Work and Pensions Committee

Oral evidence: In-work progression in Universal Credit, HC 549-i

3 February 2016

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Watch the meeting

Members present: Rt Hon Frank Field (Chair), Heidi Allen, Mhairi Black, Ms Karen Buck, Richard Graham, Craig Mackinlay, Steve McCabe,

Questions 1 - 50

Examination of Witnesses

Witnesses: **Tony Wilson**, Director of Policy and Research, Learning and Work Institute, **David Finch**, Senior Economic Analyst, Resolution Foundation, **Emma Stewart MBE**, Joint Chief Executive Officer, Timewise Foundation, **Dr Anthony Rafferty**, Senior Lecturer in Employment Studies, Alliance Manchester Business School University of Manchester, and **Julia Waltham**, Head of Campaigns and Policy, Working Families, gave evidence.

Q1 Chair: Welcome. I am sorry we are a little late. Might I ask you to identify yourselves for the sake of the record, and say who you are, and then we will begin our questioning?

Tony Wilson: My name is Tony Wilson and I am the Policy and Research Director at the Learning and Work Institute.

Emma Stewart: I am Emma Stewart. I am Joint Chief Exec of the Timewise Foundation, previously known as Women Like Us.

Julia Waltham: Julia Waltham, Head of Campaigns and Policy at Working Families, charity for working parents and carers.

David Finch: I am David Finch, a Senior Economic Analyst at Resolution Foundation.

Dr Rafferty: I am Anthony Rafferty. I am a Senior Lecturer in Employment Studies at Alliance Manchester Business School.

Chair: Very good. Thank you.

Q2 Heidi Allen: Good morning, everybody. A question principally for David and Anthony initially. As you know, we are looking at in-work progression, people being able to build on their careers and lift their wages ultimately. We are interested in how you think Universal Credit might interact with people's ability to do that. Do you think it will help them or could we end up with a situation where people have lots of little jobs that they are adding together to make their hours and their money up? What is your view on that?

David Finch: The first thing to say is that we are talking about behavioural affects and so we cannot be absolutely certain about what might happen, but you can look at some of the things that have happened after previous welfare reforms. If we look at the financial incentives that Universal Credit creates, it is bringing in extra support at low levels of pay and low hours that does not exist in the current system, which is a good thing for some groups, perhaps single parents and disabled people who cannot meet the hours rules in the current system because they cannot hit the 16 hours. I think that also brings some risks with it. If you look at the current Tax Credit system, if you are a single parent you need to work at least 16 hours before you get your in-work support and there is very little financial incentive to work fewer hours than that. Then, if you look at the employment patterns of people, you have a spike of people working 16 hours, very few people, if any, working less than 16 hours, and then a spread up to full-time for single parents.

If we could turn back to Universal Credit where it is now bringing in extra support at those lower hours, there is a risk that people may find that it is more preferable to reduce their hours down to those lower levels. That is partly due to the way that the parts of Universal Credit that create the financial incentives interact. So, you have the work allowance that gives you a big incentive to start working and, until you earn above your work allowance, basically none of your benefit is withdrawn. But once you have earned above the work allowance you start to interact with the Universal Credit taper, so you are basically keeping at least 35 pence for every extra pound that you earn, which isn't a terribly strong incentive. It is better than some of the high taper rates in the current system but it is still quite high, so if you are faced with that high taper rate there is the potential risk that you would choose to start moving your earnings down, so where the work allowance ends, because that has become like the new sweet spot in the system. I think it is that mix of incentives that Universal Credit creates that could lead to people potentially starting to reduce their hours down. The work allowance will eventually be around five hours and 10 hours at the minimum wage, so much lower than the current 16 hours for single parents.

Dr Rafferty: I would—

Q3 Chair: No, I don't want everybody. We have specific questions. Sorry, Dr Rafferty, you were coming in but, before we go on to you, might you bring in the impact of the in-work advice that you are going to get? Is the Government aware of this danger that you highlight and that, while we think the advice you are going to get from your tutor at the Jobcentre is in itself very valuable—because we have never tried this before—it will encourage you up the pay scale and, therefore, up the hours scale, won't it?

David Finch: Absolutely. I think the Government recognise that there is this risk in Universal Credit. That is why you have this in-work progression or originally in-work conditionality being brought in, but I think there is a quite a difference between what you might call progression and what is an extension of the current out-of-work conditionality regime. Currently, if you are on Jobseeker's Allowance, you would be expected to go and find a full-time job quite often, and if you are a single parent then you are expected to work at least 16 hours a week. That is basically where the in-work conditionality or in-work progression is trying to take you, so it is more about maintaining the current hours I think than providing a big push to improve your earnings or improve your hours significantly.

Chair: Anthony?

Dr Rafferty: Yes, I think you are correct because the incentives are based around the Universal Credit system, which is one part of the broader system of incentives that structure people's decisions around progression in the labour market. Obviously, if people can find opportunities to work through these in-work progression policies and there is genuine improvement in their position, then I imagine that would counteract the disincentives. I imagine those disincentives of the UC system will be more pronounced when we are talking about smaller, incremental increases in employment, for example taking on a few extra hours a week at the minimum wage or a few extra pence an hour rather than more substantial meaningful jumps in terms of employment.

Q4 Chair: Very good. David, you were not suggesting, were you, given the structure of how the benefit is, that people doing their 16 hours would have an incentive to drop down to shorter hours because, presumably, employers would have a say on that whether they found that satisfactory?

David Finch: If you are purely looking at incentives then I think there is an incentive to do that because, if you reduce your earnings by, say, £100 a week or something, then you are basically only losing £35 of income. You could drop a shift and lose maybe £20 a week but you don't have to go to work for a day, so I think there is a fair incentive there. But you are right; you may not be able to do that because it comes down the employer. I think over time what you have seen historically is this—and I keep talking about single parents because they have tended to react most in the past—spike at 16 hours of work that did not exist before you had these stronger rules in the benefit system, so there has been some interaction there where employees have been able to influence the jobs they are given by employers. I think if you extend that to now, where you have more flexible forms of employment becoming apparent and a move to where people are on zero hours contracts and things, potentially that incentive structure is reinforcing that move to more flexible working.

Chair: Karen, do you want to come in?

Q5 Ms Karen Buck: Well, just that the IFS[1] have reported this morning on what they see as some of the impacts of the changes to UC from the autumn statement, and I wonder if you thought that last year's changes have impacted on incentives for work progression, particularly because I think lone parents and the incentive for second earners in a couple to work are negatively affected by the autumn statement changes. Is that consistent with the stated policy of wanting to encourage earnings and employment progression?

David Finch: I think the actual progression incentive comes down to the taper in Universal Credit. That is a 65% withdrawal rate and that has not changed, so what you keep for earning more has not changed after the autumn statement and summer budget. It

[1] Institute for Fiscal Studies

is more that that incentive to start work in the first place has been cut. That means that more people are likely to be on that taper rate, which I think is where you get this risk of people maybe reducing their hours down, but I think the progression point has not got any worse. Ideally, if you want to improve progression, you need to reduce the taper further so that people are keeping more of their earnings to work more hours.

The point around second earner incentives is more their incentive to start working because they face the taper from the first pound that they earn. They could earn, say, £10,000 but only keep about £3,500 of it. Those are features already of Universal Credit and the summer budget cuts have reinforced those features.

Q6 Richard Graham: David, sorry, I do not quite follow your line of logic on this. The current system means that for most people there is a severe disincentive in working more than 16 hours. Universal Credit does away with that and, as you say, the taper rate hasn't changed, so why are you arguing there are further disincentives to go into work? What evidence have you seen from people in Jobcentre Pluses that this is actually happening?

Chair: I think David was not talking about going into work; it is those currently in work, their behaviour. David?

David Finch: There are two parts to this. So, yes, there is the thing about how people in work behave. In the current system you have this backstop of the hours' rules and Tax Credits, where you have to work at least 16 hours to get the in-work support; in Universal Credit that backstop is taken away and it has been replaced by the in-work conditionality and work progression that you get at the Jobcentre. For people entering work that incentive at short hours has been improved, because you are now keeping your Universal Credit as you start working.

Q7 Richard Graham: You can work as many hours as you like and as your employer is prepared to offer you.

David Finch: You can. But your income when you work 16 hours, if you are a single parent, will now be lower than it would have been in the Tax Credit system. The actual absolute return to starting work has been reduced and that is because of the cuts in the summer and autumn.

Q8 Richard Graham: Have you actually been into a Jobcentre Plus and talked to people who are on Universal Credit and asked them?

David Finch: No. We have asked DWP if we could go and see one but they haven't got back to us yet, so that is something we would like to do.

Richard Graham: Because that is the ultimate test. Go and talk to people on Universal Credit in your Jobcentre Plus and you will get the answers. It is not the answer I am getting from my constituents.

Q9 Chair: A quick comment, Tony, and then we will move on.

Tony Wilson: Very briefly, because the Department said in their submissions—and I think very important research on exactly this point—that their early research shows that Universal Credit has increased the likelihood, compared with JSA, of people wanting to increase their hours and wanting to increase their pay. On the other hand, they also published research a month or so ago, which they have not mentioned, which showed that, so far, most of the gain in earnings for people on Universal Credit has been in predominantly low paid and short hours work. It has been at that margin that David is talking about. What we have not seen, and which I think is the subject of this inquiry, is something that is more like a sustained and sustainable progression, increasing in earnings and hours for people who are in low-paid work.

Chair: Heidi, do you want to come in on that point and then we will go to Craig?

Q10 Heidi Allen: Yes, it is the tail end of my question, which I think I asked very badly, so sorry. It is just anybody's view about what is going to be the motivator then for progression then? Is it Universal Credit? Is it employees themselves? Is it employers? Is it the jobs that are available out there or it is a mix? That is a huge question and not a very quick one, sorry.

Emma Stewart: In relation to employees, if you are looking a people who have caring responsibilities, who are older, people who have disabilities, one of the biggest drivers that we found for progressing in work is being able to access a higher hourly rate of pay but still have flexible work. The problem that we have encountered from our research is that the biggest block is that, if you want to earn more money, we know there are about 1.5 million people, who have the ability to earn more than they are currently being paid, are underemployed, not on the basis of hours but on the basis they are not utilising their skills. The problem that they find is they look up in their businesses or they look out elsewhere and they cannot find a better quality but still flexible job.

Chair: We are going to come back to that. Is that all right?

Emma Stewart: Yes.

Q11 Craig Mackinlay: You may have heard, and I tend to agree, that the increases in the National Living Wage—up to 2020 up to £9 an hour—is going to be a massive driver towards reducing dependence on various benefits, particularly Universal Credit. Jobcentre Plus is going to be investing huge amounts on in-work progression and coaches. Do you think that money is going to be well spent or do you think the increases in the National Living Wage will solve the problem for itself?

Chair: Tony, can you come on that?

Tony Wilson: The money could still be well spent. We welcomed the announcement of the National Living Wage, as others did as well. It is welcome. It is going to be something like a £4 billion pay boost to the lowest paid workers. We will start to see the impacts of that in April.

It is worth saying, though, that the Living Wage—the true Living Wage that runs at £7.85 an hour—is a weighted average of the different amounts that are required for households, with different circumstances, to reflect the cost of living and to participate in society based on minimum income standards. That varies quite a lot, so for households with children the equivalent living wage figure currently would be about £11 an hour. That is the cost of living measure, how much earnings you would need, and that includes assumptions around benefits income, which is very important here; whereas for people who don't have children it is much lower. It is something like £7.50.

The National Living Wage is not based on the cost of living, it is a proportion of median earnings, and so the National Living Wage will actually end up being something that is higher than what would be considered a living wage for households without children but lower than what might be considered one for those with children. So I think it is still the case that we should be looking at how we can better support people to progress, to increase their earnings and to move out of poverty ultimately, sustainably.

The poverty point is important because something like half of workers are in poverty, working more than 30 hours a week currently and doing low paid work. Many of those will come out of poverty as a consequence of the Living Wage but not all of them will.

Chair: Tony, that is not the question you were asked.

Tony Wilson: Oh, sorry.

Chair: Craig, do you want to put it again?

Q12 Craig Mackinlay: It was just that Jobcentre Plus are going to be spending a lot of money on job coaches. Do you think that that money will be well spent in progression or do you think a lot of this progression will just happen by itself because of the NLW increases?

Tony Wilson: People will progress as a consequence of the National Living Wage absolutely, but we think the big prize within work progression is twofold. It is first to support households to a point where they are out of poverty essentially: able to support themselves and their families and participate in society and have a decent standard of living. That will probably require for many families to have earnings growth that is higher than the National Living Wage.

The second one is addressing the productivity challenge in the UK, which I did not talk about. Our productivity lags so far behind other developed nations in the OECD in particular. Simply raising the wage floor is not enough on its own to make workplaces more productive and to address that gap with other countries that we currently have. There are clear risks with raising the wage floor too far and too fast. That could have negative impacts on employment. It could have negative impacts on how employers organise their workforce, on temporary employment, on zero hours work and casualisation and so on. We think an in-work service—I know we will come back to this—should be much broader simply than the support and compliance that DWP describe in their submission. It should be about how we work with employers and with sectors, how we work across skills, across employment, and across a range of public services, including health and disability and child care that are really critical here.

Q13 Craig Mackinlay: I think you are identifying the problems that I have with these advisers. It is all very vague. It is all very abstract. Is it going to be good bang for the taxpayer buck to have these people doing this work? You have said that they are there to help the DWP process but you would like it to be far more. This is going to be an expensive project. It has to work.

Tony Wilson: The Department have deliberately—and they have talked about this very openly—set their ambitions quite narrowly for these pilots. They want to do a randomised control trial that is robust and it will test two things. As David said, there is adviser-led support that looks a lot like out-of-work support but not much more than that to lead people to increase their earnings or to increase their hours in work. Adviser-led support has a small but important impact on people's offloads and their employment. There are a range of other factors that have bigger impacts. We might expect it to have some impact and, secondly, the impact of compliance of sanctions of conditionality, which I think we should be testing. We absolutely should be testing that. That is a very narrow ambition. Will this on its own, alongside National Living Wage, address the bigger challenges? No. It clearly wouldn't and I do not think the Department would say that it would. They would say that they were trying to add to the evidence base on something where we do not have a lot of evidence.

Q14 Chair: But, Tony, you are in favour of the National Living Wage, aren't you? Over time, when we have had these arguments, people have always put the argument against. When we were campaigning for the statutory minimum wage there were lots of the fears you have just put forward and they were not realised. There were not the terrible unemployment consequences that you were hinting at.

Tony Wilson: No, absolutely. I am saying these are real risks that we should be aware of, which I think the Government are aware of. As you say, we are in favour of the minimum wage, in favour of the Living Wage. I think this is really welcome. We need to be clear—we should not sugar it—that the increase in the wage floor over the next few years is going to be faster than at any point since the minimum wage was introduced, I think apart from the early 2000s. At that time the minimum wage was starting from a far lower base. It was starting about 40%-odd of average earnings.

We should not ignore these possible labour market effects. When you put that alongside the Apprenticeship Levy and alongside automatic enrolment into pensions, there are clearly risks that businesses will change their recruitment and organisation patterns for low-paid workers. I think, alongside that, we need to have a good support package and a conversation about how we can raise productivity at the bottom of the labour market and get—

Chair: Tony, we will try to come on to that. But before I bring Richard in again, there is no one on the panel against the Government's strategy on the National Living Wage is there? All right. Because I could have kidded myself that you were against it that was all, with all the worries that you quite rightly have. I regard it as the most exciting thing the Government has done, and I think it is worth getting that on the record when one is saying there are some worries about it as well.

Q15 Richard Graham: Tony, my question was in terms of Craig asking you about any concern that the new advisers are not going to achieve much and so on. Isn't there one thing that has been left out in all of this, which is the huge opportunity change for the individuals themselves? I have a whole stack of letters, from seven or eight years ago, from people basically saying, "I have been offered more money and a promotion at work and I have had to say 'No' because I have done the maths and it clearly does not pay me". I have had lots of anecdotal meetings with businesses telling me that it is unbelievably frustrating, where they have a good employee that they want to promote and the employee turns around and says, “Well, no thanks because I am going to lose more in benefits than it is worth”. Isn’t that the biggest change? The adviser is going to be able to sit down with the individual and say, “Look, the sky is now the limit. It is up to you how much you can impress your employer, get more money, be promoted and you are not going to lose out on the benefit side”. Isn’t that the most important thing?

Tony Wilson: The fact that those conversations will be happening is absolutely critical. It is absolutely really important. In our submission we talked about a few functions, around improving capability, addressing barriers but, critically, of improving that classic public employment service role of helping people be matched to and find new jobs and then make that transition to a new job. Universal Credit will not massively simplify things for individuals. It will when you look at it on paper. For the individual it will still be a complicated benefit, but to have an adviser who can say, “If you take that job at an extra £1 an hour, you will not lose £1 an hour. You will gain 65, 60 pence an hour, depending on the tax and so on, and you will have this much money. You will be this much better off”.

Often what we find when we talk to people on low pay is they are usually not aware of the opportunities. They want to progress but they are not aware of the opportunities, and all they see are the opportunities in their own workplace, which is often for a promotion where they might only get an extra 30 pence an hour and they will work longer hours, have more responsibility and it will be a worse job essentially for them at that time. They don’t see what is outside, where the other opportunities are. Having a work coach beside you, who can help you to find those opportunities, match those opportunities and take them up, will be revolutionary I think. In terms of social policy innovations around labour market policy, this is the most important one I think we have had in the last five or six years, and the Government deserves credit because it is on a far larger scale than anything being done anywhere in the world. We would like more.

Chair: I think it is the most exciting thing since 1948, but we will note that in our report.

Q16 Ms Karen Buck: Emma, you were just beginning to get into some of the issues around people with caring responsibilities; mostly but not exclusively women. In terms of in-work progression, what would you, and Julia as well, particularly on this point, identify as being the particular barriers—and it segues into incentives—that face parents and carers in terms of work progression? What would you see the problems are and are there variations? There might be variations, for example, between parents with children under five and how that fits into the national childcare strategy rollout, school-age children, and caring responsibilities for disabled or elderly parents. They might be different. There may be some regional variations. What are the problems, how do you think the package that is now on offer will help to deal with them, and what else might it be possible to do at relatively low cost in order to be able to make that better?

Emma Stewart: There is quite a lot there. So, we have been working with parents on low pay and progressing them into better jobs, particularly women. There are two types of issues here. One is how to support the individual and the barriers that they face, and the other is looking at the type of jobs that they will be able to move into. In terms of supporting individuals who have caring responsibilities, working with people who are in work is difficult because they are working. They don’t have a lot of time for support. You need to adapt when you see them, how you see them and the nature of the intervention. You cannot just expect someone to come into the Jobcentre every two weeks. It is getting your head around that.

There is an assumption that people in work are work ready. I know that sounds off, but often people are in work and they don't have a CV that is up to scratch. They don't know what they want to do next. They are stressed and they are stuck. So there is a significant need to still engage from a coaching perspective with people who are in work.

Ms Karen Buck: That is not exclusive to people with caring responsibilities?

Emma Stewart: All kinds of people, exactly. People have a job because they need to earn money but they haven't thought about a career. It is very, very different.

Q17 Chair: Are you suggesting, therefore—and one that we might consider as a recommendation—that if there is in-work support the job coach is going to be serious, they are going to probably have to apply their skills and hours so that people who are hard-pressed in work can actually meet with them? Quite a lot of this might be done on the telephone, on Skype and so on?

Emma Stewart: Yes, absolutely. For the pilot we ran for the Department on Universal Credit, we worked with a cohort in South London who were not on Universal Credit but would fall under conditionality when it comes in. We found that the best way to engage was, initially, you have to see them. They have to trust you. You have to sell your service to them because they are working, they are busy. But then the intervention needs to be task focused, really, really wrapped around the individual and phone and web-based often as well, so lots of emails and phone contact. You have to change the nature of the intervention.

You also have to change the competencies of the adviser because, to understand how to help somebody in a job to get a better job, you have to understand where they work, how they work, and you have to ask them the right kind of questions about how they could progress. It is not simply a question that you can say to out of work workers, "Here is a list of jobs. Can you go and apply for them and I will help you with your CV?" It is a very different kind of intervention, so there is a capacity and a competency issue that we need to address there.

In terms of helping them to get a better job, the biggest structural barriers that we see—and I know we will come on to this—are around the fact that, if you have caring responsibilities, the block to progressing is that you cannot take your flexibility with you because most jobs that people who have caring responsibilities do need to be part-time or flexible in some way. There are a lot of them at the bottom of the jobs market. There are hardly any at the next level up. In retail, which is a classic example, you can work part-time. If you wanted to progress to be an assistant manager you have to go full-time. That is a problem. Having said that, there are a lot of people who have the skills to progress and there are a lot of in-house training courses for people in big employers. We think the reason people often don't is because of that lack of flexibility at the next level up, so we need to look at job design and we need to look at how we can provide interventions and work with employers to help shape different kinds of jobs, as well as supporting individuals to have the competence and the knowledge and expertise to be able to move up in work, and we are not doing that at the moment. We need an intervention that is very much focused on how we work with employers to facilitate that kind of brokerage.

Q18 Ms Karen Buck: Would you accept that there is a relationship dimension to this as well? When you are caring for an elderly relative or perhaps a child with special needs—someone who is quite demanding—that the relationship you have with an employer might be more sensitive than if you are just relatively young, foot loose and fancy free and, therefore, you don't want to risk too much change. Can that be factored into the equation?

Emma Stewart: It needs to be considered when it comes to coaching intervention. Even people who do not have the more extenuating circumstances that you are talking about, have a very, very tightly arranged jigsaw around them when it comes to caring, work and the employer and how all that fits in. They have often negotiated flexibility with that employer. The challenge is you look outside and only 6% of quality jobs are advertised openly with some form of flexibility from day one. That is a significant problem because individuals don't know how to ask. They feel they would be disadvantaged. They often will be, and employers don't offer. Whereas there is an opportunity to change that conversation, so, yes, it is dealing with that jigsaw puzzle.

Chair: Julia, will you come in?

Julia Waltham: Yes. I want to make three key points. I want to touch on the role of the work coaches, talk about part-time jobs, flexibility, childcare and caring responsibilities. Building on what Craig was saying about the work coaches and the value for money you are going to be getting from them, their role from a working family's perspective is vital. They have a huge amount of discretion over what is and isn't considered reasonable in terms of claimants being unavailable for work or work-related activity. There is already evidence that some claimants with caring responsibilities feel that their circumstances are not taken into account when their claiming commitment is being drawn up. Of course work coaches will be assigned more and more claimants as the programme expands, at the same time as the programme budget is set to fall by 16% between now and 2020, so it is vital that the Department uses these pilots to assess the resources required for the programme, going forward, for it to be effective, but also thinks about and considers the training needs of the work coaches, given how important and sensitive their role is.

I also want to talk about good quality and affordable childcare and good quality part-time and flexible jobs, which Emma has already talked about. These are barriers that are true for all parents, obviously not just single parent and parents with disabled children, although there the challenges for them are obviously a lot more acute. The availability of good quality affordable childcare is key, so the childcare of Universal Credit is welcomed by Working Families. We commend the Government for that. The problem is that there is insufficient childcare available for working parents, so all too often parental choice is severely constrained and dictated by the local availability of affordable childcare; under half of local authorities in England, and an even smaller proportion in Scotland and Wales, report sufficient childcare for working parents.

Q19 Ms Karen Buck: Can I be clear on what we are talking about? Because obviously the Government is—and this is to its credit—rolling out the expanded hours for two year-olds and an offer at three and four. Is there a pattern that you are seeing, in terms of childcare for other groups, for example school-age children, and also are either of you looking at some of the other variations particularly in childcare, bearing in mind that, for example, there are huge regional variations in people's ability to draw on informal support?

There will be some places, and I think London particularly, it is a fact where, if you are going to use childcare, it has to be formal because the likelihood is, as a lone parent, you will not have informal support.

Emma Stewart: You also asked earlier about the ages of your children and how that affects your ability to progress. We don't work specifically on childcare, but what we have found from our pilot work is that women who have children who are moving into secondary school are much more likely—it is a real tipping point—to think about progressing in work. Because, clearly, the basic fact that your children can walk to school, can get to school and back on their own, means you have an extra degree of flexibility in your day and you have a bit more time, because they are on the journey in school, to start to think about your own career.

Q20 Chair: Emma, if the Department was therefore giving advice to its advisers—the job coaches—that is surely one of the things though that would be pointed out to look for. For somebody with children under five it is different from those with children in junior school. It is different from those when people think you might make a bigger commitment in the labour market because your children are at secondary school.

Emma Stewart: Absolutely. Working with parents it is very, very clear. I think the challenge you have with advisers in the way that the system works at the moment is there will be conditionality, there will be targets, and we need to remember the individuals in these instances.

Q21 Chair: Sorry, when you say "targets" do we know there are going to be targets? We don't, do we?

Emma Stewart: We would assume there would be some targets because we know, in terms the way the Jobcentres operate, there needs to be a system of measurement to ensure that they are able to progress people into work, so our assumption would be that there would be targets—

Q22 Chair: Well, not progressing people into work but progressing people up the pay scale so they are in work, so the need for targets is less, isn't it? That is crucially important if one is going to encourage the job coaches to develop skills to genuinely take into account, "I have a child at junior school and, therefore, I am in a different position than if I have secondary school children". Maybe we want to raise this in our report: the dangers of targets would be that could destroy that relationship.

Emma Stewart: I completely agree with that.

Q23 Richard Graham: That leads on quite nicely to my question. What I would love the panel to try to give us their thoughts on is in a sense related to Frank's point about targets, which is: what should the Department be trying to get out of the creation of work coaches as objectives? I think the one that has been listed so far is to raise all the Universal Credit claimants up to the income level of full-time work at the national minimum wage. Clearly, that is a perfectly okay objective. It is going to be a very hard one for people who need to work part-time, who have to collect children from school and so on at 3 o'clock, and other restrictions, so overall it may be a bit more testing than it sounds on paper as an average. But are there other objectives that the Department should be looking at? Can I ask each of you to make a quick sound bite? Shall we start with Anthony, because we haven't heard from you for a while, and then go down the line?

Dr Rafferty: Yes, I think one of the issues is how the different barriers interact. I suppose this childcare issue that has been raised is extremely important, but I think the issue of skills is there as well. For example, low levels of skills may be constraining people in terms of progression.

Q24 Richard Graham: Yes, but what about the objectives? What should the objective be?

Dr Rafferty: What I am trying to say is that if you define progression too narrowly, just in terms of pay and working hours, you are missing out a lot of the other important things that people think about in terms of progression. Therefore, the objectives need to take a more contextual understanding of the circumstances.

Q25 Richard Graham: So how would you frame them?

Dr Rafferty: Basically I would say things like skills are an important issue. We need to recognise that with these policies—and this comes back to Craig's point about how we make sure there is value for money—there are going to be some people that would progress without help in these policies. There are going to be some people that need the help to progress. We have to recognise there are some people whose problems are not finding work. They are more chronic issues, such as low skill levels.

Richard Graham: This is people in work already, isn't it?

Dr Rafferty: Well, their problem in progressing in work is low skills levels.

Richard Graham: Skills.

Dr Rafferty: Yes.

Richard Graham: Skills as well as wages. David?

David Finch: It is worth pointing out that already I think the guidance for the conditionality part of the Universal Credit is that you vary that by the age of the youngest child for single parents and second earners, so you are working out the minimum number of hours you can work given your childcare responsibilities. I think that is already in there. Then you get back to this thing that there is a point of working a minimum at the minimum wage, but, if you want to go beyond that and be more ambitious, then I think you would be looking at things like potentially maintaining a certain level of boost to earnings over a period of time. You would maybe try a better match of skills to pay, so you could think about people, their potential and whether or not they are reaching that.

I think the final thing, just to reinforce this point, is that it is all about work-life balancing, so it is not just about the total number of earnings. It might be that you keep your earnings, say, at full-time at the minimum wage but you are working part-time. I think that is a consideration.

Julia Waltham: Just building on what David said, we know what families consider to be most important, in terms of what makes them happy, is time spent together. I am not sure how to turn that into a smart objective for work coaches but it is really important. It has to be a principle that underpins the work they are doing.

Q26 Chair: So are you saying then, Julia, you would expect, say, 35 to 40 hours a week?

Julia Waltham: No. I do not think it needs to be—

Chair: Because that is what most people do.

Julia Waltham: No, I do not think it needs to be that straitjacket. I think it is different, isn't it, for different families how they want their work-life balance to be and how they want to make that work-life fit. I think it is about that kind of really tailored support.

Q27 Richard Graham: That is thinking about it from the individual's point of view, which is understandable but if you were the DWP—

Julia Waltham: Sorry, an unintended consequence of the policy must not be decreasing family resilience, because they have less time to spend together because they are stressed and unhappy about potential sanctions. That could lead to big problems further down the line.

Emma Stewart: Further to what David said, I think the objective should be an adviser to support somebody into work where their level of pay matches their existing skills, because we know that a lot of people currently work well to their earning potential—

Q28 Richard Graham: So it is more exploring what the skills of the individuals really are and whether their job matches that?

Emma Stewart: Exactly, proper brokerage and job matching; and, secondly, an objective to be clear to measure progression on the basis of pay not hours. We are very worried that there will be an incentive to just work more hours.

Q29 Richard Graham: Lastly, Tony?

Tony Wilson: At the top level I think productivity and poverty. If you are talking about Government objectives, the two things I would boil it down to: are we making the economy more productive at the bottom end, and are we addressing the chronic problems we have now of people who are in work poverty and often stuck in work poverty? Underneath that we do need to look at as part of that productivity, skills utilisation, which we can measure through, for example, the Employer Skills Survey, which last week showed that one in three employers think they are under-utilising their staff with the level of skills they have. We should look at under-employment. We should look at whether people want to work more than they are currently working. We need to look at earnings, and that means earnings not just hours. That means sustainable earnings, people are not dropping back in, which we know and the Resolution Foundation has shown that is an ongoing problem. I think we should look at the benefits bill. We should look at what we are spending in supporting people who are in work, absolutely, and the level of the wage floor.

Those cannot all be translated into work coaches' objectives, and I don't think they should be. I think it is reasonable for work coaches to be measured on whether they are getting people to a point where they are above that conditionality threshold, but we need to make sure, overall, we don't have a system that is conditionality plus £1. We don't have one where all we are doing is getting people just above that level. We need to think about how the system addresses all of those objectives.

Q30 Steve McCabe: I think you have touched on some of this but I was interested in the comments—I think this is particularly for Tony—about the limitations you saw in some of the pilot design, some of the things you said about what coaches or in-house sources are contracted out more. I assume the point of that was that the in-house model may come with too many in-built assumptions and restrictions. I wonder if you could say a little bit more about how you think this deeper or broader approach could be developed at this stage. What is it? Is the Department simply going to say, "Oh, we are too far down the track. No, we cannot do that", or is this a big missed opportunity where we are going to end up looking at the wrong things?

Tony Wilson: I think there is a missed opportunity. I think there is scope to do more now, but I hope that what the Department will say is that this is a first step and what they are doing first is building the evidence base around what the work coaches can do in Jobcentre Plus. The next step needs to be that broader and deeper thing.

The reason I am worried there is a missed opportunity here is particularly because of the growth deal discussions that are happening now. That we will get to a point where the city regions, which are well placed—and I suspect in the long run will own this stuff—will set off developing their own things. I am sure they will then be told by the Department, "That is fine but, whatever you do, don't contaminate our randomised control trial, because it needs to be robust, needs to be independent and we know what we are measuring. We don't want to pile other things in that could mess up our results". And will just set off on different tracks.

You mentioned briefly about in-house versus contracted out. We are agnostic about who delivers stuff, and the employment retention and advancement demonstration pilots showed that Jobcentre Plus advisers absolutely can do this, can provide this sort of support. However, it also showed they had real struggles with the performance-based culture in Jobcentre Plus, the focus on off-flows and so on, and they were delivering an in-work offer. I think we should be testing other models that are delivered through the voluntary and community sector for some people, particularly people who are marginally attached to the labour market, some who may be in the informal economy, for example, and also by private providers, particularly people who have more of an employer to employer, business to business perspective.

On the broader and deeper thing, we talked about four areas. One is improving people's capability to progress, which is particularly around their own skills, their own careers advice and guidance and so on. One is around barriers to progression, where I think Emma and Julia have put that well: the challenge around barriers. One is around the opportunity to progress—which I think Jobcentre Plus will be addressing—about knowing where the opportunities are and understanding and broadening your horizons, and one is around working with employers and that feels like the big gap. It is how we have an employer to employer conversation, which is not just about developing a little toolkit or an app or looking at what one or two employers do. It is about sectoral approaches and it is about talking to employers in their own language about how you can make your workplace more effective, increase the performance of your business, grow your business and how you bring your low-paid employees along with you in that. There is some good research about the characteristics of low-paying employers that do progress their staff, and it comes down to things like: culture, management practice, leadership and a sense of senior ownership and so on, and also company size and the sectors they work in, but drawing that together and that I think—

Q31 Chair: On that, on the city regions that will help, won't it?

Tony Wilson: I think the risk is that you replicate a lot of the silos that currently exist in Whitehall at a city level, so you still have the skills silo, a LEP silo, a regeneration silo, an employment silo and so on. The opportunity is—and Manchester are definitely leading on this, to the extent to which they can deliver that and others can come along with it—you genuinely do integrate. In Manchester you have an integration board essentially. The focus is what I described earlier, the big objectives, the outcomes you are trying to achieve, and then you corral your activity around achieving those outcomes rather than dividing up the pie between—

Q32 Chair: That is more important, Tony, isn't it, than waiting for a random control sample to be brought?

Tony Wilson: That is my view, but I think the worry is that Jobcentre Plus will have to focus their efforts on delivering the RCT. That will be the beginning and end of their in-work support for claimants within the RCT.

Q33 Steve McCabe: Is your key to this then that the work coaches have to be quite broad, multi-skilled people and the folk who support them have to have a much better overview? I don't care whether it is in-house or not but I notice you did say, when you talked about the previous demonstration, it was a very steep level for these people.

Tony Wilson: They struggled, undoubtedly, yes.

Q34 Steve McCabe: If you are going to avoid these silos and you are going to have this broad view that takes into account lifestyle and family requirements and the employment sector, how are you going to take Jobcentre Plus staff and turn them into these people?

Tony Wilson: I don't think any one person can do everything that we have described. They will not be a kind of coach and a mentor. They will not understand the barriers that a lone parent faces as compared to somebody with a disability or a health condition, as compared with somebody in their fifties who has been stuck in low-paid work for two decades or more. They will not be able to navigate their way around the local skills system, take advantage of ESF funding opportunities. There will not be fixes across all the ranges of public services, so there is a judgment about the extent to which we see this as a sort of super-adviser who does all of this, or that there is something about how we can better integrate support across a range of areas and pull that together through better sharing of information, case management and effective leadership and oversight. If Jobcentre Plus are not an integrated part of that right now, city dealers will go and do this themselves, and they will do it without the Jobcentre Plus bit, which I think is key; absolutely key.

Q35 Chair: But surely if, for example, it is your turn to have a coach and you are disabled, Jobcentre Plus is surely going to give you an adviser that has specialism there. If you are a single parent, we are going to look for job coach that has more knowledge about how to help single parents than if you have severe disabilities?

Emma Stewart: That is what we would advocate. The challenge is that we have moved away from tailored interventions in Jobcentre Plus, so we have a lot of parent advisers and we have had a much broader coaching model.

Tony Wilson: And disability advisers.

Emma Stewart: Exactly. We need to go back to being clear that we segment and we tailor the intervention that is facing the individual, to understand their barriers. I would agree with Tony, and what we have certainly found works quite well is we also need people who understand the nature of the local jobs market: they understand where jobs are coming from. They understand which employers are hiring. We have a lot to learn from the recruitment industry. The recruitment industry help people in work get other jobs all the time. We run a recruitment business and we know that the nature of the conversation with the employer, to help them source the right kind of candidate, and the nature of the conversation with the individual, is very different. You can have an overlap but you need to be able—as Tony said—to integrate candidate facing interventions, effectively, with employer facing conversations, and you need a range of players in an area to do that properly.

Chair: Richard, I will bring you in at the end because I think Mhairi takes us to a different dimension now about the difference between individuals to regions.

Q36 Mhairi Black: Yes. This would probably be a question for yourself, Anthony, given the level of work you have done on it. I wonder what does the labour market there suggest when it comes to regional and local variations in terms of the opportunity to increase hours?

Dr Rafferty: Yes. We have done some work at the Fairness at Work Research Centre on this, and basically there are quite big disparities between different areas. Taking, for example, the county level, some work we did around the time of the recession showed that you had a range. For example, we took a crude measure of involuntary part-time work in and around London. It was around 20% of people who worked part-time said that they worked part-time because they could not find a full-time job. That ranged down to about maybe 9% in Surrey, and East and West Sussex County. What I would basically say is in the same way that unemployment figures in the local labour market tell us something about the availability for work in those areas, maybe the time, under-employment or involuntary part-time employment figures tell us something about the actual availability of working hours.

In terms of the interests of this Committee, I suppose it has two implications. One is that it constrains the opportunity to progress maybe for the claimant and, also, the activity of the caseworkers, the job coaches in terms of what availability there is in the local market. I think there needs to be a more fine-grained geographical analysis, though, so we are looking at producing estimates now in the local authority area. Obviously the area that is probably of interest is the actual job search area of the claimant, but that is more difficult to get at statistically.

Q37 Mhairi Black: How would you see the DWP taking those variations into account? Do you think there is anything they could do?

Dr Rafferty: It is an interesting question. It is a difficult one. I think currently we would need to know more about what those variations are, so I think the evidence base is not developed enough to understand that, so one thing I would probably suggest is that that is something that needs to looked into: looking at how you can develop measures at a local authority level to understand that.

If you are talking about targets and these types of things, clearly those contextual factors, more generally in the country we have 2.6 million time-related underemployed people, 3.1 million if you include self-employed people. This is the context. A lot of people are already looking for more working hours. For example, lone parents, the group we talked about, they are twice as likely, so about 20% of lone parents are looking for more working hours but say they cannot find it compared to about 10% of Government workers. People working in mini-jobs, 16 hours a week, they are much more likely—around about 27%—than people working greater hours to be searching for more hours. Although we don't want to confine progression to increasing working hours, there is definitely a pent-up demand there in the economy for greater hours.

Q38 Mhairi Black: Do you think then that there is a case for in-work support to be delivered more locally, like devolution deals or something?

Dr Rafferty: I think it is an interesting question again, but I don't think the research specifically speaks to the issue of devolution directly, but what I am trying to make is a broader point that, regardless of who delivers a service, these contextual factors might be important to understanding the operations there.

At the same time, going back to some of the earlier comments, I would imagine that having a very integrated and joined-up services at a local level, given the complexity and diversity of problems faced by people, is important but how that is delivered is not something I would comment on based on this research.

Q39 Craig Mackinlay: You raised something earlier on that I was quite interested in. It seems that we are talking in some degree of abstract about what bigger companies could do. It is all very focused around bigger companies. Bigger companies might have another job and more hours. There is a lot more flexibility. I am very concerned that most employers in this country are very small businesses and I would find it very difficult to understand how some of them can increase hours, increase pay, give progression, and give training and all the rest of it, much as I would like small businesses to become big ones. Your organisation, Timewise, how could it persuade—obviously bigger companies are easier to persuade—employers to design those types of higher quality jobs, with the training and flexibility and with family life? There could be a lot of inertia in the system: inertia by the employee in that they are quite comfortable in the smaller business job that they are in, and they would rather stay there than take the big leap to move, and inertia within just the natural status of some employers that they can offer nothing else because, "We are where we are"?

Emma Stewart: In relation to small businesses what we would say is, you are right, there is this big debate about how we work with larger employers and—

Q40 Craig Mackinlay: Sorry, Tony threw in there was an employer's survey. If you have a hard-pressed, smaller employer that is struggling under the weight of bureaucracy, he is unlikely to have returned your employer survey. Let's be very honest.

Emma Stewart: Yes. We work with thousands of small businesses and we help them recruit every day, predominantly in London and the south-east, but there is a different conversation that we need to have with small businesses about how jobs are designed. Most jobs start full-time. Lots of jobs start part-time in certain sectors: retail, care, low-paid sectors. Most small businesses when they go out to hire will think about the pay, they will think about the nature of the job. They won't always think about the hours. If you talk to a lot of small businesses they are very open to jobs being done on a flexible basis and/or a part-time basis. In fact, the classic conversation is, "Do you really need five days a week? Could you do with three?" There is a conversation about how you can encourage small businesses to grow. It is more about the time; the assumption and the perception around part-time needs to be challenged. There is an assumption that everybody who is working part-time wants to work full-time. It is not true. Anthony made some points about underemployment, but 80% of people who work part-time choose to. They just want a bit more money. They want a better paid part-time job.

What you can do with small businesses is encourage them to be open to a conversation about flexibility at the point of hire, and to help them to understand how many hours they need for a job to be done. So you may just need two days a week HR. You may only need three days a week admin. You may not need five days a week. But no one is having that conversation with small businesses to help them understand how to think, how to shape jobs and recruit people. We call it flexible hiring. If you could encourage more businesses to unlock jobs to be considered flexible at the point of hire, either on hours or location, you could make a significant impact on the kind of jobs made available to people who want to move up because, as I said earlier, we know only 6% of quality jobs are advertised with some element of flexible or part-time status from day one. There is a significant latent pool of existing jobs in the jobs market, and there are small businesses looking to find good talent and they cannot. They underestimate how many people actually want flexibility in their next job. We estimate it to be about 40 million, about half the working population. So there is a conversation that is not being had with small businesses. There is a role for the Jobcentre to have that. There is a role for recruitment agencies to have that. There is a role for employment workers to have that, just to create insight into the opportunity because there is a huge amount of evidence that, if you want to attract the best possible talent, and you want to be productive and effective, you should think about jobs in a different way, which is a much subtler conversation.

To add on the big business side of things, though, what we have also learnt is you need leadership in this conversation. With big businesses—and again this is in the context of flexibility—most big businesses offer some kind of flexible working to their existing employees. They don't promote that to candidates. There is no reason why they shouldn't. It is wrapped around individuals and it is predominantly because flexibility in the labour market is because somebody asked, "Can I work part-time?" Why can't businesses think about hours when they hire? You would then probably get a far more efficient and effective way of people working, and you would enable far more people, who need that flexibility, to be able to move around the jobs market because, at the moment, we have a problem with job mobility for people who need flexibility.

Heidi Allen: I have absolutely heard everything Emma has just said. I was a small business owner. Our business functions significantly better because we have a multiple mix of different employees: bad day, child is ill, crack on, on you go. Other employee: could you do an extra two hours today? Yes, I can. It works so, so well. It gives flexibility. It makes people's lives work. Little employers are scared of that because they have a job to do every day and they are worried that, if they do that, they cannot service their customers. But when they learn how effective it is, it transforms their business. My business has prospered as a consequence of doing it, so I think you are absolutely right.

Q41 Ms Karen Buck: This is going back to a version of the question I asked David at the beginning, which was just on the changes to the Universal Credit in-work allowances that were made that will apply from April this year, and the extent to which this is consistent with the whole in-work progression agenda.

David Finch: We talked about before the financial incentives, the Universal Credit creates that risk that you will have people potentially trading their hours down and the cuts in the summer budget are kind of reinforcing those risks because they leave the work allowance at a much lower point than it was previously. It is down now to around five hours at will be the National Living Wage in 2020 and about 10 hours if you are not renting. There is quite a low sweet spot point of earnings in the labour market, so I think that risk of people working less is increased. The discussion we have been having around progression, and the different interventions you might have, go beyond that minimum wage point, so I think it comes back to a split of: there is a thing about getting people into a sustained job at the minimum and then there is something about progression. Possibly that is something that goes beyond Jobcentre Plus alone, and other agencies and other Departments as well.

Q42 Ms Karen Buck: Is there any specific recommendation? If you had a magic wand and you could say, what one adjustment would you make in terms of incentives for progression? What would it be?

David Finch: On progression?

Ms Karen Buck: Yes.

David Finch: It would be to reduce the taper rate. Basically, you are currently keeping only 35 pence in every £1 earned. I think earlier there was a discussion around there is no limit on the earnings you can have, but if you are on the National Living Wage and in Universal Credit you are not going to keep your £9 you are going to keep around £3 and if you are paying tax it is going to go down even further, so you only keep about 24 pence of every £1 you earn once you are paying tax in Universal Credit. As well as the other bits of support you need to help people maximise their earnings and progress, so that financial incentive needs to be strong enough to make it worthwhile to work more hours, which is a problem in the current system, and I think it largely remains in Universal Credit as well. So I would reduce that taper down.

Q43 Ms Karen Buck: One question that has occurred to me, which is: we are talking about Universal Credit—that is the subject of this inquiry—but there is a little bit of interaction with other benefits as well, particularly things like Council Tax Benefit. With any of these other benefits, or any particular groups of claimants, and the housing element being a particular problem for some people, particularly in some parts of the country, and in some tenures, are there any lessons for other benefits that are complementary to Universal Credit, in terms of the in-work progression agenda?

David Finch: I think the interaction with other benefits probably has more of a role for the in-work decision. With things like Council Tax support, in most cases you have had that fully withdrawn by the time you are up to part-time hours. If you are looking at progressing further it is not playing such a big role, but I do think there are missed opportunities there where you could have brought in things, like Council Tax or brought in Universal Credit along with the Housing Benefit, and created a single takeaway, which would mean that that isn't really a concern any more. Other benefits around things, like free school meals, where it is still not clear how that will interact with the system. Again that tends to be withdrawn at around part-time hours. So I think they are much more important for the in-work decision rather than the progression points.

Q44 Chair: David, before I bring Richard in, I am slightly confused by what you say. You have concentrated on the work allowance, its reduction and having an effect on work incentives, but surely the real disincentive—if there is a disincentive—comes when you start to pay tax and National Insurance, which is way beyond the five hours that is your starting point before clawback starts. That is where it makes an impression on people's take home pay, not so much a change to a new system that has that lower work threshold.

David Finch: It comes back to what we mean by progression basically. If we are talking about progression being going beyond the minimum wage and going beyond full-time hours at the minimum wage, then at that point you are paying tax and so you will have the 24 pence. So there is a difference between going for the work allowance to a kind of minimum level of earnings at the National Living Wage or minimum wage. Then you are talking about the EC take then, and that is at 65% so you only keep 35 pence. That is still quite high. If you are looking at financial incentives to progress the point at which you want to taper, and if the point you want to progress to is beyond the minimum wage and full-time hours or an equivalent level of earnings, whether you are working part-time or full-time, then you will be paying tax at that point and so it is that higher 76% taper rate, which is basically the same as the current system so the current system give you the same rate.

Q45 Chair: We have that now, haven't we?

David Finch: Yes. So you are basically not tackling this problem. If you are thinking about progression by going from a basic role to a supervisory role, and there is not much in that wage, which Tony talked about earlier, if you are gaining a 50 pence an hour pay rise but only keeping a quarter of that then there isn't this great incentive. I am positive about the National Living Wage but I am saying something negative about it. I do not want to say it is not a good thing, but there is this risk that that will cause a bit more compression at the bottom end of the labour market. That progression jump is going to be squeezed, but that comes back to how you boost productivity and restructure jobs and things.

Chair: Sure.

Q46 Richard Graham: I think some of what you said is unbelievably gloomy. We are moving from a world that only yesterday was: you cannot work more than 16 hours and, by the way, your tax free allowance is £6,500, to a world where you have a National Living Wage moving up to nine quid. You are going to be able to take £12,000 on a tax free allowance and you can work as many hours as you like. I cannot see how that is likely to lead to a world of people working less and receiving less. Anyway, time will tell but you are on the record as saying that and we will have to wait and see.

The bit I was interested in, Chairman, was what Tony and Emma were saying about the flexibilities needed in the system, both in the Jobcentre Pluses, with the work coaches and how they work, and then also in the workplace where there needs to be a greater understanding of what Heidi was pointing out about the benefits to be had in any small organisation—which includes all our offices, by the way—of flexibility. Tony, your point about how the cities and other places, given devolution, are possibly going to reinvent the wheel of the Jobcentre Plus, if you wanted to look at it positively could you not say that there is some specialist capability in every Jobcentre Plus, for example, in helping people with disabilities in work, from those advisers who are dealing with people on ESA, for example. They tend to work very closely with organisations like Plus and we have a thing called Forwards which is a county council-led group, a partnership. Although there may be specific categories of people dealing with lone mothers who do not exist any longer, there are people who are dealing with individuals and humans in those situations and they do have contacts with the workplace, the charities, the recruitment agencies, so isn't there a way of looking at this and saying, "If you treat it in silos, yes, there could be a problem but, if you draw on the expertise that already exists there in different ways, actually, this could be really exciting"?

Q47 Chair: It enriches the job coach's own pleasure from work, doesn't it?

Tony Wilson: Absolutely. I think that is absolutely right and I think that has put it a much better way. It is what I was trying to say earlier that the opportunity around the devolution deals is to do exactly that. The risk is that, because Jobcentre Plus are delivering this randomised control trial—and it is big, there are 15,000 people in the randomised control trial and, effectively, my reading of it is that pretty much everybody who meets those criteria of being above £80 a week and below full-time work will be in the trial—that Jobcentre Plus will say, "We cannot take part in that at the moment because we are running this trial". That will be running through until 2018, so it is how we make sure that they can deliver those partnerships locally now.

Q48 Richard Graham: It is a potential recommendation. This rather ugly acronym, RCT, if I have it right from James who has been coaching me. Basically we are talking about a pilot, aren't we? Isn't that what we are talking about?

Tony Wilson: That's right.

Q49 Richard Graham: They have to have a pilot because they have to justify why they are spending the money on the work coaches, so is there a potential recommendation, Chairman, in all this, maybe with a little bit more help in a written submission, as to how the pilot can work in terms of justifying that it is value for money to the taxpayer but in allowing a bit more creativity in how they draw on the different skillsets, both within the Jobcentre Plus and outside it as well? I think Emma and Tony together.

Chair: Emma, I thought it might go further than that in that in the real world we wait for these pilots. We have done it on the Family Nurse Partnership and it is not very helpful for policy. While the pilot is going on we will get a large number of people in Jobcentre Plus acquiring new skills, of getting the pleasure of being able to place people in work, which they didn't. Might not our role be to say to the Treasury, "You need to look at that information as well as just relying on your RCT, which might not help you at the end of the day anyway, and the crucial thing is to learn from successes and spread the successes between offices"? Emma, might you start and then Tony come in?

Emma Stewart: Yes, absolutely, I would completely agree. If we just look at the RCT the challenge is around both capabilities and capacity, and what we have learnt is at the moment coaches predominantly have one conversation with an individual. If you are doing proper brokerage you have to have two conversations: with an individual and a conversation with an employer. That is twice the amount of effort. At the moment, the capacity within the system, and the fronting within the system is based around the one conversation. So we need some investment and we need to look at how we can enable those two conversations to happen. There is a big, interesting piece of work around innovation here. There is a lot of learning out there. We are doing work—others are doing work like it—on how you can bridge the world of welfare and the world of the jobs market and the recruitment.

What I would say is that I think there is also a missed opportunity with LEPs and with growth deals because, in theory, LEPs are supposed to be employer demand driven but most of the money goes into supply-side interventions and skills interventions. So apprenticeships are not the only ask of employers. We can have a conversation about job design and flexibility and all kinds of other things but, at the moment, we need to be more brutal on how we divide the budget that LEPs have and what they do with what mainstream DWP/JCP do. Then you have a really interesting conversation about this.

Q50 Chair: Beware the LEPs.

Tony Wilson: I think that is absolutely right. Part of the conversation with the Treasury is about how we address the market at the bottom of the labour market, and I think that Universal Credit should address the state value, where the benefit system can get in the way, but there is a market failure of people in low pay not being able to source and then understand and take opportunities elsewhere in the labour market. That is a classic employment service function and I think we shouldn't be looking to fragment that. We should be looking at how Jobcentre Plus can deliver that and augment that and make that a more rewarding place for people to work as well. That means looking at, as well as looking at the RCT, the randomised control trial evidence; it means also looking at what we would call the process evaluation. So what are the sorts of things that advisers, that staff and stakeholders said were working? What were the barriers? What bits did not work in building those relationships and making things work? I know DWP do take that sort of evaluation evidence very seriously and they are in the Timewise trial in particular. So making sure that the Treasury understand that piece of the puzzle, as well as the randomised control trial, is key.

Just on Emma's point about skills, I think this is an important point. We are doing something in London called Ambition London, which is funded by JP Morgan. It is a large project, looking at how we can look to stimulate the demand side around intermediate skills, for employers in social care and in hospitality, in low-paid sectors, and, in particular, how we can use things like the Advanced Learning Loan system—which has led to a big fall in adult learning in the last few years—to improve the demand for skills and the use of skills by employers, and convene employers and workers and Jobcentre Plus to make that work better, so as well I think the Department should look outside.

Chair: Tony, can I end because you are on a happy note and a positive one? One of the lessons I draw from this is that we have all been so accustomed to a conversation with a world that is fast disappearing, and it is quite difficult to get up to speed with the new opportunities that are being offered by this reform. So, in helping us bridge that divide, can I thank each of you very much for your contributions? We are very grateful to you.