

How Ministers have worsened benefits processing

This is a transcript of part of "Freedom from Command and Control", a show presented in London and Edinburgh during October 2005. This part of the show illustrates how the processing of housing benefits has been made worse through government specifications.

John Seddon: Until a few years ago the majority of Vanguard's work was in the private sector. Five years ago public sector managers behaved like rabbits in headlights - they were fearful and compliant; they were focussed on doing as they were told.

Things are changing. Many people in the public sector know the improvement regime is not working, they and the public know that public services are not improving.

In the last few years we have become more and more involved in public sector work. In every case we have experience of we have found the services are being made worse by top-down directives.

A manager in the public sector sent me this cartoon (the cartoon has Ministers using nice words about wanting better local freed-up services etc and ends with the punch-line 'and this is how we want you to do it' providing manuals of what to do).

Of course the question becomes: are these things the right things to do? I'm afraid the answer is no. I am sure Ministers do not mean to make public services worse, but that is what they have been doing.

A good illustration of the problem is housing benefits processing.

The Chancellor, Gordon Brown, said there should be no investment in the public sector without reform. Officials in the Department of Work and Pensions persuaded him to invest £200 million in changing the way local authorities deal with housing benefits.

The Department of Work and Pensions produced a three-part, box-set of manuals, telling everyone what to do; a detailed set of performance standards; they also incentivised councils to adopt what they call the Verification Framework, essentially a check-list of the things you need to know about every benefit claimant, if you are VF compliant you get more funding. And the Department of Work and Pensions set up a £5 million fund to provide what they called a 'help team'. I call it the 'no help team' - you'll see why later.

So this is what housing benefits now looks like in most councils across the land. You have a front office, where people turn up to make a claim. A back office, where claims are assessed and the two are connected by a document image processor, something encouraged by the Department of Work and Pensions guidance.

And these are the essential few standards written into the guidance that are the root cause of the failure of this scheme to work.

In the front office there are standards for how quickly you see people and respond to letters. In the back office there are standards for how quickly you process work. These kinds of service standards might appear plausible, but as we shall see, they are the primary cause of poor performance.

If you were doing check on housing benefits, one of the things you would want to know is the end-to-end time it takes from the customers' point of view, to make a decision.

Here is the capability chart for the first housing benefits case we ever worked on. The average time to make a decision was 51 days, the upper limit 134 days. Again, we have this phenomenon, this organisation was meeting all of its targets but the reality from the customers' point of view was quite different.

Just consider for a moment how long it takes to do the value work, how long it takes to process a typical claim for housing benefits. Under thirty minutes.

If you were doing check you would want to find all the causes of variation - things that make time go longer - and when you do this, you discover the government-imposed targets are central to the problem.

Here are people from two local authorities that have re-designed housing benefits using the Vanguard method. As you will hear, the first went from being the worst in the country to being one of the best in a matter of months. At the time I went to visit the second they were a few weeks into re-design.

Let's listen to what they learned when they did check:

Explanatory notes: The content that follows was preceded by the Vanguard Model for Check and other ideas that would help the reader understand what follows. If what follows leaves you with questions, you will find the answers in "Freedom from Command and Control", the book. The people and local authorities appearing on the following video clips are not named here, we wish to minimise the risk of them being inundated by industrial tourism. Tourists are looking in the wrong place. If they know how to look they can find all they need to see in their own systems.

Manager: "The whole thing through check was getting a clear picture of the system; the demands into the system the type and frequency of that demand, more importantly in doing that and getting the evidence to support it, you could make real decisions based on evidence rather than opinion."

Worker: "When we did check we found a lot of things that you wouldn't even have thought about, how many times we re-wrote to customers, the amount of duplication that was in the work, how many different people that one single piece of work went around, before it actually got dealt with."

Manager: "What we identified through check was that there was a hell of a lot of batching of work queuing of work, sorting of work, a lot of rework and duplication, each bit within the separate parts of the process were tending to do things that had been done elsewhere in that process and until you see it as a system and there's a picture of that system you don't understand really how it works from end-to-end."

Worker: "When we went through to look at what was value work we found there wasn't much value work at all, the only value work was "can I make a claim for benefits?" or "I've had a change of circumstances", everything else, people phoning up for claim progress "when will my claim be dealt with?" or people coming in with part of their claims and not all the information we needed for their claim was all failure that we were adding, so the actual value work that we were doing wasn't very much, there was so much waste in the system that this was bogging down the value work that we should have been doing really."

Worker: "What we would in the past have thought, well that's definitely value, you realise no it's not, its failure."

Worker: "It's quite hard to see your work as failure that you almost take it as a bit of an insult at first."

Worker: "Is that what you want your customers to come to you for? I mean you think no it's not really, and then you start to see if you can turn off that failure demand and only get the value demand that the work is literally going to go down."

Worker: "When we listened to phone calls a huge percentage of the customers were not only progress chasing but they couldn't understand our letters, then, when they came to us, we couldn't understand them either."

Manager: "During check we sat, I sat, other managers sat at the front line, seeing customers, talking to the staff and you see the anxiety on both their faces; the customer knows that the message is going to be taken, a promise is going to be made about something being sorted out and you can see that they know they are going to be back again in a couple of weeks. The officer sitting opposite a customer who says "I've been back three times already", they carry on smiling, they're really doing their best, but you can just see the anxiety thinking "I've got to pass this off again to the back office, I wonder what's going to happen to it" and you just see this again and again and again. Now I go to the local service centres where we're delivering a benefits service end-to-end and paying people's benefits within a few days, as we talked about earlier, staff are smiling, there has been a complete transformation and it's remarkable."

Worker: "Every customer's need is individual; you have to look at each claim individually but we had always looked at everything en-masse, but you have to take someone's claim in and do it the best way for them really, its what matters to the customer that is the value work really."

Manager: "We've tried to deliver service through proforma and check list and we tried to force our customers into some previously prescribed standardisation."

Manager: "Well that was the remarkable thing about check from our point of view because we had a misconception as to what it was that was causing our problem and we had, over time, put a lot of resource into the end of the process where we thought that it was a need to have more assessors assessing benefit when, in reality, the complete reverse was true; we needed to put more investment up front in that process to get clean information to ensure that we responded to customers demands at the front part of the process."

Worker: "We found that, myself, as a front line interviewer, I can only go on my experience, I've maybe taken the claim in at the counter and as far as I'm concerned I've got all the information ready to process

that claim that would go by courier over to the next town and then it would go through the scanning process and then through the next process then through the checking process even though, at the very beginning, I had written on that claim form that it was ready to be assessed. So it went through this whole chain, this whole flow of work to get to the assessor at the end for them to recheck it, it had already been rechecked at this stage because it was pre-assessment checking, then I'd checked it, then the assessment, what we did at the end was just bypass all that and it went straight to the assessor."

Worker: "We've been measuring the failure demand against the value and in the last three weeks we've really seen the value demand has got a lot higher and the failure has really decreased, it's really dropped off now, so we're starting to see the improvements already."

Worker: "Most claims are straightforward; it's only an odd one that comes in that isn't straightforward but to the customer, it isn't straightforward to them, they all need their letters explained; all they want to know is "how much have I got to pay?", "have I got to pay anything?", and they want to be reassured."

Manager: "The big thing about systems thinking, from my point of view, is purpose, we had, without any question, lost sight of our purpose when we were in the dark days, we talk very much now about purpose from the customers point of view and once you know what your purpose is, in our case to get clean information, assessing entitlement accurately the first time and then pay benefit if people are entitled, you do everything you can to achieve that purpose."

Manager: "That was key really in terms of opening up the discussion with our staff and with our managers about how you should redesign our service based on that purpose and looking at end-to-end measures rather than just, if you like, the silo measures, for want of a better term, which were influencing their behaviour."

Manager: "One really powerful thing for me has been understanding and analysing variation, which is not something that we'd done before really, you know we'd produce these averages every month, but once we'd got down to either 35 or 36 days and we sort of put our feet on the desk and say that's absolutely fantastic and now we've started to look at the variation, we've found that we didn't deliver a service to anyone in that time, we either delivered a pretty good service of 10 or 15 days, or an absolutely terrible service of 3 or 4 months. So if someone said to us, "here's my housing benefit claim, how long does it take", we'd say "on average, about 40 days" that was meaningless, completely meaningless for that customer, because it would probably be 2 weeks or months and then when you start to look at variation and plot capability against purposes we'd been doing through this intervention, it gives you a very powerful picture of what's really going on in the system."

Worker: "This way of working really highlights peoples' training needs, it really does and its a lot easier to see it as well and I think staff are more forthcoming in this sort of approach, they will come and tell you "I'm not really sure how to do this, but I want to do it for this customer, could you get me some training?" So you might go through it and coach them in the first instance and then get them some more in-depth training afterwards, but it really does highlight things."

Manager: "The engagement of staff, with union representatives, we've never had like we're having on this, there are almost no problems or complaints and that at a time when huge numbers of our staff are working outside their normal duties, doing things in a slightly different way, working in different offices,

people from the back office answering phones or working in the reception counter; people doing all sorts of different things and they are doing it because they are enjoying it and providing a better service."

Worker: "We're trying to make direct contact with other organisations to sort of smooth the process for the customers and in council tax, for exemptions, we used to send out a lot of letters to the customers "can you complete this questionnaire, return it with some documents", we wanted to cut that out, there's no need for it, if we can, for example, for student exemptions, we have direct contact with the University now, so we just email them or give them a quick ring and say "is this person a student at University?" If they confirm they are full time we don't need a student exemption form we don't need a certificate, it really cuts the process down, you know that's something that used to take at least 21 days and we're doing it in an hour, if that, so its really, really changed it and yesterday one of the guys, he actually rang one of the local hospitals to see if there was a patient who said they'd been admitted and said they were going to be there for quite a long time so we wanted to give them exemption, normally we'd have sent lots of forms out as I was saying; he rang through and they said "yes that's fine, we'll tell you over the phone" and he said "is there any possibility of having someone to liaise with directly?", explained the sort of job that we are trying to do and review that's taking place and they said "yes, that's fine."

Worker: "We're so much more involved in the work now and before we just did our jobs and if you came up with an idea you wouldn't have thought of saying to somebody "can we do this?", but now if we think of something we'd just role it out and do it. But the best thing is we know now whether it's good for the customer or not and we're doing everything we can to make it so the claims are processed as quickly as possible, because we know that's what the customer wants, for their claim to be processed, basically if you're interviewing on that front line, and you can give a service that you're proud of then you're so much happier, in everything you do and its nice because you feel like you're doing a worthwhile job and we also feel that we're now offering a straightforward service that we can be proud of."

Worker: "A lot of staff, they just get to the point where they just feel they come to work, pick up the phone, sort of answer a question and then go home. They don't really feel like they are achieving anything, I know I've said it before, but they feel like they've got so much control now that they are enjoying themselves, getting a lot of satisfaction out of it, its not like we have to sit there saying "come on, you know we'll have an office fun day" to boost them, they're getting enjoyment out of doing their work, doing their job, its really, really satisfying for me to see it and knowing that I've been a part of helping them in that process."

Manager: "It now means that, rather than the manager sitting there setting the targets or whatever, related to whatever purpose that service is; the staff that are now engaged are actually pulling in the managers and saying "We've got this problem, come and solve it for us", rather than the managers saying "I've got a problem, you solve it for me" and ultimately its really changed the relationship between staff and management around here and the managers who may have spent a proportion of their time sat behind their desk are now very much engaged in the work and they're solving design problems that the staff cannot deal with."

Manager: "What's been really good for staff is that we've been saying to them now, you take as long as you need with a customer, so if there's a queue developing, you tell me and that's my job to sort out

the resources we need, its not your job to start rushing and doing the wrong thing for the customer you're with."

Worker: "We get people clapping us, we've had flowers, we've had chocolates, and half the time it's taken us longer to explain that they haven't got to come back than it has to, we've had literally people come in and we've said to them "this is your award, and that's it" and they say "oh right, when have I got to come back?" "No you haven't got to come back actually, it's all been done, this is how much rent you've got to pay and council tax it's all been done, here's your document". "Right, OK, so I haven't got to come back then?", and as I say it's taken us longer to explain that they haven't got to come back sometimes, because they can't grasp how quick we are doing it."

Manager: "We found that when we talked to customers they don't mind waiting a little bit if it means they only have to come and visit us once and they go away, not having to come back again for a year. During check we found that every new housing benefit claim a customer had to come and see us four times, now they might have had to only wait 15 minutes each time to see us, but actually that's an hour overall."

Manager: "What I've witnessed is that staff have been re-energised in terms of their commitment to actually ensuring what their activity does actually has direct relationship to the purpose of the service, which is ultimately to satisfy the customers and we've had people who have previously worked in back-office functions whom we have now got in direct contact with the customers as they come in and they are providing a direct service to them and getting a lot more job satisfaction out of it. The other thing that its done, which I think is fascinating is that, what it's done has fundamentally challenged what our managers need to do. It's challenged our philosophy of management fundamentally."

And the challenge to the philosophy includes fundamentally re-thinking measurement

Manager: "We can't continue to look at these functionally separate areas and try and monitor through or manage through cost, because I'm hoping that the unit cost of benefits telephone calls and face-to-face interviews is going to rocket, because if it rockets, it probably means that we are providing the right service to customers. Now end-to-end cost, we hope, is going to go down, because all that stuff is not going to keep going in to the back-office to get churned back to customers to the front-office, to the back-office as it has been doing for years. Back-office, hopefully, a lot will disappear. The unit cost of those contacts has got to go up if we are going to do the work correctly, but the way we currently monitor budgets, that's going to look bad."

Manager: "Our achievements have been reported nationally and I think the only word that I can use to describe it is transformational, in our case we were the worse performing housing benefits authority in the country and now we're performing with levels that compare with the best and the most important thing from my point of view was that we were able to turn things round within a matter of five months."

Manager: "Results purely based on performance improvement would be one way of looking at it. I think results in terms of how its impacted organisationally, but very much in terms of the way that managers behaviour and what managers want to do has been quite fundamental and also in terms of staff morale, have been clear results, that have come out in terms of improvements around that. It's

been fascinating to observe and also to see the changes in people who have been involved in the process."

These organisations now process all housing benefits in a matter of a few days. Way beyond what might have been considered as achievable targets. Better service, lower costs and a massive improvement in staff morale. Everything the Minister wants but unachievable if you follow the Minister's guidance.

Just think about what we learned from check and re-design on benefits.

How many people, do you suppose, turn up to claim benefits clutching everything that will be needed to assess eligibility and entitlement? Of course no one does.

The requirement to meet the service standards for seeing people and handling their correspondence means whatever they have produced is scanned and sent to the back office. Instead of doing what matters to customers - sorting them out - the customer is processed. As (manager) said, customers don't mind waiting for what they want is a service that works, by focusing on targets times we create a service that doesn't work; Fragmenting work in this way leads to delays and hence, progress-chasing. As we move on we will see just how bad this problem is.

No one tells you when you buy a scanner that this will damage the flow of work in your system. "Buy my scanner, it will introduce dirt into your flows" But that is what scanners do. To use a scanner you have to batch things into 'like' piles, all the driving licences have to be scanned together, all the bank statements and so on. So we sort, batch, then scan; and then in the back office we have to re-sort and find things that need to be put back together.

Is any of this value work? No, it is all waste.

What you find as a consequence in the back office is a lot of work going on and most of it is waste. Inevitably things get lost, customers get asked to bring in things they have already presented, and when customers progress-chase, managers think the scanning and work-flow systems they have installed are necessary. But all this is doing is enabling their people to respond to failure demand. There should be no progress chasing.

In the drive to meet government targets and on the advice of the Department of Work and Pensions 'help team' many local authorities have employed private sector contractors to 'bust backlogs' in the back office. But as (manager) observed, the problems are created in the front office. Most of the backlog busting work amounts to no more than re-work and duplication, so we are paying millions to the private sector to re-work the waste caused by the government's design.

It gets worse. Obsessed with the idea of economies of scale, Ministers have been urging local authorities to create shared back office services to process their housing benefits.

When I was in (council) I asked what they thought about this idea:

Manager: "If you'd asked me that question maybe even as little as a year ago, I would have probably thought "Yeah that sounds like a darned good idea, that sounds like in terms of yeah you can get some economy to scale through that process in terms of maybe your procurement issues and you can save a

bit of money on your stationery, your IT etc and you know, it seems to make strong economic sense to me". I'd have a fundamental problem with that approach now, because I think to actually split the front office from the back office and to think that you can deliver efficiencies for doing that is a fundamental flaw."

And this Manager had the same view:

Manager: "What appears to be, at first glance, a very coherent model for joining together some back office functions, getting economies of scale, forcing down unit costs and joining together some front-office customer contact in a call centre and giving their neighbouring boroughs a sort of shopping list of different things to buy into as and when you'd like to and I think a couple of years ago I would probably have been interested in that. I think I might have thought it would work, but if I've learnt one thing now from the recent review of benefits, is that there is no back office, there are customers who need a service and where they come in to the service on the telephone or invariably face-to-face for housing benefits, that's where you need to deliver your service end-to-end, so in actual fact, if we break off, if we sort of firmly establish forever more through a long-term contract, that division you're just going to lock in poor service."

What's important about what these managers are saying is that their view has changed based on what they now know. Many government initiatives do appear to be plausible, but at a time when Number 10 is insisting policy should be evidence-based, there are many examples of massive change, with massive investment, in the public sector, with no evidence that the ideas are going to work. Moreover we are finding plenty of evidence to show that the ideas are actually flawed. To put it another way, every time you do check on a public service you find the government directives to be part of the problem and not part of the solution.

I wrote to Nick Raynsford when he was the Minister responsible for local authorities, and I have written to David Miliband, the current Minister, too. All I ever get is what I call civil service replies. For example I got told the issues associated with shared back office services have been studied and advice can be found in the reports of the strategic partnering task force. Of course I find nothing in these and other reports that shows an understanding of the problem and its solution.

Instead I learn that, for example, 46 councils in the East of England have employed a consulting firm to assess the potential for sharing back-office processing. In their brief to the consultants they ask whether the facts that the 46 have differing processes and differing IT platforms represent opportunities for economies through standardisation or sharing of some kind. I wrote to chief executives of the councils concerned. Some were affronted by my intervention claiming that they were only engaged in research and had not made their minds up to take any particular actions. But the research is asking the wrong questions and will lead to the wrong answers.

Right now this is typical of what is going on in local authorities; they are being encouraged to do the wrong thing with housing benefits. We need to remember it is our money the Ministers are wasting. It is the Minister we should hold accountable.

From "Freedom from Command and Control" - the show. © John Seddon, Vanguard - October 2005.