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Customer segmentation in Jobcentre Plus

Commentary on slides of the presentation:

Given at the EU profiling seminar January 12-14, hosted by the Bundesagentur für Arbeit by Keith Walton, Strategy Manager, Jobcentre Plus.
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Slide 2: In this session, I plan to

The pictures show one of our touch screen kiosks and one of the re-furbished Jobcentre Plus sites for customers.

Slide 3: Background: Jobcentre Plus plays a central role in the UK economy

Jobcentre Plus covers the whole of the UK. Our Vision is comprehensive: Work for those who can and support for those who cannot. For most of our customers, work is the best route to help them out of poverty and to gain respect and a place in Society, but where this is not possible, we provide a 'safety net' of financial support through the benefits we administer, ensuring that benefits are paid accurately to those in need.

We also have a role in ensuring that the UK has an efficient and fair labour market, promoting equality of opportunity.

Slide 4: Background: What does Jobcentre Plus do?

How do we achieve our Vision?

Jobcentre Plus is part of the Department of Work and Pensions (DWP) formed by a merger (in 2002) of the UK Employment Service and the working age parts of the Benefits Agency (covering those aged 16 to 60 / 65). (Pensions are handled by The Pensions Service, another part of DWP).

We pay unemployment benefit (this is called Jobseekers Allowance (JSA) – insurance-based and needs-based ('solidarity') benefits are very similar in the UK), and other benefits of which the major ones are Incapacity Benefit (IB) and Income Support (IS - a needs based top up to support partners and families).

We employ 75 000 staff currently in over 1 000 offices and cost about £3 Bn per year to run, administering £30 Bn in benefits).

Slide 5: Background: 2004 – What we've achieved so far

Jobcentre Plus has been very successful, playing a major role in reducing unemployment, especially youth unemployment in the UK. In addition, we have increased the quality and accuracy of our payments.

Slide 6: Background: The UK's successful Jobseekers regime, a dynamic economy and relatively low benefits have led to high UK employment rates

We have three factors that have contributed in some part to our success:
• a successful regime run by Jobcentre Plus for the unemployed,
• a strong UK economy
• relatively low benefits for the unemployed (measured against other Western European Countries) in conjunction with a substantial package of in work Tax Credits for those on low incomes which ensure that the unemployed are better off in work

Whilst it is not possible to estimate exactly how each of these has contributed, we have evidence that the regime we have for Jobseekers is very successful, and has contributed directly to reductions in unemployment, especially long-term unemployment.

Jobcentre Plus has a work focused 'rights and responsibilities' regime. The customer has the right to be paid Jobseekers allowance on the condition that they fulfil their responsibility to look for and find suitable work. At every contact with the customer, we try to discuss work to ensure that this focus is maintained.

To receive Jobseekers Allowance (JSA) a new customer starts by telephoning a Jobcentre Plus contact Centre, who take details of the customer's financial status, either on the first call, or via a call back (this takes typically 40 minutes). The contact centre sets up an appointment for the customers at a local Jobcentre Plus office, where the customer will have 2 interviews.

We believe that a customer will not focus on work until their benefit is sorted out, so the first interview checks the details the customer has provided in their benefit application and also checks their identity.

The second interview works with the customer to complete a 'Jobseeker's agreement' where the Jobseekers specifies what type of work they are looking for and what they will do (researching newspapers, the internet, personal contacts, local employers, etc) to find work. This interview typically lasts 30 minutes and at the end the jobseeker signs the jobseekers agreement.

Every 2 weeks following these initial stages, the Jobseeker must visit a Jobcentre and discuss what they are doing to find work and may receive help and advice from us. These interviews last on average 7 minutes (DN - References to shorter interviews deleted) and trigger the payment of benefit for the next two weeks. If the customer does not turn up, or call later to explain, no benefit will be paid.

The staff doing the 2 week interviews are separate from our specialist customer adviser staff.

Customers get longer 30 minute interviews at 3 and 6 months with a specialist adviser and depending on their age and circumstances will get eligibility to programmes such as New Deal at 6, 12 or 18 months.

Advisers may also caseload customers (DN – "at any time" deleted) – giving them extra help (a ratio of 40 customers per adviser is usual for caseloading).

Slide 7: Challenge 1: Increasing employment. Lisbon Special European Council (March 2000): Towards a Europe of Innovation and Knowledge

However the Jobcentre Plus has 3 major challenges.

Despite high employment and low unemployment rates, we still have some structural unemployment and regional issues similar to those identified at the Lisbon Special European Council in 2000 (often in areas that specialised in heavy industry such as coal mining, steel or shipbuilding). Older workers and women are less represented in the labour market too.

Slide 8: Challenge 2: Accessing all our customers. Along with low unemployment and high employment the UK has high numbers of sick and disabled inactive

The government has worked to ensure that people are better off in work (end the 'Benefit trap'), and we often encourage customers to look for work by showing them how much better off they will be in work, even after the costs of working are included.

Although we have been very successful with Jobseekers, we have other groups of customers. Lone Parents and others (mainly those who are caring for a relative) are not obliged to work, but we offer help when needed, and encourage them to seek employment and training opportunities.

Despite high overall employments rates, the UK has a relatively high number of Incapacity Benefit claimants. This benefit is higher than Jobseekers Allowance, and we only meet customers every 2 years, so claimants have less incentive to seek work than those receiving Jobseekers Allowance. A current pilot involves more frequent contact with Incapacity Benefit claimants and closer engagement with medical practitioners.

Slide 9: Challenge 3: We must do more for less cost.

The government have announced major cuts to the Civil Service that will reduce our staffing by approximately 20% in the next 3 years. In addition we are expected to improve our service and get customers into jobs where they will stay longer. Unlike the commercial world where the objective of customer segmentation is to keep customer longer, we must lose customers faster!

Slide 10: Possible solutions: There are several ways we could change Jobcentre Plus to try to achieve more job outcomes faster or cheaper

Can we achieve these 3 challenges: address structural inequalities, do more with new customer groups and do it all for less cost?

We have to look at how we allocate our assistance services.

From where we are today, there are 4 options: we could let customers choose their own service, use rules to determine service levels, use adviser experience and discretion, or use profiling.

We do not believe that customers are always good at knowing what they need (they know what they want, but that is often not the same in this environment). We do not see this route as a useful option.

Jobcentre Plus has done a lot of work with rules: it's the main way we determine service allocation today. We shall continue to use them as they are very effective, but we do not see them as a new option to research.

We think adviser discretion could have positive benefits and are starting a programme (Building on New Deal, BoND) to investigate this.

And I shall tell you what we are doing on statistical and other profiling research.

Slide 11: Customer segmentation 1: JSA First contact stage

Most of our job seekers find work quickly (62% in 3 months). Can we identify who these people are at an early stage and save money by giving them less help? If they are still unemployed at 3 months, we can revert to the normal JSA regime for them.

There are risks to this approach – if customers stop trying to find work, then the benefit cost could quickly be greater than the savings. It is not possible at present to quantify the impact of this - we cannot just ask customers if they will change their behaviour in this way: at some future date we will need to do field trials to find out what the impact is.

Slide 12: Customer segmentation 1: Known factors that impact likelihood of finding work

But we do know today the factors that show a customer is more likely to find work quickly. These factors will never say 'yes' or 'no' of course, but point to a statistical likelihood of finding work.

Slide 13: Customer segmentation 1: And we know what employers in the UK look for

And we know in the UK labour market that employers look for personal skills such as communication and motivation skills first in preference to technical skills.

(You might say it means that employers would prefer to train a person with the right attitude - someone who is keen, rather than have someone skilled but who does not turn up at work).

Slide 14: Customer segmentation 1: Segmentation research

We plan two pieces of research in the UK to see if we can detect those likely to find employment quickly.

1. A field trial. We plan to see if we can identify those whom we need to see every two weeks and those whom we might see less often. This is being tried in several districts. Advisers are being asked to sort customers into 3 bands – red, yellow and green. They will record their decision, but it will not affect how we deal with these customers. After 3 months, we will know whether these customers found work, and so see how accurate our predictions were and whether this is a useful exercise in segmentation.

2. We now have a database that covers peoples' work and benefit history. It combines Jobcentre Plus benefit and programme data with that from income tax records. This is called the Work and Pensions Longitudinal Survey (WPLS).

We plan to see if we can use this data to predict early returns to work, and the accuracy of such predictions, so we can see if we can use it. We need to understand the accuracy or prediction, so we can see what mistreatment rates will be.

Slide 15: Customer segmentation 2: Can we target provision more effectively?

We can also use the WPLS to see for a given combination of factors what the best programme would be for each of the longer term unemployed. We should be able to identify what would be 'best' for each client, and we can then re-run the model to see what savings might be possible. We know that advisers use some discretion today so the data is not without some bias (advisers, using discretion, may already be considering some of the factors we want to look at), and we are still seeing if we can minimise this effect.

This will be interesting research. Profiling only categorises customers: it does not tell us what to do with them. Devising, and testing, suitable treatment programmes is a separate activity. However this research should enable us to target customers with the 'best' programme to meet their needs. We distinguish this by calling it targeting, rather than profiling.

Slide 16: Adviser flexibility: Building on New Deal (BoND)

We have announced a pilot programme called Building on New Deal (BoND) that will research whether we can improve outcomes through greater use of adviser discretion. Research led by Dr Roger James of our psychology division shows that customers must believe they are likely to find work, and have the ability to do so if they are to find work. Similarly they must believe they can keep a job (for example many customers on incapacity benefit do not believe they have the abilities to work for an extended period).

We can chart these two abilities and form a matrix that we can use to determine the needs of these customers, and so determine the best way to help them.

Slide 17: Adviser discretion: Building on New Deal (BoND)

We are trying to develop a Customer Assessment Tool (CAT) that will help adviuisers to categorise BoND customers. This work is ongoing, but will look at factors such as these.

Slide 18: Customer segmentation in practice: Incapacity Benefit reforms (pilot in parts of the UK)

We are piloting the use of segmentation with new Incapacity Benefit (IB) customers. We have delayed the initial adviser interview to be after 8 weeks have elapsed (many IB customers have jobs and return to them, they claim IB as their sickness pay from their employer has been exhausted).

At this interview we classify customers into 2 groups, using an Intranet tool that asks the questions shown and weights them to build a prediction of whether the customer is likely to find work by themselves.

We offer no further help to the 30% who are likely to find work.

An adviser will give a further 5 work focused interviews (30 minutes each) to the remaining 70%.

Full evaluation results are not yet available, but early results are positive. Advisers are not always keen though – they often prefer to work with those who will find work, rather than helping the harder groups.

Slide 19: Customer Segmentation: Use of contact channels

We are also planning to segment our customer communications, based on these customer survey results. The first table shows whether customers would be prepared to use web or kiosk channels, the second those who have ready access today or expect to soon. This work is ongoing.