



# UNCLEAR BENEFITS

## Reforming the Department for Work and Pensions

By Tim Ambler

DISCUSSION PAPER

### EXECUTIVE SUMMARY

- The Department for Work and Pensions (DWP) has responsibility for a number of functions that are currently performed inefficiently and represent poor value for taxpayer money;
- The Department should be restructured in line with the Ibbs guidelines, with a small policy and legislation core and policies being delivered by executive agencies;
- Various arm's length bodies—such as The Pensions Ombudsman, The Money and Pensions Service and The National Employment Savings Trust—should be closed or moved to the private sector;
- The Department's annual plan should have specific quantified targets for performance attributable to the Department or, better, one of its executive agencies;
  - The DWP annual report should then show the results against those targets and what we can learn from the comparisons;
- Taken together, if all the recommendations within this paper were implemented, this would amount to a saving of 19,621 staff (21.9% of the present total).

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**ABOUT THIS SERIES**

The UK government plans to reduce the civil service headcount by nearly 20%. We believe that deeper savings—bringing lower costs and greater efficiency—are easily possible. Whitehall has grown far more than 20% in the last seven years alone and we have found most departments to be a confused clutter of overlapping functions and agencies. This series aims to cut through that clutter by suggesting nimbler, lighter structures.

Whitehall departments have two functions: to manage policy and to provide services. We believe that services (such as passport provision) should be provided by executive agencies, without being swamped by the core department staff. We also believe that the cores could work, more effectively, with a fraction of their staff.

Deep staff reductions can be managed through natural turnover, early retirement, pausing non-essential recruitment and other methods. The result would be a slimmer, more focused civil service, better services for users and substantial savings for taxpayers.

The Department for Work and Pensions (DWP) is too big. Of the 89,489 total headcount, there are 85,453 in the core HQ (Annual Report 2021/22) and 4,036 in 11 arm's length bodies (ALBs).<sup>1</sup> Such overstaffing is nothing new.

Back in 1988, Sir Robin Ibbs set the policy that departments should have small HQs dealing with policy, legislation and the supervision of executive agencies: each of which would be separately responsible for delivering the department's objectives.<sup>2</sup>

DWP only partially followed Ibbs' guidelines. The Employment Service, with 32,300 staff, became an executive agency in 1990, as did the Benefits Agency, with 68,480 staff, a year later. In 2002 they were replaced by Jobcentre Plus with about 10,000 fewer staff. Then in 2011, Jobcentre Plus was integrated into the central staff although the Jobcentres themselves, as we shall see later, still exist as ports of call for those looking for jobs. The Pension, Disability and Carers Service was put under a Chief Operating Officer also within the core HQ. Allegedly, this would streamline management and reduce staffing by an ambitious 40% within 4 years.<sup>3</sup> But removing executive agency status went against Ibbs. It also meant that these units no longer reported to Parliament. They were not even included in the DWP annual report of 2011/12: Table 5 (p.220) simply shows them as "Not applicable"<sup>4</sup> and the 2013/14 report did not mention them at all.<sup>5</sup> While the National Audit Office criticised "the high level of fraud and error in benefit expenditure," it made no mention of the duplicitous reporting of staff numbers.<sup>6</sup>

The third executive agency was the Appeals Service Agency (which organised tribunals), founded in 2000 and shunted into the Department of Constitutional Affairs in 2006. The last was the Child Support Agency, founded in 1993, whose main goal was to extract funds for the parent caring for the child(ren) from the recalcitrant other parent. In 2012, it was replaced by the Child Maintenance Service.

<sup>1</sup> Gov.uk, 'DWP annual report and accounts 2021 to 2022', July 2022: <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2021-to-2022/dwp-annual-report-and-accounts-2021-to-2022>

<sup>2</sup> HM Treasury & Office of Public Services Reform, 'Better government services: Executive agencies in the 21st century', July 2022: <http://reut-institute.org/data/uploads/PDFVer/Office%20of%20the%20Public%20Service%20Reform%20Better%20Government%20Services%202006.pdf>

<sup>3</sup> Gov.uk, 'Government announces organisational changes to Jobcentre Plus and the Pension, Disability and Carers Service', September 2011: <https://www.gov.uk/government/news/government-announces-organisational-changes-to-jobcentre-plus-and-the-pension-disability-and-carers-service>

<sup>4</sup> DWP, 'Department for Work and Pensions: Annual Report & Accounts 2011-12', July 2012: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/214340/dwp-annual-report-and-accounts-2011-2012.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/214340/dwp-annual-report-and-accounts-2011-2012.pdf)

<sup>5</sup> DWP, 'Department for Work and Pensions: Annual Report & Accounts 2013-14', July 2014: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/214340/dwp-annual-report-and-accounts-2011-2012.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/214340/dwp-annual-report-and-accounts-2011-2012.pdf)

<sup>6</sup> National Audit Office, 'Department for Work and Pensions 2011-12 accounts', July 2012: <https://www.nao.org.uk/reports/department-for-work-and-pensions-2011-12-accounts/>

It seems DWP is highly averse to executive agencies: there is not a single one in the Cabinet Office list of its ALBs<sup>7</sup> (see Appendix). DWP should now be restructured in line with the Ibbs guidelines, with a small policy and legislation core and policies being delivered by executive agencies.

After reviewing the ALBs, this paper will propose the executive agencies, and estimated headcounts, that would be appropriate to this structure.

## ARM'S LENGTH BODIES

**The Health and Safety Executive** (2,593 staff)<sup>8</sup> is clearly a necessary function of government, and while one could challenge the numbers and bureaucracy involved, no change is recommended here.

**The Money and Pensions Service** (407 staff)<sup>9</sup> costs £139 million to provide financial advice to about one million people without charge. AI should be used to provide a free online service, but there is no need for the State to do more without charge. Banks also provide such services for their customers. If people have enough money to need personalised advice, they have enough money to pay for it. Close for a staff saving of 407.

**The Pensions Regulator (TPR).** Since hard-pressed employers may sometimes dip into their employees' pension funds, a workplace pensions regulator is necessary and 791<sup>10</sup> may be the right number of employees for it. The report for the year ended 31 March 2021 also showed that TPR had net expenditure of £97.2 million, of which £60 million related to levy [on pension funds] funded activities and £37.2 million was funded by the taxpayer. No staff reduction is recommended.

**Quangos.** As has been noted in previous papers within this series, there is no need for the formality and cost of Advisory Non-Departmental Public Bodies. When ministers and senior civil servants need external advice, as they do and should from time to time, they should simply invite the relevant experts in for tea and biscuits. We advise closing the Industrial Injuries Advisory Council and Social Security Advisory Committee.

<sup>7</sup> Gov.uk, 'Departments, agencies and public bodies: Department for Work and Pensions': <https://www.gov.uk/government/organisations#department-for-work-pensions>

<sup>8</sup> HSE, 'Health and Safety Executive Annual Report and Accounts: 2020/21', September 2021: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1018394/hse-annual-report-and-accounts-2020-2021.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1018394/hse-annual-report-and-accounts-2020-2021.pdf)

<sup>9</sup> Money and Pensions Service, 'Money and Pensions Service: Annual Report and Accounts for the year ended 31 March 2021', December 2021: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1037588/money-and-pensions-service-annual-report-and-accounts-2020-2021-web.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1037588/money-and-pensions-service-annual-report-and-accounts-2020-2021-web.pdf)

<sup>10</sup> The Pensions Regulator, 'Annual Report and Accounts: 2020-2021', July 2021: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1004265/the-pensions-regulator-annual-report-and-accounts-2020-to-2021-web-ready.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004265/the-pensions-regulator-annual-report-and-accounts-2020-to-2021-web-ready.pdf)

**The Pensions Ombudsman (TPO).** We are told that: “The Pension Protection Fund Ombudsman has a separate website”<sup>11</sup> from The Pensions Ombudsman (TPO) site, but if one follows the link, one finds oneself on TPO site. In its 2022/25 corporate plan,<sup>12</sup> TPO noted “at 31/03/22 we had 120 staff, by July 2022 we estimate it will be in the region of 150.” With a well-staffed regulator, we should not need two Ombudsmen as well. Both should be closed, saving 150 staff.

**The National Employment Savings Trust (NEST)** is a workplace pension scheme established in 2008 to promote auto-enrolment.<sup>13</sup> In 2020/21, it employed 371 staff and cost £84 million (£25 million grant from DWP and £59 million net deficit after £154 million income). There is merit in prompting employees to provide for retirement, but if NEST cannot be privatised, it should at least break even. But nothing like that appears among its objectives — only platitudes (“Deliver a sustainable future business model”; “Grow the business, in the right way”; “Deliver a corporation fit for the future”.) It should be closed or moved to the private sector (with financial subsidy by DWP if ministers judge that to be a good use of public money). This would save 371 staff.

**The Office for Nuclear Regulation (ONR)** employed an average of 621 staff in 2020/21,<sup>14</sup> almost certainly more than was needed, given the decline in nuclear activity. However, we propose no change as it is likely many more nuclear power stations will be built in a hurry. To support that, ONR needs to sharpen up its approval process, supervision and adoption of streamlined international best practice. Some may find it odd that the ONR is in DWP and not its obvious BEIS home. The rationale is that politicians are terrified of nuclear power and put safety ahead of everything else. The Health and Safety Executive was put in DWP because it’s related to workplace safety and the ONR followed. That mentality, and the Treasury’s reluctance to spend money, is why the UK built no nuclear plants for 20 years, putting today’s electricity supply at risk. The ONR should be transferred to BEIS.

**The Pension Protection Fund** employed an average of 446 staff in 2021/22,<sup>15</sup> and made a net operating surplus of £440 million. No change is recommended.

<sup>11</sup> Gov.uk, ‘The Pension Protection Fund Ombudsman’: <https://www.gov.uk/government/organisations/pension-protection-fund-ombudsman>

<sup>12</sup> The Pensions Ombudsman, ‘Corporate Plan 2022-2025’: [https://www.pensions-ombudsman.org.uk/sites/default/files/publication/files/TPO%20Corporate%20Plan%202022-25\\_O.pdf](https://www.pensions-ombudsman.org.uk/sites/default/files/publication/files/TPO%20Corporate%20Plan%202022-25_O.pdf)

<sup>13</sup> Nest, ‘Corporation annual report and accounts 2020/21’, December 2021: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1039311/nest-annual-report-and-accounts-2020-to-2021-web-ready.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1039311/nest-annual-report-and-accounts-2020-to-2021-web-ready.pdf)

<sup>14</sup> ONR, ‘Office for Nuclear Regulation Annual Report and Accounts 2020 to 2021: Our Financial Performance’, July 2021: <https://www.gov.uk/government/publications/office-for-nuclear-regulation-annual-report-and-accounts-2020-to-2021/office-for-nuclear-regulation-annual-report-and-accounts-2020-to-2021#our-financial-performance>

<sup>15</sup> Pension Protection Fund, ‘Annual Report 2021/22’, July 2022: <https://www.ppf.co.uk/annual-report>

**Independent Case Examiner.** DWP received 35,544 complaints in 2021/22 but the Independent Case Examiner investigated only 10% of them.<sup>16</sup> The number of staff does not seem to be published but we estimate it to be 10. No change recommended.

## EXECUTIVE AGENCIES

### DELIVERY DEFICIT

According to its Outcome Delivery Plan 2021/22, DWP had four priority outcomes:

1. “Maximise employment across the country to aid economic recovery following COVID-19.
2. Improve opportunities for all through work, including groups that are currently under-represented in the workforce.
3. Address poverty through enabling progression in the workforce and increasing financial resilience.
4. Deliver a reliable, high-quality welfare and pensions system which customers have confidence in.”<sup>17</sup>

Though DWP describes the 11 ALBs discussed above as ‘delivery agencies’, they are manifestly *not* delivery agencies for these priority outcomes: how could the Office for Nuclear Regulation, for example, deliver any of them? The Department has no executive agencies and therefore no units tasked with delivery. Instead, 57,100 members of the core department address the first two priority outcomes, 11,150 the third and 22,650 the fourth, making 90,900 in total (compared with 75,590 in December 2020, an increase of 20%.)

### VAGUE OUTCOMES

The performance metrics for the first outcome are to: “Deliver Government’s Plan for Jobs, supported by 13,500 new Work Coaches, which includes:

1. Aiming to create 250,000 roles through the Kickstart scheme.
2. Supporting people who have spent at least 12 months out of work through Restart.
3. Implementing the Work and Health Programme Job Entry Targeted Support (JETS) scheme.
4. Providing Job Finding Support for 160,000 claimants.
5. Delivering 80,000 Sector-based Work Academy Placements.”

<sup>16</sup> DWP, ‘Complaints about DWP: financial year 2021 to 2022’, May 2022: <https://www.gov.uk/government/publications/complaints-about-dwp-financial-year-2021-to-2022/complaints-about-dwp-financial-year-2021-to-2022#independent-case-examiner-ice-complaints-recorded-from-1-april-2021>

<sup>17</sup> DWP, ‘Department for Work and Pensions Outcome Delivery Plan: 2021 to 2022’, July 2021: <https://www.gov.uk/government/publications/department-for-work-and-pensions-outcome-delivery-plan/department-for-work-and-pensions-outcome-delivery-plan-2021-to-2022>

*“Over the last year, colleagues up and down the country have helped hundreds of thousands of people into work...At the heart of this was the Plan for Jobs programme — a comprehensive and ambitious plan to help people back into work and develop the skills they need to thrive. In early 2022, we launched the new Way to Work campaign as a relentless focus on supporting 500,000 unemployed and work ready claimants into work quickly.”*

But without comparisons with planned targets or prior years, we cannot know if this performance is good or bad.

Instead, the annual plan should have specific quantified targets for performance attributable to the department or, better, one of its executive agencies. The annual report should show the results against the targets and what we can learn from them. We should be told which results provide the expected taxpayer value and which provide less. Schemes that provide none should be discontinued.

#### **LACK OF FOCUS ON CUSTOMERS**

Executive agencies *should* be based on the services provided to the public, namely:

- **Carers and disability benefits**, i.e. Carer’s Allowance, Attendance Allowance, Disability Living Allowance (DLA) and Personal Independence Payment (PIP).
- **Jobcentre Plus** helps people move from benefits into work and helps employers advertise jobs. It also deals with benefits for people who are unemployed or unable to work because of a health condition or disability. It is such a major part of DWP provision that it should be an executive agency in its own right.
- **The Pension Service**, which provides pensions, benefits and retirement information for current and future pensioners in the UK and abroad, including State Pension, Pension Credit, Winter Fuel Payment and Cold Weather Payment.
- **The Child Support Agency and Child Maintenance Service**, where parents have separated and cannot make their own arrangements, calculate how much maintenance the paying parent should pay to the receiving parent and collect the maintenance payments, if necessary.
- **The Child Maintenance Options Service** provides impartial information and support to help both parents make informed choices about child maintenance. It can also help them to set up their own, family-based arrangements.

SECTION	HEADCOUNT	PERCENT
OPS19 Service Excellence	20,536	24.0
OPS Work and Health Services	53,266	62.3
Change and Resilience	872	1.0
Policy	1,367	1.6
Finance	1,954	2.3
Digital	3,587	4.2
People Capability and Place	1,711	2.0
Other	2,159	2.5
<b>Total</b>	<b>85,453</b>	<b>100</b>

Note: The Jobcentre network (43,789 staff) is part of OPS Work and Health Services which handles Universal Credit, an online central function, with 9,477 staff. 1,864 of the 2,159 “Other” looks like a balancing figure since the DWP Central Freedom of Information Team were unsure whether they were permanent or temporary staff.

## NECESSARY REFORMS

The present structure of DWP is a long way from the Ibbs recommendations and because it does not reflect what the Department is supposed to deliver, it leaves nobody responsible for anything. ALBs aside, DWP structure should have executive agencies and a small core dealing with policy and administration. Executive agencies should be responsible for their own finance and administration as is the practice elsewhere in Whitehall. This should reduce the central finance team to no more than 200.

## EXECUTIVE AGENCIES

The executive agencies proposed below treat the services provided as policy and online delivery, leaving the face-to-face delivery to Jobcentres (Plus) which have to be able to deal with all services where face-to face-contact is necessary, i.e. all except Universal Credit. Jobcentres should be envisaged as a range of stores stocking all the other products.

AGENCY	ESTIMATED HEADCOUNT	PERCENT
Child support and maintenance	1,500	2.3
Job entry (18-24)	1,500	2.3
Mature (25-64) into work	1,500	2.3
Seniors and pensions (65+)	1,500	2.3
Universal credit	10,000	15.4
Disabilities and carers	2,000	3.1
Jobcentres (Plus)	45,000	69.2
Core – Policy and remaining administration	2,000	3.1
<b>Total</b>	<b>65,000</b>	<b>100</b>

<sup>18</sup> Response to FOI Request 2022/65108 (8th September 2022)

<sup>19</sup> “OPS” is DWP-speak for OPerational Section, i.e. line rather than staff.



Jobcentres (Plus) had 638 England and Wales locations in May 2019<sup>20</sup> (up from 618 in 2014)<sup>21</sup> but more have been added since, probably totalling 800 now. The number of work coaches has been doubled from 13,500 to 27,000.<sup>22</sup> Jobcentre Plus provides assistance to those who are unemployed and claiming benefits, though anyone can search for a job at the Jobcentre Plus website online, touch screen Jobpoints or via Jobseeker Direct. Jobcentres can administer claims for Jobseeker's Allowance, Incapacity Benefit, Employment and Support Allowance and Income Support — but not Universal Credit, which is why that staffing level needs to be higher than other agencies, i.e. about the number it is now (9,417). Jobcentres, on average, employ about 55 staff each; the recommendation above is to leave that about the same but, as a separate executive agency, to add 1,000 for management and administration.

### **CORE NUMBERS AND OPERATIONS**

At the end of 2019, Ireland's Department of Employment Affairs and Social Protection had a total of 5,823 full-time equivalent staff.<sup>23</sup> Pro rata to the population, that would be 67,559 for England and Wales, compared to DWP's 89,489. DWP does not cover Wales or Northern Ireland. It should be able to capture the job-saving benefits of economies of scale.

### **AUTOMATION**

There are probably benefits to be had from artificial intelligence too. Civil service IT projects are invariably disastrous, and we do not propose one. It would be better for trained technical staff to see how decisions are made then program decision-maker apps accordingly — any of which can be discarded if a better one comes along. In that event, the 3,587 currently employed in the core digital department should be reduced to about 360.

One reason to automate things is that DWP staff make too many mistakes. The Auditor General qualified the 2020/21 DWP accounts for the 33<sup>rd</sup> time in a row. He found, for example, that Universal Credit has an estimated level of fraud and error of 15.9%, and that DWP expects 2021-22 benefit overpayments to be 7.5%. Whilst the department has set a target to reduce Universal Credit overpayments to 6.5% in 2027-28, it has no fraud or error targets for the state pension and other specific benefits. Unsurprisingly, the Department estimates it will need at least 3,000 extra staff to manage fraud and error, and 'further resourcing' to review nearly a million Covid-era Universal Credit cases.

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**20** DWP, 'DWP jobcentre register', May 2019: <https://www.gov.uk/government/publications/dwp-jobcentre-register>

**21** National Audit Office, 'Memorandum for the Work and Pensions Committee', June 2016: <https://www.nao.org.uk/wp-content/uploads/2016/06/Future-of-JCP-memorandum-select-committee.pdf>

**22** The Conversation, 'Why are Britain's jobcentres disappearing?', May 2018: <https://theconversation.com/why-are-britains-jobcentres-disappearing-91290>

**23** Department of Social Protection, 'Annual Report 2019', August 2020: <https://www.gov.ie/en/publication/45ef0-annual-report-2019/>

The final component of the core, after finance and digital, is HR and policy which, taken together, should number no more than 1,200. The new core would therefore total 1,760.

## **RECOMMENDATIONS**

- DWP should now be restructured in line with the Ibbs guidelines, namely a small policy and legislation core with policies being delivered by executive agencies.
- The Money and Pensions Service should be automated giving a staff saving of 407.
- The Pension Protection Fund Ombudsman and The Pensions Ombudsman should be closed, with complaints left to the well-staffed regulator, for a staff savings of 150. This regulator should be closed or moved to the private sector with financial subsidy by DWP if ministers judge that to be a good use of public money. 371 staff saving proposed.
- The 4,036 existing staff in ALBs should be reduced to 3,108, i.e. a saving of 928.
- The ONR needs to sharpen up its approval process, supervision and adoption of streamlined international best practice. It should be moved to BEIS.
- DWP annual plan should have specific quantified targets for performance attributable to the department or, better, one of its executive agencies.
- DWP annual report should show the results against those targets and what we can learn from the comparisons.
- The creation of executive agencies, with a headcount of 65,000 staff and with their own finance and administrative functions, should reduce the central finance team to no more than 200.
- With appropriate modernisation, the 3,587 currently employed in the core digital department should be reduced to about 360.
- The new core, essentially policy and HR, would number 1,760 including finance and digital.
- Compared with the total 89,489 staff in the 2021/22 annual report, this report proposes 65,000 employed in the new executive agencies, 3,108 in ALBs and 1,760 in the core, i.e. 69,868 in total, a saving of 19,621 – 21.9% overall.

CABINET OFFICE LIST OF DWP ARM'S LENGTH BODIES<sup>24</sup>

ALB	HEADCOUNT	RECOMMENDATION
<b>Executive non-departmental public bodies</b>		
Disabled People's Employment Corporation (GB) Ltd	<i>Liquidated in 2017</i>	
Health and Safety Executive	2,593	No change.
Money and Pensions Service	407	Automate and charge, saving 407 staff.
The Pensions Regulator	791	No change to staffing but not funded by the State.
<b>Advisory non-departmental public bodies</b>		
Industrial Injuries Advisory Council	0	Close.
Social Security Advisory Committee	0	Close.
<b>Tribunals</b>		
The Pension Protection Fund Ombudsman		Merge with TPO.
The Pensions Ombudsman (TPO)	120	Close for 150 staff saving.
<b>Public corporations</b>		
National Employment Savings Trust (NEST) Corporation	371	Privatise with DWP subsidy as necessary for 371 staff saving.
Office for Nuclear Regulation	621	Probably too many staff but no change due to new priorities.
Pension Protection Fund	446	No change.
<b>Others</b>		
Independent Case Examiner	10 (estimate)	No change.
Remploy Pension Scheme Trustees Ltd	0	
<b>Total</b>	<b>4,036</b>	

<sup>24</sup> Gov.uk, 'Departments, agencies and public bodies: Department for Work and Pensions': <https://www.gov.uk/government/organisations#department-for-work-pensions>