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Prime Minister 2

This will no doubt  
elicit a Treasury response.You have a bilateral with  
Lord Young on Sunday.

JLW

30/10.

PRIME MINISTER

I am becoming increasingly concerned about the way in which running cost and manpower controls may be constraining us in developing programmes to meet our objectives in reducing unemployment and saving public expenditure in ways which are inevitably staff intensive.

Within my own department, the Restart counselling scheme is showing itself to be very successful both in helping long term unemployed people back into work and in reducing the unemployment count. The pilot programme looks set to demonstrate excellent value for money - the costs of running the programme more than covered by the continuing savings in benefit. Since July we have been running this nationally and the early indications are that the count effects are probably at least as good as in the pilot areas. The tougher availability for work testing which I have just announced looks like being another winner, making a significant impact on the unemployment count and paying for itself several times over in benefit savings. And you are already aware of the beneficial impact of my deployment of extra UBS staff to combat fraud.

What such programmes have in common is that they involve the deployment of extra staff, as an alternative to the deployment of large amounts of programme expenditure in the form of grants and allowances, in pursuit of our objective of reducing unemployment. That this sort of approach made sense, notwithstanding the increases in running costs and manpower

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involved, we recognised collectively over a year ago at the E(A)15th meeting. We still however have an in-built bias in our running costs and manpower control systems against these approaches even though we can demonstrate that this is a much more cost-effective way of reducing unemployment. Indeed the schemes we have recently introduced both reduce unemployment and yield considerable public expenditure savings. So far from representing any weakening in our controls, the reality is that we are using additional manpower resources to regain control over programme expenditure, and over the unemployment count, which we have been losing as the result of past 'efficiency' cuts involving reductions in manpower in the employment and benefit services. A glaring example is the earlier removal, in order to reduce civil service manpower, of compulsory registration by the unemployed, without any effective system put in its place at the time to test availability for work.

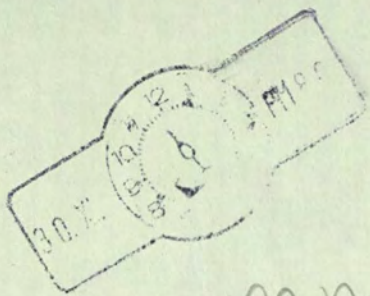
I am, of course, totally committed to containing and reducing administrative overheads. But I do think that we should find some way of identifying and distinguishing cases where we are in effect substituting manpower for much less cost-effective programme expenditure in order to reach our policy objectives. Certainly we should not let our self-imposed controls bind us in choosing the most effective weapons to secure a sustained reduction in unemployment and to obtain the associated reductions in benefit.

I am sending a copy of this minute to the Chief Secretary.

D Y

October 1986

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MANPOWER: Emp measur pt 14

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