed off the benefits, so we are dealing with a relatively small proportion of the population in the first place.

Q37 Chair: I think you will find that the point Sheila is making, though, is this: why is that intensive support that people are getting when they come off the Work Programme not going in at an earlier stage? I will give you an example from Aberdeen. The contract for the delivery of the community work placements has been won by an organisation called Foyer that are very expert in dealing with young homeless people, but has had a track record of employability success in getting hard-to-place people into work. They have got that contract after the two years. They had hoped to be a subcontractor to the original Work Programme, but that did not happen because we all know that a lot of the subcontractors that had hoped to be part of the Work Programme delivery did not get it. They have had to wait two years to get into work the same people who they might have been able to help two years earlier if only they had got their hands on them sooner.

Mr Duncan Smith: First of all, as I said earlier on, we have for a little while now wanted to look at whether or not it is feasible to identify people. One of things I wanted to do and we are doing now is running a programme to see whether or not you can identify—it is important to identify—people ahead of that one year who are less likely to be able to benefit from what the Jobcentre normally does, and of course these things are difficult to know.

Q38 Chair: That is why we keep suggesting a classification tool, Secretary of State.

Mr Duncan Smith: I do not disagree with you on this one.

Robert Devereux: It is hard to do.

Mr Duncan Smith: This is not easy to do. However, the Department is looking at taking at groups of people, now, who they think are less likely to be able to get work before the Work Programme, and then intensively working with them to see what difference that makes to their outcomes prior to departure. We will be able to understand better what

those figures look like, which should help us improve and re-shape, as I say, elements of the Work Programme. We are already engaged in that.

Chair: I did promise I would bring Glenda back.

Q39 Glenda Jackson: I wonder, Mr Devereux, if you could detail rather more what is constituting the “success” as far as the roll-out of Universal Credit in the North West is concerned. The Secretary of State referred to conversations with B&Q, saying that the existing system precluded them from developing people who wanted to work more than 16 hours. Presumably, the cap is still £23,000. An increase in the hours worked will not be lost. Let us take the example of a single mother, which is also the example the Secretary of State gave. What are the benefits to her as far as Universal Credit is concerned and also being able to increase the number of hours she works?

Robert Devereux: The cap is a concept that applies to people who are on out-of-work benefits, which are higher than they are for in-work, obviously. The benefit that the lone parent is seeing is that, at the moment, pound for pound that she earns beyond 16 hours, if she is on housing benefit she would be keeping tuppence. Under Universal Credit, she will be keeping 35p. The incentive to do a marginal hour’s work or a marginal hour’s worth of earnings is significantly higher. That is one point.

The second point—but potentially more important—is that, because being out of work enables you to work up to 16 hours—the definition of being out of work is whether you are working more or less than 16 hours—the current regime gives you a complete cliff edge in terms of the return you get from working. All your earnings up to 16 hours are taken off you, plus or minus some small disregard. Under Universal Credit, every pound you earn for any single hour is worth 35p to you. The big change that our staff are seeing in running Universal Credit is that it is possible to sit across from somebody who previously, under JSA, would not have been advised, in some sense, to take a low-number-of-hours job for a finite period of work and now are doing precisely that, finding they are better off, and then recycling back and doing more of the same.

If a piece of temporary work arrives, you are very confident in taking that work under Universal Credit when it would have been perfectly rational for you not to take it under jobseeker’s allowance.

Q40 Glenda Jackson: The example the Secretary of State gave was of someone who was working on 16 hours, and employers were questioning that and saying, “Give us the opportunity to give these people more hours and develop their skills and capabilities,” and your response was that that was working very well as far as the roll-out of Universal Credit was concerned in the North West. What I am trying to drill down into is this: what are the threats, as far as the example of a single mother is concerned? Can she be assured that if she works more hours, she and her children will not lose their home—that is the most obvious one—and all the other benefits that she is claiming at the moment?

Mr Duncan Smith: No. First of all, Ms Jackson, you said the benefit cap was £23,000; it is £26,000. The other point about the benefit cap is that, of course, if you are back in work, even if you are on working tax credits, you are exempt from the cap. First of all, you can put the cap on one side when we deal with work.

Glenda Jackson: B&Q are not paying £26,000.

Mr Duncan Smith: Can I finish one point? This is quite important, because this is a legitimate question. It is an important question. What is the difference? I hope you get a chance to look at this report we published. It does deal with some of this, but there is one element here that is a personal element. You talk about the incentives financially, but something I hope you would understand is right now, under the existing system, the problem is that that lone parent is at the Jobcentre, looking for work, and, if she gets a job, from that moment onwards the Jobcentre staff have no more engagement with her. In other words, they did their job; she is back in work; and they do not see her again until she falls out of work.

There is nobody to guide her through what happens next. When she is at, let's say, B&Q, or whatever the store is, at her 16 hours, they come to her and say, "We want this job to develop; it is a 20-hour job. Obviously, we would like you to take those extra hours." She looks at this and she is confused about whether or not she is marginally better off or whether it is worthwhile her doing that job in the financial sense.

Under Universal Credit, first of all, I hope and believe that financial calculation is much simpler. However, what will help it dramatically—this is the personal bit—is that now she can go back to her adviser at the Jobcentre, who will stay with her as she works through to full employment. They are her adviser. Instead, as under tax credits, of disappearing, she will be able to give them a call and say, "I have just been offered these extra hours; I cannot make head nor tail of whether this is going to help me. What do you think? What could I do?" The Jobcentre person, who is now her adviser, can say, "I will tell you what: this is what this is going to amount to. Pop on in if you want. We will have a chat about what we can do. If you do not want to do that, let's talk about doing some extra work somewhere else."

In other words, the adviser now is there for her to help her negotiate that process of part-time work to understand, as she moves forward to full-time work, how that works. That is the dynamic element, which is often not understood. Alone, that part of Universal Credit—I believe and we think we are seeing here—is having a dramatic effect, but, when you talk to the advisers, they love that relationship that they are able to continue with, which they cannot at the moment.

That one element alone, apart from the financial inducements, is dramatically effective and will be seen to be much more effective in helping that person negotiate their way through part-time work.

Chair: I am going to move on, because we do have other questions on Universal Credit. I am going back to Anne Marie. She has a couple of quick questions on the Youth Contract.

Q41 Anne Marie Morris: Perhaps we should start at a higher level on this question, in that with regard to youth we have a much improved youth unemployment situation, which is extremely good news. As a result of that, Secretary of State, you have talked about in the future providing more targeted support to the most disadvantaged groups. My question is both forward-looking and backward-looking. In terms of those disadvantaged groups, what are your thoughts at the current moment in terms of what you might do? Also, however, looking back—looking at, for example, the Youth Contract, which ended earlier this year—are there some learning experiences that will inform your decision when you look at the cost per job, the level of take-up, etc, from the Youth Contract and, perhaps, some of your other programmes?

Mr Duncan Smith: There are a number of elements there. Can I just deal with the Youth Contract point? What we learned from the financial incentive was that it was quite difficult earlier on to get companies to engage and to take that incentive proactively. It has dramatically improved in the last nine or 10 months, say, but over the preceding part of the programme it took a lot of work from Work Programme providers and also from Jobcentres to get them to engage over that.

That taught us an interesting lesson, which is that they—particularly small and medium-sized companies—do not want any of the bureaucracy that comes with that issue. There were concerns about getting them to engage about something that is not necessarily going to last forever, etc. What the Treasury have come up with is a replacement, which is this National Insurance point. This will help enormously. As I say, the figures are that it will be £500 a year cheaper to employ an under 21-year-old earning £12,000. It is abolishing National Insurance contributions for under 21-year-olds earning £813 or less a week. There is a way of doing this automatically, so they do not have to think about it, but they know the incentive is there. It lowers the cost of employing them, but they do not have to do anything proactively. That ultimately is a better way of doing it, and it is one that we came to an agreement with the Treasury about and the Treasury has decided to do that process.

On the youth side, you learn stuff as you do these programmes. Reviewing that and understanding that is critical. However, other areas of the Youth Contract have been incredibly successful. I come back to the work experience programme. There has been something like 238,000 starts and 196,000 of those were 18- to 24-year-olds, but I will not go into any more detail about that, because we have discussed the work experience programme.

There are then these other programmes that have been incredibly helpful. We are honing them all the time. The sector-based work academies do a whole amount of pre-employment training. Something like 130,000 start on that, and there has been something like 65,000 18- to 24-year-olds that have been involved in setting up and starting that process of looking to engage and setting their own businesses up. Those two are also part of the Youth Contract. We tend to think of it only as the financial inducement, but there is an awful lot of work that goes on in the Jobcentres, giving people

mentors, helping to support them as they start to make the decisions about what role to take. On the Youth Contract point, it has been a success.

Could we have improved it? The answer is absolutely yes. How are we going to do that? I think the National Insurance side of it is a much better way to do the financial inducements, and the changes and improvements to the work experience programme and the sector-based work academies. We have queues of people wanting to get into those programmes, I promise you. Our problem is being able to finance the expansion of that programme. Then there are things like community-based work programmes: getting people who have been a little bit more distanced from work to engage and work in the community, maybe in charity shops or elsewhere, and get that sense of getting up in the morning, going to work, and understanding what it is like to relate to other people in terms of responsibility. These things are important, and people benefit from that; we think it helps change their attitude towards work. Those things are all helpful, and are we improving them? The answer is: yes, we are.

We are doing a lot more work—and this is a really important point—on people who are undergoing problems through sickness, or depression and anxiety. One of the biggest rises in that group, under “sickness”, which is a matter that we are genuinely seriously looking at, has been the number of people who are out of work because they suffer from depression and/or anxiety. You were asking what we are looking to do; this is one of the areas that you have asked about, and this is the point: we know that anxiety and depression are treatable conditions, so we are doing work now to test the level to which it is feasible for people suffering from those two mental health conditions to improve with things like cognitive behavioural therapy, talking therapy, as it is loosely described, and others. Of all of the mental health conditions that force people to leave work, something like 60% are now either anxiety or depression, so we need to do much more proactively to help people get treatment.

We are engaged in very big discussions—and this is a Coalition point—with the Health Service to try to dramatically improve the quality of, first, the accessibility and, secondly, the treatment. My general view is that we could do a lot more, therefore, to help people much earlier on. If you remember, we started a programme about helping people who were in work at the time, the Health and Work Service, because we have never done anything like this before. What happens, in private sector companies particularly, is that people suffer a problem; their work suffers; they cease coming into work regularly, they go on to their statutory sick pay, and then at the end of it, the business says, “Okay, bye-bye.”

If you go to other countries, like Germany and others, they have a much more proactive process in trying to engage the worker at that point early on to find out what the problem is. Quite often, they are really quite minor problems. There may be family problems; maybe there is a family breakup going on, or a hiatus or something, that is something you can then deal with. They can be sent to some kind of health and support service, or treatment if they are suffering some kind of mental health condition, early on to stabilise them and keep them in that job. We are now trying to focus our attention on getting to

people much earlier, while they are at work, when they start to show indications of difficulty, and start them on getting that treatment.

There is more to be done here; I do believe so, but David Freud led that start on the programme with Dame Carol Black to try to create that programme around employed people with difficulties. We have more to do. We would like to push companies even further to do more, and we would like to support them to a greater degree, but that is learning as we go; that will improve things.

Chair: The original question was on youth unemployment.

Mr Duncan Smith: Sorry, I strayed across; my apologies. I think they are connected.

Chair: Mike had those questions. I am going to move on to him, and I will come back to Anne Marie, if she has got anything else on the youth side to add, but I think we need to move on as well. You have now answered most of the questions he was going to ask.

Mr Duncan Smith: My apologies.

Chair: He will come to that.

Q42 Mr Thornton: The one thing that has been a perennial problem, and incredibly difficult to solve for any Government that has ever been in power, is the difficulty of employment rates of people with disabilities. We are looking at a 27.9% gap; that is what I have got written here. There is a big gap between those people with disabilities and those people without, and that, of course, includes something that I have always been very interested in, which is people with mental health difficulties. What concerns me is this gap, which we obviously need to make greater efforts to address. Is it a matter of funding, or do we need to look at it in a radically different way? You have talked about people who lose their job through going through stress, and often, unfortunately, the job that they are in is what is giving them stress. You can have that, but for people who are not at work—either through physical or mental disabilities—we are not getting them into work. We cannot point the finger at any particular Government for this. This is an ongoing problem.

Mr Duncan Smith: It is an ongoing problem, but we have made some inroads into this. The rate of employment has improved, and bear in mind that the rate is a relative rate, so it is set against the fact that we do happen to have, at the same time, a booming marketplace in employment. We are now at record numbers of the overall amount of people in work. Increasing that rate against that dramatic increase overall, I think amounts to something of the order of 116,000 more people with disabilities being in work than were in work previously, so that is a good start.

Q43 Mr Thornton: Sorry to interrupt, but in a way, when you get really high employment—I have got about 1% unemployment in Eastleigh—it makes it more likely for someone with a disability to get employed, because the employer has got less choice. You have the real difficulty when there is more unemployment. You would expect the employment with people with disabilities to increase as the choice for employers drops.

Mr Duncan Smith: I think that some of this increase is down to some of the work that is going on.

Mr Thornton: Oh, yes. I am sure it is.

Mr Duncan Smith: There are a couple of things. Is that good enough? No; I am not here to tell you today that we think that the number of people with disabilities in work is in any way good enough. It is not good enough. The gap is still too high; it is something like a gap in employment of 33% between able-bodied people and people with disabilities, so that is not good enough, and we want to close that gap.

We are trying to do two things. The first, which I was explaining—and I will not touch on it again, Chairman; I promise—is about stopping people who are in work from crashing out of work, if we can deal with them early on. We are trying at the moment to get that right, and there is further work to be done, but that is an important area, and I know that in the Coalition, we have been talking about mental health issues dramatically. Your party has made proposals on it; by the way, I am completely in support of those proposals. I think they are excellent ideas, and I would love to do more of them with the mental health issues.

The second issue is: what is the problem, sitting here? About two years ago, I attended a mini discussion conference with a number of groups representing people with disabilities, and the point they kept making to me, which was really interesting, was that the problem is the understanding and attitude of business to what it takes to employ a person with disabilities. The moment they mention “disabilities”, they have this mental block that says, “This is going to cost me a lot of money. This is going to be very difficult, and the business is going to have to spend the whole time trying to support and assist this individual, but we are doing this because we want to help the disabled person.” They gave us some figures that were fascinating, which said that somebody with disabilities—quite on the contrary—is arguably more productive in a job than somebody who does not have disabilities. They are more likely to stay in that firm, and they are more likely to work longer hours and harder.

The first thing is that you can challenge businesses by saying to them, “No, excuse me a second: if you employ somebody like that who has a disability, the chances are that your business will benefit dramatically, not just because having somebody with disabilities is helpful in a social context to get people to understand what someone with disabilities has to go through and help and assist them, but, more importantly, even for the business, your bottom line benefits and your productivity rises.” We then set up the Disability Confident campaign; launched it a couple of years ago, and it has gone out regionally. That, I think, is beginning to have a real effect. We get a lot of businesses coming and saying, “I never realised any of this”, and that allows us then to work closely with them.

I want to do much more of that. I want to reinvigorate that campaign even more. I want to be able to almost personalise it down to companies; to have Jobcentre staff and others talk to companies directly, and to ask them specifically, “When you have these jobs, have you really thought about taking from those who we will send you who have disabilities, and, looking at them with these figures in mind, thought of employing them for what they can

give your company, not just out of any sense of goodwill?” You really will benefit if you see them exactly on a par with people who do not have disabilities.

Q44 Mr Thornton: So it is a cultural change.

Mr Duncan Smith: There is a big shift that needs to take place, and even now, after two years of the Disability Confident campaign, where we are getting to people, the answer is that there is still too much of a barrier, mentally, to people employing people with disabilities. We are trying to break that down.

Q45 Mr Thornton: There is obviously a problem with funding. I know all the facts about the deficit, etc, but is it likely that for every pound spent on employing someone with disabilities, we are liable to save the Treasury money? If so, is there a way of getting more funding into that up-front to do that?

Mr Duncan Smith: Certainly, I am always willing to look at ways in which we can fund much greater activity in this, and we are intending to do just that.

Q46 Mr Thornton: Have you got any plans at the moment you could tell us about?

Mr Duncan Smith: I would like to come forward with more proposals on that in due course, but at the moment, I am not in a position to be able to talk more about that, other than that we have already funded this programme, and plan to continue funding the Disability Confident programme as it continues to go around the regions.

Q47 Mr Thornton: Do you think that will save the Treasury money?

Mr Duncan Smith: Ultimately, that is my view. The more people we get with disabilities back into work, but more importantly, the more cohesive society is—which I think is a really important bit—we will save the Treasury money. The second bit is that it just benefits people, and this is really important. I have been in front of businesses, and I have said that the figures show that somebody who has disabilities is absolutely, at a minimum, going to be at an equal par with anybody who does not in terms of their productivity and their capability in that job.

Q48 Mr Thornton: I had a question about Remploy. What I understand is that the Department announced a commercial process to find an investor to take a significant stake in Remploy. Is there a particular commercial advantage to the Department for that, and can you tell us anything about the ongoing process that that is going into? Obviously, for Remploy, the more money they get, the more money they can invest in people and the better it is for everybody. Is this something that we will see happening?

Mr Duncan Smith: You are talking about Remploy Employment Services, aren't you?

Mr Thornton: Yes.

Mr Duncan Smith: First of all, the decisions we had to take on Remploy were not easy decisions, but we discussed this with many people from the disability lobby who said they thought it was time we moved on from the idea of these specialist factories to get people back into work.

Q49 Chair: We have done that before. The question is about what the advantages are of the commercialisation of Remploy Employment Services, and what the investor gets.

Mr Duncan Smith: What I was going to simply say was that other people listening to this will not realise that there is a separate service, and it is Employment Services, which has been successful and has done a good job of getting people with disabilities back into work. Do you want to say something about the process on this?

Robert Devereux: The thought process behind it is that, in order for this business to be sustainable, to grow, and to be better for the people it is both employing and serving, the partner—the commercial arrangement, as you call it—enables it to be on a more sustainable footing.

Q50 Mr Thornton: What would be the advantage to that commercial person? How are they going to make money on this?

Mr Duncan Smith: Much the same way as people make money from the Work Programme. They make money because they succeed in getting people into work, so the incentive is to get people into work—to do the necessary work to get them into work.

Q51 Mr Thornton: It is going to be based on that system?

Mr Duncan Smith: It will be a similar kind of idea. In other words, if people are incentivised by the end result and the end product, then the ultimate issue is whether they will be more likely to do even more to get them into work. It might be that that is the case. That is, by and large, the case that we have seen across the board.

Q52 Chair: But if it is going to be successful, why does it need a £30 million subsidy from the DWP?

Mr Duncan Smith: The services themselves have continually been supported by Government. This is a process that says, “You still keep this on an even keel as you take it through into the private sector.”

Q53 Chair: So the Government has given the money, but the private sector gets the profit?

Mr Duncan Smith: What we get is a greater activity level and a greater success level. That is worth investing in.

Q54 Mr Thornton: It is likely to reduce that subsidy?

Mr Duncan Smith: Over time.

Q55 Chair: I have got a technical question about off-payroll arrangements for DWP staff. As part of your Annual Report and Accounts process, all Government Departments are required to disclose how many staff are off-payroll; in other words, the people that have been contracted out and are not paying tax through PAYE. The other thing is that the Department is expected to seek assurances as to their tax obligations. Now, the DWP comes at the bottom of all the Departments. Your Annual Report shows that out of the 84 off-payroll staff, only 13 have given those assurances—just 15%—whereas the Ministry of Justice and the Foreign and Commonwealth Office have managed to get these assurances from 100% of their staff. Why is the DWP performing so badly, and why have you not finished those contracts if you have not got those assurances?

Mr Duncan Smith: I am going to ask Mike to come in on the details of this, because since the original figures were produced, there has been a big change.

Mike Driver: This is a question of timing. We will be able to pick this up in the mid-year review that we publish in December, but I can assure you that we now have 100% compliance. We originally had 84 cases, which, as you pointed out, is noted on page 160 of our accounts. Since the Annual Report and Accounts were published, we have pursued all of those cases. There were 32 cases where we were unable to confirm assurance from the information provided to us by the individuals themselves, and all of those cases have been referred to HMRC. We did not receive responses from 27 people, and all of those cases have obviously been passed over to HMRC. We received 11 assurances that we were satisfied with, and we have pursued those, and there was one case that we determined was out of scope. In terms of our processes, we are making sure that we speed those processes up, but we have—in the same way as the Foreign and Commonwealth Office and the MoJ, who you referred to—achieved 100% now.

Q56 Chair: So when you have referred them to HMRC, have you terminated those contracts, or are you leaving the HMRC to sort it out and see if they are compliant?

Mike Driver: No, these are cases where people have left the organisation. They were off-payroll arrangements, and we are not satisfied, or we have not got sufficient information to be able to deal with their tax liability. What we are talking about here is people, generally, with very specialist skills, who we recruit through a slightly different mechanism. The responsibility of the individual is for them to pay their tax or national insurance themselves, so where we can gain that assurance that they are doing that, that is an issue that we can take forward. In other cases, though, it is for HMRC, with that individual, to regularise that position.

Q57 Chair: Can you assure the Committee today that there is no one working for the Department for Work and Pensions on a contract about whom there is any doubt that they are paying the correct amount of tax?

Mike Driver: I think I can give you that assurance, yes.

Q58 Teresa Pearce: Mr Driver, could I just ask you a question? The National Audit Office are preparing a second report on Universal Credit. Have you been working with them on that?

Mike Driver: Yes.

Q59 Teresa Pearce: Do you know when it is likely to be published?

Mike Driver: Later this month.

Teresa Pearce: Later this month.

Mike Driver: And there is a Public Accounts Committee scheduled for, I think, 10 December.

Q60 Teresa Pearce: Thank you very much. The previous report they did was not agreed by the DWP. Do you think this one is likely to be agreed?

Mike Driver: No, our last report on Universal Credit was agreed. I think the report you might be referring to was a report on the Work Programme.

Q61 Teresa Pearce: Oh, right, okay. Obviously, they are not going to produce that report in a silo; they are working with you on it.

Mike Driver: Our aim as a Department is to agree the reports, in actual fact, so we have a sign-off process.

Q62 Teresa Pearce: So you do not think there will be any issue with this one?

Mike Driver: We are still working through some details. The way in which the sign-off process works is that, initially, the National Audit Office seek my agreement as the Finance Director General that I am comfortable with the report, in terms of its accuracy of numbers and the like, and then they will seek the assurance of the Permanent Secretary, who will finally agree it.

Robert Devereux: Just to be clear, we do not agree the report. It is the Comptroller and Auditor General's report. My obligation is to agree the facts in it, so we are not squabbling in front of the PAC about whether a six is a five. The opinions in the report are the

Comptroller and Auditor General's, and we do not always agree with the opinions, but the agreement process is just to make sure that we are not arguing about facts.

Q63 Teresa Pearce: Could I ask you another question, Mr Driver? In the DWP accounts, on page 104, there is a figure that is “Other programme expenses”, which has doubled. I think it is £40 million, as opposed to £20 million the year before. What would be in that figure? It is at the bottom. Do you see it?

Mike Driver: Yes, I do see it. I am not sure, off the top of my head, what that figure is, but I can send you a note to confirm what that is.

Q64 Teresa Pearce: Is it likely to be further Universal Credit costs?

Mike Driver: No.

Q65 Teresa Pearce: It would not be the grant given to local authorities to help with the delay that they have incurred.

Mike Driver: No.

Teresa Pearce: Okay. Could you let me have that? It is quite a big number, and it has doubled.

Mike Driver: If I check my notes, I may be able to find it for you today.

Robert Devereux: Just to be very clear, this table is about the totality of the programme costs to the Department.

Teresa Pearce: But it has doubled, so I just wondered what it was.

Robert Devereux: It has doubled, and the number, in particular, is a tiny, tiny percentage.

Teresa Pearce: It is still £40 million.

Mike Driver: Yes, but it is £40 million out of £167 billion.

Teresa Pearce: Sorry; it is just that the accountant in me always looks at—

Mike Driver: I am very happy to give you a note on that.

Mr Duncan Smith: I do not think this is specifically UC, though.

Q66 Teresa Pearce: I just wanted to be sure of that, because it is the sort of thing that people might well ask. I would also just like to ask about the latest planning assumptions for the number of UC claimants. I do not know who would like to answer—the Minister, I suppose. These assumptions are limited to being 100,000 in May 2015, 500,000 in May 2016,

and 7.7 million by the time it is fully rolled out. You are also reported as saying that there is no longer a concrete date for the end date for the full introduction. Do you have stages envisaged? Clearly, you do not have an end date, but do you have any idea of when we will get towards that figure?

Mr Duncan Smith: Yes. You mentioned a concrete date; we do envisage Universal Credit being complete by the end of 2018.

Q67 Teresa Pearce: Fully rolled-out?

Mr Duncan Smith: Yes, that is our plan. That is where we are. Maybe it is the phrase “concrete date”; my point is that what we have done in the process of Universal Credit—which both I and the MPA [Major Projects Authority] think is the right way to do it, and doing it in the North West through a test and learn demonstrates this to us as well—is to, as we roll it out, divide it into those three areas: singles, then couples, and then families. That then creates the overall process of Universal Credit, and in the North West, this should be completed by the end of this year. What we are simply saying is that we are committed to rolling it out from approximately February of next year, and we start with singles. The plan is that you go to singles, and, almost exactly as we have done in the North West, go to couples, and, eventually, families.

In the meantime, working closely with it is the development of the end state digital process, which, of itself, delivers increased benefits, both to recipients and also to the Department. It improves quality, running costs, and all the rest of it. That development will use a reasonably significant amount of IT work, but also, the work we are doing through the test and then roll-out of the live service gives us phenomenal understanding of what we need to do to make sure that the digital service, when it ultimately comes in, completes that process properly. There is what I think the MPA referred to as a de-risking of the whole process, and an improvement of the quality of the delivery, by doing it in that way.

Q68 Teresa Pearce: One of the things we have always said on this Committee is that we want it right, rather than fast.

Mr Duncan Smith: Absolutely right.

Teresa Pearce: But, given that there has been a delay in the roll-out, what has been the impact on the projected savings, and have the costs increased because it is taking longer to roll out? Can you just give me some idea of the changes to savings and costs?

Mr Duncan Smith: I will give you a heads-up. In fact, the delivery costs have no increase. The delivery cost, on the contrary, is projected now to be below the original projection of £2.4 billion; they are now projected to be around £1.8 billion. Up to March, we had spent about £652 million, and that was very much in keeping with what we expected.

Q69 Teresa Pearce: When you say £1.8 billion, would that be the capitalised costs, or would that include write-offs?

Robert Devereux: The £1.8 billion is what you might call the one-off investments. If I train my staff to do this, it is a one-off cost.

Teresa Pearce: It is one-off costs. Okay.

Mike Driver: Capitalised costs until the end of 2013-14 were £202 million.

Q70 Teresa Pearce: So that is the cost, but what about the impact on the savings? Obviously, this was something that was meant to save money, as well as cost money.

Mr Duncan Smith: Yes, but they are not in that figure. They are separate to that, and we still agree with the NAO.

Q71 Teresa Pearce: So has the delay had an impact on the projected savings? Have the projected savings changed because of the delay?

Mr Duncan Smith: No. What we have now is a process that allows us to investigate those, and figure out whether or not they are even better. So, for example, the work going on in the North West—and I touched on this earlier—investigating how fast people are coming off benefit and how long they stay in work, is beginning to indicate to us that there are even early savings to the Exchequer, on the basis that people are on benefits for a lesser time and on full benefits for a lesser time. Those processes are happening at the moment, and we will be reporting back on those to give you some indication, but the overall savings that the NAO projected as overall savings have been agreed with us, and that is very much where we believe we are.

Q72 Teresa Pearce: I look forward to their next report. Minister, you have talked about the increased use of IT and how it is going to be more efficient, but there have been reports that some of the more complex Universal Credit claims have had to be dealt with manually, rather than through the existing IT systems. Is that true?

Mr Duncan Smith: The whole process of the roll-out is that we started with singles in the key pathfinder areas. We have always said that once somebody's circumstances changed, we kept them in. The IT changes that allowed us to do couples then came in; if somebody, for example, as I said, originally a single but became a couple but stayed on Universal Credit, with the arrival of IT, they would be swept up within that. But, up until that point, the Department would have kept them in by what you describe as manual processes.

Q73 Teresa Pearce: So you are saying that there may be somebody who is a very simple case, who then gets married, or has children—

Mr Duncan Smith: Has life changes.

Teresa Pearce: They have a very eventful year, and at that point, they may have had to have been processed manually, but now the IT has caught up. Is that what you are saying?

Mr Duncan Smith: We have been rolling out singles around the North West, and now we are rolling out the singles and couples. Later in the autumn, we will start the process of rolling out and retrofitting families as well, so we will complete the process. Everybody that is on the system then, who is in those kinds of categories, will be dealt with within the IT system.

Q74 Teresa Pearce: So if somebody starts off simple and becomes complex, there would be times then that they would have to be dealt with manually, but as the IT catches up, that will not be the case. Do we know how many people that would be? Do we have a figure for the number of people?

Robert Devereux: It might be worth explaining that no system that the Department runs is 100% computerised, or 100% manual. What you are doing here is saying that we started with singles, as the Secretary of State said, but if one of them became a couple and had a child, we would have had to have done it in a manual system to start with. We have subsequently rolled out software that does do couples, for the most part, and families, for the most part, but for the peculiar nooks and crannies that individual circumstances can get into, we have deliberately not tried to code every permutation as we go along. We are basically trying to make sure that it can be safely delivered within the costs that we have got in a sensible fashion, and it would not be sensible to code every possible permutation right at the start, when you are still learning a great deal about how it operates.

Q75 Chair: So, out of the 17,000 claimants, how many are in that situation? That, certainly, was what we found last week at Hammersmith Jobcentre. The adviser was proudly showing us their first UC family, but the computer had only managed to deal with the man when he was single, before all the other bits came in.

Mr Duncan Smith: Chair, to explain this, the point was that we deliberately set out to make sure that the IT landed correctly, so that you develop it on those three bases. You develop the first one so it deals with all of the single cases, and then you retrofit the couples.

Q76 Chair: We understand that; how many are in that situation?

Mr Duncan Smith: I have not got a figure for you, but I am sure we can get one for the Committee.

Robert Devereux: There is another point about this. The question is not capable of a very simple black-and-white answer. For example, for this individual who has now become a couple, in your hypothetical example, we will be getting that couple's earnings automatically from the Inland Revenue. It will be automatically going into this to pay it. What will be happening differently is that we will have to do some things in the

conditionality regime; the work part of it, potentially. So there are different elements of the system, some of which will be computerised all the way through and some of which will not be. We are working on a set of major releases, and in between that, minor releases that continually improve it.

Mr Duncan Smith: Can I also make the point, Chair—this is quite important—that when we last talked about this, I realised that the media had some idea that this is a paper process: all of a sudden, you go down to paper transfers. That is not the case. The system itself is automated at the moment, in many respects, so it is just utilising the existing system in areas where you need to, until the Universal Credit system then sweeps that all up. That is what the changes are all about.

Q77 Chair: I think the concern that we have is that those that have an element of manual processing are easy to manage when you have 17,000, but 7.7 million is a different thing.

Robert Devereux: The substantial increase that is going to happen in the next year, which the Secretary of State has announced, has had a proper, rigorous review within the Department, and a proper, rigorous review by the Major Projects Authority, and their conclusions are that this is good to go.

Mr Duncan Smith: And, by the way, value for money, which is the important point.

Q78 Sheila Gilmore: Three of us, I think, were at Hammersmith last week. We were certainly impressed by advisers who had more time to spend with people, who had a long time to spend with people, and who could get them back in and give them really quite detailed advice. Is that really scalable, given that previous reports have suggested that Jobcentre staff, for instance, had barely five minutes, or even less? What is going to make that suddenly possible? Because what is possible in a pilot is not always possible when it is scaled up to millions of people.

Mr Duncan Smith: There are two or three things, and the Permanent Secretary can come in on any of the specifics about labour force, but the point I have tried to make about Universal Credit is that we are almost fixated on IT.

Sheila Gilmore: That was not an IT question.

Mr Duncan Smith: No, but that is why I am answering it in this way. I think you are right to ask this question. I am not by any means criticising the question; I am simply saying that the problem for everybody is that they get fixated on the IT changes. The truth is that Universal Credit is a cultural change, both for the person in receipt of benefit and, as importantly, for the adviser. I made the point earlier on that the adviser now is in a much stronger position to understand an individual by selecting how long they spend with that individual, relevant to the nature of their concern about the individual's capability to take work. They will get much more flexibility than exists in the existing system right now.

Q79 Sheila Gilmore: But there are only so many working hours in the day.

Mr Duncan Smith: There are.

Sheila Gilmore: And only so many staff. Every report about how you help people get back into work says you have to spend a lot of time on it, and we have had NAO reports, Select Committee reports, and academic reports that all, really, say the same thing. How do you achieve that?

Mr Duncan Smith: I am going to ask the Permanent Secretary to come in on some of the practicalities. It is an important point to recognise that elements of Universal Credit, the non-IT stuff, is already nationwide. We are not dealing with pilots all the time; we are dealing with the responses, and there have been key areas that have had a big difference in allowing the advisers to change the amount of time they spend with people and to apportion their day much better. Obviously, the IT systems help them enormously in planning their day through the improved diary systems that they have, but, secondly, and really importantly, take, for example, the claimant commitment. The claimant commitment is now nationwide, and what we are discovering is that, right at the start, the claimant commitment gives the adviser a much greater and clearer view about the needs of the individual sitting in front of them. Why? Because together, they sat down and wrote what the needs were of that individual; how they were going to work; and what the things were that the adviser felt they had to do.

That allows them, then, to apportion their time far better. Under the previous system, they came in, they made their claim, and the adviser then passed them over to the diary manager, set a date for them to come in, and they were expected to come in every two weeks and spend 10 minutes with them. That was it. We are giving greater flexibility to say, "There are plenty of people out there who you do not need to see, who are motivated, and who will do everything they need to do. You only need occasionally to check in with them. There are others who you need to see regularly, because you know they have a problem about doing what they are meant to be doing, and that they should be doing more, or they could be looking for different types of jobs." That level of flexibility allows them to plan their time. Under the old system, it would not be possible—I agree with you—but Universal Credit has flexibility at its heart, and trusting the advisers to be able to make their judgment about what amount of time is spent with an individual and apportion their day around the ones who really need that support and help. Others that do not do not need to be coming into the Jobcentres as often.

Q80 Sheila Gilmore: So we should be able to see that in any Jobcentre now, then? What I saw at Hammersmith, I should be able to see in Edinburgh, when I visit Edinburgh next time?

Robert Devereux: Could I just add two things to what the Secretary of State has said? There are only a finite number of hours in the day, precisely, so two things are going on now: one nationwide, one in Universal Credit. Nationwide, because we have now rolled out Universal Jobmatch, it is perfectly possible for some of the advisers to determine whether or not enough job-searching has been done without having to spend a lot of time with the individual. You can see this stuff yourself, with their permission. Secondly, the

critical thing about Universal Credit is that we are no longer wasting time in those valuable advice sessions working out whether that job at B&Q is worth you taking. We do not have to all that ready-reckoner business about “How much would it be? Is it worth my taking it?” now.

Q81 Sheila Gilmore: But that is only the 14,000 people. Either this is happening countrywide, or it is not.

Robert Devereux: It was a question about Universal Credit, so it is true of all Universal Credit people.

Sheila Gilmore: It was a question about Universal Credit, but what I was hearing was that it is scalable because a lot of it is already happening. My question was, when I go to my local Jobcentre—and I have got an appointment—will I be seeing the same kind of arrangements with advisers? The advisers like it; they felt they got more reward out of it. The number of people who have that B&Q example at the moment, if it is Universal Credit that does that, is very small. I am really wondering how you have created this time for advisers, apparently up and down the country, whether they are on Universal Credit or not.

Robert Devereux: Sorry, but I thought that the line of questioning was whether you could scale Universal Credit, because you have been to Hammersmith and it seems like they spend a lot of time with the claimants.

Sheila Gilmore: Yes.

Robert Devereux: So, in respect of rolling out Universal Credit, the answer to that question is “Yes.”

Q82 Sheila Gilmore: That is fine, but the Secretary of State suggested that a lot of it was already happening anyway through the claimant commitment.

Robert Devereux: We are both right, happily. There is already stuff that is already happening, consequent from a) the claimant commitment and b) Universal Jobmatch. They are, indeed, nationwide at the moment. You should not underestimate the extent to which, in Hammersmith, people are saving time by not having to go through the question, “Is the job worth taking?” When I spoke to precisely the people that you have spoken to, I took my colleague, the Cabinet Secretary, down there; I explained to him about the tapers and all this work allowance stuff that the Secretary of State mentioned earlier on. When the staff came in to talk to him, they did not mention it at all. He is a bright chap, and he said, “Why did your advisers not mention to me all this stuff about tapers, and all the rest of it?” They said, “We do not have to talk about it anymore. We used to have to talk about it in the old system, because the old system does not work and we used to take individuals through it. In the new system, all I have got to say is, ‘Here is a job. If you take it, you are better off’, and we can focus on getting them the job.” That saves time. It makes the front-line staff significantly more productive, and therefore you can expect to see people putting more time in.

Mr Duncan Smith: In answer to the second part of your question, which is a legitimate one—“What, outside of Universal Credit, is doing this?”—we mentioned the two elements that have already begun to save time for advisers, which are Universal Jobmatch and the claimant commitment. But we have also—and we have been doing this progressively more and more—been getting more and more Jobcentres to have that flexibility to set their timings around them. We have run a series of pilot studies to look at how you do that, and the idea is that progressively, you roll that capability out. As you roll Universal Credit out, the advisers themselves are already clear in their understanding about how they manage their time better, but the difficulty is, under the existing system, managing your time is more complex than it will be under Universal Credit. That is the beauty of Universal Credit as it rolls out. The answer to your question is, “Yes”; it is wholly feasible for that to be scaled up as exactly what will help improve the productivity of advisers in the Jobcentres.

Q83 Debbie Abrahams: We are short of time, Secretary of State, so if you could keep your responses short and pithy, I would be very grateful. Your Annual Report states that 2.8 million people left JSA in 2013-14. Could you, first of all, confirm how many people on JSA were sanctioned last year, and at what rate per month that was?

Mr Duncan Smith: First of all, I have already written to you, by the way, to be very pithy.

Debbie Abrahams: Yes, at 9.29 this morning.

Mr Duncan Smith: You ask me to be pithy, and then you interrupt me. Just let me answer the question, if you do not mind. You asked me a specific question; I have written about your question at orals last week.

Debbie Abrahams: Could you just answer that question I have just asked? How many people were sanctioned last year?

Mr Duncan Smith: I am going to answer the question, and I am going to give you some figures, but I want to say that the figures you gave us at orals were not correct. Let me now deal with the figures. The monthly sanction rate is between 4% and 6%. The monthly average is that 66,800 people are sanctioned, out of a caseload that goes through the Jobcentres of 1.27 million. Across the year from March 2013 to April 2014, 12% of adverse decisions were overturned at reconsideration. 3% of adverse decisions were then sent for appeal, 28,100 out of 1.06 million adverse decisions—that is what that amounts to—and around 0.6% of adverse decisions were overturned at appeal, which amounts to 6,200 out of the 28,100 sent for appeal. The figure you gave previously of 4.5 million sanctions under the “new regime”, as you called it, appears to date back to 2006. Since we brought in the new structure in 2012, 1.28 million have been sanctioned under this system, not 4.5 million.

Q84 Debbie Abrahams: Thank you for that, Minister. We will obviously have to share the data that we each have. Both sets seem to be from DWP, so it is a little bit

concerning that there seem to be two sets. How many of those that left JSA—as I say, your Annual Report says 2.8 million people left JSA—did so after they were sanctioned?

Mr Duncan Smith: I do not have the figure for the numbers that were sanctioned, I do not think. What I will say to you about the sanctioning system, quite clearly, is that the sanctioning system is working in getting more people to take the jobs. If you have to sanction somebody, it is because they are clearly not prepared to do that level of work, and so those people themselves are sanctioned, as per the figures that I gave you.

Q85 Debbie Abrahams: I think you are just making conclusions there that you cannot make. You do not have the figure for those that left JSA as a result of being sanctioned. How many of those that leave JSA after being sanctioned do so for reasons other than employment? You have made a number of statements during this session—

Mr Duncan Smith: Sorry, “other than employment”? What do you mean by that?

Debbie Abrahams: Who are not going into employment.

Mr Duncan Smith: If they are being sanctioned, it is because they have not gone into employment.

Q86 Debbie Abrahams: They leave JSA. You have made the claims that people are leaving JSA to go into employment. How you can say that is the case?

Mr Duncan Smith: Sorry?

Robert Devereux: I do not think the Secretary of State has said that. The Secretary of State has said that people are leaving JSA and going into employment. Employment is at record levels, and JSA is at record low levels, recently.

Mr Duncan Smith: The claimant count is falling, and so is unemployment.

Robert Devereux: That plainly does not mean that everybody who leaves JSA is going into work. They can be leaving for a variety of reasons.

Mr Duncan Smith: I do not quite understand the point of the question.

Q87 Debbie Abrahams: The question is that, earlier on this morning, you said that the sanction regime is to make the right decisions to do the right thing—to help people to do the right thing.

Mr Duncan Smith: I thought that was the principle accepted by the Labour Party, too.

Debbie Abrahams: But you have not got any evidence to support that sanctions are making people move into work, have you, Minister?

Mr Duncan Smith: I do. It is not just me that thinks this, by the way; the Bank of England also wrote that they believe the work that we are doing, including the sanctions system,

has had a massive bearing—a big and important bearing—on people taking the decision to move into work. The point about sanctions is that they should not be imposed unless absolutely, vitally necessary. In other words, the sanction position works when people move off JSA and take a decision to take work if they otherwise would not have done. I do not understand, and I must be quite frank with you, what you are driving at: are you saying that the sanctions system does not work, or are you saying that it works? I do not understand what you are asking.

Debbie Abrahams: I think we will probably find the evidence in the inquiry that we are intending to hold next year on that.

Chair: I was about to say that, so I think that some of this—unless you have got another question.

Q88 Debbie Abrahams: I do have, if I could, Chair. It is in relation to UC, and this is why I wanted to ask it at this point: could you confirm that there is still the intention to introduce in-work conditionality as part of UC? If so, what sanctions could be applied, and under what circumstances, to the 3.5 million people in work but on low pay and in receipt of working tax credits?

Mr Duncan Smith: I am going to answer this question, but I would also say, just in passing, because this is part of the previous question, we had a review, the Oakley review, and I want to quote something back, it is very simple. The Oakley review said, “Benefit sanctions provide a vital backdrop in the social security system for jobseekers ... This is a key element of the mutual obligation that underpins both the effectiveness and fairness of the social security system.” I simply do not accept the tenor of your previous question. I am not even certain whether your front bench accepts that, but let me also come back to the second question. Under Universal Credit I have always made it clear that what Universal Credit allows is the advisers therefore to stay with the person as they move into work, to help them get through the hours, as and when they can, and that also is being investigated to whether we can now work to in-work sanction. In other words, conditionality, so that people get the opportunity to move up the hours if they can, and if they do not wish to do that, we will see whether or not that process of conditionality works, and we are trialling that.

Q89 Debbie Abrahams: It is a worry, Minister, though, is it not, as I am sure you would agree, that with the levels of sanctioning we are seeing—hundreds of thousands of people who can have their benefits stopped for a minimum of four weeks—approximately a quarter from the initial research that I have seen are just disappearing? They are leaving, and we do not know if they are getting into work. That is an absolute indictment on this Government’s policy, and it is a little bit worrying if we are trying to tout it internationally as a real success story.

Mr Duncan Smith: Can I just say I do not agree with any of that? That is not a surprise to you. I believe the sanctions regime as applied is fair. You will always get the odd case—

Q90 Debbie Abrahams: People have died after being sanctioned, Minister.

Mr Duncan Smith: No, I do not agree with that. Let me finish. I think the reality is that the sanctions regime as part of this system—we give a huge amount of help and support to all of those who are in the Jobcentres. Jobcentre staff do not set out to sanction somebody just off the top of their head; they have to have pretty strong evidence, and a belief that that individual is not co-operating, for various reasons. If they believe that the reasons are that they should not be on JSA, and that they should be applying for Employment Support Allowance, they give them support and help to do that, but, at the same time, this is a contract, really, with taxpayers. We pay people benefits to help them, but there is also an expectation with jobseekers—and there has been for a while, and through the last Labour Government—that they have a responsibility to seek work, to take work where it is available. I come back in conclusion, in my response to you, Ms Abrahams, that the reality is, and as I said, the monthly average is 66,000 people out of a caseload of 1.27 million people going through the system.

Debbie Abrahams: I will share my DWP figures and you can share yours.

Mr Duncan Smith: I do not think that is excessive, and I think your position on this is short of almost being ludicrous—that you think that that whole idea of sanction is wrong and it should not exist. I have to tell you, I believe that if we did not have conditionality there to help people focus on what they are doing we would not have got the kind of numbers of people we have re-entering the workforce. When I just take social housing: the numbers of people unemployed now in social housing has fallen to record levels, so they get record levels of support and they get the conditionality. I honestly think you are quite wrong in your assertions about the conditionality regime.

Q91 Chair: Let us be clear: the Committee has agreed in principle to hold an inquiry into sanctions, and we will be agreeing our terms of reference, which will be published later this week.

Mr Duncan Smith: I hope, Chairman, you will consider at the same time the Oakley review during the course of that.

Q92 Chair: Indeed, it will be part of that, but obviously we are hoping to go beyond the Oakley review as it had some limitations. I have to say that I encourage all the Members on the Committee not to necessarily parrot what the front bench is saying; I think that is the point of the scrutiny that is part of this Committee.

Mr Duncan Smith: Fine by me.

Chair: I have got a couple of very quick questions on PIP that I am going to get Teresa to ask, but we had lots and lots more questions obviously, Secretary of State, but we will ask the ones on PIP.

Q93 Teresa Pearce: As a constituency MP I have had lots of queries about PIP and the delays. There was a 26-week target for PIP assessments, which was meant to have been achieved by the autumn. I wondered if it has been achieved yet, and there was a further 16-week target to be implemented by Christmas.

Mr Duncan Smith: It is very difficult. I understand what you are saying; you are asking—

Teresa Pearce: There have been delays with PIP assessments; are those delays being tackled?

Mr Duncan Smith: Are we on track? I believe we are on track. We are reducing the backlog. We did say in the autumn we would hope to pass through the mark of 26, but my real target is absolutely by the end of the year to have achieved that 16-week process, so there should be nobody waiting over 16 weeks to get their assessment. On a daily basis, we are sitting on this one.

Teresa Pearce: I keep writing to you.

Mr Duncan Smith: I know, and I would be very happy to even show you, but what is happening—this is quite important—is that there has been a dramatic improvement in contractor performance, both in the numbers of health advisers they are now employing, health professionals, and in their productivity of getting people through properly and the right time seeing them. This has been a big process in driving that down, so it is an improving picture, I promise.

Q94 Teresa Pearce: The target is only for the time it takes to do the assessment, and the Minister for Disabled People was unable to tell us if there is a target from the claim to the actual payment.

Robert Devereux: The target is from the claimant's return of their Part 2 form. That being in the claimant's gift we cannot time it from—

Teresa Pearce: When the claim is received by the Department; from when all the paperwork is sent back by the individual.

Robert Devereux: Yes, that is the target the Secretary of State has set. When all the paperwork is back that is when we start the clock and that is—

Q95 Teresa Pearce: Is not the target you are looking at from that point to when the assessment is carried out, rather than when the payment is made?

Robert Devereux: No, we are talking the full—

Teresa Pearce: Oh, right, okay. That is fine.

Mr Duncan Smith: We are also driving improvements. There is a bit of that that is the responsibility of the Department; the other bit is the responsibility of the providers. The

back-end bit is the responsibility of the Department, processing that health assessment, and that is improving dramatically as well.

Q96 Teresa Pearce: We found it hard to find meaningful figures for the waiting times and clearance times in the official PIP statistics. Could they be made clearer? Is that possible?

Mr Duncan Smith: I am sure they could be, if they are not. We will have a look at that. I think we will take a note.

Teresa Pearce: It is just difficult to see.

Mr Duncan Smith: I will take a note to come back to you on that one.

Q97 Chair: To be clear, you said the 16-week was for the whole process. We understand that the 16-week is not for the whole process. I think you have just set yourself almost an impossible timetable.

Mr Duncan Smith: Let me be clear about that: it is not for the whole process. There are two elements to it.

Robert Devereux: It is from receipt of the paperwork to having had your assessment.

Mr Duncan Smith: To complete the assessment. My commitment to the end of the year is to get that bit down to 16 weeks.

Teresa Pearce: That is the bit that the provider is responsible for?

Mr Duncan Smith: Yes.

Q98 Teresa Pearce: Is there a commitment from the Department for what you are responsible for to be quite quick?

Mr Duncan Smith: Yes, which is the point that I made to you. The key bit was to get the assessment functioning properly, much more efficiently, and on time. The second bit, which I have then referred to, is to drive the element the Department does, so that you eventually pass that point, you then drive all of that down to a much lower level, and we complete that process. That is in track at the moment, but that will come early in the new year.

Q99 Nigel Mills: I was going to ask what your assessment is of the performance of DLA in those groups that still have to claim it; I have seen some reports of some delays in processing claims, or reassessment of young people in that situation. Is that something you are going to need work on? I think Mr Harper said on Monday he was having a look at it.

Robert Devereux: There have been some delays in processing DLA for younger children, a process that my Chief Operating Officer is in the process of sorting out as we speak. We are aware that there is an issue there and he has been acting on it, and making a big change to it.

Q100 Nigel Mills: The kind of changes that we have seen to PIP—are they going to be the same sort of standards applied to people who are left in DLA as well?

Robert Devereux: Remember that what PIP introduces is the third-party assessment, which simply does not exist in DLA, so the story about—

Chair: It does; it is not all paper assessments in DLA. There is a small proportion, but Atos have got the contract for that.

Robert Devereux: Yes, but for the most part in this assessment this is an internal, official process, so we have been tackling things in the PIP area, making sure they have enough people to do very high proportions of cases; Atos is doing a low proportion of the DLA ones. It is basically still the old benefit, and it is basically within our gift to get it right, and that is what we are trying to do.

Mr Duncan Smith: It is in the Department; that is what the Permanent Secretary is saying. The other one we have an outside body, which we are involved with driving their performance up; this is about driving performance and improvements within the Department and the way they are delivered. Remember DLA is hugely paper-based process, and it is quite cumbersome in many senses. Any changes that are made within the PIP process that can be applied to DLA absolutely will be applied to DLA from the Department's end, which is that latter bit that I was referring to about the Department's capabilities.

Q101 Chair: We have not yet had the Government response to our inquiry into WCA and ESA, but I understand it is going to come out as a Command Paper. Have you got a timetable for that?

Mr Duncan Smith: I have not at the moment; these are matters that are trying to get through the Coalition. I can say little more than that, but we are quite keen to get this out.

Chair: We hope that the Command Paper might have made a change.

Mr Duncan Smith: I am trying to drive these through as fast as I can; I guarantee that.

Q102 Sheila Gilmore: You promised separate statistics on reconsideration decisions on ESA, because at the moment reconsiderations are lumped back into first decisions. If you are going to judge your new contract it would be important to know what the reconsideration statistics were. Are we anywhere near getting those published?

Mr Duncan Smith: Can I come back to you on that? I can provide you with a set of figures, but I do not have those to hand at the moment.

Q103 Sheila Gilmore: I will leave that question on the table then. I have got a second question, which is separate, and I will look forward to getting that response. The OBR's welfare trends report shows that projections for spending on incapacity benefits taken as a package—mostly now ESA; a few stragglers who are not—are considerably more, about £3 billion more, than they had anticipated previously. The total numbers of people claiming are down, but not down nearly so much as the number of people who have been found fit for work over the terms of the process. There are two issues there: the numbers have not fallen as much as one might expect, and the spend is expected to go up. How many people end up reclaiming ESA, and do you have statistics for that? In other words, people who may have been found fit for work, but who after a period, either their health deteriorates or they still have not found work, and reclaim ESA? Do you know what those figures are?

Mr Duncan Smith: There are a lot of figures involved in this, and the OBR trends report does not necessarily mean that it ends up being exactly as they project. We are in the middle of discussions in the run-up to the Autumn Statement, where we get down to much tighter detail over our projections and our modelling on that. In the Autumn Statement there will be a much clearer position given, and my simple principle is that there have been a number of changes; you are in fact right about that, Ms Gilmore.

The point I would simply make to you though, that the stats that we have show that something in the order of 1.4 million people started the reassessment. The next stats we believe will show that there has been an increase—about 1.5 million by April 2014—but the IB caseload above was forecast originally at 1.6 million, so some 730,000 more people are preparing or looking for work as a result, and 150,000 fewer people are on incapacity benefit since 2010.

The point I would make on the overall percentage figures, which are quite useful, which is at pre-recession and post-recession, so the latest figures show that the inactivity rate is now lower than it was before the recession, and that the numbers of economically inactive 16-64s have fallen since the election by some 471,000. There are lots of variables in all of this, and all I say is if we look at ESA, we know that the structure and the design of the system is not the way that I would design this process if we started from scratch. We learned a lot in the process of implementing this, so there are elements to this that we need to improve and change, and that will be something we want to bring forward.

Q104 Sheila Gilmore: You did not answer my question on reclaims, so perhaps your Department would be able to come back on that. Obviously we have not had time to go into ESA in great detail. We do have a new contractor; we would like to know in due course whether this contract is costing more, what changes have been made in the contract, and I think it would be useful if we could have a session relatively soon on this. We were also promised that the new contractor would be running in tandem with Atos in the period between now and March. These are all quite detailed questions; we do not have time for them

this morning, but I think a session where we could do that before the new contractor is in full operation would be helpful.

Mr Duncan Smith: We are happy to look at that. The point I would make is that the originally projected spend, against where we were in 2010—and I think this is right—is £1 billion less now on incapacity benefits in total against 2009-10.

Q105 Sheila Gilmore: That is why your statement about housing benefit, I have to say, does not appear to be correct.

Mr Duncan Smith: I am very happy if you want to engage us about the figures; I am very happy to engage you on those figure, but the figure I am giving you is a factual figure. The only point I would make about ESA is that, yes, you are right, we have now engaged a new contractor. I believe that contractor, having a lot of deep roots in the health market, will do a very good job. It is a better contract than was originally set with Atos, which I think was one of the problems of the process previously.

I have also undertaken a number of things: we have a much tighter control now over contract performance; day to day, week to week the Department have specific individuals whose job is to sit with the contractor and figure out what they are achieving against what they were expected to achieve, and what improvements are necessary. The final bit is—I have mentioned this before, but I say it again—I took the decision that we ourselves would internally employ health professionals, so that we can help with that transition to make sure that there is no slowdown during the transition. Also it will allow the Department internally to be able to recognise whether or not their performance levels are right against what we know ourselves to understand what health professionals are capable of achieving, and have our own in-house professionals that can check that out.

Q106 Sheila Gilmore: Perhaps it would be useful to have a session on this, given that the contract is changing?

Mr Duncan Smith: I will have a word with the Minister for Disabled People, and I am happy for him to come and talk to you about that.

Robert Devereux: There is a very detailed plan already in place for that transition.

Q107 Sheila Gilmore: We get quite contradictory statements; on the one hand, the previous Minister for Disabled People said the contract would not be changed in lots of respects. I think it would be useful to know exactly where the changes lie; is this costing more? Is this a more expensive contract, which may be worthwhile to make it work? These are important questions.

Mr Duncan Smith: We are quite happy to talk to you about that. As I say, we have not had a lot of time today, so I am rushing slightly, but I am very happy that the Minister concerned, if you want to bring him to the—

Chair: It is something that is—

Mr Duncan Smith: An ad-hoc discussion, or something like that.

Mike Driver: In terms of the transition between the current and the future provider, the transition plans involve the Department, the exiting provider, and the new provider, so all of those factors are joined up.

Q108 Chair: I just wondered, while we are on ESA, Secretary of State, whether you can confirm the leaked document the BBC had last week about reducing the level of ESA to 50p above JSA levels, and also taxing it? It seemed to be the two things.

Mr Duncan Smith: I have not discussed that with them or anybody else, and it is not a plan that is policy at the moment. I cannot comment, other than to say that I did not see the programme, to be quite frank, but I get a report on it, and there is lots of speculation around all these things at the moment. If there was any change—this is no indication of any change at all—we would, of course, announce it and it would be subject to scrutiny.

Chair: Thank you very much for coming along this morning. As usual, we have got a lot more questions than you ever get time to answer, but thank you and your team for giving us your time this morning.

Mr Duncan Smith: Thank you very much.