



**Northern Ireland
Assembly**

**COMMITTEE
FOR EMPLOYMENT
AND LEARNING**

**OFFICIAL REPORT
(Hansard)**

Welfare Reform: Departmental Briefing

21 September 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Basil McCrea (Chairperson)
Mr Jim Allister
Mr Sammy Douglas
Mr Chris Lyttle
Mr Barry McElduff
Mr David McIlveen
Mrs Sandra Overend
Mr Pat Ramsey
Mr Alastair Ross

Witnesses:

Mr Colum Boyle) Department for Employment and Learning
Mr Jim Russell)

The Chairperson:

We now move to the briefing on welfare reform. We welcome Colum Boyle, the head of the employment service branch, and Jim Russell, the head of the employment service policy branch. It is good that you are both here. Colum, you are very welcome. I understand that this is your first time before the Committee. Is that correct?

Mr Colum Boyle (Department for Employment and Learning):

I have been a visitor many times to the Committee of Social Development, but this is my first time before this Committee.

The Chairperson:

You are very welcome. Over to you.

Mr C Boyle:

I thank the Chair and Committee members for the warmth of their welcome and for inviting us along to talk about welfare reform. It is very timely meeting following the submission of our paper to the Committee.

There are some major developments on welfare reform in Great Britain. Those will have an impact in Northern Ireland and need to be worked through in the legislation coming from the Department for Social Development (DSD). Some of those impacts will be seen very strongly in relation to universal credit, particularly with the work programme. Alongside that, we are also undertaking some internal measures to further improve the offering of the employment service. We will take you through the categories that we have set out in the paper.

I must stress that our focus within the welfare reform agenda is very much on the employment dimension. If the Committee would like a further, more detailed briefing on any of the mechanics of the Welfare Reform Bill, that can be arranged through our policy colleagues in DSD who are taking forward the legislation.

I am very happy to take questions at the end of the briefing or as we go through each section of the paper. Some of the measures are quite different, and what we are doing with the universal credit, including conditionality and sanctions, is very different to what we are doing with, for example, employment service development. The work programme is also a particular entity in its own right.

Before I pass to Jim, who will walk you through the paper, I should say that the universal credit will be a major factor employment-wise in Northern Ireland. A very significant response will be required from the Department and the employment service. Similarly, we are not just mimicking what is going on across the water with the work programme. Rather, we will develop

something that will retain the best of what we have and combine that with the best from across the water to try to meet the employment challenges that will be with us for a considerable time. We will talk more about that when we take your questions.

Mr Jim Russell (Department for Employment and Learning):

I will run through the categories in the paper as they are listed, from the universal credit to the post work programme arrangements.

One of the key issues for the employment service in the reform of universal credit is to ensure that work will always pay for people when the reform takes place. You will see from paragraph 4 of the paper that that will be achieved by introducing a single, uniform withdrawal rate of benefit as people increase their hours. The current system can disincentivise people from working, because they reach certain barriers when they work a certain number of hours, and their benefits are withdrawn up to a rate of 96%. Clearly, it is not worth people's while working for 4p in the pound to do an extra hour, and in theory, if the new system works, it should always be better for people to work, even if just for a few extra hours a week, with six hours a week paying just as 16, 26, 36 or 46 hours does.

The new system will also considerably simplify the benefits system. You will again see from paragraph 4 of our paper that it will bring together a range of the existing benefits and some of tax credit systems in a single credit. So it should be easier for people to understand and easier to administer, and, because of that, payments will be more accurate, there will be less risk of fraud and error, and people will get what they are entitled to. At present, there is a huge volume of under-claiming because the system is so complicated that people do not know what they are entitled to, and, given that it is complex, it is open to abuse. We need to close that gap, ensure that people get what they are entitled to and process the payments quickly and easily. People can then work with our staff to focus on moving into work and building up their capacity to work as quickly as they can.

The theory is fine, but the difficulty is all very practical. Moving from where we are at the moment to where we want to be by 2013 and then by 2017 will be a very complex and difficult task for the Social Security Agency (SSA), ourselves, HM Revenue and Customs (HMRC) and for everyone who is involved. So, the theory and concept is good, but the difficulty will be in the practicalities of getting there. However, from our perspective in the employment service, we will

work in advance of 2013 to put in place a completely new service approach to work. Essentially, there are three elements to that. It reflects the approach that has been adopted by the Department for Work and Pensions (DWP) in Great Britain. As Colum said, we do not necessarily have to reflect all of that Department's changes in detail. However, the principles behind where it is going are probably the right ones to follow.

The first thing that we will do is revamp the service that we offer people in the early days of a claim to benefit. That is what we call employment service development at paragraph 12. Essentially, we want to move away from a system that is centrally driven where we, in Belfast, tell our regional offices and regional staff to do certain things to people at certain times. We want to give them the freedom and flexibility to build the service that they need to enable individuals to take advantage of the opportunities that are available in their area, whether those are work, volunteering or work experience opportunities, or opportunities to engage in something meaningful that will keep them confident, motivated and, hopefully, help them to move towards work as quickly as possible. So the theory will be to minimise, as far as we can, what we stipulate as requirements and give staff in local offices as much freedom as possible to work with clients to help them move towards work. That will probably take the rest of this year and well into next year to bed down.

We will want a very simple and effective diagnostic toolkit to look at people's circumstances, attitudes and opportunities to gauge how close or how far they are from work. We will then work with them to address those issues and move them quickly, if that is the answer, or at a pace that they can cope with. One of the elements will be a new work experience scheme that is short, sharp and up to eight weeks in length to allow people to try work and see if it is the right job for them. It will also give employers the opportunity to see whether people are the ones they want. Again, the whole theory is about engagement, activity and action. We want to increase the opportunities for people to volunteer in their community to help community organisations and groups with their work. Engagement is the key.

We want to move to a situation where local offices and local regional managers have an innovation fund from which they can buy local provision to meet local needs and engage with local organisations that deliver locally. We also want to create a situation in which staff can buy skills directly from colleges or providers to meet a particular need rather than wait until they go through a programme, which could take weeks, months or years. So we want to meet the need

when it is identified, rather than wait until certain mandatory trigger points require people to do certain things. That is what we will do in the course of the rest of this year.

We will also examine in detail the work programme that is currently offered in Great Britain, which went live across GB at the start of last month. Paragraph 8 details the principles that underpin the work programme: it is simple, it is contracted out, it is not prescribed from the centre, and it is up to providers to offer what they think will meet people's needs. The key issue is that it is a payment-by-results scheme. In England, for the first number of years, DWP will pay providers a small attachment fee. However, by year 3 of the scheme, all payments will be paid by results, which means that if you do not get people into work and keep them there, you will not get paid.

We will have to examine that scheme, look at whether we think that it has application here, and look at the issues that might be relevant locally. That will include the capacity of local organisations to deliver on the scale on which some of the big organisations deliver in England. For example, in contract terms, Northern Ireland would be about half the size of an English contract area. If we spend £30 million or £40 million a year on Steps to Work, a contract area in GB could potentially be twice the value of that. It is a lot of money.

The Chairperson:

We get that point.

Mr Russell:

We need to look at that and at how we might bring forward proposals here. We will work with the principles in paragraph 8 and see whether we think that we can devise a scheme that is consistent with those principles. We hope to have the final proposals on that certainly by the end of this financial year, with a view to having it in place by April 2013.

The Chairperson:

Would it be appropriate to take some questions on that bit now?

Mr Russell:

Sure.

The Chairperson:

What other bits do you want to discuss? It is just for managing the time.

Mr Russell:

Primarily, that is it.

The Chairperson:

OK. Thank you very much for that submission.

Mr Lyttle:

Thank you for the information. It was particularly encouraging to hear about the work experience and volunteering aspect of the employment service. I know that it is still to be developed, but can you say anything more about that? The feedback at constituency level on the likes of apprenticeships is that, very often, they are offered but that the people who take them up are still a step away from work readiness. It sounds like that attempts to address that issue. Secondly, the paper sets out that the biggest fundamental issue is the departmental structure. Perhaps you could speak about that.

Mr Russell:

On the work experience scheme, we have already signed up a number of employers that are willing to offer those short places of up to eight weeks. We need regulations to underpin that scheme, and DSD is in the process of making those for us at the moment. We expect that it will have those regulations in place by December. We will then be able to run with the scheme as quickly as we can.

You are absolutely right: there is no point in sending someone to something for which they are not ready or from which they will not benefit. A key piece of the work that we need to do with the scheme is to make sure that we match the right people to the right opportunity and that the employer and the individual are happy to sign up to it. It is not a compulsory scheme; we will not compel people to do it purely and simply for the sake of it. They will have to benefit from it.

Mr C Boyle:

The other key point is that, for a long time, our front line has been dogged by the need to comply with all the social security benefit conditionality pieces. There have been a lot of forms to cope

with and a lot of data inputting to be done. So, when they are having that dialogue initially with the client, it can be heavily focused on doing the administrative work.

We want to shift that to a situation where they are focusing on the individual. We are talking about trying to remove barriers to employment. We understand that the economy is on its knees, and there is a big difficulty there, but that should not stop us from trying to get people prepared for what the future may bring. So, rather than having our staff on the front line, signposting all the time to providers or waiting for the work programme to kick in, we want to try to get assistance and support available from the front line as fast and as early as possible, and at as low a cost as possible.

That, in turn, means that the people who get on to our Steps to Work programme are the ones who most need it. I want to try to bring that front line to life. The big challenge in doing that is the amount of pressure we are under with the levels of unemployment. However, we are trying to recast our processes to try to create more headroom for staff to do that. The other aspect of that is that, over the past number of years as we formed jobs and benefits offices, there has been a focus away from direct linkage locally with employers. I have been in a number of offices when I was first in this post, and staff in some offices do not know what vacancies exist and the employers who are around them. They have not had the time to do that, and that is the big issue. We have to create the space and time for them to do that to try to reinvigorate this.

Mr Russell:

That is the issue of the two organisations: two very different approaches to what they need to do. The Social Security Agency is —

The Chairperson:

Folks, we cannot have backwards and forwards because we have to get everybody in, so we will do this in wee chunks. I am not cutting you off, Jim. We could listen to you all day, but we do not have all day.

Mr Lyttle:

That has covered it. It was really to try to speak to the key fundamental issue of having two different Departments whereas in the UK it is the DWP. If the Committee can be of any use in the rolling out or publicising of the new scheme working in local areas, it would be good to hear

more about that as well.

Mr C Boyle:

We would want to share information with the Committee.

Mr Lyttle:

My other question was about the two-Department issue.

Mr C Boyle:

The two-Department issue is interesting because the universal credit will drive out a single organisation to take forward the processing of universal credit benefit. Our Department, in the employment service, is outside the scope of that single organisation, but it is a key strategic delivery partner.

The paper refers to the fact that a lot of the processing for universal credit is intended to be done online — a massive target of 80% online by 2017. That is a huge challenge for the universal credit programme in GB and Northern Ireland. From our point of view, you cannot process people's employment prospects online; you have to deal with people face to face. So that element has to stay outside the universal credit machinery but it is part of the service-delivery model and it is crucial that we are strategically well joined up with the new organisation, and that the join-up is slick and works well. It has to work better than currently. We have made good inroads to some degree with jobs and benefits offices. They are better than the old social security offices and job centres but they have had their downsides, as I explained.

The Chairperson:

OK, thank you.

Mr P Ramsey:

Thanks for the presentation. I must say I do not envy your task or your advisers on the ground as you go forward. Assembly Members have two roles. One is their legislative role in the House, and the other, which for myself is as important as that, is a representative role in the constituency office and having the capacity to advise people.

The most important subject matter for a lot of my constituents is this welfare reform. Setting

that aside, I would be very interested to see what collaboration there is with DSD. Clearly, there has to be collaboration. However, Northern Ireland is a unique place and, unfortunately, we have a legacy of the Troubles, which have left so many people with mental-health related problems. I take your point about reasonable steps to bring people back into work. God save us, I really do not know how you will achieve that. You talk about £30 million being used in Steps to Work. How many people does the Department expect to migrate across from social security to DEL, for example?

One imagines that we are talking about many tens of thousands, if the welfare reform goes ahead. There must be a figure out there. There will be a demand on the service, for example. At the minute, there is a range of training programmes, but one imagines that, given the uniqueness of Northern Ireland, which I have already mentioned, there has to be creative and unique programmes. The standardised training programmes that we have come to expect are not adequate, because we are talking about different people. These are people who, on the whole, are dependent on benefits. Furthermore, many of them have major physical problems or a range of various mental-health related problems. A lot of those people are in second and third generation unemployment, and literacy and numeracy come into that. How are we going to manage the process, going forward?

Mr C Boyle:

I will deal with the numbers first. The interesting thing about universal credit is that, because it is joining in child tax credits and tax credits, and because it is a benefit that will deal with people who are in work and outside of work, huge numbers of people will be coming on to the books.

Mr P Ramsey:

You must have made an estimate.

Mr Russell:

We do not have the full range.

Mr C Boyle:

We will talk to DSD.

The Chairperson:

The figures that we have show that employment services was geared up to look after 30,000. It is now 60,000, and that will increase to 80,000 when universal credit is introduced. Our figures show an additional 20,000.

Mr C Boyle:

That is the unemployed element, but people who are in work will also be entitled to use our services. That will complicate the figure, and that is the number that we do not have.

Mr Russell:

Currently, there are 798,000 people in employment in Northern Ireland, 64,000 people unemployed and 544,000 people who are economically inactive. The universal credit client base will consist of the 544,000, the 64,000 unemployed and some element of the 798,000, which is the figure that we do not have. We will have to get that for you.

Mr P Ramsey:

You made reference to the barriers to securing employment. Do you accept my point that Northern Ireland is in a unique situation where those barriers are going to be more detailed with regard to mental-health related issues?

Mr C Boyle:

We have had Lord Freud across on two occasions over the past number of months, and the whole issue of the uniqueness of the Northern Ireland situation has been put to him. Yes, you can certainly see that there has been a legacy of the Troubles. It is a matter of qualitative judgement as to what the impact of that has been. I understand that dimension, but I look more at what is happening in the economy now, irrespective of the causal factors. Take the comparison with the north-east of England. Our unemployment rate is not that much different from the north-east of England and the levels of deprivation that it is suffering. Rather than looking at the historical causes, I think that we should look at how to get out of the situation. Look at traditional manufacturing bases in the north-east of England. Similar things have happened there: they have been wiped out.

The Chairperson:

Pat's point is that if the difference between disability living allowance (DLA) in this part of the

world and other parts of the world is due to mental illness — as the Work Foundation suggests — and that that is a legacy of the Troubles, the steps that you take in England and Wales will not be relevant to the steps that you take in Northern Ireland. That is the argument.

Mr C Boyle:

Yes, and the uniqueness of the mental-health situation is something that we are going to pick up in the next paper, because we know that we need to put in more innovative programmes because of internal relations, for example, and the predominance of people who have incapacity benefits and mental-health conditions. For instance, we are about to procure a programme called Work Connect. It will try to deal with the specific issue of getting people back to work. We recognise that it is a longer-term goal to get those people back to work.

Mr P Ramsey:

May I ask a further question? A number of organisations across Northern Ireland champion people with learning disabilities. What discussions have taken place about the provision of unique employment opportunities or training for those people?

Mr C Boyle:

A number of those organisations are involved in delivering our programmes under the disability suite. Among those programmes are Access to Work, and Workable (NI). We meet those providers quarterly and have discussions with them about future plans. They are aware of our plans to bring forward the Work Connect programme. They also work as sub-contractors across Steps to Work, where issues of mental health and so forth are picked up, and they provide assistance there.

Mr P Ramsey:

Finally, Chairperson —

The Chairperson:

You have teased me with “final” points three times, Pat.

Mr P Ramsey:

I see all this in front of me. There will be huge pressures on voluntary organisations such as Citizens Advice that advise people on welfare benefit and return to work to meet the demands

placed on them. Will there be funding in your budget to help those organisations?

Mr C Boyle:

The advisory sector is a matter for the universal credit programme, which is in the Department for Social Development; we look after the employment dimension. However, we will want to work closely with those organisations on the employment dimension to ensure that our offerings are right.

Mr Allister:

I want to tease out an issue with you that relates to universal credit. It will be paid to households rather than individuals. Can you expand on the implications?

Mr Russell:

The proposal is that universal credit will be paid to the household, which will be asked to nominate a recipient of the payment. However, there is debate at Westminster about the detail; they have not finally decided how it will be done. There are issues about payments going to one member of the household, as that may have implications for others in the household — dependents, children, and so forth. There are risks to that approach. Ministers in England want to promote personal responsibility with this reform so that people will accept responsibility for looking after their family and children.

They also want to replicate as far as possible the arrangements that would pertain to people who are in work and who receive a monthly salary to get people to think about budgeting monthly, rather than the present arrangement whereby benefits are paid weekly, fortnightly or monthly. That leads to a whole range of things coming in different phases. Sometimes, benefits such as housing benefit are paid directly on someone's behalf to a third party.

Mr Allister:

What I am driving at is: will it encourage households to be households, or will there be financial advantage to being a multiplicity of households? Will there be dodges to be worked? If so, how will they be policed?

Mr Russell:

The intention is to move to the former and to avoid the latter.

Mr Allister:

How will you do that?

Mr Russell:

That is the detail that Ministers are trying to thrash out.

Mr Allister:

It is more advantageous for two people to claim that they have two separate households in order to maximise the uptake of universal credit than to admit that they are a single household. It will be open to serious fraud, as many benefits are.

Mr C Boyle:

Yes. No matter what benefit we bring in, whether means-tested or not, there will be an element of fraud risk that programme protection must try to prevent.

Mr Allister:

That is one of the things that make hard-working citizens most angry. How will we tackle benefit fraud?

Mr C Boyle:

That is a matter for the main universal programme from the DSD perspective on the benefits side. Our focus is on developing the employment angle; therefore we cannot comment on the programme protection point of view.

The Chairperson:

I was going to suggest, Jim, that, because it is a DSD matter, a joint meeting with the Committee for Social Development would pay dividends. Although I am happy for people to get some grounding on the issue, we are primarily interested in the employment and learning point of view. Nevertheless, there is considerable overlap. We will arrange a joint Committee meeting to deal with the issue.

Mr Allister:

That is fine.

Mr McElduff:

As regards delivering the changes, are customers and staff more disadvantaged in areas where the co-location project has not already happened? The jobs and benefits office —

Mr C Boyle:

No; I do not think so. Although the situation is not perfect, we have put in place the necessary contingencies between the two organisations to provide the best possible service that we can. There are some slight differences in that. We prefer to do them all in jobs and benefits offices. However, that has not been possible because of the lack of capital funding. Prior to that, capital funding ran out because of major difficulties over a substantial time frame in trying to identify appropriate locations. It has not been easy.

Mr McElduff:

Has inconvenience been experienced by customers in areas where the co-location project has not happened, such as Strabane or Cookstown? You would think that you would start the co-location project in those places, not get around to it there.

Mr C Boyle:

Customers are currently inconvenienced by having to go to two locations. Therefore, there is a need for staff to link so that customers are encouraged to leave the social security office and come and do the work-focused piece as an important element of it. We hope that universal credit will leapfrog that problem. It will significantly force everyone involved in universal credit space to look at the right way to deliver it; the right network in which we need to deliver it; where it will be delivered from, and who will deliver it. Everything from accommodation needs and estate issues to how many staff are required will all be up in the air now.

Mr Douglas:

Your report states that Northern Ireland is about half the size of a single contract area on the mainland. It goes on to say that it may not be sensible to have a single contract in Northern Ireland. Why would it not be sensible?

Mr Russell:

If you have one single contract, and that contractor fails, you lose your provision. It is better to

have a range of providers, so that if one gets into difficulty, someone else can pick up their contract quickly.

Mr C Boyle:

Each segment of GB is split. There are two providers per segment. At the start, they have an equal market share. It depends how they perform. The market share can shift if one provider performs better than the other.

The Chairperson:

Obviously, you will brief staff in that major change for them. How will you go about that?

Mr C Boyle:

This is in its infancy. We have had a couple of conversations with the Minister, made a submission, and come to you. Because we have been locked in heavily with colleagues in the universal credit programme, we want to ensure that the communications we issue via the universal credit are done in tandem with the Social Security Agency and other organisations that it will impact on, such as the Housing Executive and the LPS. Therefore, we must ensure that it is all carefully dovetailed. We need to set ourselves up as a strand in DEL of the main universal credit programme, which means that all of the communication will be co-ordinated. I want to do as much communication as possible face to face through line management. We have good systems for doing that through our weekly team talks. However, we will also need to hold special communications events. For example, we have already communicated the work programme and what we are doing in the pre-work programme through staff conferences and, weekly, through regular updates to staff.

The Chairperson:

It might be useful — if Members agree — for the Committee, or members, to have the opportunity to sit in at the appropriate forum. Part of the issue is the complexity of what is being done. Would you think about how to involve the Committee, and not just here? I do not know whether we want to go to a big conference. However, you must do some type of briefing even if it just to tell people the process involved. Will you come back to us with something?

Mr C Boyle:

Absolutely. There is a vehicle for doing that. We compartmentalise the Province with regard to

our staff and we take the news to them. That would provide opportunities.

The Chairperson:

The Committee Clerk will drop you a note and you can respond to the Committee. It is a matter of urgency. People want to see what can be done reasonably quickly.

The other thing that I mentioned in the preamble is that there is an awful lot of work coming through from DSD on this issue and that we want to hold a joint Committee meeting. Do members agree?

Members indicated assent.

The Chairperson:

Can we write to the Chairperson of the Committee for Social Development? The key thing is that this is so complicated.

The Committee Clerk:

Yes.

The Chairperson:

Colum, you talked about the issues involved. We need to find a way of ensuring that elected representatives can take it in bite-size chunks. You live with this stuff day and daily. However, a lot of us are getting questions and have concerns about other issues. With respect, we all have to start somewhere. However, when we have joint Committee meetings, it will not be a matter of getting a paper and talking through it a bit; we will need to know about specific areas, what the implications are, where we have to make decisions and where we have an input. Do you get what I am saying?

Mr C Boyle:

Absolutely; today was a starter for 10.

The Chairperson:

I accept that, and we are grateful for it. I am keen to have a meeting with your organisation, or whatever way you want to do it, and I want to have a joint Committee meeting as quickly as

possible.

Mr C Boyle:

I have one further thing to add. I see us coming back to the Committee to deal with elements of the work programme, the annually managed expenditure/departmental expenditure limit (AME/DEL) switch and slices of the employment perspective of where we are with universal credit. Those bite-sized chunks will be available to you.

The Chairperson:

That is what we want. Even if it is about having discussions with the Committee Clerk, we want to know that it is part of our forward work programme because it is of particular interest us. We will work with you on that.

Mr C Boyle:

If it is any consolation, it has taken me about nine months to get my head around the agenda and understand where it is going.

The Chairperson:

It is reassuring that you have done that. Thank you very much. Colum, you are staying with us for the next session. Jim, thank you for your contribution.