



CONFIDENTIAL

file 26

Manpower

10 DOWNING STREET

From the Private Secretary

31 December 1980

BF 30.1.81.

JOINT DE/DHSS SCRUTINY OF UNEMPLOYMENT
BENEFIT

The Prime Minister was grateful for the minute from the Secretaries of State for Employment and Social Services dated 17 December on this scrutiny which, as you know, she regards as of first class quality and great importance.

The Prime Minister welcomes the urgency with which the handling of the report is being considered and looks forward to being consulted on the draft Government response (para. 5). She is pleased that the implementation of certain recommendations has in fact begun and agrees that there should be early relief of the pressure on local offices (para. 6).

4 Given the very substantial size of the improvements and savings recommended, the Prime Minister thinks it important that the good pace set by the Secretaries of State should be maintained. In particular she thinks that the draft Government response (para. 5) should be circulated to colleagues by the end of January; that the implementation of agreed recommendations should begin early and proceed speedily in accordance with a determined timetable (para. 6); and that the further analysis of pay periods (para. 7(ii)) should be completed at the latest by the beginning of Spring.

The Prime Minister agrees that the "one office" proposal is attractive (para. 7 (iv)). She herself found the arguments for basing the unified office on the Unemployment Benefit Office persuasive. Whatever is decided, accepting that the planning and transfer would take some time, she thinks that the decision in principle should be taken early in 1981 and at the very latest by the beginning of Spring.

The Prime Minister confirms her agreement with the established line on publication. However, she suggests that the Government should, when it does publish the report, take a positive line in introducing it and that a very firm emphasis should be placed on, among other things, the

/- hard work of

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- 2 -

- hard work of staff under existing arrangements
- scope for improving and rationalising the structure and procedures of the services provided
- savings to be achieved
- the timetable and plan for consultation and implementation.

I am copying this letter to Don Brereton (Department of Health and Social Security), John Wiggins (HM Treasury), Jim Buckley (Lord President's Office), Richard Prescott (Paymaster General's Office), Clive Priestley (Sir Derek Rayner's Office), and David Wright (Cabinet Office).

M. A. PATTISON

Richard Dykes, Esq.,
Department of Employment.

SP

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G.R.
Type flag B for me, please
3/1/82
1.
MA

PRIME MINISTER

Flag A is a minute from Messrs Prior and Jenkin, reporting their procedural proposals on the unemployment benefit scrutiny, as promised at the presentation.

I understand that there is a marked reluctance in DHSS to move fast on the major issues arising from the study. The minute certainly allows this interpretation - see for example the first sentence in paragraph 6, and sub-paragraphs 6(i) and 6(iv). The minute has a tone of urgency, but the detail shows that most of that urgency is devoted to further consideration, not to decisions. / yes!

Flag B is a draft Private Secretary letter, suggested by Sir Derek Rayner's office, designed to remove some of the procedural obstacles implied in the minute.

Content that I should respond on your behalf as in that draft?

MA

Will do! - yes
MA

23 December 1980



file with MATP

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Mr PATTISON

JOINT DE/DHSS SCRUTINY

1 Thank you for sending me a copy of the minute from Mr Prior and Mr Jenkin dated 17 December.

2 I attach a possible reply for you to send. I did try to check the line I am suggesting with DE officials but either they have been snatched up to heaven in a fiery chariot or they are playing hookey. I don't think it matters too much, however, as the feedback I had last week was pretty clear.

3 Please excuse the DIY typing - we are sans secretary today.

CP
C Priestley
23 December 1980

ENC: Draft letter to Mr Dykes

DRAFT OF 23 DECEMBER 1980

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R T B Dykes Esq
Department of Employment

JOINT DE/DHSS SCRUTINY OF UNEMPLOYMENT BENEFIT

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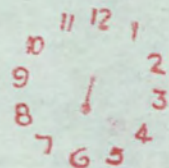
5 ^{line} The Prime Minister confirms her agreement with the established ~~line~~ on publication. However, she suggests that the Government should, when it does publish the report, take a positive line in introducing it and ~~that~~ a very firm emphasis should be placed on, among other things, the

- hard work of staff under existing arrangements
- scope for improving and rationalising the structure and procedures of the services provided
- savings to be achieved
- the timetable and plan for consultation and implementation.

6 I am copying this to John Wiggins (HM Treasury), Jim Buckley (CSD), Don Brereton (DHSS), Richard Prescott (PMG), Clive Priestley (Sir Derek Rayner's office) and David Wright (Cabinet Office).

M A Pattison

22 DEC 1980



PRIME MINISTER

JOINT DE/DHSS RAYNER SCRUTINY OF UNEMPLOYMENT BENEFIT

1 You will recall the recent presentation to you by this Rayner team. Afterwards you asked for an early report from us on how we intended to move ahead to deal with the team's findings.

The Report

2 We now have the team's final report. It runs to three volumes and several hundred pages with 81 recommendations. The team's 10 page summary is attached.

The Recommendations

3 The report's recommendations are in two groups. The bulk concern improvements in existing procedures in benefit and social security offices, Jobcentres and computer centres. Then there are the major recommendations on:

(i) registration

registration by the unemployed at Jobcentres to be voluntary; but accompanied by tests intended to be tougher on whether claimants are really available and looking for work. The team suggest that savings could reach 2,000 staff (less those needed for tightening benefit control).

(ii) pay periods

most of the unemployed now claim both unemployment benefit and supplementary benefit - the former paid partly in arrears; the latter wholly in advance. The report recommends that both should be paid on the same basis, whether in arrears or in advance. The team estimates savings of at least £17 million annually whichever basis is chosen.

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(iii) fraud

the report suggests that the minimum level of unemployed claimants who are fraudulent (ie working whilst drawing benefit) is 8%. It recommends introducing 750 more special investigators to combat this abuse, which it estimates would produce a net saving of at least £24 million. (See later note of caution in paragraph 7(iii)).

(iv) one office

the report recommends dealing with benefit claims from all the unemployed in one office by moving supplementary benefit work for this group out of social security offices into unemployment benefit offices which should continue to be run by DE. The team recognise that this proposal would take some years to implement. They put its cost at between £50 and £90 million, in order to achieve savings in the longer term of about 2,600 staff and £7-11 million in expenditure annually. The report also recommends reviewing whether the departmental responsibilities for policy on unemployment benefit and for running the present computer system should be transferred from DHSS to DE.

4 The team consider that full implementation of their recommendations would eventually save 5,000 staff. Overall annual savings would be between £75m and £80m annually.

Implementation

5 To get ahead urgently we have set up a senior official committee to oversee the handling of the report and consider what should be published. They intend, by early in the New Year, to have drawn up a draft Government response to the report for us to consider and discuss with colleagues. We intend this to set out our initial views on the major recommendations as well as a timetable for implementing the procedural changes by then agreed. We have yet to decide on publication of the report although we shall need to publish something. To publish

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in full could give publicity to loopholes in the benefit control system which the report identifies before we are able to close them. Whatever is published will serve as a basis for consultation with Parliament and other interested parties - particularly the Trade Union Sides.

6 Some of the recommendations raise major issues, cannot be easily separated from developments elsewhere in the social security field and implementation of those that are agreed could take a considerable time. Others can be implemented quickly, subject to consultation with the Trade Union Sides in both Departments after publication (though we have already acted on two where immediate change was obviously desirable and not subject to consultation). We shall introduce the agreed recommendations progressively taking account of the other pressures now on local offices. We want to move particularly quickly on those recommendations which would ease these pressures.

Our initial views on the major recommendations

Voluntary registration, availability and review

(i) The proposed move to voluntary registration is attractive, particularly as it saves staff, but we shall have to ensure that the proposed arrangements for checking on availability and willingness to work give, and are understood publicly to give, better benefit control. We shall also have to see that the Employment Service can, within the new framework, still give the help in job finding that the more difficult cases need. Savings will depend on how many claimants choose not to register and on whether helping the difficult cases calls for additional resources; the savings could be less than those suggested in the report.

Pay periods

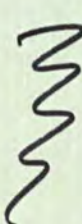
(ii) The team have highlighted an area which causes considerable confusion to claimants and also gives rise to substantial overpayments. We intend to move ahead urgently with a further analysis which the Team considered necessary so that we can take a final decision - bearing in mind the

possible adverse effects on claimants - on aligning these pay periods.

Fraud

(iii) We must take serious note of the team's conclusions that fraud amongst claimants is at a significantly higher level than previously acknowledged. This is clearly a very difficult problem which is going to need careful handling if we are to avoid adverse publicity. We would also sound a note of caution in using the team's 8% figure, because wider statistical sampling might not confirm it. We have of course already committed extra staff to tackle fraud more effectively. To go further down this road, as the team recommend, would no doubt be cost effective, but would require more staff which would have to be offset against other savings in the report.

One office

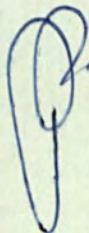
 (iv) We find the 'one office' concept attractive although exactly how it would work and whether it should be built on the unemployment benefit office, as the report recommends, or on the social security office will depend to some extent on other developments in social security benefits. Whatever is decided, however, full scale implementation of a move to one office would be bound to take some years. The questions of departmental responsibility for policy on benefits for the unemployed and for the benefit computers will depend on what we decide on administration and on the most cost effective way of computerising benefit work in the longer term.

Next steps

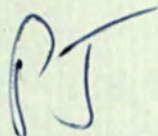
8 As soon as we publish our response to the report we shall enter into the talks with the Trade Union Sides in the two departments that are a necessary prelude to further action. In the meantime, if there should be leaks or enquiries ahead of publication, we intend to stick to the line already agreed; namely, that we are considering the report's recommendations prior to making public our preliminary views on them as a basis for consultation with those concerned; before that consultative

stage we do not intend to comment in any way on the report or on any of its recommendations.

9 We are sending copies of this minute to the Chancellor of the Exchequer, the Lord President, the Paymaster General, to Sir Derek Rayner and to Sir Robert Armstrong.

A handwritten signature in blue ink, consisting of a large, stylized loop with a small horizontal stroke extending to the right.

17th December 1980

Handwritten initials in blue ink, appearing as the letters 'PJ' with a long horizontal stroke extending to the right.

JP
PJ