

Ministers reflect

Lord Freud

January 2017



Lord Freud – biographical details

Electoral History

2009-present: Conservative Member of the House of Lords

Parliamentary Career

2015-2016: Minister of State for Welfare Reform

2010-2015: Parliamentary Under-Secretary for Welfare Reform

Lord Freud was interviewed by Nicola Hughes and Sophie Wilson on 26th January 2017 for the Institute for Government's Ministers Reflect Project.

Nicola Hughes (NH): Let's start with you coming into government. You'd done reviews of welfare for Labour and been a government adviser, I'm particularly interested – what was the difference coming in as a minister? What could you do as a minister that you couldn't do from the outside?

Lord Freud (LF): I think people come into ministries in different ways, and I think we came in – possibly quite unusually – with a very specific set of reforms which we'd worked out in some great detail. I had written the 'Get Britain Working' document in 2009, which became the basis for a whole lot of reforms: the Work Programme, work experience, the sector-based work academies. We had about six or seven specific things. So we came in with that and with a quite well worked through concept of Universal Credit [UC]. It was unusual to come in with worked-out policies and civil servants have said to me since that it's not something they normally experience – they normally find that they are telling ministers the detail of how to implement manifesto commitments. So this was a reverse of the norm I think; I don't know how often it happens.

Picking up the satires on politics that there have been, when you analyse them the 'Yes Minister' satire is about the civil servants effectively having an agenda and running it through ministers who don't know what they're doing. The satire of 'The Thick of It' is a political class desperate to claim they're doing important, dramatic things and not having anything to do. I can imagine that that has been happening in different departments at any time in government, but this is absolutely not what was happening when we came in – we came in with a very big agenda. In fact, in a way we were minimising the scale of the agenda rather than trying to maximise what we were doing.

So that is how we came in, and then it was an issue of getting organised to do it. Everyone asked the question, 'How were the Civil Service?' or 'Did they want to help?' And I think that's the 'Yes Minister' concept. I absolutely found that they were incredibly keen to do what we wanted. I think even keener than usual because it was a coherent programme, it made some sense. So there was never ever an issue of them not being engaged. It was much more an issue of the organisation and the competencies within the organisation to do it, not the will to do it. People were enthusiastic, maybe even almost too enthusiastic sometimes, to help us pull off this agenda.

NH: You'd done stuff with the Labour Government, but you hadn't worked in government per se before. Having come from a business background, was there anything that immediately surprised you or that you had to learn about how the system worked?

LF: That's a very fundamental question. The Civil Service is very different to business in the way that it runs. At the same time the way it interrelates with the political class is something that does not happen in business. I do not agree with the idea that you can separate policy from implementation – which is almost the fundamental theory behind the Civil Service. I think while it can work in a static situation, it is conceptually not how you would do major change. That leaves you with a problem, because of the way the minister is organised with his civil servants.

Secondly, the risk-reward ratio for civil servants is dramatically different from that in business. In the civil service they have a pay scale and if you do really, really well and you're the top echelon you might get a bonus of 10%. And as you know, in the City those bonuses – well, they've restricted them for the time being to 100% - but the bonus culture is immensely different. What people don't realise is that the civil servants' risks are just as bad as in the private sector. They might not get fired from the whole Civil Service, but they certainly get fired from their jobs and then have to find something else. Meanwhile,

4 Ministers reflect

their upsides are minimal. So you're having to manage without using money, effectively, whereas the City – where my main experience is – uses money aggressively. What that implies is whereas in the City and in business people are very much personally assessed and valued, in the Civil Service there tends to be 'I need a grade seven or a grade six', there's much less perspective on people's particular skills.

One of my big early experiences in business was floating Euro Tunnel. When that project had to be set up, they got Alastair Morton in to be Chief Executive. He was regarded as the best, toughest guy to do it, and he then built the entire team around him. Now, as a minister, I did not have the power to build a team and their reporting to me was not formalised. In practice, because of what happened in Universal Credit, I ended up with more direct implementation drive and authority – but that was very unusual and it was partly because we went through six SROs [senior responsible officers] and six project managers in the five years on that project, so there was no one else there holding it together. So for that reason, I kind of had an unusual relationship with the project team.

There are two other issues. One of them is the issue of turnover. Two or three years ago somebody said to me that in the last 23 years, for 18 there's been a pay freeze or pay controls in the Civil Service, so the only way to get a rise is to get a promotion. So the good people tend to move every two years. And that, of course, is a total disaster when you're trying to do something as big as reform of the welfare system, because you haven't got continuity of civil servants. You don't normally have the continuity in the political class, either. As you know, the average tenure for a minister has been nine months in DWP [Department for Work and Pensions]. I sat there for six and a half years, looking at the third, fourth, fifth generation of a person doing a particular area: there is no corporate knowledge retained. That's just a massive vulnerability.

The next issue I've got is that there are particular specialisms that you've got to have and we find it difficult to get them in government. One is the range of capability in IT which the government seemed to have got rid of entirely by commissioning out IT work in the 90s and early 2000s. That has been, in retrospect, the most horrific mistake. So you need some of those people back in. Two, you've got to be able to have people who are contract managers, who can really run something. And three, you've got to have project managers.

Now, those three things are incredibly scarce commodities in the economy as a whole. Pay restraint means you are cutting yourself off from the key parts of labour market. People can be as good as you like and as well-meaning as you like, but if you don't have the key skills in your organisation, you can't perform. So there are real issues in doing big change programmes, which I did not understand when I started. I now understand them better, but I think if I had understood those better earlier on, then I would have been much more frightened of trying to do something as big as Universal Credit - ignorance in some ways is helpful – you know, we wouldn't have got the reform otherwise! Maybe established politicians who are less naïve than I am would have known that. But you did need that ambition in the case of welfare. I mean, after decades when there had been no structural reform despite major changes in society, something had to be done.

NH: So it's almost like you can develop the ideas and implementation up to a point in opposition, but once you get in, it's almost a different story and potentially quite difficult to think about in advance, if you don't know how the machine works?

LF: I knew enough because of my two years of review and advising to be able to write the policies that would fit in, so to some extent that was fine – I knew enough that when I wrote out the policies, they could work. What I didn't know, and the organisation didn't know, is what capabilities they would require to do it. And you never know what you don't know! I will say that the organisation has been transforming itself to do this and I would also hazard a guess that DWP is now infinitely more capable than virtually any other department in this kind of area, having gone through the experience. But, my God, did we have to go through and make those learnings as we did it.

NH: On the continuity point you mentioned, obviously you were in for six and a half years. How important was it also to have the continuity with IDS [Iain Duncan Smith] as Work and Pensions Secretary, he was in for six years?

LF: It was important. I think we both say, and we both mean, that he couldn't have done it without me and I couldn't have done it without him. In practice, it was the most amazing partnership – because he was handling the public battle, daily.

But let me just show you the gap. Iain had the long-term, 10-year vision, which I shared, to transform welfare. He's politically very acute and he's always very aware of the next three months of things coming down. The hole is that you don't achieve anything at all without medium-term planning for between two and three years. And that's an interesting concept because politicians don't do that and you stop the civil servants doing it by promoting them every two years! So you really don't have anyone, structurally, doing the strategic implementation over the two-to-three-year run down into anything serious. And as you know, you can't do anything in less than two to three years, nothing. Then you're into, 'Oh what headline can we get?', which carries you a long way sometimes, but it certainly doesn't do you a major reform. So you can see how we have just created in this country, in our government, a hole at the two-to-three-year point – which is the vital point for implementing major change.

Now, locking in some of the senior civil servants, the project managers is difficult. The DWP are now beginning to do that, but they're still relying on a lot of goodwill to do it.

NH: Did you feel you had any levers to lock them in, as a minister, apart from saying: 'Please would you stay as long as you can?'

LF: No! Very much the only lever you've got is vision and belief that we're on a common course. You've all got to have a shared vision that you're trying to achieve. The Civil Service are terrific like that, you know. You certainly wouldn't get my former colleagues in the City working as hard and with the intensity just for the personal satisfaction of achieving the goal. They are remarkable people – absolutely no doubt about that.

Now with Universal Credit we have key people there and holding them there – so we're learning that lesson. Promoting in post remains tricky. I think it's because people are seen as generalists moving around, anyone could do anything in the Civil Service. That is so far from the City where somebody has a value in a particular role because of their specific expertise, because they are globally one of the top experts. The reality is that civil servants also have got that kind of value, but it's not seen, it's not analysed, it's much less understood. That is one of the weaknesses of the system.

NH: Picking up on comparisons with the corporate world, you brought a set of skills and experience that is different from a lot of generalist Commons ministers. Do you think the government uses outsiders, like you were, in the best kind of ways?

LF: What is so interesting is how unusual my experience has been, actually. Something that Damian Green [Work and Pensions Secretary] said at my goodbye party was that I defied two nostrums: A) that all political careers end in failure, because I got out on my own terms. And B) how businessmen don't make it in politics.

NH: Very few have done more than two years, really, have they?

LF: Many don't do the time – they come in, sit on the frontbench for a bit and then go. Not necessarily because they don't like it, but because it doesn't quite work. I think that's very interesting and I can see why: I mean it comes down to a lot of the things I've just been describing – it's just so different in government where you don't have control of your team, you can't hold onto your team, you can't reward your team, you can't get the specialists in. When I had a big project in the City, I'd be thinking 'If I get

6 Ministers reflect

so-and-so to do it they'd be great at that, but their weaknesses are this and I'll get them to balance that out with X...' So I know who they are, what their strengths are, what their weaknesses are and I can build that team. You can't do that in government. So all of this stuff could make a businessman pretty miserable and makes it difficult to perform.

There's also a slower pace in government, not because people are slower, but because there are so many T's to be crossed and I's to be dotted which again, you don't have in business – although I think they're doing a pretty good job in regulation in the City now, they're slowing down! [laughter] So there is a whole lot of process in government which the Civil Service manage, and they manage it very well. They don't let you get into trouble for the stupid things that you miss. But it means that things are slower. So whereas in the City I'd say, 'I want this document on my desk tomorrow morning, nine o'clock, please', in government I'd wait up to a month for a document because there's all kinds of implications around that document. Now the two things are not equivalent and some documents in the City, like a prospectus, would go through many iterations, so maybe I'm not being entirely fair, but there is a very different pace in government.

NH: We've interviewed quite a few businesspeople as part of this series and a couple of other things they've mentioned are, firstly, the level of minutiae that you have to deal with a minister. You may have avoided some of this because you had such a clear mandate with Universal Credit, but having for example to sign-off stuff which in the business world you would delegate. And the second thing is of course dealing with the House of Lords. I mean because you had this big priority with the welfare reform, but did you still have to pick up lots of Lords business and other things?

LF: Yes. I was effectively doing three jobs. The primary job was welfare reform, the one that I went in to do – how do you reform the system, which is a conceptual policy job.

The second job is that if you're going to be the minister, it carries with it fronting up all DWP business in the Lords. DWP spending is around £230 billion every year, so that's a lot of stuff to understand, each billion has got its own complexities, history, injustices, whatever it is. So there's an enormous volume of very complicated stuff just grown by accretion to understand. That could be very, very stressful, especially the questions, you just don't know what questions you're going to get in the Lords. Then doing the Bills is just an amazing amount of work. We did not realise it when we did the first Welfare Reform Bill - and I don't think they sent me in there out of malice! - but I did 17 committee days, 72 hours of being cross-examined all the time on the whole of the reforms and that was probably too much for one person.

Then the third job I had not envisaged doing, which was this implementation job where if you haven't got a SRO or the project managers are changing all the time, trying to hold it all together in implementation terms is a huge job. For a period – it was two or three years, the kind of 2012/13/14 period – that was just all-consuming. Each of those jobs is very big and doing all three of them was very, very tough. But, again, this is completely out of the norms of what many ministers do.

Now, talking about minutiae. Again, I was unusual, I was the minister with the portfolio. So when I talked in the Lords it meant it was my policy and I understood it and I could promote it. If people in the Lords had good ideas, I would take them and I would say, 'That's a good idea, I'll have it' and then I would incorporate it. I had a very good relationship with the Lords and the opposition, unusually for that reason – because I had the power. Amazingly, I think there were only about three or four things among thousands that Iain disagreed with. He generally accepted all of my recommendations and the three or four things were about handling in the last few months' period. They weren't fundamentals. So he let me get on with it and make changes. I would let him know what was happening, but he allowed me great authority. And that is transformative! So when you get down into the minutiae, I mean in welfare,

minutiae actually is important. You know, you have a big policy and you do have to go through the whole thing, into the detail. But, again, I think it's because of the way the role worked.

NH: You said you had a very good relationship with IDS and obviously you spent quite a long time with him. Then at the tail end you had two other secretaries of state in Stephen Crabb and then Damian – did that change your role in any way? Did it change the style or anything?

LF: I think I became a little bit more of an adviser to the other two, because I had been there, so I knew where the bodies were buried. I had very good relationships with them and I never had any problems with my secretaries of state. I think in one way being a Lord and not another MP means you're not competing; it was completely self-evident that I wasn't trying to do my job for any other reason than to do my job. I think that also takes away any friction because they could see that I was making recommendations because I believed in them.

That's probably one of the reasons that I survived so long – that I just did the job, concentrated on the detail, built on it. When you look at the businessmen who don't stay very long, I think they try and make it more glamorous. It's not glamorous. You've just got to do what is a pretty tough job, get your head down, try and sort out what you're doing and explain it. I think if you try and get wilder and wider than that you probably get into more difficulties. I mean, I got into occasional difficulties, accidentally.

NH: Do you want to tell us more about that?

LF: Yeah. OK, let's talk about handling the public face of all this. This is the other thing that I'm slightly shocked by: the viciousness of the public debate and the public tone that is, I think, driven by a pretty ruthless press.

NH: Do you mean in welfare specifically?

LF: Generally, just generally. I was a journalist at the start of my career, albeit not a proper political one because I was on the FT. So when I came into the political world, I was actually very shocked at how aggressive the journalists had become. Then you have the interplay with social media, which has transformed the tone of coverage.

So now when you're talking publicly, you have to use exactly the right words, you have to stay exactly in line with what's already been said. There's some people who manage to leap out of it – but for most ministers communication is very, very hard.

NH: Did that stifle your ability to, when you were at events or meetings, to debate issues in the way that you would want to?

LF: It is not just a question of having a thick skin, but a question about the openness of discussion between the ministers and the public and I think we've got ourselves into a terrible position here. I'm not quite sure what the solution is, but if you get attacked for using the wrong word or if you get attacked for being slightly out of kilter with another minister, then your ability to take on the issues is stifled.

NH: And I suppose because Number 10 are also quite conscious of risk...

LF: Yeah, the risk-and-reward ratio of using the media has changed in the last period. And I think it's a bad result, I think people should be able to meaningfully communicate.

NH: Just out of interest on that, did you have any support from either the party or from the department on media handling when you first started?

8 Ministers reflect

LF: Yes, I had some lessons, although actually funnily enough, I wasn't told the one big lesson. There's some basic things and the one lesson that I wish I'd been told earlier was never accept a question, always reframe it in your own way, never just answer a question. I wish I'd been taught that at the beginning. Just that one point would have made my life a lot easier!

On the other hand, I did not change my behaviour in talking to people through the whole six and a half years and I had, you can imagine, stakeholders in the whole time. I was only let down badly once by one MP with whom I had a private meeting and they put a press release straight out, making stuff up. That was the only time.

Otherwise I talked openly, I didn't do the normal political thing, because I was trying to find out from people what they thought and what the issues were. So I had very open conversations with stakeholders, nor was I let down by any civil servants at all, no leaks. I was very well treated like that. I think, in a way, people appreciated getting a straight conversation. And I don't think I could have done my job without doing that because it's one thing if you're holding the line, but if you're trying to reform something you need to have open conversations with lots of outside people around 'What if we tried that or what if we tried this, and that would be good, wouldn't it, or that would be bad.' If you're going to get leaked against each time you have any casual thought, you couldn't do a reform at all or you would do one which didn't bring in outsiders' thoughts.

Sophie Wilson (SW): And in those more challenging circumstances, either you've said something or because something was going on in the department, how did the Civil Service respond?

LF: I mean, this is one of the areas that the Civil Service does well. This is absolutely bread and butter for them, looking after ministers with public announcements, so there's a whole system. They prep you, give you lines. In practice, when I look back at my own career, I've had four or five public spats on what I've said, but that's in the context of literally hundreds of thousands of words in public which have gone down fine. So I think that proportion tells you they do that job pretty well.

SW: We've talked about lack of consistency in your staff, you've got a high turnover in the Civil Service. Did you find that you were acting as a sort of institutional memory?

LF: Yes. Absolutely!

SW: And do you think there's anything that government could do to get better at learning from past mistakes?

LF: Well, one of the things that I have set up is this whole test-and-learn concept in the department, plus the idea of piloting and then doing huge numbers of randomised controlled trials and systematising that. I'm not sure if that's an answer to your question, because this is the area of the mistakes about policy, but my own view is that the department needs to get ahead of the curve and understand the parameters by doing these randomised controlled trials and then you can start to draw these econometric relationships so that you don't make mistakes. Or you can say to a politician, 'If you were to do that, the net effect is this.' At the moment you can't do that. So the conversation with the Treasury is always based on static analysis, which the Treasury love, but the department needs to know the dynamic analysis. Now with Universal Credit they can begin to do that. So I think that will transform the terms of the debate and that is what needs to be recorded and stored and built and there is now a policy to do that, they're working on that. I think that will be really valuable.

We will have a unique opportunity with Universal Credit because we will be controlling all the parameters of the benefit people receive. That means we can actually watch what the impacts are when some of those parameters are changed. That is an amazing facility to have, and that's how you stop mistakes and then you start to build a learning structure.

SW: You talked about having three different roles. Thinking about your day-to-day life as a minister, how did you manage your time?

LF: I remember my diary secretary once telling me, 'I've got you 16 meetings today.' [laughter] And at times I was my own worst enemy, I'd want to be on top of things. OK, so how did I manage it? The first thing is if I got a submission, I would normally have a meeting on it, because a submission is a very formal thing and you get the guys in the room and you can suddenly tell from their body language what is really happening here and you can ask questions directly.

The second thing is I found that thinking on your own is a waste of time because you don't have all the information. So I developed almost a Socratic process in these meetings where I'd have everyone in – the operations person, the policy person, the legal person, the IT person – and we would go through a problem. 'Right, would it work legally?' – 'Yes.' – 'IT, is that a problem?' So you'd go around the table trying to build an answer in that way and you would have all the knowledge in the room, albeit you'd have to kind of go through them one by one.

We called it the 'hard list process'. The most dramatic example of it working was when we did the regulations for Universal Credit. I had 62 separate submissions and let's say, on average, five recommendations per submission, so there's 300 decisions to be made. We went through them. We must have changed half of those 300 decisions in that process, in that 'hard list process': discuss it, go round, optimise, find our way through. So that was a very collective process of creating the finished product and I'm not sure there's any other way of doing it, but that was my method.

SW: And how did you go about interacting with other departments or with the Treasury?

LF: Well, I formed a series of very good relationships with other junior ministers. The most important relationship I had was with David Gauke [then Exchequer Secretary to the Treasury] which started just before the election in 2010 where we determined that we would do this RTI UC [Real Time Information and Universal Credit] – so he did the RTI, I did the UC. We worked together in tandem and we would meet every quarter and we just drove that process through. That was actually, funnily enough, one of the most important relationships in terms of getting a major reform through in government, we just stuck together, did it, fine. Funnily enough he is now the last man standing in the sense of being the only person in the same department since 2010. He's taken on a different role, but he's at least in the same department. I think I was the only person in the end to have been in the same job for the whole period, since 2010. Anyway, that relationship was important.

Housing ministers were important, at different times, and education ministers. So I would try and form relationships with the other ministers and I found that circumvented a lot of the pain because departments find it very difficult to work together, from the bottom up, without instruction. So you have to do it at junior ministerial level and do it quickly so there's not a huge amount of wasted time: agree a joint process and then the departments can work together happily. I found that successful.

SW: And did those relationships change over the course of the six years, from the Coalition through to the Conservative Government?

LF: Not desperately. I mean, the issue is it's all about people. I had a very good relationship, for instance, with Norman Lamb [then Health Minister]. We did all the mental health trials together with the Department of Health. I've been through about five different ministers in DCLG [Department for Communities and Local Government]. So again – this is a bit like the turnover issue – basically people who haven't been in the job a long time find it difficult to make decisions with confidence. If you move people around, you don't get big decisions, you get little decisions, you don't get that energy and determination of someone who understands it: 'Yes, we should do that, we must do that' and then drives it. Moving people around is the bane of one's life as a minister.

SW: Are there any achievements that you're most proud of from your time as a minister?

LF: Well, I think it's Universal Credit. Yes, it's Universal Credit, full stop. I'm also pleased with sorting out the mesothelioma compensation problem. Mesothelioma is the most terrible disease, people who get it often live for around nine months after diagnosis. You can get it at work from exposure to asbestos, you could have got it 40 years ago and the insurance industry would have insured everyone for it in terms of employer liability. But they've lost some of the paperwork from 40 years ago, so some people just cannot trace who their insurer was when they got it. And those people got no compensation at all. So we put a bill together in which there was a levy on the industry which funded compensation for the people who couldn't trace their insurer. There was a tough negotiation with the industry to arrive at the solution. But I think it was in the industry's interests because the unreformed position created terrible publicity for them. Indeed their image has improved as a result.

SW: And what was it that meant that you were able to be successful in that example?

LF: Having been in business means you can deliver things in a commercial context and I think it's tough for politicians and indeed for civil servants who have not had that experience. I think it is a weakness of our system. If you look at other countries, the division between the private sector and public sector is far more permeable. They have different ways of doing it. So in France, basically, it's the same people in the public sector and the private sector. They move back and forth. In America, you've got the division between the executive and legislative; the President can hire the best person to be their Secretary of Transport, for instance, he's probably run United Airlines and he builds a team. We don't have that system. And we have precious few people who've done what I've done, have come in from a business background with that set of capabilities i.e. can negotiate with an industry or whatever. Now, I think that is a fundamental problem for this country. I think we find it very hard to do really big projects as a direct result. I'm quite worried about it.

Without changing the whole system to something more presidential, so using the existing framework, what I would do? In fact, I would build a bit on my own experience. Let's say the country can do three major change programmes at any one time – we're talking major now - I would appoint the very best person in the country, if not the world, to be in charge on a formal basis of the implementation of those programmes. Not the policy, the implementation.

I would also put them in the House of Lords, on the frontbench – 'You are the Minister for implementing X.' But there would be two changes. They would have powers to build a team. And the reason they're in the Lords is that they've got a public place where they can be held to account which isn't so adversarial as in the Commons. It's quite a serious place, the Lords. So then you would differentiate the interrogation. One of the reasons I couldn't talk more about Universal Credit in the Lords, where it was a reasonably safe place to do it, was the debate had to be replicated in the Commons and the Secretary of State, whichever one it was, would face a shouting match in the Commons. So I'd put these implementation ministers in the Lords and tell them, 'Your job is to implement X. I don't want you shuffling off in one year. You will be a failure if you don't deliver X. You have powers to build the team. And there are processes in the Lords for you to be interrogated in the chamber where you will stand to account and that will not be replicated in the Commons.' So that would put someone in a position where there's both public accountability and authority. And I would probably get rid of some of these payment points of who you could get to build a proper team. So you get the right people with the right powers with public accountability in a forum which works in that way. That's what I would do to try and get some of these big reforms through which the country needs. So that's my concept.

NH: Just a couple of final questions. You mentioned the turnover. Was there anything else that you found frustrating about government?

LF: I mean, that's the fundamental. I think the risk-reward ratio is odd. Those are the structural issues: I want to be able to buy the best people at market pay-scales, and I do think government has got to think about this mix of specific skills and generalists for implementation projects. So it's still got a policy mindset to it, the advice you get. One of the things I noticed when I was an adviser was that the operational people wouldn't dare talk to the policy people, let alone the ministers. I remember going in and saying that I really want that to turn that round. I want to hear from the operational people. For the first two or three years, I would say, 'Look, I've made 300 decisions here, they can't all be right, what's wrong, tell me. You're at the front, tell me!' I couldn't get a dickie bird out of them. It was the test-and-learn change and the way that we started talking about it that changed that. What test-and-learn meant was that it put the operational people back in charge.

So one of the things that I discovered, and I discussed it at an event here [at the Institute for Government], is that a big organisation – I think that's true for the private sector as well as public – cannot get its head around something that's a concept. It has got to have something on the ground to start working on. It's a combination of getting something on the ground and test-and-learn, which means that the operational people have got to be organised in a way to be able to do that. That is a big, big change in the way that DWP has worked - you can imagine just the power shift, the process shifts, you go from having groups of people who are pretty much in an ivory tower in policy into having operations at the fore.

Because of the way it's been so difficult to get outsiders into the Civil Service, when you get advice you tend to find it hard to get outside views onto your desk. That's why I always liked to have the stakeholders and the specialists in because they would tell you things that were very difficult to get any other way. If you're asking the department for research on something they will give you 'our research', but it will be quite hard to get global research and views on it. It's a lot of work to assemble that but I did find that difficult. You know, I would never be confident that what I had in front of me as a recommendation was informed by research in America, in Australia or wherever. I think that's a weakness.

NH: So with getting different stakeholders in, did you get your private office or whoever to identify the interesting people or find out who were the not the usual suspects...?

LF: The policy teams would find the right people and I would find some. So, for instance, when we built the process for randomised controlled trials, we got in the person who is the guru of it and has written the book on it, an American called Jim Manzi. So we had him in a couple of times.

Now, actually one of the advisers, Stephen Brien, was my kind of eyes and ears in the outside world and when that stopped I missed that a lot. I would have wanted Stephen Brien to stay longer but we had a rule that meant he could only stay for two years. But he and I worked very closely together. I think you need someone like that, not a spad, who is a more political adviser. Stephen was what we called an expert adviser. So you really do want someone like that who is nothing to do with the political process but actually has eyes and ears in the outside world to start bringing the right people in. The Civil Service find that quite difficult, I think, because it's an overly-hermetically sealed system and they need to be able to open it out a bit.

NH: And related to that, one of the things IDS spoke about was doing things like visits to job centres and finding that quite useful. Did you do much of that and if you did, how did you make sure you got honest feedback off people rather than 'Here's the red carpet for the minister'?

LF: Particularly when Universal Credit was starting up, I'd visit every opening of all the early ones, each of the four in the northwest and then each of the other seven regions and then some more. I would have everyone in and get them to ask me questions and we would discuss it. Now, it wasn't a red-carpet

12 Ministers reflect

treatment because it was too detailed, so I was discussing their problems, their issues and they would tell me things. I'd then go back and raise it with the team if I found out something wasn't happening as it should.

Actually, I discovered quite a few things at the frontline and it was quite useful, just as a corrective – what was working, what was not working. Well, let's take an example. I asked them a question: 'OK, you're seeing someone, you're doing a claimant commitment, how many of the people would you say have got mental health problems?' There were six or seven job centre staff around the table on that occasion, it was Hammersmith, and they said, 'About 20%.' How interesting, that's the statistic: 22% of JSA [Job Seekers Allowance] claimants have mental health problems. But for the first time they could see it and they told me they could see it. And that tells you that you're turning the business from being basically a business that makes people sign on and nags them to get to work into being 'What are the barriers that this person has stopping them?'. As we move from basically quite a lot of cyclical unemployment, which is where we started, to basically cyclical full employment, we're talking about looking at people with real barriers. You know, it's not a question of nagging them to go to work, it's a question of finding out what their barriers are and sorting them out. It's a different job. So you're transforming the workforce with Universal Credit into doing a different set of things.

On another occasion I had some work coaches in, I said, 'Look, you've got someone in front of you, what are the apps that you would find useful to send them off to use between now and your next meeting?' To start with it took about 10 minutes for them to warm up, but then we got lots of ideas, you know, 'Why not a skills app so they can go through this and we can work out what skills they have or haven't and therefore which jobs they're most suitable for.' Now, that saves hours of a work coach's time if they can see someone had gone through it, so we could build that. We built a budgeting app, so rather than the work coach having to take people through how to budget UC, we can give them extra tools. So actually I got an enormous amount from the frontline people, but you only get it as detail, as questions and it takes a bit of time because they're a bit surprised by a minister wanting ideas from them, I don't think they're used to it.

NH: Was it easier as well with UC once you'd got something out there, once you had a product?

LF: Yes, you had to have a product. I mean, I thought of this four years ago, but if I was to say four years ago, 'Right, let's have a whole load of apps', they would have just looked at me as if I was mad. There are times when you just know you've got an idea that the organisation cannot absorb, because it's too early. You've just got to wait until there's enough on the ground so they can see, 'Oh yes, that could work in that context.' It will take 20 years to work some of this stuff through. You have got to move at a pace the organisation can absorb.

NH: So that kind of test-and-learn approach, do you think that can apply in other areas of government as well? If you take health and social care integration, education, something else like that where you're trying to a big reform... Obviously there's kind of risks and hazards in the welfare system, but in some sectors there's potentially more scope for risk in, say health. Do you think that approach that you've advocated can be replicated across government?

LF: Yeah, I'm sure. I think the only way to get something that works is getting the frontline people in the process of design somehow. The only way to do that is getting something on the ground for them to start working with, so they can see where it's going and they can start working it and then you start improving it and driving it. That process would have been the right way to go about building the aborted health IT system, I'm sure

Funnily enough I think that we ended up accidentally doing it the right way with a rather old-fashioned pathfinder first as we built a more sophisticated model. With the difference being that the second was IT interactive, while the other relied on old-fashioned telephonic and postal interaction after the initial application. Welfare recipients still got the same amount of money, but it's an old-fashioned interaction. I suspect that given where we were there was no other way of doing it. The interesting thing about it was we did not know in 2013 which of the two systems would end up being the main one – and nobody did – so we just had to run both. I think in terms of the test-and-learn approach, that was the argument I put forward that persuaded everyone that is how we should go ahead with both. And in practice it has allowed us, the organisation, to actually create and own its new system. Now I think it's there and working and succeeding or else I wouldn't have left. It's the most amazing lesson on how you do something on that kind of scale. And I suspect it will be studied and studied and studied.

NH: Yes. So final question, actually you mentioned resigning and you managed it...

LF: Retiring.

NH: Retiring! You managed it quite gracefully. Lots of ministers leave government, if they've had a row or got the sack, but do you have any advice on how to leave government and how you know when the time is right?

LF: Well, there's two decisions. There's the timing and how you do it.

Timing: when can the organisation go on without you? It's set up, it can do it, you don't have to micromanage every decision because the organisation can do it perfectly well and I think that is the point at which I thought, 'Right, I have made my contribution.' Because everyone thinks they're indispensable and all that, but the reality is that compared with some of the periods where I was really holding the whole thing together and it would basically have fallen over – I mean, there were periods there if I or someone like me was not doing that job you wouldn't have had UC – my added value has gone down like a stone. I still have added value because I'm knowledgeable and I take very quick decisions, I know the context and I can give them good, easy directions. So they've lost that. But hey, that is not the same as holding the whole thing together and making sure it happens. So you've got to take a view on 'When can the organisation do without you?'

Having said that, other people go into politics for different reasons, they don't do it to change the world. But I learnt the importance of moving on in investment banking, which is that it is absolutely cold-eyed and brutal about your value. So what you find is you do a big deal, you float Euro Tunnel, float Deutsche Post or whatever it is, and it all goes well. The company management loves you and they like nothing more than you going over to see them to discuss progress. But as a senior banker your job is to find the next major transaction, and while the relationship is comfortable, it's nostalgia – when your job is done, move on – that's the lesson in investment banking.

The second one is 'how'. When I accepted staying in the job in July 2016 it was on the explicit proviso that I go at the end of the year, so there was no false premise. The Prime Minister, with whom I had worked, of course, for a year and a half in 2009/10, knew what was happening. You've got to set it up formally at the time when you accept the job. I mean, I know things change. But even with Cameron, when I took the job after the May 2015 election, it was acknowledged that I would do it for a period, but not forever, just to see it in. There's got to be a set of expectations at the prime ministerial level, because it's inconvenient having someone move.

Then being a good leaver means putting an enormous amount of energy into transmitting your knowledge. I've spent a lot of time with Damian Hinds in particular, but also Penny Mordaunt and Caroline Nokes [all Work and Pensions ministers], transmitting knowledge. So how I managed it myself was that I had these massive A3 sheets of objectives in each area, timings – what do we do by when. So I

14 Ministers reflect

helped them build theirs for the next year. There'll be new things but the big things, you know, they've got. Again, this might be unusual because I'm doing it from the point of view of what has to happen to the project, whereas others might worry about the politics more. But, anyway, I think that's a big thing: if you've got a project, make sure that every bit is locked down with someone.

And then you've got to go. I really appreciated the Prime Minister's generosity in making Number 10 available for a good-bye party because it illustrated that this was an agreed move and I'm not going because I'm angry or whatever. I think you've got to find a symbol to say 'This is an agreed timing.'

And then – which is going to be the hardest and I'm breaking it slightly here – it's: shut up afterwards. I've retired, I'm out! If I wanted to do welfare and talk on the backbenches on it, I should have stayed in the job, so staying out is important. But really, retire and be quiet is I think the last thing of self-discipline that I'm going to try. I think those are my messages.

NH: If another businessman came to you and said, 'I've been asked to go into government to be a minister on a big reform program', would you advise them to do it?

LF: Look, I went into it as a way of giving something back. This is something that is of huge value to literally millions of people in the country which is going to do a lot of good for our culture and our society. So if you are in that position and you are offered something where you can see that you are really going to make a contribution to it, it's impossible not to have a go. Having said that, you need to make sure that the conditions are such that you can do what your objective is. That will depend on the exact thing, but I think there are probably about six or seven things you need to make sure you can do in order to achieve your goal. And I think you should be very cold-eyed about are they going to let you do. Do you have authority? Who are you reporting to? What is your team? What are your powers? Do you have access? You know, all of those things really, really matter!

When you're looking at a job like that, you need to talk to someone about what it will take to deliver it and make sure you've got that. In particular you need to be sure you've got a compatible Secretary of State to work with. So take it on, sure, but with a huge amount of analysis. Too many people have gone in and not achieved things. The other thing I would tell the businessman is 'It's going to take longer, probably by a factor, than you think, so be braced for that.'

Citations

This archive is an open resource and we encourage you to quote from it. Please ensure that you cite the Institute for Government correctly:

- In publications (e.g. academic articles, research or policy papers) you can footnote or endnote the interview you are quoting from as follows:

Transcript, [Name of Interviewee], [Date of Interview], Ministers Reflect Archive, Institute for Government, Online: [Web Address of Transcript], Accessed: [Download Date].

For example: Transcript, George Young, 21 July 2015, Ministers Reflect Archive, Institute for Government, Online: <http://www.instituteforgovernment.org.uk/ministers-reflect/person/george-young> . Accessed: 15 December 2015

- On social media, please hyperlink to the site: www.instituteforgovernment.co.uk/ministers-reflect You can also use #ministersreflect and mention us @instituteforgov if you are quoting from the archive on Twitter.
- Journalists wishing to quote from the archive are free to do so, but we do ask that you mention the Institute for Government as a source and link to the archive in online articles. Please direct any media enquiries to nicole@instituteforgovernment.org.uk

The Institute for Government is here to act as a catalyst for better government.

The Institute is an independent charity founded in 2008 to help make government more effective.

- We carry out research, look into the big governance challenges of the day and find ways to help government improve, rethink and sometimes see things differently.
- We offer unique insights and advice from experienced people who know what it's like to be inside government both in the UK and overseas.
- We provide inspirational learning and development for senior policy makers.

We do this through seminars, workshops, talks or interesting connections that invigorate and provide fresh ideas.

We are well placed for senior members of all parties and the Civil Service to discuss the challenges of making government work; and to seek and exchange practical insights from the leading thinkers, practitioners, public servants, academics and opinion-formers.

Copies of all the interviews undertaken as part of this project are available at:

www.instituteforgovernment.org.uk/ministers-reflect

© Institute for Government 2017

2 Carlton Gardens
London SW1Y 5AA

Tel: +44 (0) 20 7747 0400

Fax: +44 (0) 20 7766 0700

Email: enquiries@instituteforgovernment.org.uk

www.instituteforgovernment.org.uk

@instituteforgov

The Institute is a company limited by guarantee, registered in England No. 6480524
Registered Charity No. 1123926